

Research article

An Evaluation of the Outsourcing of Manual Sugarcane Cutting at a Company Operating in the Sugar Industry in Swaziland

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Abstract

Outsourcing, which is the practice of using outside firms to handle work normally performed within a company, is one of the strategies companies use to cut costs and/or improve efficiencies. It allows companies to focus on their core business competences. Kazmi (2009:156) states that outsourcing as a form of vertical disintegration is a management strategy whereby organizations decide to cease providing some service internally and contract it to outside suppliers for economies of production, cheaper, better and faster reasons. The Royal Swaziland Sugar Corporation Limited (RSSC) is one of the largest companies in Swaziland employing over 3 500 people. RSSC is owned by several hundred shareholders and is listed on the Swaziland Stock Exchange. In 2006, RSSC outsourced

the services of manual sugarcane cutting as a cost reduction strategy. No evaluation of the new strategy had been conducted.

Reports in the media indicated that subcontractors were unhappy with the terms and conditions under which they operated and this had caused dissatisfaction among the contractors' management. This had been characterised by poor work performance, industrial action by contractors' employees, and failure by contractors to meet their financial obligations. All these issues seemed to have negative effects to both RSSC and contractors. Therefore, it was important to conduct a study that would address the issues that seemed to affect the parties. These included evaluation of the cost, benefit and challenges of the RSSC's manual sugarcane cutting outsourcing strategy.

The aim of the study was to evaluate the outsourcing of manual sugarcane cutting at the RSSC. Objectives of the study were to investigate costs, benefits, determine challenges and suggest improvements on the outsourcing strategy. A quantitative case study approach was utilised. Data was collected through questionnaires and observations of selected individuals within the company. Data were analysed using SPSS statistical package. Results were presented graphical and tabular format.

Findings revealed and conclusions drawn that outsourcing was understood more by the directors of contractors and RSSC management than by other employee categories. The company (RSSC) was happy about the outsourcing initiative, but the same could not be said by the contractors as they were dissatisfied with the contracts duration and pay rates. The company benefits more than the contractors followed by the contractor directors while their employees benefitted the least.

Major recommendations made were:

- For future programming of outsourcing, this process should engage all stakeholders as a reach-out-strategy to the employees as it was noted that this process was well clear to a certain cadre (Directors and Senior Managers) as they managed to state the benefits of outsourcing.
- Reconsider contract duration and pay rates for purposes of sustainability and effectiveness of the strategy.
- There must be a win-win situation between company and contractors.
- Proper monitoring systems of the effectiveness and sustainability of strategy should be put in place by RSSC.

Keywords: Evaluation; Outsourcing; Industry; organizations; strategies; business establishments.

Introduction

Outsourcing, which is the practice of using outside firms to handle work normally performed within a company, is one of the strategies companies use to cut costs and/or improve efficiencies. It allows small and medium enterprises

(SMEs) to participate in the operations of large business establishments. It also allows companies to focus on their core business competences.

This chapter introduces the research and is divided into eight sections, covering the background and context to the study, research problem, aim and objectives of the study, research questions, the significance of the study, format of the study and finally the chapter conclusion.

Objectives of the Study

The study was guided by the following objectives:

- a) To examine the costs and benefits associated with outsourcing of manual sugarcane cutting.
- b) To determine the challenges that is encountered in the implementation of the strategy of outsourcing of manual sugarcane cutting.
- c) To establish how stakeholders can make improvements on outsourcing.

LITERATURE REVIEW

Introduction

This chapter gives an overview and provides knowledge and understanding on outsourcing at RSSC. It provides management approaches and challenges on outsourcing. The chapter also presents the cost - benefit analysis of outsourcing and show cause why it was the ideal decision to implore under the given situation. The study spells out and defines what outsourcing is in broad terms and in the context of manual sugar cane cutting, views of other scholars and definitions also outlined in this particular chapter. The theoretical findings of this chapter formed the basis from which research instruments and justifications for findings were established.

Business Objectives

Companies and businesses in general have profit maximisation as their main objective. They use various strategies to meet this objective. One of these strategies is outsourcing which helps to get efficiency from employees and create employment opportunities for specialists and small businesses (Parkin, 2005:21). Employers want efficiency and control from their employees. If agri-businesses require numerous departments, control and monitoring becomes tedious for administration, therefore, they develop systems that will ensure there is a balance. The formation of workers' unions in businesses has resulting in ever increasing benefits demanded from employers. This is through increased cost of living adjustments (sometimes above inflation). Increasing employee benefits has a great potential of increasing the company's cost of production, (Dlamini, 2007:4).

Outsourcing Defined

Outsourcing occurs when the firm transfers some of its recurring internal activities to outside providers with the arrangement specified in a formal contract (Lynch, 2006:196). Scholes, 2002:450) defines outsourcing as a process

that occurs where organisations decide to buy in services or products that were previously produced in house such as payroll, component manufacture, IT services and training. Kazma, (2009:156) states that when outsourcing takes place when organisations decide to stop or postpone making some part or component or cease providing some service internally and contract it to outside suppliers or manufactures. According to Fitzroy and Hulbert (2009:198), outsourcing occurs when they use outside market to buy in products or services rather than use the organisation's own resources to make them.

Outsourcing involves acquiring a capability from an external supplier that contributes to the focal firm's ability to create value for customers. Outsourcing is a popular strategic management tool that is being used by firms throughout the world, including a number of U.S. companies (Ireland et al 2008:84). Many arguments are made on both sides about the costs and benefits of outsourcing. Firms must decide whether outsourcing is positively linked to performance, what to outsource and to whom to outsource.

Outsourcing is the purchase of a value-creating activity from an external supplier.

Political Factors

Political or legal factors include environmental regulations and protection, consumer protection, employment law, competition regulation and international trade regulation. This includes issues such as how government policy and laws govern competition, and describes how planned legislation affects an organization. Since its inception in 1980, RSSC was made up of two independent companies, that is, Mhlume Sugar Company and Simunye Sugar Company. These companies merged and the major shareholder was Tibiyo Takangwane an organization that is politically highly influential in the kingdom of Swaziland. Its involvement with both companies had an impact on the operations of the business and the challenge was that management had to develop strategies to maximize profitability of the business while ensuring that they remain industry leaders. The inclusion of Tibiyo Takangwane always requires that the company observes some unique qualities and the workforce and management was aware of that impact.

There was also the threat by the west to withdraw preferential trade treatment on sales of sugar in international markets. This change was one of the factors that influenced RSSC to outsource some of its operations including the manual cane cutting operation. According to the Journal of South Pacific Law, (2007:176) the preferential trade for sugar coming from Africa and Central Pacific (ACP) countries would no more attract preferential prices from the European Union (EU) markets. This therefore meant that sugar from Swaziland would have to compete in the World market where prices were relatively lower than under the preferential trade agreement. As a result RSSC had to develop cost cutting strategies to avert and or minimize lost revenue.

Economic Factors

Economic factors to be considered are wage rate, inflation, monetary policy (interest rates), consumer spending, economic growth, and government spending just to mention a few. The factors outlined above can also be regarded as factors that influenced RSSC outsource its activities. The wage rate of the employees was escalation at a very high rate as there were a lot of benefits attached to wages and the union was demanding more. Outsource would remove the workers from RSSC's payroll and its economic effects. The sugar demand in the world markets encouraged RSSC to expand its capacity in terms of production and manufacturing. However, growth also has challenges associated with it. One of the challenges is that a company also needs to increase its work force to be able to match growth in the market. Due to the already large workforce that RSSC had this caused high operational cost. In order to counteract this challenge, one option that RSSC had to adopt was to outsource manual sugarcane cutting among other operations.

Socio-Cultural Challenges

Socio-Cultural factors include labour and social mobility, attitude towards work and leisure, education, health and welfare and income distribution among others. These trends affect customer preference on certain products and services. One of RSSC's major challenges on cane harvesting was the rate at which HIV/AIDS infections and sickness was growing. An HIV/AIDS prevalence survey report conducted by private institutions on the company employees revealed that infection rate was 42% and the most affected group was the seasonal employees who were mostly cane cutters and field workers. Absenteeism due to sickness was on the rise and medical expenses, which were provided free to company employees was escalating.

Furthermore, the level of education among youth who form the largest portion of the seasonal workforce was improving. Since the cane cutting job was so difficult and normally looked down upon the availability of workers was becoming a threat. Mechanization of the job was prevented by the cost and poor performances of alternative systems such as chopper/combined harvesters. This socio-cultural change meant that RSSC needed to improve its profitability and reduce its risk. In order to increase production and efficiency at a lower cost, RSSC found outsourcing as an option that could help it to achieve this objective at a reduced operational cost.

Technological Factors

Speed of technological transfer, new discoveries and development, energy use and cost, and changes in material science influence how technology affects production methods and consumer and labor demands. The advent of the combine harvester that was used for corn, maize and sugarcane harvesting had an effect on the cost of cane harvesting. It also gave the producers an alternative to labour usage. RSSC purchased two of such machines for its

operations. A study was conducted to compare its efficiency compared to manual cutting. The results revealed that there was high sucrose losses incurred when using this equipment when compared with manual cutting. A decision was made to stop its operation.

There being no alternative to cost reduction within the company's exposure the decision was to reduce costs through outsourcing of the manual cutting in order to gain competitive edge over its competitors.

Types of Outsourcing

Strategic Outsourcing, defined by Hill and Jones, (2005:168), involves separating out some of a company's value creation activities within a business and letting them be performed by a specialist in that activity (the specialist focuses on just this one activity). In other words, strategic outsourcing is concerned with reducing the boundaries of the company and focussing on fewer value creation functions. The activity to be outsourced may encompass an entire function, such as the manufacturing function, or it may entail an activity embedded within a function. For example, many companies outsource management of their pension systems, while keeping other human resource function activities within the company.

As defined by Sree (2012), vertical integration is that growth can be achieved via vertical integration by taking over a function previously provided by a supplier (backward integration) or by a distributor (forward integration). This is a logical strategy for a corporation or business unit with a strong competitive position in a highly attractive industry. To keep and even improve its competitive position through backward integration, the company may act to minimize resource acquisition costs and inefficient operations, as well as to gain more control over quality and product distribution through forward integration. The firm, in effect, builds on its distinctive competence to gain greater competitive advantage. The amount of vertical integration can range from full integration, in which the firm internally produces less than half of its supplies, to no integration, in which the firm uses long term contracts with other firms to provide key supplies and distribution. Outsourcing, the use of long-term contracts to reduce internal administrative costs, has become more popular as large corporations have worked to reduce costs and become more competitive by becoming less vertically integrated.

A firm can achieve vertical integration either internally or externally. Henry Ford, for example, used internal company resources to build his River Rouge Plant outside Detroit, Sree, (2012). The manufacturing process was integrated to the point that iron ore entered one end of the long plant and finished automobiles rolled out the other end into a huge parking lot. In contrast, DuPont, the huge chemical company, chose the external route to backward vertical integration by acquiring Conoco for oil needed in the production of DuPont's synthetic fabrics.

Although backward integration is usually more profitable than forward integration, it can reduce a corporation's strategic flexibility; by creating an encumbrance of expensive assets that might be hard to sell, it can thus create for

the corporation an exit barrier to leaving that particular industry. With sales of its auto declining, General Motors, for example, has resorted to offering outside parts suppliers the use of its idle factories and workers, Sree, (2012).

Vertical integration is the process in which several steps in the production and/or distribution of a product or service are controlled by a single company or entity, in order to increase that company's or entity's power in the marketplace.

Simply said, every single product that you can think of has a big life cycle. While you might recognize the product with the Brand name printed on it, many companies are involved in developing that product. These companies are necessarily not part of the brand you see.

Role of Outsourcing

Outsourcing is subcontracting a part of the process of a business to a third party company. This process could be in the form of market research, human resources, information technology, web design and development, real estate management, product design, customer service, engineering, accounting, product design, manufacturing etc. It involves transferring management or everyday activities of a business function to an external service provider.

A business may decide to outsource a part of its business process in order to make better use of its factors of production such as land, labor, capital, resources and information technology, conserve energy by taking advantage of the competencies of other businesses, lower cost, and make more efficient use of its time and energy.

Table 1: Comparison of Using In-house Resources and Outsourcing

In-house Resources	Outsourcing
Management control	Legal contract
Long-term people (can be developed; build experience; understand organization)	Focus on paying only for work you need
People are a hassle	No extra pay/commitment
<ul style="list-style-type: none"> • Contractual arrangements (talent expensive; overheads; large structure; hierarchy; support systems). • People are ambitious (require advancement; can go elsewhere – taking knowledge 	Range of options; <ul style="list-style-type: none"> • consultants (variable expertise; expensive) or • contingent work (usually ex-managers; best for operational work) or • Home workers (lower level/specialist; low overheads supervision issues) or subcontracting.

Source: Human Resource Management in a Business Context – Price (2004)

This suggests that it is relatively easier and more flexible in terms of control and costs to manage an outsourced operations rather than to do it in-house. *Costs, Benefits and Challenges of Outsourcing*

According to Irwin and Clark (2003:20), in reference to Wal-Mart, a cost benefit analysis is done to determine how well, or how poorly, a planned action will turn out in terms of its quantitative and qualitative costs as well as its quantitative and qualitative benefits. Although this principle can be used for anything, it is commonly used for financial analysis. Invariably the cost benefit analysis relies on addition of positive and subtraction of negatives to determine final outcomes. The most important trick of handling a cost benefit analysis is ensuring that all costs and benefits are included and properly quantified. It must, however, be noted that the cost benefit analysis approach has its own limitations when it comes to planned projects with a heavy weighting on qualitative costs/benefits that cannot be expressed in financial terms.

Fitzroy et al, (2009:197) observed that the decision whether to make rather than buy must be based on the result whereby the cost of using the market is higher than the benefits. Outsourcing is done whereby the outside provider can achieve economies of scale that in-house departments produce only for their own needs cannot. Internal or in-house inefficiencies are detected when the supply is outsourced. The downsides of outsourcing are that private information may be leaked. Such information may be crucial to the competitive advantage held by the organization. There also some transactional costs that can be avoided if activity is performed in-house.

Outsourcing can decrease overall costs as it stimulates new product development by engaging suppliers or providers whose talent may be superior to that of in-house personnel and in the process avoid idle capacity. It also enables a company to focus scarce resources on the areas where it holds a competitive advantage. It also enables the organization to tap into the knowledge and expertise of its specialised supply-chain partners; it adds critical skills and accelerates organizational learning, Dess et al, (2004)

Berggren and Bengtsson (2004:217), however, argues that pressure to reduce costs, enhance flexibility and limit risk exposure in high turbulent sections to corporate with other partners to build world leading competences. Hill and Jones (2005:318) also argue that outsourcing an activity will reduce costs when the price that must be paid to a specialist company to perform that activity is less than what it would cost the company to perform that activity internally. It is said that specialists may be able to perform an activity at a lower cost because they are able to realize scale economies or other efficiencies that are not available to the company. For example, performing basic personnel activities such as managing pay and benefit systems requires significant investments in information technology infrastructure.

There is differentiation obtained through outsourcing, as stated by Hill and Jones (2005:321). A company may also be able to differentiate its final product offering better by outsourcing certain noncore activities to specialists. For this to occur, the quality of the activity performed by the specialist must be greater than if that same activity was performed by the company. On the reliability dimension of quality, for example, a specialist may be able to achieve a lower error rate in performing an activity, precisely because it focuses on that activity and has accumulated competencies in total quality management for that activity.

Another advantage of strategic outsourcing as mentioned by Hill and Jones, (2005:321) is that it removes distractions and allows management of the company to focus both their attention and company resources on performing those activities that are most important for value creation and competitive advantage. Other things being equal, this focus allows companies to enhance their competencies in their chosen areas. Hill and Jones (2005:321) further explained that Cisco, for example, has developed competencies in product design, marketing and sales and supply chain management. But Cisco does not physically make the routers and switches it designs and sells; it does not even touch them, for they are delivered straight from the contract .

Example of Successful and Unsuccessful Outsourcing

According to Dess, et al. (2004; 18) further observed that companies such as (Blue Cross Blue Shield of South Carolina has successfully outsourced some of its services while concentrating on its core competencies. The insurer outsourced its website development to Open Network technologies and within a month, the site was ready to go. Within 30 days, 14 million Blue Cross Blue Shield customers had online access to the company's services. Blue Cross Blue Shield estimates that it would have taken at least six months if it had not outsourced the project.

Dess et al. further noted that companies like Kodak have had good and bad experiences with outsourcing. The company outsourced the consolidation of five mainframe data centres to IBM Global Services. At the time, it was one of the first major corporations to outsource its information technology (IT) functions. The consolidation was perfectly executed. But when Kodak decided to outsource its desktop systems support to Business Land, a small IT firm, things didn't go as well. In fact, it was a horrible experience for Kodak. Within three and one-half years left on a five-year contract with Kodak, Business Land filed for bankruptcy protection. Kodak was left without desktop support.

The point is that it is important for firms to do their homework about potential outsourcing partners. Financial instability, large differences in company culture and a host of other factors can make good opportunities go bad.

Outsourcing as stated by Applegate et al (2004) can be effective because few, if any, organizations possess the resources and capabilities required to achieve competitive superiority in all value chain activities and support functions. For example, research suggests that few companies can afford to develop internally all technologies that might lead to competitive advantage. By nurturing a smaller number of capabilities, a firm increases the probability of developing core competencies and achieving a competitive advantage because it does not become overextended. In addition, by outsourcing activities in which it lacks competence, the firm can fully concentrate on those areas in which it can create value.

The consequences of outsourcing cause additional concerns. For the most part, these concerns revolve around the potential loss of firms' innovative ability and the loss of jobs within companies that decide to outsource some of their work activities to others. Thus, innovation and technological uncertainty are two important issues to consider

when making outsourcing decisions. However, firms can also learn from outsource suppliers how to increase their own innovation capabilities. Companies must be aware of these issues and be prepared to fully consider the concerns about opportunities from outsourcing suggested by different stakeholders (e.g. employees). The opportunities and concerns may be especially significant when firms outsource activities or functions to a foreign supply source (often referred to as offshoring). Bangalore and Belfast are the newest hotspots for technology outsourcing, competing with major operations in other nations such as China. Yet IBM recently made the decision to keep outsourced activities in the United States instead of moving them to a foreign location, Applegate et al (2004).

In spite of the challenges alluded to, Applegate et al (2004:566) stated that an outsourcing vendor in the IT industry can save money for the customer in several ways. Drivers of outsourcing include the fact that; tighter overhead cost control since outsourcing vendors operate on leaner overhead structures than their customers, more aggressive use of low cost labour pools, more effective bulk purchasing and leasing arrangements, better arrangement of excess hardware capacity, more aggressive response time and management service to meet corporate standards and the ability to run the business professionally as their success is measured by satisfied customers who then recommend them to others.

Applegate et al (2004:561) further concluded that outsourcing arrangements, like marriage, were much easier to than to dissolve or sustain. For outsourcing to be successful both parties must make a sustained effort to work together. Major outsourcing programs typically involve large investments, higher stakes and overall management complexities.

RESEARCH METHODOLOGY

Introduction

This section focuses on the systematic way in which the research was conducted, looking at the research design, approaches to data collection, of data collection systems, tools used in the data collection and the study population and how they were selected. Sources and elimination of bias will also be discussed. The context in this study is RSSC, Harvesting unit and the units of analysis are, supervisory staff, clerical staff, RSSC management and contractor directors, from whom data was collected.

Target Population

The target population comprised of RSSC and contractor employees based in Simunye and Mhlume areas in Swaziland. These employees were drawn from management, supervisory and clerical staff. Using the RSSC and contractors database the target population for the study was established at 59 representatives. In order to be considered for the study the representative had to meet the following criteria:

- Ability to read and write
- Working in the harvesting (cane cutting) section

- Operational involvement in the business
- Accessibility to the researcher

The company (RSSC) used to employ 500 people both skilled and unskilled employees under the harvesting department.

50	44
100	79
150	108
200	132
250	151
300	168
400	196
500	217
750	254
1000	278

Source: Saunders et al 2003:156

Scope and Limitations of the Study

The proposed study was limited to the evaluation of the outsourcing of the manual cane cutting at the Royal Swaziland Sugar Corporation (RSSC) in Swaziland. Though there are a lot of departments who have an influence on the cane harvesting operations such as human resource, housing, and factory the study was limited to the harvesting department since it is directly involved with the activity. Access to the company's financial information might be restricted from outsiders; therefore, the study was limited to broad financial reports which might not give specific picture of the company's financial benefits or losses due to outsourcing. The study cannot be generalized to different companies as the environment, circumstances and size of the different organisations might not be the same.

Financial and time constraints were other major limiting factors in this study. More companies would be studied so as to get a clear picture and understanding of outsourcing in the sugarcane industry in Swaziland. An in-depth investigation would be conducted to find out why other companies, such as Ubombo Sugar Company and Tambankulu Estates, are not outsourcing the manual cane cutting of sugarcane.

RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

Introduction

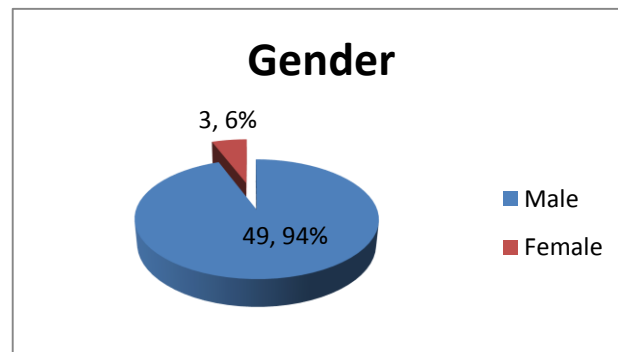
This section outlines the findings from the data collected on outsourcing and the roles of different players involved in the sugar industry. The findings are presented in tables, graphs and pie charts, categorising and quantifying the responses of the subjects. Inferences based on the quantified responses have also been made. Data is presented, analysed and interpreted in this section of the study.

4.2 Demographic Information

This section provides information regarding the respondents' gender, age, educational level, duration of stay in the sugar industry, their positions in the industry as well the language they use most of the time. It provides a basis to understand the nature of respondents that were engaged in the survey in relationship with their responses.

Gender

Figure 4.1: Gender of the Respondents



A total of 52 respondents participated in this study as shown in the graph above. The respondents comprised of 94% who were males and 6% were female. This shows that the majority of employees working for RSSC and contractor are male; a majority was males (49 or 94%). The few females (3 or 6%) were neither cane cutters nor directors but were Clerical Officers within the contractors. This was indicated by the 52 respondents (49 males and 3 females). This was regarded as being normal given that this was the sugar industry which involves manual cane cutting – a male dominated job. It is worth mentioning that some male respondents refused to participate in the study even after numerous attempts.

Age Group

Figure 4.2 above indicates that a majority of the respondents ranged between the ages 30 to 39 comprising of 44% with a few above the age of 50 years. The respondents were at varying ages, with the youngest being 17 years while the eldest was 68 years. The engagement of the respondents at the varying ages was a means to have a fair representation of respondents cutting across all age groups though a majority of the respondents were between 30 and 39 years of age (67.2%). However, no deliberate effort was made to target specific age groups within the sugar industry. The wide age range as outlined in Figure 4.2 was indicative that sugar cane cutting was not targeting a specific age group within the sugar industry given the span of the age range amongst the respondents.

Figure 4.2: Age Distribution of Respondents

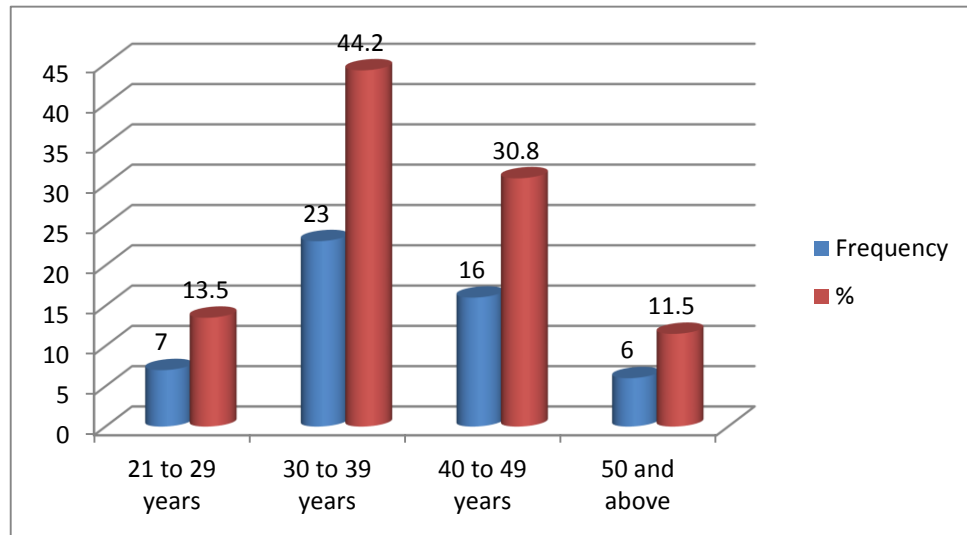


Figure 4.3: Language Spoken by the Respondents

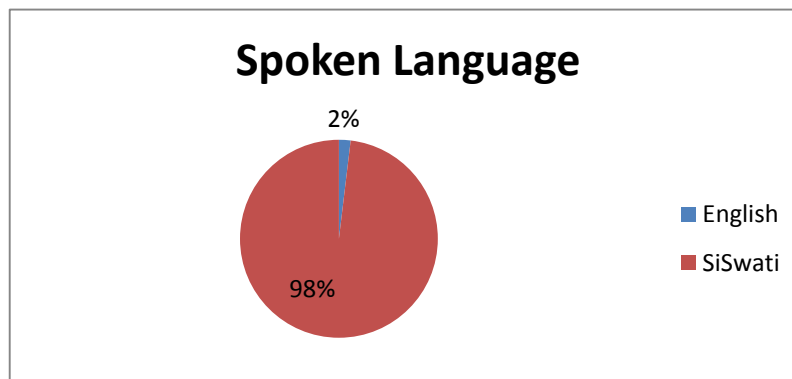


Figure 4.3 shows that almost all the respondents (98%) spoke siSwati with only one (2%) stating English as the language used in most times. It illustrates the distribution of respondents by language mostly used and worth mentioning is the fact that most of the respondents used siSwati for communication. This, however, does not imply that the respondents did not understand English or were illiterate.

Figure 4.4: Highest Level of Education Attained by the Respondents

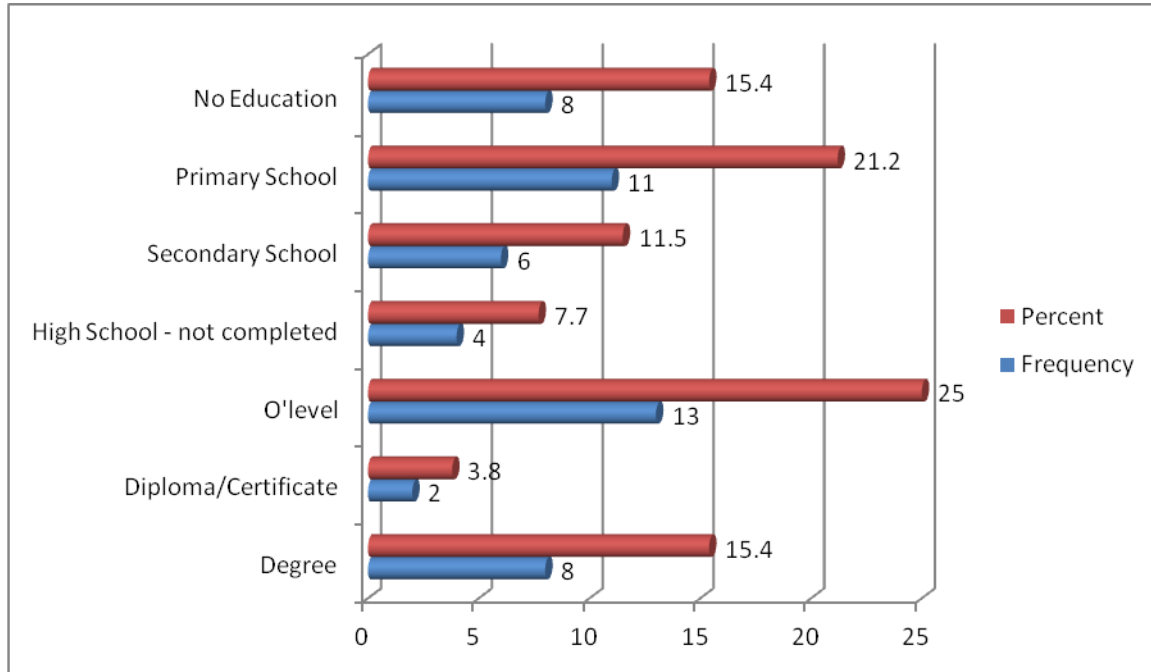


Figure 4.4 above indicates that the respondents were at varying educational levels with a majority of the respondents having some education (84.6%). Some respondents had never been to school (15.4%) while others were Diploma (3.8%) and Degree holders (15.4%). However, higher proportions were realized for respondents that have completed high school education (25.0%) as well as those that had completed primary school education (21.2%). This was a typical Swazi situation where a majority of the males in the sugar cane plantations only go up as far as high school level and then get absorbed into the sugar industry employment. Once in the sugar industry then they are equipped with different skills and afforded opportunities to further their education.

Figure 4.5: Distribution of Respondents by Type of Company

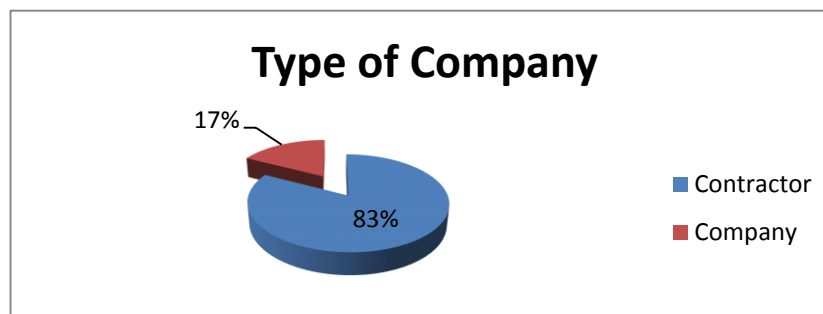
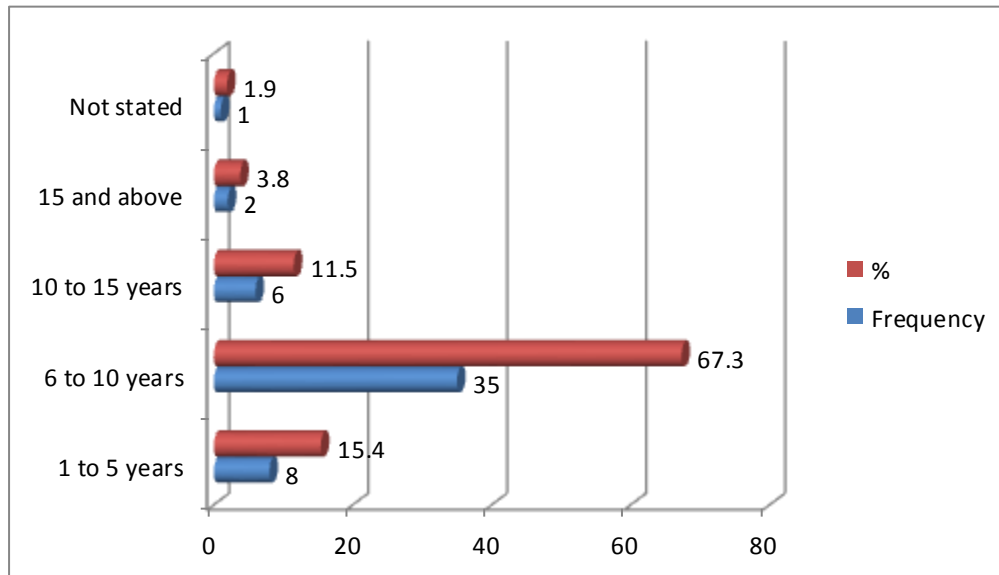


Figure 4.5 indicates that a majority (83%) of the respondents were employed by the contractors within the sugar industry. The company (RSSC) had 17% that participated in the study and these were strategic persons within the company.

Figure 4.6: Distribution of Respondents by Duration in the Service



When the respondents were asked to indicate their duration working in the industry, a majority (67.3%) indicated that they had been in this industry for a period ranging between 6 to 10 years. About 15.4% had been in this industry for a fewer years ranging between 1 and 5 years while 11.5% were over 10 years in the industry.

Figure 4.7: Positions of the Respondents in the Companies

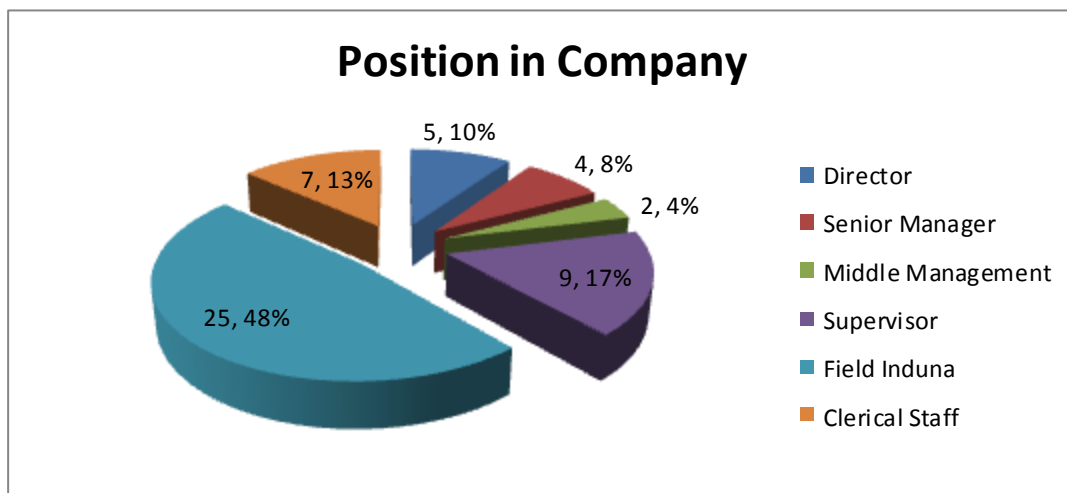


Figure 4.7 above shows that most of the respondents were Field Induna (48.0%), a cadre that only exists amongst the contractors. It was further noted that 17.0% of the respondents were supervisors within the contractors and the company. A total of 13% of clerical staff participated in this study and it was in this cadre where females were observed and these clerical staff was working for the contractors. It was also noted that a majority of the Directors participated in this study and they represented 10% of the respondents. It was noted that participants from the company (RSSC) were at senior and middle management level.

4.2.1 Summary on Demographics

- 52 respondents participated in the survey with 49 being males (94.0%) and 3 females (6.0%)
- The youngest respondent was 17 years while the eldest was 68 years.
- The majority of the respondents were between 30 and 39 years of age.
- A high proportion of the respondents having some education (84.6%), higher proportions were realized for respondents that have completed primary education as well as those that have completed high school education.
- 83% of the respondents are with the contractors and 17% are with the company.
- 67.3% of the respondents have been in the sugar industry for a period more than 6 years.
- All the respondents are in strategic positions in their respective places of employment.

4.3 Assessment of the Benefits Associated with Outsourcing of Manual Sugarcane Cutting

This section sort to ascertain the level of knowledge respondents have regarding outsourcing in terms of its processes, primary target that outsourcing is focusing on and the benefits.

Outsourcing occurs where organizations decide to buy in services or products that were previously produced in-house. Kazmi (2009:156) states that outsourcing as a form of vertical disintegration is a management strategy whereby organizations decide to cease providing some service internally and contract it to outside suppliers. The basis of outsourcing could be economies of production, cheaper, better and faster. Advantages of outsourcing according to Kazmi are: reduced capital and operational costs; freeing up assets for more productive use; enabling focus on activities in core competences areas and complementing resource base with outsourcing partner.

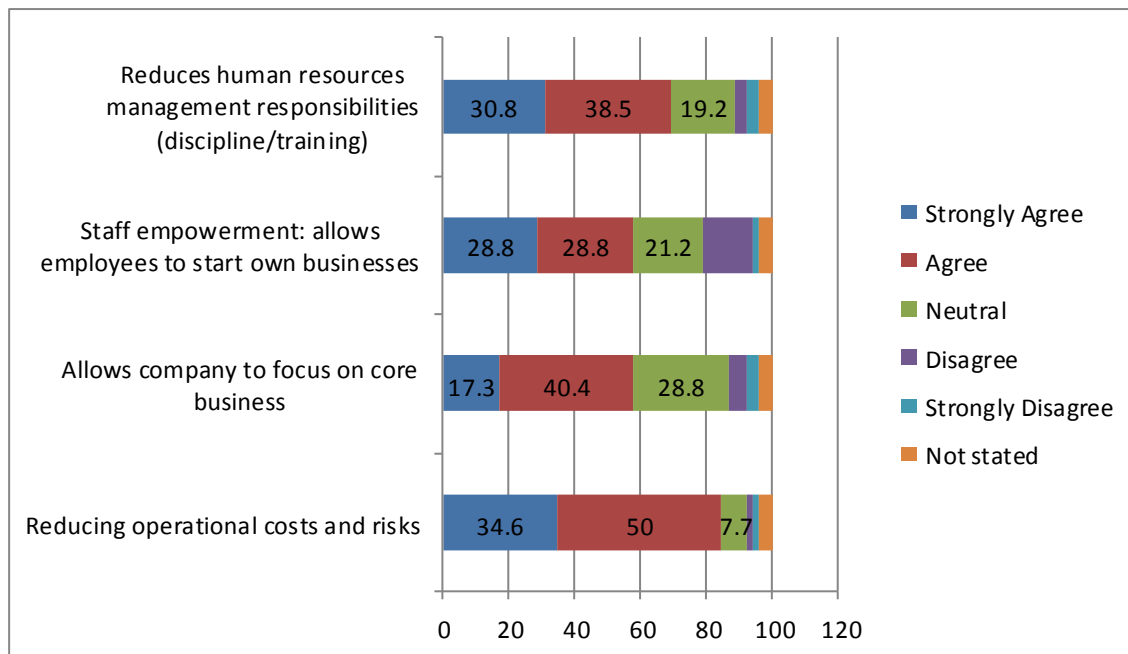
In a bid to ascertain perceptions of the respondents about the benefits of outsourcing, a question was asked on the benefits and the following responses were obtained as illustrated in figure 4.8.

The survey findings revealed that a high proportion (84.6%) of the respondents had an understanding of the costs and benefits of outsourcing that reduces operation costs and risks, with 34.6% strongly agreed whilst 50% agreed. However, 7.7% felt that outsource does not reduce operational costs. The findings agree with (Applegate et al, 2004:561) who state that major drivers of outsourcing were cost effective access to specialized systems development skills. However, Phadtare, (2011) observed that strategic managers need to study the impact of strategy such as outsourcing as this might have other negative effects to the organization. This means that RSSC and the contractors can come to negotiations on the price of this activity as the two entities both stand to benefit at the end of the day.

Another 57.7% of the respondents stated the benefit of outsourcing as that outsourcing allows company to focus on core business and of these 17.3% strongly agreed and 40.4% agreed, while 28.8% of the respondents were undecided. There were respondents who did not agree with this benefit marking a total of 13.5%. Price, (2004)

alluded to this notion and said outsourcing allows company the company to achieve the following benefits; reduction of employee related expenses and issues, achieve cost efficiencies, allows for greater internal flexibility, gain independence, increase focus on core business and gain access to expertise in multiple fields advance technology.

Figure 4.8: Perceptions of the Respondents about the Benefits of Outsourcing



There was another 57.6% of the respondent that mentioned the benefit on staff empowerment that allows employees to start their own businesses, 28.8% strongly agreed and 28.8% agreed and 21.5% of the respondents were undecided on this benefit. This is in relation to what Price, (2004), cited in their research on outsourcing. This means that RSSC and the contractors need to reach a consensus on the employees to be engaged for this particular activity as there is need for certain levels of expertise.

A total 69.3% of the respondents cited that another benefit of outsourcing was that outsourcing reduced human resources management, 30.8% strongly agreed and 38.5% agreed whilst 19.2% were not decided. Price, (2004), mentioned that with outsourcing the outsourcer focuses only on paying for work needed thus there is no need to manage human resources. RSSC was in a way doing away with this component of human resources management unfortunately the burden was inherited by the contractors.

Increasingly, companies are outsourcing significant parts or all of their operations, such as manual sugarcane cutting, due to concern for cost, quality, lagging performance, supplier pressure, and access to special technical skills, Applegate, Austin and McFarlan (2004:561). This was a positive attribute on the benefits of outsourcing within the sugar industry as it was well known by a majority of the respondents who were at a certain level in both the company (RSSC) and the contractors. This was indicative of the fact that the process was a management based

initiative that the respondents knew about and participated in as indicated by the number of respondents at management and directorate level that had correctly cited the benefits of outsourcing.

For future programming of outsourcing, this process should engage all stakeholders as a reach out strategy to the employees as it was noted that this process was well clear to a certain cadre as they managed to state the benefits of outsourcing. The approach should also be further explored as it was evidenced that the company (RSSC) benefited more than the contractors as respondents did mention of the fact that the company transferred its problems on manual sugarcane cutting to the contractors. For instance issues of cane cutters (management control), their welfare including working equipment, transport and housing were taken care of by the contractor who were bound by a legal contract and had to deliver according to the Contract's statutes. The only visible benefit to the contractor was that of being empowered into business ownership.

Other benefits as stated by Vetrano (2004:15) who also observed that outsourcing had become a way of doing business because of the compelling financial benefits, especially in human resources management which represents one of the largest costs in running a business. He, however, stated that the decision to outsource could not be based only on financial factors. Other factors critically impacting the outcomes of outsourcing had to be evaluated. These include time, quality of work, and loss of both expertise and confidentiality. Fitzroy and Hulbert (2009:198) noted that organisations outsourced if the product or service is cheaper to buy from an outside supplier than to make it in-house.

Outsourcing, according to the "Innovative Accounting Solutions" website can be defined as the long term contracting of a company's business process or processes to an outside service provider, helping to increase shareholder value by reducing costs of non-core functions. It further states that outsourcing allows the company to achieve the following benefits; reduction of employee related expenses and issues, achieve cost efficiencies, allows for greater internal flexibility, gain independence, increase focus on core business, and gain access to expertise in multiple fields advance technology.

4.3.1 Summary of Benefits of Outsourcing

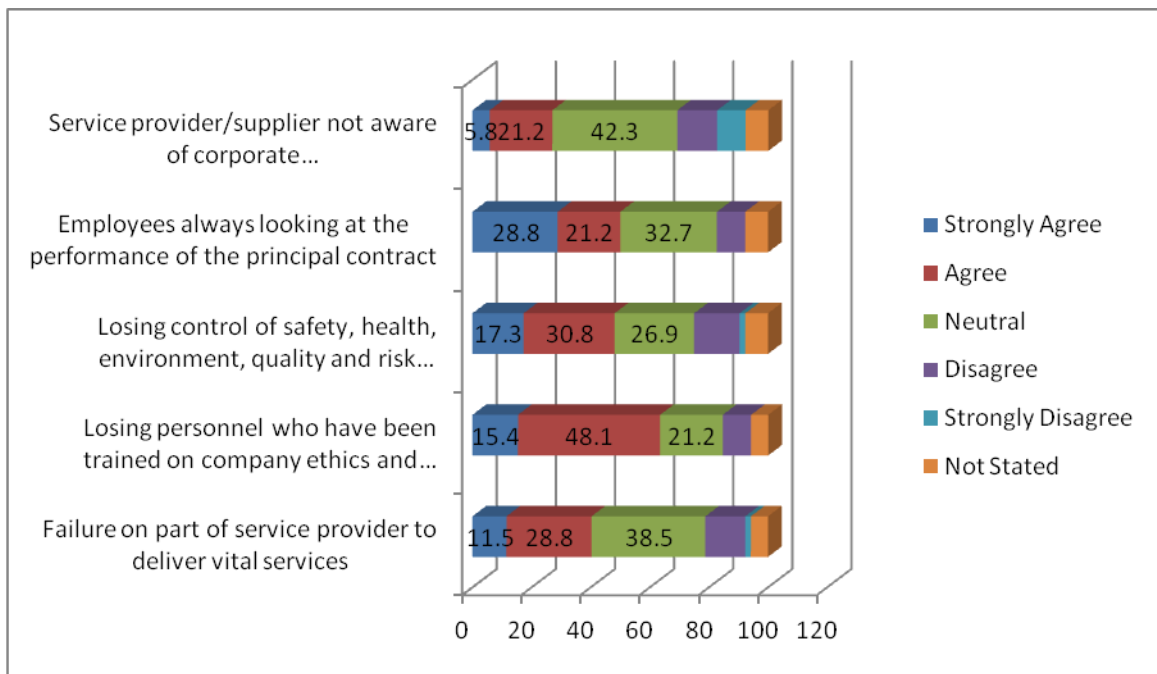
- High proportions of the respondents, mainly from management had an understanding of the benefits of outsourcing.
- Most beneficiary of outsourcing is the outsourcer, in this regard being the company RSSC as they were getting the service cheaper than they were before outsourcing.
- Outsourcing focuses on paying only for work you need; there was no hassle on people, overtime and welfare.
- Other beneficiaries were that the directors of the contractors, which in this case are the seven companies, had been empowered into business ownership.

4.4 An Assessment of Challenges Associated With the Implementation of Outsourcing of Manual Sugarcane Cutting at RSSC

Outsourcing can be a very bad strategy particularly to the workforce. Developed countries have a higher cost of doing business because they have Unions. The unions lobby for establishment of laws that safeguard the interests of the workforce (Low, 2006). The laws are not put into place to stifle businesses, but rather to promote better working conditions, fair compensations, and comfortable standards of living for the workers, (Low, 2006). Low, (2006) further observed that outsourcing does not appear to be the best way to cut operational costs due to poor quality work which might actually cost the businesses more in terms of revenues lost due to poor quality work.

Respondents were to choose responses from a list of pre-coded responses and their responses are as shown in figure 4.9 below.

Figure 4.9: Challenges Faced by the Respondents Associated with the Implementation of Outsourcing of Manual Sugarcane Cutting



From the major challenges associated with the implementation of outsourcing of manual sugarcane cutting, over 40% of the respondents were in agreement that there was failure at times on the part of the service provider to deliver vital and quality services, 11.5% strongly agreed and 28.8% agreed. However, 38.5% of the respondents were neutral on this challenge. Low (2006) observed that outsourcing does not appear to be the best way to cut operational costs due to poor quality work which might actually cost the businesses more in terms of revenues lost due to poor quality work.

About 63% of the respondents mentioned that outsourcing does bring about losses in personnel who have been trained on company ethics and understand the culture of the company and also had institutional memory, 15.4% - strongly agreed and 48.1% - agreed. When the outsourcing took place, the employees that were working in the department were retrenched. Some of the retrenched employees took up employment with the cutting contractors. About 20% of the respondents were not decided on this challenge. According to Price (2004), in the long term people (can be developed, build experience and understand the organization) are lost as a result of outsourcing and in the process vast expertise is lost. This compromises the quality of the product as under outsourcing the company only focuses on paying for work needed and is under contractual arrangements. Contractors employ people with no or less experience due to the fact that the experienced people are expensive and very difficult to manage. This came about when the respondents were asked on their experience in the sugar industry.

An average of 48% mentioned losing control of safety, health, environment, quality and risk as a challenge caused by outsourcing, 17.3% - strongly agreed and 30.8% agreed. They cited issues of getting new people who do not understand the environment thus in the process compromise SHEQR/ISO standards. As stated by Price (2004), new people employed by the contractors lack the expertise in the industry thus compromise these SHEQR/ISO standards set by the company. The people who know these standards are the Directors and partly management of both the company RSSC and the contractors and this does not cascade to the employees. The reasons why these contractors go for the home workers are because they are not specialist and will be easy to supervise and have low overheads.

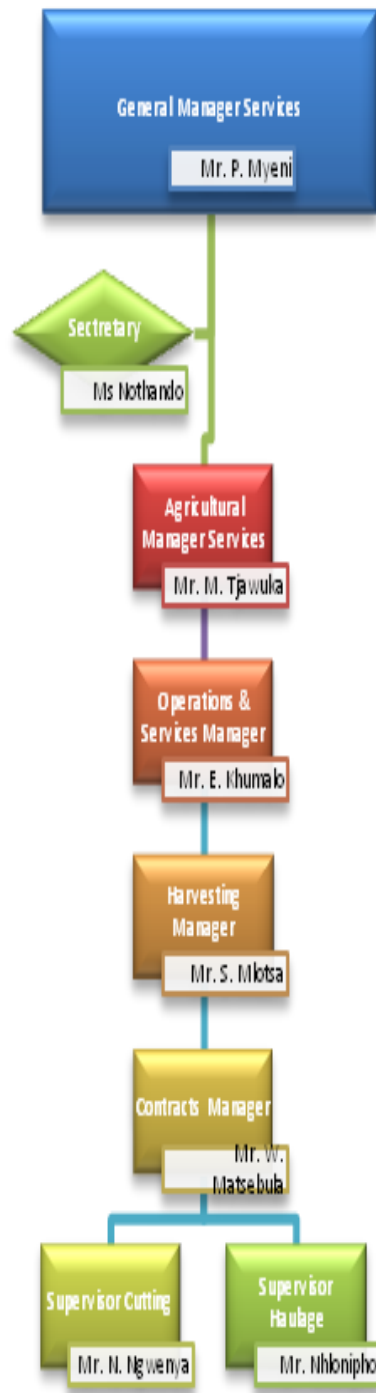
Approximately 50% of the respondents mentioned the challenge of employees looking at the performance of the principal contract as the employees cannot sign a contract beyond the life of the principal one, 28.8% - strongly agreed and 21.2% -agreed. For instance if the contractor was given a three year contract, as is currently the case, then employees will receive contracts of three years or less. Over 30% of the respondents were not decided about this challenge.

Another key challenge of outsourcing is centered on the reporting protocol and is illustrated in the figure below, where 28% of the respondents were of that view, of these 5.8% strongly agreed and 21.2% agreed:

Figure 4.10: Services Department Organogram (Harvesting Only) – Before Outsourcing



Figure 4.11 Services department Organogram (Harvesting only) – After Outsourcing



Before outsourcing the reporting lines were much simpler and quite easy to follow as shown in the organogram above and after outsourcing there have been some additional reporting lines and controls. The structure looks more “top heavy” which is likely to be more expensive for the company. Duplication of responsibilities is a likely result.

In the process the employees feel some loss in the sense of belonging thus not sure whether they work for the company (RSSC) or the organizations.

4.4.1 Summary on Challenges Associated with Outsourcing

- Issues of management control being transferred by the company to the contractors.
- A loss in experienced workers as a result of outsourcing and in the process vast expertise is lost.
- Failure on the part of the service provider to deliver vital and quality service.
- Losing control of safety, health, environment, quality and risk as a challenge caused by outsourcing.

4.5 Assessment of General Strategies to Maximise Benefits/Reduce Challenges of Outsourcing at RSSC

Companies and businesses in general have profit maximisation as their main objective and they use various strategies to meet this objective. One of these strategies is outsourcing which helps to get efficiency from employees and create employment opportunities for specialists and small businesses (Parkin, 2005:21). Employers want efficiency and control from their employees. If agri-businesses require numerous departments, control and monitoring becomes tedious for administration, therefore, they develop systems that will ensure there is a balance. The formation of workers' unions in businesses has resulted in ever increasing benefits demanded from employers. This is through increased cost of living adjustments (sometimes above inflation). Increasing employee benefits has a great potential of increasing the company's cost of production, (Dlamini, 2007:4).

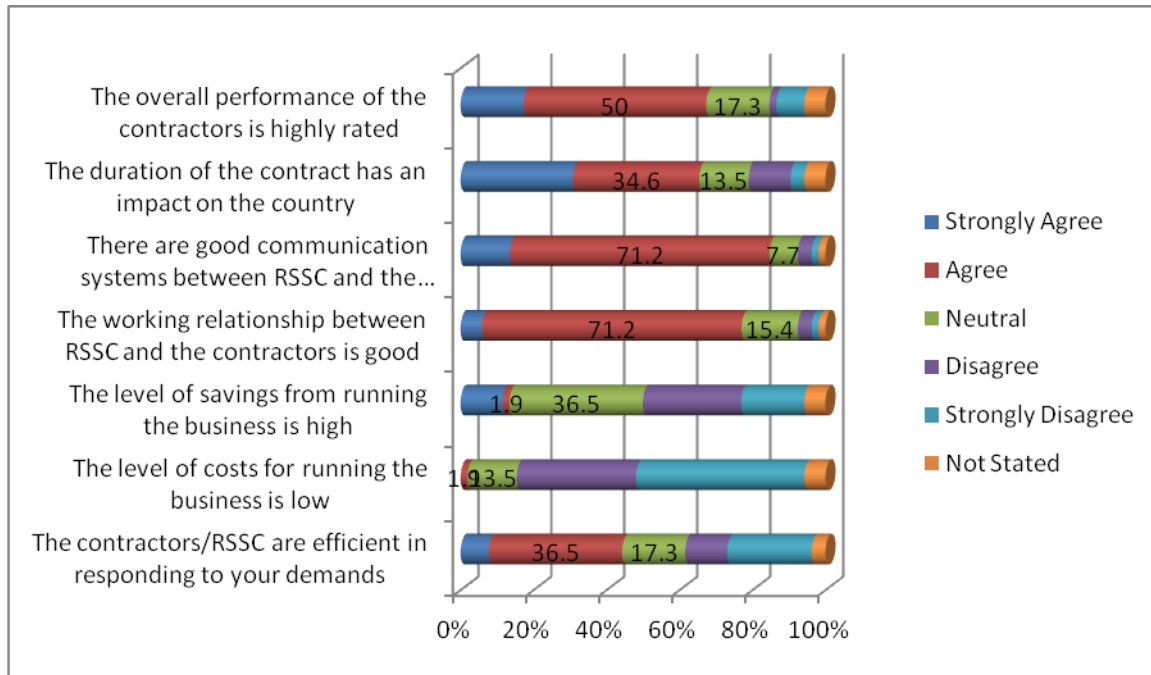
To help maintain this both the company and the contractors should ensure they come up with strategies to maximize benefits and also reduce the challenges of outsources. Worth noting is that the two entities have to reach a compromise as they are both in business and are all about profit making, one decides the fate of the other in terms of duration of contract, amounts to be paid and standards to be followed in a bid to produce quality work. Respondents were required to come up with these strategies that had already been drawn from the pilot study conducted prior the data collection of this evaluation. The respondents gave the following responses as illustrated in figure 4.10 below.

Over 40% of the respondents were of the notion that both the contractors and the company (RSSC) were still efficient in responding to the demands of the employees. However, there were about 36% of the respondents who disagreed to the notion. Very few of the respondents did not state their response on this strategy, and about 17% were undecided. According to Chakrabarty, (2006), the service quality can be understood as how best an organization conforms to the requirements of its customers in terms of product or service. In this case both the contractors and the company do take care of the needs of the employees for them to perform.

On the level of costs, almost all the respondents 78.9% were totally against the notion of lower operation costs for running the business. The respondents did not agree to this as they argued that the level of costs were basically higher than as stated thus contractors were operating at a loss at times. Over 44% of the respondents disagreed with

the notion on savings made from running the business; they said there were lower savings made if not minimal. They were saying there are no savings made as the contractors operate at a loss thus if this is the case then where would the savings come from?

Figure 4.12 General Strategies to Maximize Benefits and/or Reduce Challenges of Outsourcing by the Respondents



This is also attested by Dlamini, (2007:34), where he stated outsourcing had very little to do with economizing and a great deal to do with quality. Many consider the qualitative benefits to be more important than the cost savings. Quality is one of these qualitative benefits that outsourcing organizations enjoy, but should be careful not to force their clients into higher quality service than they need as it might be unnecessarily costly.

About 75% of the respondents were happy with the relationship between the company (RSSC) and the contractors whilst very few cases registered their unhappiness with the relationship. As earlier stated, these two entities both operate as businesses thus are into making money and in the process generate profits thus there is need for a good working relationship. They both need each other for work to continue and sustaining business. The company is the one that offers business to the contractors and in turn the contractors provide services to the company.

A higher percentage of the respondents (84.7%) were happy with the communication systems between the company and the contractors with a few disagreeing or rather unhappy with the communication systems between the two parties. The contractors are aware of their operating periods and what happens on a daily basis between the company and them. Sadler, (2003), stated that partnership sourcing has an impact on how the purchasing function thinks of key issues such as cost versus price; long term versus short term; quality control versus quality checks; single

sourcing versus multiple sourcing; and adversarial versus collaboration. This is achieved when both parties realize that the relationship is on sound footing and that it will continue as such for the foreseeable future.

There were over 60% of the respondents who agreed with the notion of the duration of the contract that it had an impact on the company and this could either be negative or positive. About 67% of the respondents highly rated the overall performance of the contractors, with only less than 10% disagreeing with the rating. Applegate et al (2004), concluded that outsourcing arrangement, like marriage, were much easier to than to dissolve or sustain. For outsourcing to be successful both parties must make a sustained effort to work together.

4.5.1 Summary on General Strategies to Maximize Benefits and/or Reduce Challenges of Outsourcing

- Conformity by the parties involved to the requirements of its customers in terms of product or service.
- Ensuring that quality is maintained as quality is one of these qualitative benefits that outsourcing organizations enjoy.
- Both parties should realize that the relationship is on sound footing and that it will continue as such for the foreseeable future (relationship building and management).
- For outsourcing to be successful both parties must make a sustained effort to work together.

4.6 Other Aspects of Outsourcing the Job Relating to Level of Satisfaction

Respondents were further asked to state the most interesting things they like and or dislike on their job about outsourcing and this was done in a bid to ascertain other benefits that might have been missed earlier on. In this instance respondents were not restricted in terms of answering, they had to mention what they liked and the responses were then coded and are as illustrated in table 4.1 below.

Table 4.1 Most Interesting Thing on the Job about Outsourcing

Most Things Liked on Outsourcing	Frequency	Percent
None	39	75.0
More people employed by contractors than RSSC	5	9.6
Operations at the moment	1	1.9
Task shifting	4	7.7
Good working relationship between RSSC and contractors	3	5.8
Total	52	100.0

A majority of the respondents opted to remain undecided on what they found or perceived most interesting on the job about outsourcing as 75% of them said none. The remaining 25% cited task shifting; good working relationships; operations as most interesting things. Some respondents were happy that more people have been employed by the contractors than the company (RSSC).

4.7 Things Disliked about the Job about Outsourcing

Respondents were further asked to state things they disliked on their job about outsourcing and this was done in a bid to ascertain other challenges that might have been missed earlier on. In this instance respondents were not restricted in terms of answering, they had to mention what they liked and the responses were then coded and are as illustrated in table 4.2 below.

Table 4.2 Disliked Things about the Job about Outsourcing

Dislikes	Frequency	Percent
None	26	50.0
Contractors are not honest	2	3.8
Missing things that were there before	2	3.8
RSSC wanted to make money	11	21.2
Low salaries for employees	7	13.5
Risks now directed to contractors	2	3.8
Safety not a priority and needs not met	1	1.9
Tender awarded to people with no experience	1	1.9
Total	52	100.0

About 50% of the respondents mentioned that there was nothing that they disliked about the job on outsourcing. The remaining 50% did mention things they disliked ranging from dishonesty on the part of contractors; awarding of tender to people with no experience; risks directed to contractors and the fact that the company wanted to make more money.

4.8 General Information on Outsourcing

Outsourcing occurs where organizations decide to buy in services or products that were previously produced in-house, (Johnson and Scholes, 2002:450).

Respondents were then asked to state in general information on outsourcing and their feelings about the whole process and exercise. Table 4.3 gives an account on the responses and general information from the respondents.

Table 4.3 General Information on Outsourcing

More information on Outsourcing	Frequency	Percent
None	37	71.2
RSSC was unfair to cane cutters	1	1.9
RSSC is involved in setting standards for contractors	1	1.9
RSSC outsourced to give business to Swazis	5	9.6
Contractors give low salaries and no benefits	1	1.9
It was better whilst we were employed by RSSC	3	5.8
RSSC makes savings	3	5.8
Contractors have challenges attracting workers	1	1.9
Costs transferred to someone else	1	1.9

Kazmi, (2009:156) states that outsourcing as a form of vertical disintegration is a management strategy whereby organizations decide to cease providing some service internally and contract it to outside suppliers. The basis of outsourcing could be economies of production, cheaper, better and faster. Advantages of outsourcing according to Kazmi, (2009) are: reduced capital and operational costs; freeing up assets for more productive use; enabling focus on activities in core competences areas and complementing resource base with outsourcing partner.

There were a number of respondents who did not give out information as they claimed to have none as represented by about 71% of the respondents. There were other respondents who cited that the company (RSSC) outsourced to give business to Swazis, in a way ploughing back to the nation and this was cited by about 10% of the respondents. Other respondents were still bitter, they made mention of the fact that life was better before outsourcing and this was cited by about 6% of the respondents. Worth mentioning is the fact that there were respondents who cited that the company is making huge saving as a result of this exercise and this was cited by about 6% of the respondents.

Conclusion

This chapter outlined the findings from the data collected on outsourcing and the roles of different players involved in the sugar industry. The findings were presented in tables, graphs and pie charts, categorising and quantifying the responses of the subjects. Inferences based on the quantified responses were made and data was presented, analysed and interpreted in this section of the study.

CONCLUSION AND RECOMMENDATIONS

Introduction

This chapter supplies the detailed discussions on the findings from the study and recommendations for further study were *Findings from the Study*

The survey findings revealed that a high proportion (84.6%) of the respondents had an understanding of the costs and benefits of outsourcing that reduces operation costs and risks. The findings agree with Applegate et al, (2004) who state that major drivers of outsourcing were cost effective access to specialized systems development skills. However, Phadtare, (2011) observed that strategic managers need to study the impact of strategy such as outsourcing as this might have other negative effects to the organization. This means that RSSC and the contractors can come to negotiations on the price of this activity as the two entities both stand to benefit at the end of the day.

Another 57.7% of the respondents stated the benefit of outsourcing as that outsourcing allows company to focus on core business. Price (2004), alluded to this notion and said outsourcing allows company the company to reduce employee related expenses and issues, achieve cost efficiencies, allows for greater internal flexibility, gain independence, increase focus on core business and gain access to expertise in multiple fields advance technology.

Another 57.6% of respondents that mentioned the benefit on staff empowerment that allows employees to start their own businesses. This is in relation to what Price (2004), cited in their research on outsourcing. This means that RSSC and the contractors need to reach a consensus on the employees to be engaged for this particular activity as there is need for certain levels of expertise.

A total 69.3% of the respondents cited that another benefit of outsourcing was that outsourcing reduced human resources management. Price, (2004), mentioned that with outsourcing the outsourcer focuses only on paying for work needed thus there is no need to manage human resources. RSSC was in a way doing away with this component of human resources management unfortunately the burden was inherited by the contractors.

From the major challenges associated with the implementation of outsourcing of manual sugarcane cutting, over 40% of the respondents were in agreement that there was failure at times on the part of the service provider to deliver vital and quality services. However, 38.5% of the respondents were neutral on this challenge. Low, (2006) observed that outsourcing does not appear to be the best way to cut operational costs due to poor quality work which might actually cost the businesses more in terms of revenues lost due to poor quality work.

About 63% of the respondents mentioned that outsourcing does bring about losses in personnel who have been trained on company ethics and understand the culture of the company and also had institutional memory. When the outsourcing took place, the employees that were working in the department were retrenched. Some of the retrenched employees took up employment with the cutting contractors. According to Price, (2004) in the long term people (can be developed, build experience and understand the organization) are lost as a result of outsourcing and in the process vast expertise is lost. This compromises the quality of the product as under outsourcing the company only focuses on paying for work needed and is under contractual arrangements. Contractors employ people with no or less experience due to the fact that the experienced people are expensive and very difficult to manage. This came about when the respondents were asked on their experience in the sugar industry.

An average of 48% mentioned losing control of safety, health, environment, quality and risk as a challenge caused by outsourcing. They cited issues of getting new people who do not understand the environment thus in the process

compromise SHEQR/ISO standards. As stated by Price, (2004) new people employed by the contractors lack the expertise in the industry thus compromise these SHEQR/ISO standards set by the company. The people who know these standards are the Directors and partly management of both the company RSSC and the contractors and this does not cascade to the employees. RSSC and contractors should organize information sharing mechanisms with the employees and this could be in a form of policies and standards that could be accessible or communicated to the employees on a regular basis.

Approximately 50% of the respondents mentioned the challenge of employees looking at the performance of the principal contract as the employees cannot sign a contract beyond the life of the principal one. For instance if the contractor was given a three year contract, as is currently the case, then employees will receive contracts of three years or less. Contractor need to negotiate with the company the duration of the principal contract as this impact on the employees and in the process end up losing the skilled employees to other competing companies with better remunerations and contracts.

Over 40% of the respondents were of the notion that both the contractors and the company (RSSC) were still efficient in responding to the demands of the employees. According to Chakrabarty, (2006) the service quality can be understood as how best an organization conforms to the requirements of its customers in terms of product or service. In this case both the contractors and the company do take care of the needs of the employees for them to perform.

On the level of costs, almost all the respondents 78.9% were totally against the notion of lower operation costs for running the business. The respondents did not agree to this as they argued that the level of costs were basically higher than as stated thus contractors were operating at a loss at times. They were saying there are no savings made as the contractors operate at a loss thus if this is the case then where would the savings come from?

This was also attested by Dlamini, (2007:34) where he stated outsourcing had very little to do with economizing and a great deal to do with quality. Many consider the qualitative benefits to be more important than the cost savings. Quality is one of these qualitative benefits that outsourcing organizations enjoy, but should be careful not to force their clients into higher quality service than they need as it might be unnecessarily costly.

About 75% of the respondents were happy with the relationship between the company (RSSC) and the contractors whilst very few cases registered their unhappiness with the relationship. As earlier stated, these two entities both operate as businesses thus are into making money and in the process generate profits thus there is need for a good working relationship. They both need each other for work to continue and sustaining business. The company is the one that offers business to the contractors and in turn the contractors provide services to the company.

A higher percentage of the respondents (84.7%) were happy with the communication systems between the company and the contractors with a few disagreeing or rather unhappy with the communication systems between the two

parties. The contractors are aware of their operating periods and what happens on a daily basis between the company and them. As stated by Sadler, (2003) partnership sourcing has an impact on how the purchasing function thinks of key issues such as cost versus price; long term versus short term; quality control versus quality checks; single sourcing versus multiple sourcing; and adversarial versus collaboration. This is achieved when both parties realize that the relationship is on sound footing and that it will continue as such for the foreseeable future.

There were over 60% of the respondents who agreed with the notion of the duration of the contract that it had an impact on the company and this could either be negative or positive.

About 67% of the respondents highly rated the overall performance of the contractors, with only less than 10% disagreeing with the rating. Applegate et al, (2004) concluded that outsourcing arrangement, like marriage, were much easier to than to dissolve or sustain. For outsourcing to be successful both parties must make a sustained effort to work together.

Findings from Primary Research

Using the data presented and interpreted in the previous chapter, this chapter restates the purpose and research questions of the study, and provides a summary of the findings. It also provides conclusions and recommendations based on the findings of the study.

The aim of the study was to evaluate the outsourcing of manual sugarcane cutting at the RSSC. It investigated costs, benefits, challenges and improvements associated with the outsourcing strategy. Data was collected through interviews and observations of selected individuals within the company and the contractors. The findings will then be used to make recommendations to the company and other stakeholders. The study aimed to evaluate the effectiveness of outsourcing to the company (RSSC) and the contractors.

The focus in this section was on these three key questions; a) was the company happy about outsourcing; are the contractors happy; who actually benefits from this?

The study was guided by the following objectives:

- a) To assess costs and benefits associated with outsourcing of manual sugarcane cutting.
- b) To determine challenges on that are encountered in the implementation of the strategy of outsourcing of manual sugarcane cutting.
- c) To establish and recommend how stakeholders can make improvements on outsourcing.

Based on the survey findings, the following conclusions were drawn from the survey. This research has shown that outsourcing was a concept that was understood more by the management than by other employee categories. The company was happy about the initiative of outsourcing manual sugar cane cutting but the same cannot be said about the contractors as they are displeased with the duration of the contracts as well as the pay rates. In as far as

benefiting was concerned, the company benefits more than the contractors but again the contractor directors benefit through this than their employees.

On the benefits of outsourcing, the survey findings revealed that a high proportion of the respondents had an understanding of the costs and benefits of outsourcing that reduces operation costs and risks. Other respondents stated the benefit of outsourcing as that outsourcing allows company to focus on core business. There were respondents that mentioned the benefit on staff empowerment that allows employees to start their own businesses. Lastly some of the respondents cited that another benefit of outsourcing was that outsourcing reduced human resources management.

On the issues of challenges brought about through companies outsourcing, the respondents mentioned quite a number of the challenges and the major challenges associated with the implementation of outsourcing of manual sugarcane cutting, a number of respondents were in agreement that there was failure at times on the part of the service provider to deliver vital and quality services resulting to poor quality work or product delivered. Another challenge mentioned by the respondents is that outsourcing does bring about losses in personnel who have been trained on company ethics and understand the culture of the company and also had institutional memory.

There were respondents who mentioned losing control of safety, health, environment, quality and risk as a challenge caused by outsourcing. There were other respondents who also mentioned the challenge of employees looking at the performance of the principal contract as the employees cannot sign a contract beyond the life of the principal one that is having shorter durations in contracts. Lastly there was the challenge of outsourcing is centered on the reporting protocol.

The fact that some of the employees could not understand what outsourcing was, and how it came about, shows that this was a management decision that did not cascade down to all levels of staff. Relevant people like the employees more so the cane cutters and the clerical staff were left out in this communication. Certain sects among the people were for outsourcing and others were against the process claiming that it favors most the employer as opposed to the employee.

Conclusions Costs and Benefits Associated with Outsourcing of Manual Sugarcane Cutting

The survey findings revealed that a high proportion of the respondents had an understanding on the benefits of outsourcing. The study confirmed that the benefits of outsourcing are more on the company side as opposed to the contractors and these had to do with reduced capital and operational costs; freeing up assets for more productive use; enabling focus on activities in core competences areas and complementing resource base with outsourcing partner. The company also transferred a number of its costs to the contractors and these include among other things staff welfare issues in the form of medical aid, housing, food, transport, protective clothing and other things. The contractors are bound by contractual statutes thus have to deliver either at the available cost or extra but not paid for

by the company. For instance there is a fixed period of cane cutting at RSSC, should the contractors lag behind in performing their dues, RSSC's expectations are clear, and they have to put in extra hours at their costs not RSSC.

Increasingly, companies are outsourcing significant parts or all of the manual sugarcane cutting due to concern for cost, quality, lagging performance, supplier pressure, access to special technical skills, Applegate, Austin and McFarlan, (2004:561). This was a positive attribute on the benefits of outsourcing within the sugar industry as it is well known by a majority of the respondents who are at a certain level in both the company and the contractors. This is indicative that the process is a management based initiative that the respondents know of and participate in as indicated by the number of respondents at management and directorate level that have cited the benefits of outsourcing.

Other benefits as stated by Vetrano, (2004:15) also observed that outsourcing has become a way of doing business because of the compelling financial benefits, especially in human resources management which represents one of the largest costs in running a business. He, however, stated that the decision to outsource could be based only on financial factors. Other factors critically impact the outcomes of outsourcing and must be evaluated. These include time, quality of work, loss of expertise and confidentiality. Fitzroy and Hulbert, (2009:198) noted that organisations outsource if the product or service is cheaper to buy from an outside supplier than to make it in-house.

Outsourcing, according to the "Innovative Accounting Solutions" website can be defined as the long term contracting of a company's business process or processes to an outside service provider, helping to increase shareholder value by reducing costs of non-core functions. It further states that outsourcing allows the company to achieve the following benefits; reduction of employee related expenses and issues, achieve cost efficiencies, allows for greater internal flexibility, gain independence, increase focus on core business, and gain access to expertise in multiple fields advance technology.

Challenges that are encountered in the Implementation of the Strategy of Outsourcing of Manual Sugarcane Cutting

It also confirmed that knowledge, in practice, was most often skewed towards certain people at a certain level as some respondents had problems of understanding what outsourcing meant. The shortcoming was revealed in the limited sharing of information by the company management as well as the contractors' directorate as expressed by inadequate responses from the supervisors, tindvuna and clerical staff of the contractors on outsourcing.

Outsourcing can be a very bad strategy particularly to the workforce. From the major challenges associated with the implementation of outsourcing of manual sugarcane cutting, there is at times failure on the part of the service provider to deliver vital and quality services. Low, (2006) observed that outsourcing does not appear to be the best way to cut operational costs due to poor quality work which might actually cost the businesses more in terms of revenues lost due to poor quality work.

Outsourcing does bring about losses in personnel who have been trained on company ethics, SHEQR/ISO standards and understand the culture of the company and also have institutional memory. When the outsourcing took place, the employees that were working in the department were retrenched. Some of the retrenched employees took up employment with the cutting contractors. According to Price, (2004) in long term people (can be developed, build experience and understand the organization) are lost as a result of outsourcing and in the process vast expertise is lost. This compromises the quality of the product as under outsourcing the company only focuses on paying for work needed and is under contractual arrangements. Contractors employ people with no or less experience due to the fact that the experienced people were expensive and very difficult to manage.

The challenge of employees looking at the performance of the principal contract as the employees cannot sign a contract beyond the life of the principal one. For instance if the contractor is given a three year contract then employees will receive contracts of three years or less.

Developed countries have a higher cost of doing business because they have Unions. The unions lobby for establishment of laws that safeguard the interests of the workforce. The laws are not put into place to stifle businesses, but rather to promote better working conditions, fair compensations, and comfortable standards of living for the workers, (Low, 2006).

Performance Improvements on Outsourcing

Both the contractors and the company (RSSC) were still efficient in responding to the demands of the employees. According to Chakrabarty, (2006) the service quality can be understood as how best an organization conforms to the requirements of its customers in terms of product or service. In this case both the contractors and the company do take care of the needs of the employees for them to perform.

On the level of costs the respondents argued that the levels of costs were basically higher than as stated thus contractors are operating at a loss at times. They stated that there were no savings made by the contractors. This was also attested by Dlamini, (2007) where he says outsourcing had very little to do with economizing and a great deal to do with quality. Many consider the qualitative benefits to be more important than the cost savings. Quality was one of these qualitative benefits that outsourcing organizations enjoyed, but should be careful not to force their clients into higher quality service than they need as it might be unnecessarily costly.

The relationship between the company (RSSC) and the contractors was a healthy one. As earlier stated, these two entities both operate as businesses thus were into making money and in the process generate profits thus there was need for a good working relationship. They both needed each other for work to continue and sustaining business. The company was the one that offered business to the contractors and in turn the contractors provide services to the company.

There was some alluding to the communication systems between the company and the contractors. The contractors were aware of their operating periods and what happened on a daily basis between the company and themselves. As stated by Sadler, (2003) partnership sourcing had an impact on how the purchasing function thinks of key issues such as cost versus price; long term versus short term; quality control versus quality checks; single sourcing versus multiple sourcing; and adversarial versus collaboration. This was achieved when both parties realize that the relationship is on sound footing and that it would continue as such for the foreseeable future.

There was a concern though on the duration of the contract that it had an impact on the company and this could either be negative or positive. Applegate et al, (2004) concluded that outsourcing arrangement, like marriage, were much easier to than to dissolve or sustain. For outsourcing to be successful both parties must make a sustained effort to work together and for extended periods.

Drivers of outsourcing included; tighter overhead cost control since outsourcing vendors operate on leaner overhead structures than their customers, more aggressive use of low cost labour pools, more effective bulk purchasing and leasing arrangements, better arrangement of excess hardware capacity, more aggressive response time and management service to meet corporate standards and the ability to run the business professionally as their success is measured by satisfied customers who then recommend them to others.

Recommendations

In view of the fact that both the company RSSC and the contractors need to work in harmony, with clear deliverables by each party thus the following recommendations were made:

- For future programming of outsourcing, this process should engage all stakeholders as a reach-out-strategy to the employees as it was noted that this process was well clear to a certain cadre (Directors and Senior Managers) as they managed to state the benefits of outsourcing.
- The approach should also be further explored as it is evidenced that the company (RSSC) benefited more than the contractors as respondents did make mention of the fact that the company transferred its problems on manual sugarcane cutting to the contractors.
- Reconsider duration of the principal contract awarded to the contractors as this has an impact on performance.
- Ensuring that the pay rates are competitive and beneficial to the contractors (Directors and employees) instead of the company only.
- Avail financial information, to analyze the situation before outsourcing (in-house) and during outsourcing.

Areas of Further Research

A more rigorous study on evaluating outsourcing that would cover the whole sugar industry including other companies that had not yet outsourced manual sugar cane cutting needs to be undertaken. This should be in form of comparative study to compare performance, benefits and challenges for outsourcing and doing the business in-house versus outsourcing.

Conclusion

The aim of the study was to evaluate the outsourcing of manual sugarcane cutting at the RSSC in a bid to ascertain costs, benefits, challenges and improvements associated with the outsourcing strategy. The study revealed that the company, RSSC transferred a number of its costs to the contractors. These include staff welfare issues (medical aid, housing, food, transport, protective clothing). The company does not pay for any additional costs incurred by the contractors. The contract period is too short hence the contractors are not able to commit and fulfil their medium to long-term financial obligations. This poses a risk in the sustainability of both the businesses and the RSSC outsourcing strategy.

The study confirmed that the benefits of outsourcing are more on the company side as opposed to the contractors. The company pays a fixed rate to the contractors that do not take into consideration all the recurring costs fluctuations incurred by the contractors. The company also has no obligation to human resource demands.

The study further revealed that the main challenge of outsourcing was the loss of experienced and well trained/skilled personnel who have vast understanding of company ethics, operational standards, company culture and institutional memory.

Finally to recommend that the company should provide training/induction of new contractors, retain experienced contractors and review the contract period (from three to five years) in order to avoid introducing new inexperienced contractors on a regular basis.

NOTE:

This paper is extracted and compiled from the dissertation submitted in 2013 by the principal author to the Regent Business School, Durban, South Africa for the award of the Masters Degree in Business Administration (MBA).

The supervisor of the dissertation was George Hove who is attached to the Regent Business School, Durban, South Africa, as supervisor and examiner.

The manuscript was edited and compiled by Professor Anis Mahomed Karodia, Regent Business School, Durban, South Africa, for publication as a journal article.

The entire bibliography is cited and contains the references used in the compilation of this article.

If a copy of the full dissertation is required kindly request giving reasons as to why the full dissertation is required.

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