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UNIVERSITY POSTGRADUATE PROGRAMMES**



Effects of Outsourcing the performance of mining companies in Zambia. A case study of Konkola Copper Mines plc

By

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A dissertation submitted to the University of Zambia in collaboration with Zimbabwe Open University in partial fulfilment of the requirements for the award of the Degree of Master of Business Administration

THE UNIVERSITY OF ZAMBIA

2018

DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration general and that, to the best of my knowledge, it contains no material which has been accepted for the reward of any other degree of the University, except where due acknowledgement has been made in the text.

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To my classmates, the journey was long but the end beckoned us. Getting to the finish line was not easy. Thank you for your encouragement, and the moral support i received from you throughout my studies. To the research participants from Konkola Copper Mines plc, thanks a lot. I also wish to appreciate all individuals whose help contributed to the realization of this document, thank you very much and God bless you all.

DEDICATION

I dedicate this dissertation to my loving sisters Mwenya, Siphiwe and Besa for their moral and financial support, together with Dr Muchemwa for equipping me with theoretical knowledge and encouragement on how to write this dissertation.

ABSTRACT

This research examined the effects of outsourcing on the performance of mining companies in Zambia, with the case study being Konkola Copper Mines plc. The objectives of the study were to find out the reasons behind outsourcing, to ascertain the perceived effectiveness of outsourcing and to determine the effect of outsourcing on productivity of employees. A descriptive research design was adopted in this study. Simple random sampling was used to select the 68 questionnaire participants. Quantitative data resulting from the questionnaires was analysed using Statistical Package for Social Sciences (SPSS) and Excel. Based on the findings, the reasons for outsourcing by KCM ranged from deliberate downsizing which had the highest mean of 3.33 to others which scored 1.05. It also emerged that employees perceive outsourcing not to be effective, the findings where that , with regards to cost effectiveness the majority 52.4% (22) disagreed, on Increase in production the majority 52.4% (22) as well disagreed, on Quality of the business process 40.5% (17) disagreed, while on Responsiveness the majority 42.9% (18) disagreed, on flexibility 40.5% (17) disagreed and on reliability and dependability 45.2% (19) disagreed that outsourcing was effective and the resulting average mean score of 2.66 which on the Likert scale is between disagreeing and not being sure that outsourcing has being effective in KCM. Further, the effect of outsourcing on employee productivity the majority 45.8% where highly dissatisfied, on organization commitment the majority 24.9% where not sure as well and on communication the majority 23.4% fairly agreed that there was effective communication from these findings it was clear that outsourcing did not have a positive effect on employee productivity. From the findings this study recommends that mining companies re-evaluate the reasons why they are outsourcing because it should not only be about cost reduction also effective communication is cardinal before the implementation of outsourcing, employees need to have the necessary information on their contribution and role in the organization when they are outsourced and finally the study recommended that mining companies device ways and means of improving employee motivation This is because motivation is most hurt by outsourcing if employees are not engaged by management during and after its implementation.

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CHAPTER ONE

1.0 INTRODUCTION

In today's global business environment, firms are facing increasing competition in terms of new technology and corporate restructuring, such factors force firms to seek and sustain competitive advantages by emphasizing on profitability and productivity of each department. Outsourcing has become an international phenomenon in order to provide businesses with a competitive edge in a global market. According to Statista (2017) outsourcing was 88.9 billion U.S dollars global industry in 2017, with significant emphasis on three broad areas logistics, sourcing and distribution services, information technology services and business process outsourcing (BPO) in areas such as call centers, financial transaction processing and human resources management, according to this research the main reasons given for outsourcing are cost reduction, followed by efficiency improvement and reduction in headcount, continuing a well-established trend.

1.1 Background

Konkola Copper Mines plc a leading Zambian integrated copper producer was previously controlled by the Zambian government through the Zambia Consolidated Copper Mines (ZCCM) until its privatisation in 2000. KCM was initially acquired by Anglo American from 2000 to 2002 and subsequently Vedanta Resources a London listed diversified resource and mining company became the main shareholder in 2004. Vedanta Resources owns 79.4% of KCM shares and the rest are owned by the Zambian government through the Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH). KCM operations are located in the Copperbelt region of Zambia; specifically, KCM operates underground mines and open pit mines as well as metallurgical plants with operations located at Nchanga, Konkola, Nkana and Nampundwe. KCM currently employs more than 12000 employees with 46% being outsourced labour. There are several large mines in Zambia which include Mopani Copper Mines, Lumwana Copper Mine, Kansanshi Copper Mine, Chibuluma Mines, Chambeshi Metals and Non Ferrous Metals. In addition, there are several small mines. This study will focus on KCM which is one of the largest Copper mine on the Copperbelt.

This study has been necessitated by several concerns raised by members of the public, trade unions and the Zambian government with regard to the effect outsourcing is having on the Zambian mining industry, considering the fact that the copper mining industry in Zambia still

remains the engine that drives the economy, according to the International Council on Metals and Mining (2016), statistics it showed that 86% of the foreign direct investment that came into Zambia was due to the mining industry, 80% of the country's export earnings came from the mining industry, as well as over 25% of all revenues collected by government. The mining industry contributed more than 10% to the GDP, and more than 1.7% of all formal employment in the country. These parameters show that Zambia's reliance on the mining industry is way above that of other countries that are similar to Zambia in terms of their dependence on the extractive industries.

Since the decision to privatize the Zambian Copper Mining Industry in 1991, the global environment in which the Copper Mines operate has undergone major changes. Many of the pressures on businesses are contradictory and to achieve success, Management, needs to maintain a healthy balance between the diverse needs of the different stakeholders. Before the privatization, the mining sector had declined largely due to lack of investment and fluctuating copper prices. This negatively affected the Zambian economy. The economy was experiencing negative growth, production of copper and government revenue had plummeted, the country was experiencing high levels of inflation, unemployment and mining towns on the copper belt were turning into ghost towns. New investors have pumped in a lot of money in the Zambian mining industry by revamping old mines and opening new mines, this has led to the revival of the mining sector.

Mining companies are driven to conduct a few functions in-house and to obtain the rest from other avenues through aggressive outsourcing. Outsourcing however is not a new concept. Firms already started outsourcing in the 1970s, with a major wave of outsourcing starting in the early 1990s (Quelin and Duhamel, 2003). However, the nature of the functions being outsourced is changing radically. Traditionally, outsourcing was restricted to support activities cleaning, security and information technology provision. Today, mining firms are increasingly outsourcing strategic functions that are relatively more crucial to their business such as new mining and ore processing. Sivakumar et al (2014) confirm that, "outsourcing has become a major corporate trend in the mining sector internationally." Companies outsource mine construction, engineering, procurement as well as outsourcing underground construction, maintenance and the design of mine waste management facilities. Companies even outsource the mining such as drilling and

blasting. The outsourcing industry for mining is increasingly competitive as companies struggle to find quality contractors in some parts of the world (Montiea, 2015). Therefore, the outsourcing decision is influenced by the ability of an organization to invest in developing a capability and sustaining a superior performance position in the capability relative to competitors. Processes in which the organization lacks the necessary resources or capabilities internally can be outsourced. Organizations can access complementary capabilities from external providers where they can gain no advantage from performing such processes internally.

Outsourcing is prevalent in the retail and manufacturing industries, whereas mining is one of the industries with the lowest propensity for outsourcing, this is due to the fact that, historically, mining has been quite a protected industry, unlike manufacturing and retail where there is a fierce competitive environment which has forced companies to be more innovative with regard to their business models. In a commodity-based business in this case mining, outsourcing has become a potential solution to overcome two main challenges, namely cost and the acquisition and retention of skilled people (McIvor et al 2008). In apparent contradiction with conventional outsourcing theory, which dictates that companies should focus outsourcing efforts on non-core competencies, many mining companies have considered outsourcing their mining operations such as drilling, blasting, loading and hauling - the very core of their business (Quelin and Duhamel, 2003).

Mining companies are continuously looking to implement newer operation models into practice, finding more ways of increasing productivity, reducing costs and improving effectiveness. Mining is labour intensive, therefore in order for a mining company to achieve its objectives the performance of employees is critical. According to Belcourt, (2006) "a firm's human resource management (HRM) practices and the kind of workforce help attain organisational competitiveness." HRM is the organisational function that enhances creativity, innovation, speed, flexibility, and efficiency of the workforce to transform them into organisational assets. Human resource management is now highly recognised as a strategic lever for the organisation in creating value. However, Huselid et al (2005) argues that outsourcing some functions may reduce competitive advantage. He points out that some functions are seen as cost centers but other may create value as part of a firm's strategic infrastructure. From a strategic perspective, recruiting and selection are important activities in the firms in order to select talents. If outsourcing these firm-specific skills may hinder the ability of the firms to develop unique

competencies within their workforce. Therefore, outsourcing is found to limit the development of distinctive competencies and to create inefficiencies because agencies may lack of firm-specific knowledge and engage in opportunistic behaviour.

This case study will discuss the key aspects associated with outsourcing in mining industry in Zambia. Outsourcing trend in the mining sector is expected to increase, according to a 2016 report by the Copperbelt Trade & Development Forum (CTDF) the recent attempted move by Vedanta's KCM to outsource more than 4,000 mine workers to JCHX and other contractors is a direct contradiction of government's labour reforms and the national decent work agenda which must be probed extensively. The current levels of casualisation in the mining industry is already alarming at about 70% with an estimated workforce of 85, 000 which represents 0.8% of the total labour force in Zambia against a poverty rate of 54.4% and an estimated population of 15 million people supported by 10% formal sector jobs. Furthermore, the average salary of 320 US dollars for majority ordinary and pensionable mineworkers is below the basic needs basket which if subjected to casualized slave wages will fall below the PAYE taxable threshold with a negative impact on domestic revenue mobilization as it amounts to wage evasion. Outsourcing in the mining industry in Zambia has evolved from outsourcing peripheral activities like security or cleaning to more strategic activities like drilling, hauling, maintenance and even mining. Therefore, this industry sector is offering interesting facets for outsourcing as a practice due to the remote locations, mine lifecycle, limited and specified supply market and challenging production. Furthermore, the growth of the mine industry is important economic factor for Zambia it is therefore important to understand the effect outsourcing is having on the performance the mining industry in Zambia.

1.2 Statement of the problem

Outsourcing in the mines has received remarkable attention ever since the announcement by KCM that it plans to outsource its entire workforce. The mining industry is highly dependent upon skilled manpower, it is therefore important to understand the effect outsourcing is having on the performance of companies. Aldelsberger et al (2008) maintain that organizations resort to outsourcing mainly because it is the general trend without assessing the cost benefit analysis. Since the privatisation of mines in Zambia, the rate of outsourcing has been increasing, mining companies maybe blindly embracing the practice of outsourcing without a critical analysis of the

effect of the same simply because it is working elsewhere. This study seeks to establish the effect outsourcing is having on the performance of mining companies in Zambia.

1.3 Aim or Purpose of the study

The research also analyses how outsourcing affects companies' performance and asks if outsourcing is beneficial to a company's shareholders, to its staff and to the industry in the long-term.

1.4 Study Objectives

- i. To find out the reasons behind KCM plc outsourcing employees.
- ii. To ascertain the perceived effectiveness of outsourcing by KCM employees
- iii. To determine the effect of outsourcing on productivity of KCM employees

1.5 Research questions

- i. What are the reasons behind KCM outsourcing employees?
- ii. What is the perceived effectiveness of outsourcing by KCM employees?
- iii. What is the effect of outsourcing on the productivity of KCM employees?

1.6 Delimitations of the study

Delimitation addresses how a study will be narrowed in scope and how it is bounded. Accordingly, the delimitations of the study were that, only KCM and contractor employees working at KCM sites in Chililabombwe, Chingola, Kitwe and Nampundwe with not less than 1 year contract of employment were considered for the research. The perceptions of these groups would likely not skew the data, unlike those with less than 1 year contract of employment. A single case study was adopted on KCM as result of limited time available for executing this research. Therefore, generalizing findings from this study to other companies especially mining must be done with utmost care and comparative analysis.

1.7 Significance of the study

The study on the effects of outsourcing on the performance of KCM is important because it will help the mining companies engaged in the practice to assess the impact of outsourcing on their performance. The mining industry in Zambia is critical to the overall performance of the country's economy. It will provide government with more insight to reviewing policies of companies outsourcing their operations since it impacts on job creation which is important to the development of the country.

This research will further educate businesses about outsourcing, ensuring that if the goal of an organization is to engage in this mode of operation all options are well analyzed. The study will further help mining companies to understand how outsourcing is perceived by employees which is vital to its successful implementation. It also intends to provide the academic community with information that will help students studying in the related field access for reference purposes.

1.8 Scope of the study

Research questionnaires on the effect of outsourcing on the performance of KCM were administered to management and the general workforce. This being a case study the research was confined to KCM.

1.9 Operational definitions

The following are the definitions of the key words that are used in this study;

Outsourcing is an umbrella term that includes a variety of sourcing options with different characteristics and for different business objectives. This research follows Heywood, (2001) broad specification of outsourcing, which indicates that outsourcing involves choosing a third party or an outside supplier to perform a task, function, or process,

Mining is the removal of valuable raw materials or other geological materials from the earth and the removal of soil.

Contractor a person or business, including authorized subcontractors, that provides products or services for monetary compensation. A contractor furnishes supplies and services, or performs work at a certain price or rate based on the terms of a contract.

Employee A person who works in someone else's business for wages paid by that business

Performance the general employee behaviour that is formally evaluated that is part of employees' duties and responsibilities or expectations.

Productivity it is a measure of performance that takes into account the cost of achieving a given performance level.

Organization productivity the capacity of an organization, institution, or business to produce desired results with a minimum expenditure of energy, time, money, personnel, and materials.

1.10 Ethical considerations

The university requires everyone undertaking research with human subjects to seek and obtain ethical approval before commencing the fieldwork. I therefore obtained ethical approval from the University of Zambia Committee with approval number 2018-July-003. The researcher strictly followed the code of ethics provided by the university for all students conducting field research with human participants and obtained consent from each of the research participants. The researcher explained to participants what the research is all about and why the information was needed. In order to maintain confidentiality, names of participants will not appear in the report.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

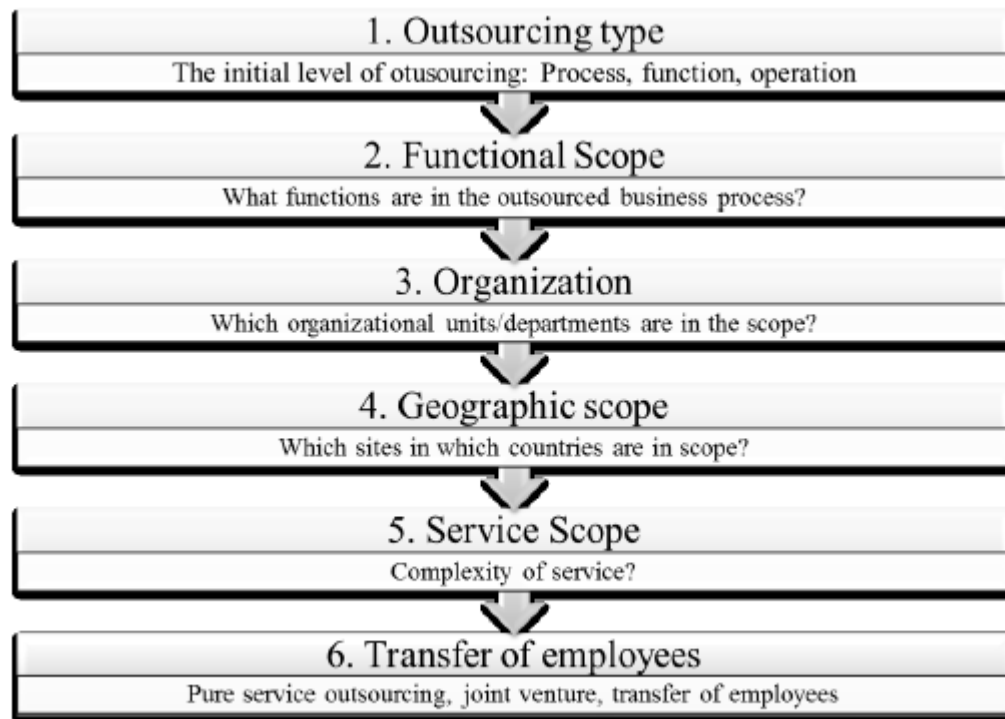
This chapter revealed relevant literature guided by the global, regional and local perspective. Most of the information was collected from various authoritative sources such as journals, magazines, websites, books, and previous research work and any other research work and publications relevant to the area of study.

2.1 Outsourcing background

The reason why companies outsource work is because there are others who can do it cheaper, faster, and better. The term outsourcing can be described, in the simplest form, as the process of contracting a business function to someone else. It is the continuous procurement of services from a third party, making use of highly integrated processes, organization models and information systems. Outsourcing activities have been classified in different ways for example Niskanen (2013) has presented three types for outsourcing, simple outsourcing, transfer outsourcing and joint venture outsourcing. Joint venture outsourcing means establishing new business altogether with the vendor, transfer outsourcing involves a complete transfer of employees and equipment from one organization to another. Simple outsourcing is an off the shelf solution between the outsourcer and the supplier. Outsourcing activities are also classified in accordance with their nature for example Power et al (2006) separated traditional and transformational outsourcing. Traditional outsourcing focuses on shedding non-core activities and adding value by accessing supplier's best practice and economies of scale in non-core and non-complex areas. In contrast, transformational outsourcing stimulates and facilitates business change and helps to create and sustain adaptive enterprise. Traditional outsourcing aims for cost saving, while transformational outsourcing aims for added value through the business process transformation.

2.1.1 Outsourcing process

The process of the outsourcing can vary greatly. Outsourcing can refer to simpler contracts like hiring contractors for a building site or large and complex like outsourcing whole IT operations of a multinational company.



Source: Weimer and Seuring (2008)

The initial scope of the outsourcing regards the overall type of the outsourcing performance. As listed before, in literature there are three evident types of outsourcing: business process outsourcing, manufacturing outsourcing and the information technology outsourcing. However, the recent trends in outsourcing have been toward more complex services that are more near to the central management function (Lacity et al. 2008). The functional scope is the extent of functions involved in the outsourcing, for example whether the outsourcing concerns just an individual task or a whole process. The organizational scope of outsourcing concerns the different organizational units and departments that are involved in the outsourcing process. The geographical scope pays attention to national limits of the outsourcing performance. Service procurement from abroad has been growing phenomenon from the early 90s.

Fifth phase in Weimer and Seuring list (2008) is the complexity of the service itself. Complexity of the outsourced service can affect several ways for the outsourcing scope.

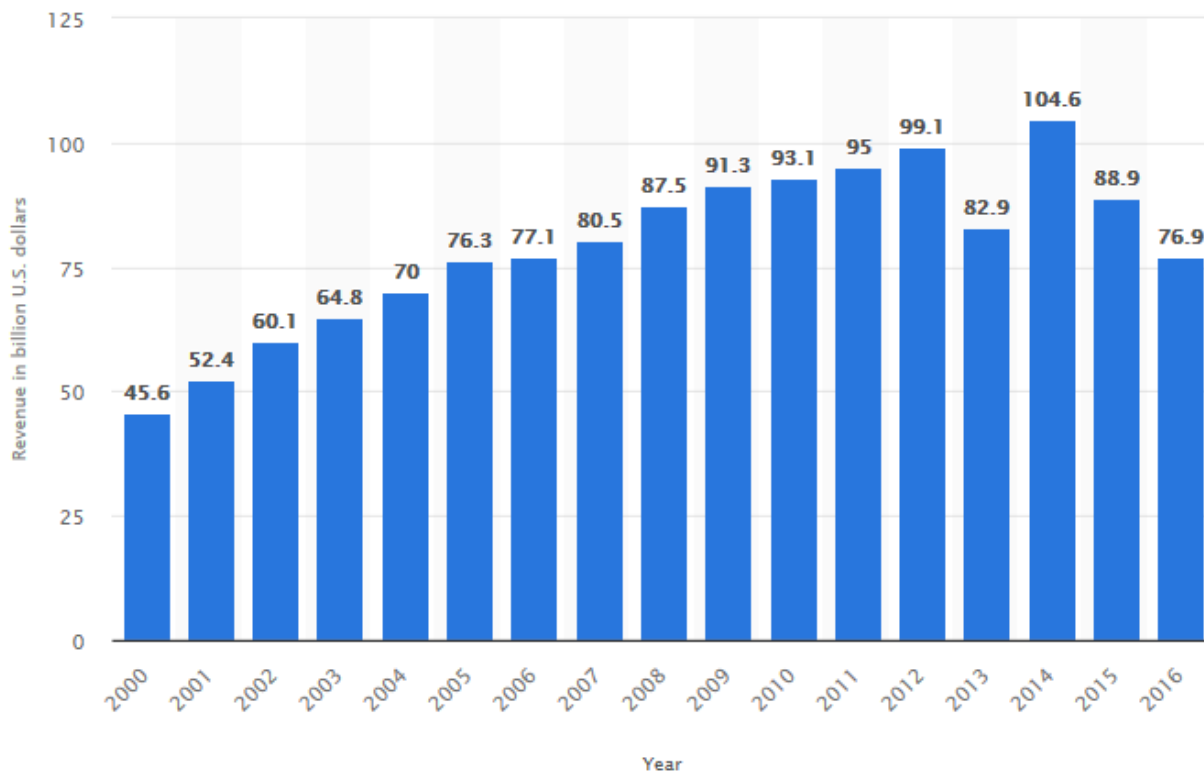
Furthermore, more important the function is to organization, the more increase the requirements of controlling and monitoring the service performance. The final step is the decision of the transfer of employees which is the significant differentiation of the outsourcing ventures. In Weimer & Seuring's model (2008), transfer of employees answers the question is the outsourced service a completely new business, does it require multiple suppliers or does it contain the transfer of the existing employees.

2.2 Global outsourcing perspective

The topic of outsourcing has received a lot of attention in the current business and economic discussions. Companies globally across many industries are increasingly looking towards other countries not only as a source for materials, products, and sub-systems, but also as a supplier of both blue- and white-collar labour. Many large firms globally have opened foreign manufacturing or product development facilities, call centers, and more. Others use foreign outsourcing vendors for the same services.

According to Statista (2016) it shows that the global outsourcing market size from 2000 to 2016. In 2016, the global outsourcing market amounted to 76.9 billion U.S. dollars. The revenue of the global outsourced services industry has been unsteady over the last few years. In 2016, the industry market size dropped to 76.9 billion U.S. dollars, the lowest figure seen in a decade. The largest share of revenue for this industry came from Europe, the Middle East and Africa, followed by the Americas. A much smaller share of global revenue came from the Asia Pacific region. Outsourcing involves the contracting out of business processes to third parties, usually in order for the business to avoid certain costs, such as taxes. In 2016, business process outsourcing contributed a much smaller proportion of the industry's global revenue than information technology outsourcing, generating 24 billion and 52.9 billion U.S. dollars respectively, according to business executives the main driver of outsourcing was to cut costs. Other drivers included, enabling focus on core business and solving capacity issues.

Figure 2.2 Global market size of outsourced services from 2000 to 2016 (in billion U.S. dollars)



Source: Statista 2017

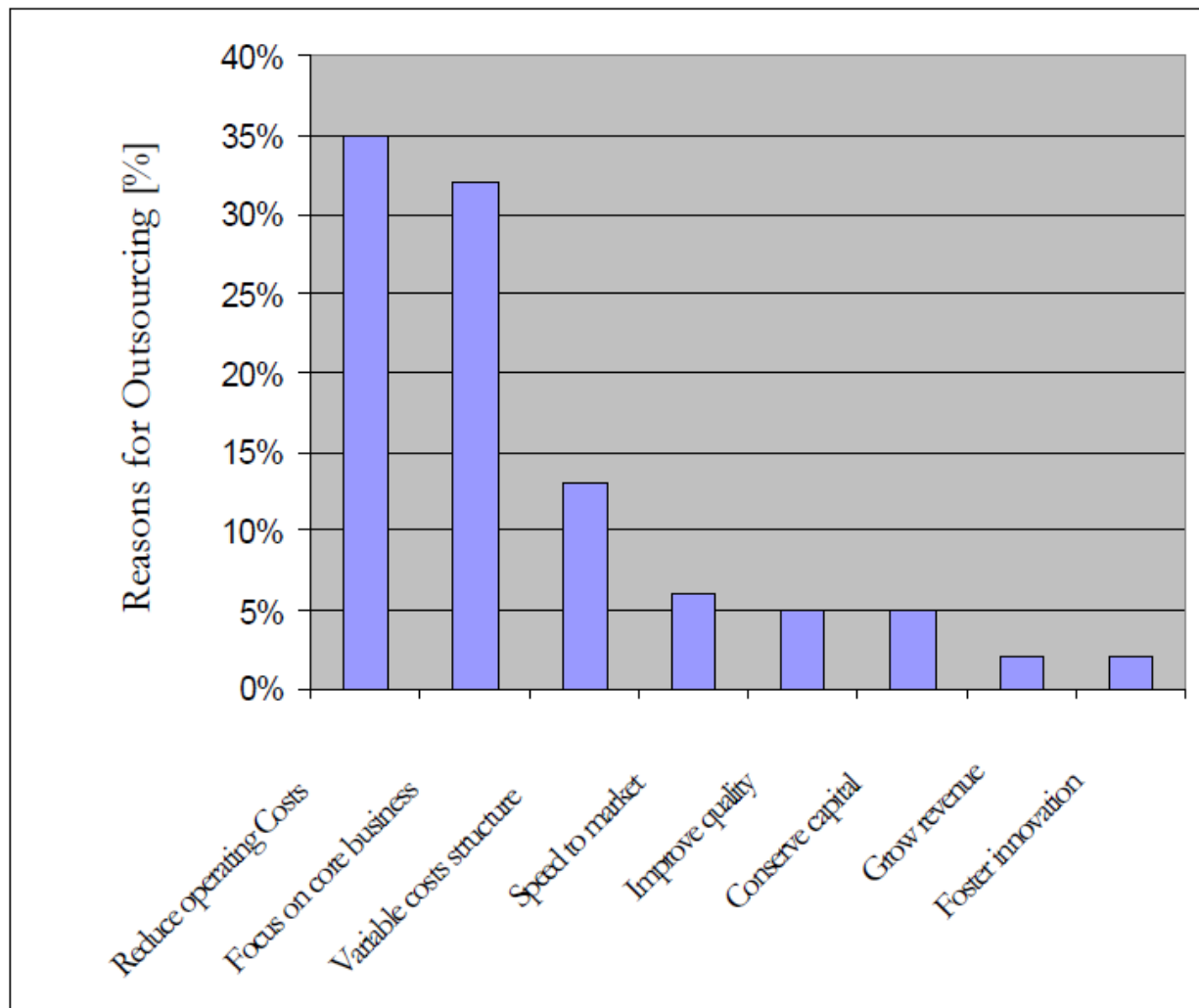
Even some start-up companies now leverage the trend by outsourcing operations and processes to specialized foreign subcontractors. While lower cost is the primary benefit, other motivating factors include access to foreign markets, diversity of talent, and the economies of scale that well-run large outsourcing vendors have to offer. According to a study of a hundred and six Canada-based mining companies with global operations on the questions of outsourcing in the mining industry by Steenkamp and van der Lingen (2014) to examine if mining and mineral processing are core competencies. The respondents were primarily upper management such as CEOs or COOs, and 83% of the companies surveyed it was found that outsourcing is widespread among mining companies. Some 82.6% overall and 89.8% of producing mines outsource or have outsourced at some point or another. Mining companies outsource the mining process (such as drilling, blasting, loading, hauling and tunneling) more so than mineral processing (such as crushing, grinding, flotation, concentration and leaching), and the main reason for outsourcing according to the survey is access to specialized competencies including skilled labour. Another

study by Lewin and Peeters (2006), depicts the results of their survey of 90 companies among 650 US Forbes Global 2000 companies with regard to the major functions outsourced at that time. The survey further investigated the outsourcing plans of the participant companies in the next 18 to 36 months following the survey. According to their results IT was the most frequently outsourced function, with 66% of participants outsourcing one or more IT-associated processes. Finance and accounting were the next most common functions to be outsourced; contact centers followed with 54%, engineering services with 44%, and research with 32%. With regard to the future plans of the participant companies, major increases were related to the outsourcing of research (81% growth rate) and human resources (75%).

2.2.1 Regional outsourcing in the mining industry

Outsourcing of specialist and non-continuous services is common practice in international mining operations. There is an increasing trend towards this practice in South Africa as a result of the major organisational changes that have taken place in the industry, and as lower revenues and production cost pressures have reduced profit margins. Many specialist functions have been outsourced in the industry for a long time, an example being shaft sinking, which is undertaken by specialist shaft sinking contractors. In the professional services area, some activities have been outsourced, for example the design and construction supervision of tailings dams, but mining related activities such as geology, mine planning and scheduling, engineering, ventilation, and rock engineering, have traditionally been carried out by in-house staff. In this paper some of the industry problems which have led to an increase in outsourcing of professional services are considered. Then the pros and cons of outsourcing are dealt with before outlining the factors which should be taken into account in choosing an outsourcing partner. Outsourcing in mining industry is not a commonly investigated topic in academic literature, but some studies can, however, be found especially from the oldö mining locations. For example, Hanlin and Hanlin (2012) article represents the younger research stream within same geographical location. Their study investigates the linkages between local suppliers and the mining company in South African gold mine. Stacey et al. (1999) investigate the outsourcing of professional services in mining industry.

Figure 2.2.1 Reasons for outsourcing



Source: Stacy et al (1999)

According to this study, several benefits can be assessed through outsourcing in mining industry, the major one being reducing the operating costs, focus on core business and others. In contrast, possible risks of outsourcing in mining industry were regarded to be availability problems, confidentiality issues, unrealistic cost targets and perceived lack of accountability and commitment (supplier opportunistic behaviour)

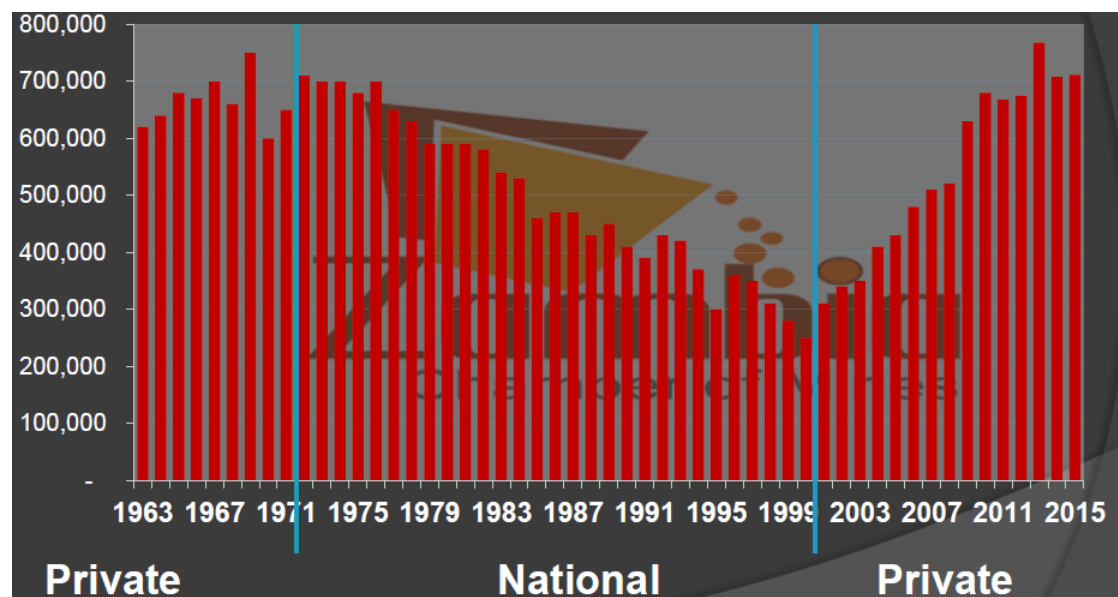
Their study investigates the linkages between local suppliers and the mining company in South African gold mine. Stacey et al. (1999) investigate the outsourcing of professional services in mining industry. According to them, several benefits can be assessed through outsourcing in mining industry, such as quality improvements, reduced overhead costs, substitutability of vendors, and continuity (long-term partnering relationships). In contrast, possible risks of

outsourcing in mining industry were regarded to be availability problems, confidentiality issues, unrealistic cost targets and perceived lack of accountability and commitment (supplier opportunistic behaviour)

2.2.2 The local perspective on outsourcing

Zambia is Africa's second largest producer of copper and generates 4.5 per cent of the world's high grade copper annually. Globally, the country is the world's seventh largest copper producer. The country contains the largest known reserves of copper in Africa, holding 6 percent of known copper reserves in the world. The history of Zambia's copper mining industry is one of decline followed by revival. From around 700,000 tonnes in the 1970s, copper production fell to just 255,000 tonnes in 1998 as nationalization of the mines proved counter-productive. However, since the mines were privatized in the 2000s, investment and output have revived, and Zambia is regaining its world market share. In addition, the industry is expanding geographically from its traditional base in the Copperbelt to other parts of the country such as the North Western Province, where geological surveys suggest significant deposits of copper. With existing and expected investment commitments, Zambia is on course to achieve the Government's target of 1 million tonnes of copper output per year which could make it the 3rd largest copper producer in the world.

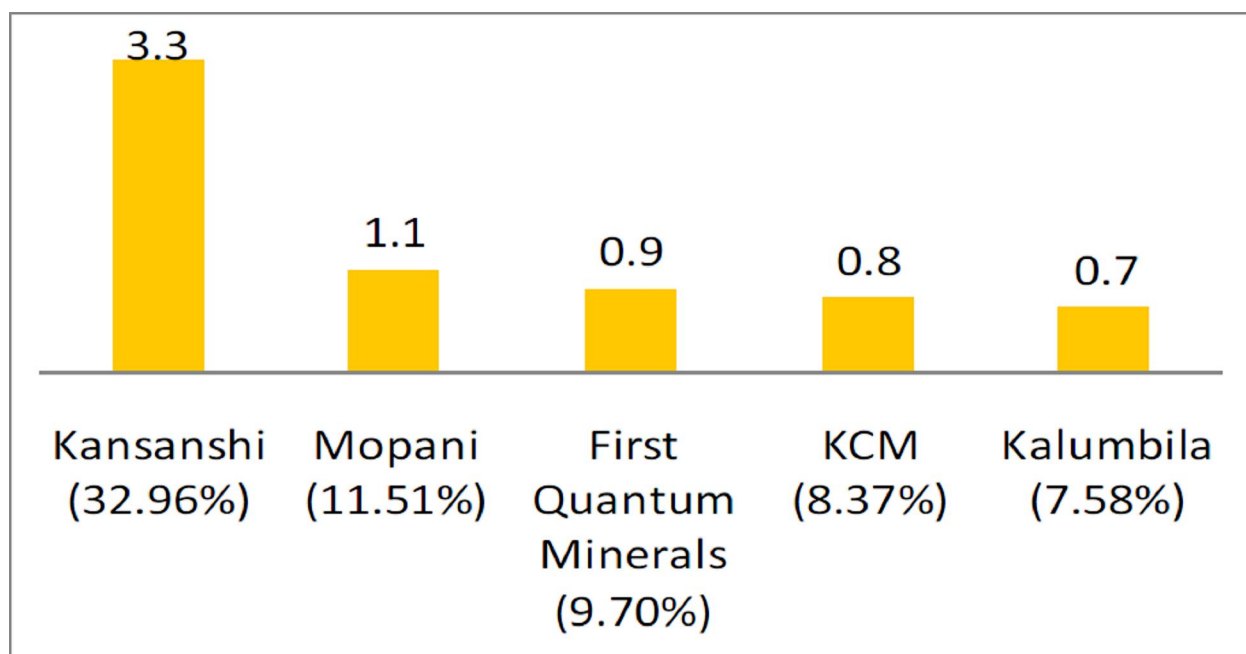
Figure 2.2.2 A: Copper Production before and after Privatisation



Source Sikamo, J. (2016) Presentation on the state of the Zambian Mining Industry. Zambia Chamber of Mines, Lusaka.

The performance of the Zambian economy has followed the fortunes of copper mining closely. Although the economy is diversifying, copper mining continues to account for a sizeable part of GDP and is one of the lead industries for economic growth. The industry accounts for about 13.4 percent of GDP and exports over US\$3 billion worth of copper per year which is about 70% of total export value.

Figure 2.2.2 B: Revenue by top five Companies in Billions of Kwacha (2016)



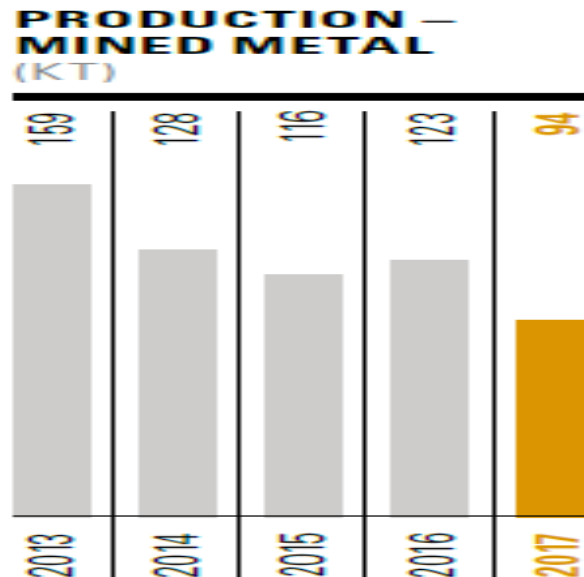
The top 5 mining companies contributed 70.12% of the total revenue from the sector

Source: Sikamo, J. (2016) Presentation on the state of the Zambian Mining Industry. Zambia Chamber of Mines, Lusaka.

Mining companies are operating in increasingly difficult environments with major change impacting on their operations and strategies. Strategic nature of outsourcing emphasized that companies in particular have been impacted by information technology, communication, organisational change and cost cutting. Outsourcing has become a viable strategy in Zambia's mining industry it gained significant momentum after the privatization of the mines. While some give a positive relationship between outsourcing and performance of employees, other reports give no significant or sometimes negative results (Heywood 2011). Konkola Copper Mines plc currently employs 12,163 with 46% of its workforce being outsourced labour, according to

ICMM and ZCM Report (2016) KCM employee productivity is at 6.5 tonnes per employee compared to more than 50 tonnes at other mines and global norms of more than 100 tonnes. According to Vedanta (201) annual report ÷Within three years, KCM intends to increase copper production from the current 94,000 metric tonnes in 2017 to over 300,000 tonnes per annum.

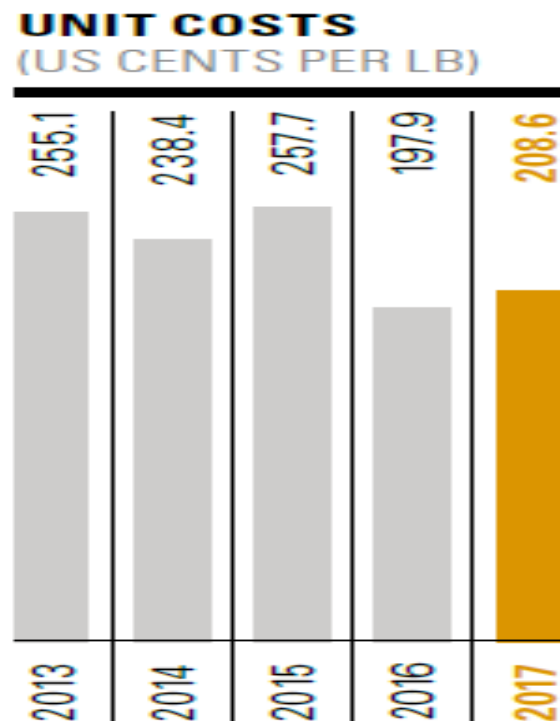
Figure 2.2.2 C: KCM Production-Mined Copper in Metric Tonnes



Source; Vedanta Resources annual report (2018)

KCM production figures show that copper production has been declining from 159 000 in 2013 to just 94,000 metric tonnes in 2017, this decline in production is not good for the overall performance of the industry, considering the fact that KCM is one of the largest mining companies in the country. In terms of the cost of production the company has managed to control costs with the unit cost of production reducing from \$255.1 in 2013 to \$208.6 in 2017.

Figure 2.2.2 D: KCM Unit Cost of Production



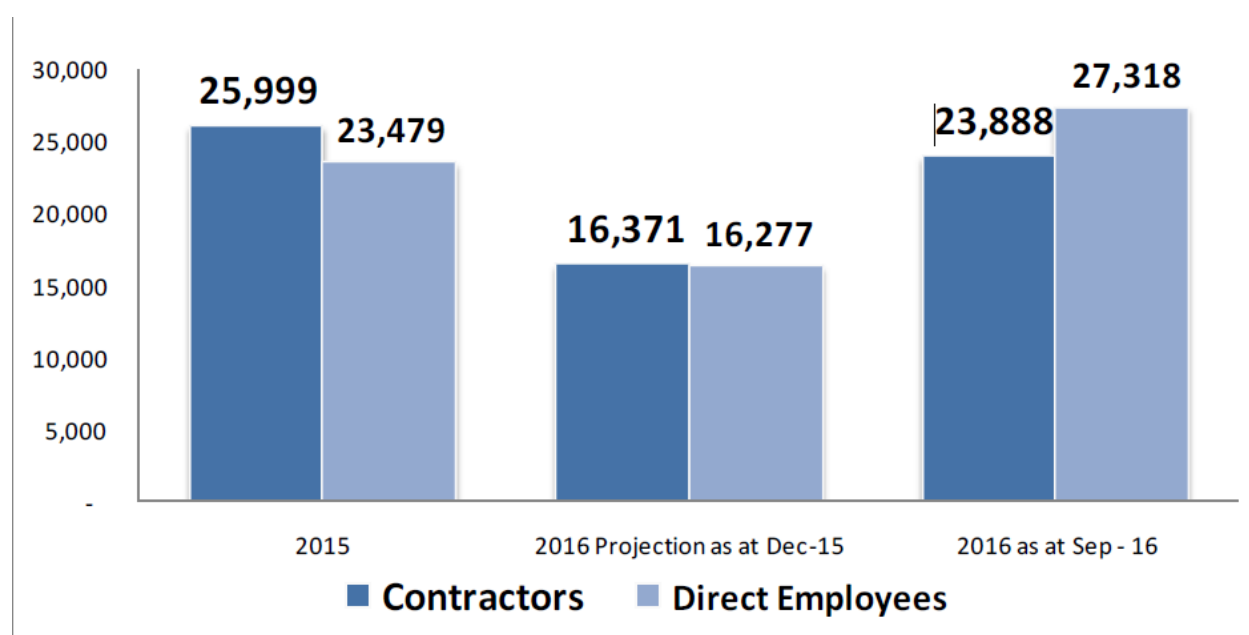
Source; Vedanta Resources annual report (2018)

In 2017 and going forward outsourcing in the mining sector in Zambia will remain popular as a cost-effective alternative to performing certain functions in house. An external specialist can easily perform certain mining operations at a lower rate. By outsourcing certain functions, mining can improve productivity and collaboration among suppliers. For example, outsourced service centers allow companies to consolidate information and identify improvements across the organization by providing a holistic view of key performance indicators like employee satisfaction and total operational costs. KCM has always tried to reduce its workforce but due to political influence the company has failed to implement it, according to a report by Zambia news network (June 30, 2013) KCM in May 2013 announced they would retrench (fire) 2000 workers as part a bid to streamline operations and increase profits. President Sata threatened to revoke their mining license if they went ahead, and the plans were put on hold. KCM currently employs more than 12,000 employees making it one of the largest employer in the mining industry in Zambia, but in terms of copper production and revenue it is the fourth largest behind

Kansanshi, Mopani and First Quantum Minerals, therefore this makes the three mining giants to have a competitive advantage in terms of labour costs as compared to KCM.

It is important to consider the contractor-to-employee ratio. When a reasonable proportion of contractors perform direct mining operations, the fixed cost component of labour involved in mining operations is easier to manage, which provides flexibility to adapt to variable production levels (due to seasonal effects and/or changes the external business environment, including demand fluctuations, price volatility and regulatory changes).

Figure 2.2.2 E: MINING SECTOR CONTRIBUTION TO EMPLOYMENT IN ZAMBIA 2015 TO 2016

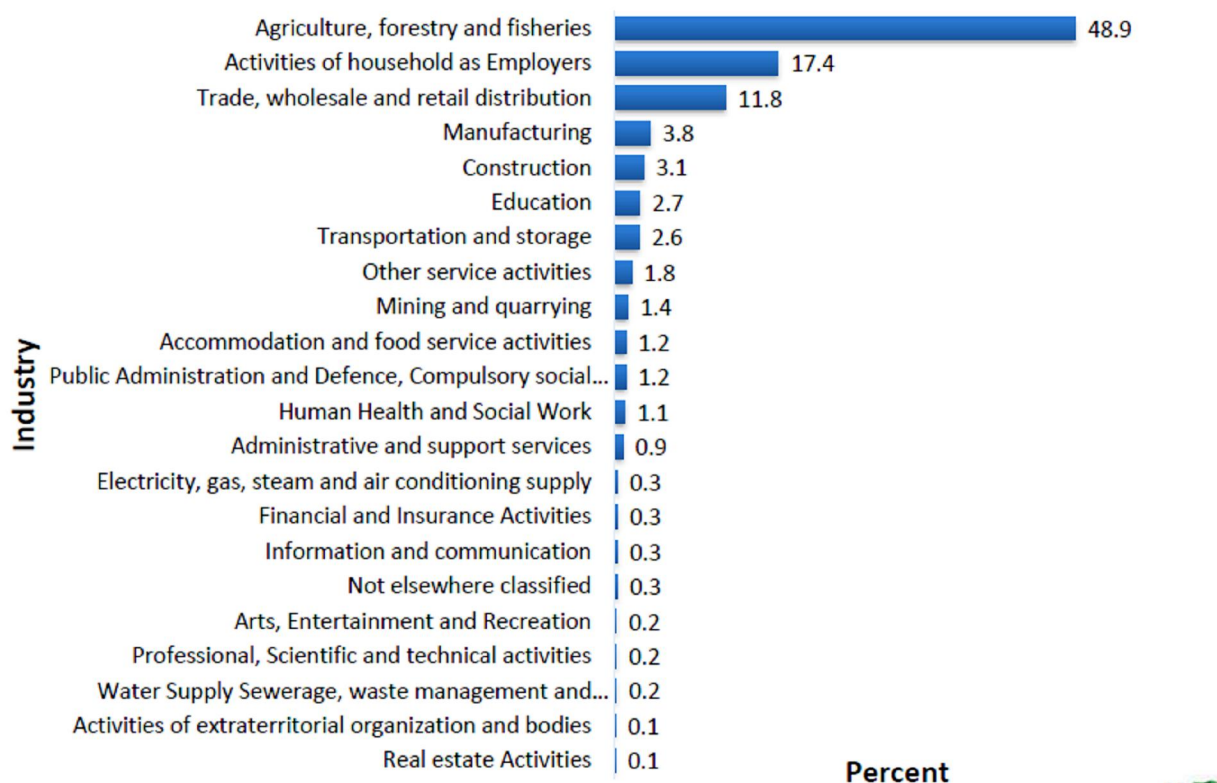


The graph above shows the trend of employment for direct employees and contractors as at September 2016

Source: World Bank 2017

According to the World Bank (2017) report the current ratio between direct employees and contractors is almost at par and it is expected that contractors will outnumber direct employees in future, which was not the case before privatisation when the mining companies in the country where under the Zambia Consolidated Copper Mines(ZCCM) direct employees where the majority.

Figure 2.2.2 F: Percentage Distribution of the Employed Population by Industry, Zambia 2014

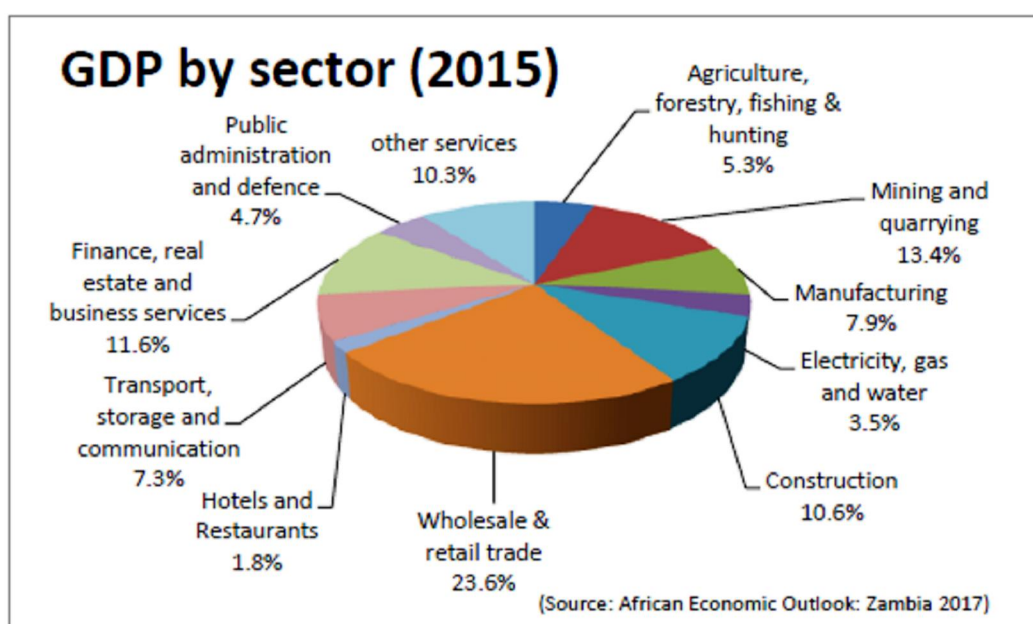


Source: Central Statistics Office (CSO)/ Zambia Data Portal (2017)

The mining industry in Zambia is the ninth largest employer in the country, with 1.4% of the country's total workforce. The advantage with the mining industry is that it has better remuneration as compared to other industries such as agriculture, construction, wholesale and retail. The mining sector remains the major contributor to Zambia's economic growth with its contribution to GDP in 2015 was 13.4%. Further, the sector's contribution to foreign exchange earnings and the country's formal employment levels is at 70.3 percent and 8.5 percent respectively. According to the Sixth National Development Plan (SNDP) there is, high potential for the sector to contribute to poverty reduction and wealth creation in the country. The Vision for the sector is 'well organized private sector led mineral resource exploration and exploitation.

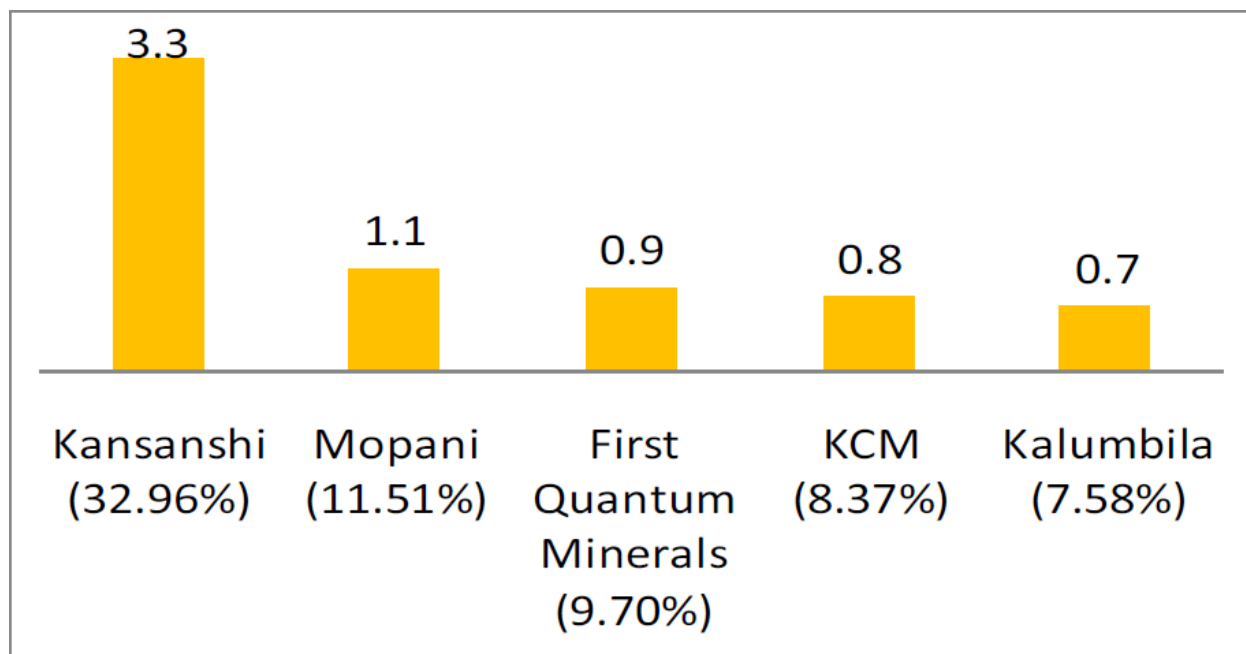
that contributes to sustainable social economic development by 2030 and the goal is to raise the sector's contribution to GDP to at least 20 percent. During the SNDP period, the mining sector will focus on increasing exploration projects, sustainable production and management of mineral resources and increase productivity as to maximize economic benefits from the sector. Furthermore the sector will focus on increasing value addition, expanding formal employment levels and its overall contribution to GDP. In addition the sector will focus on human development to increase efficiency and safety of mining operations.

Figure 2.2.2 G: GDP by Sector 2015 Report



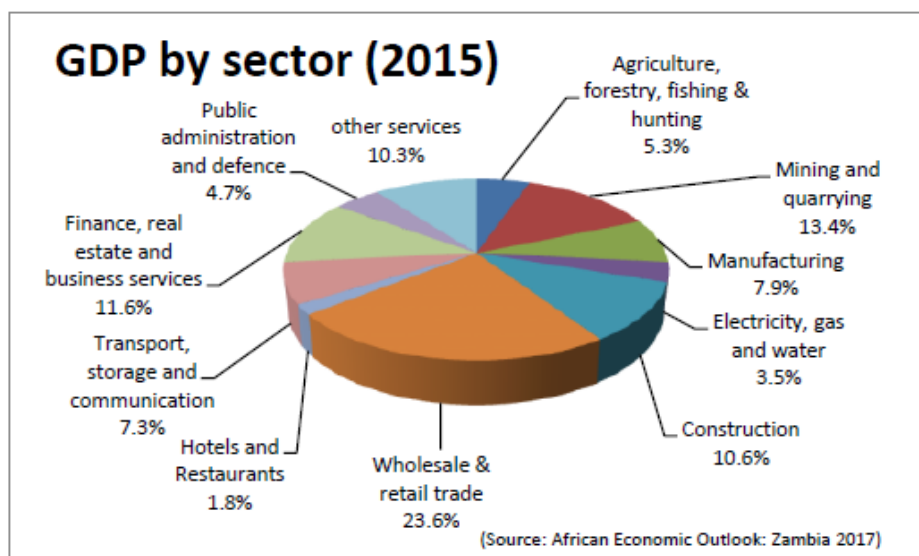
According to the African Economic Outlook (2017) the Mining industry in Zambia is the 9th largest employer in Zambia. According to the Central Statistics Office (2016) miners earn an average salary of 320 US dollars for unionised pensionable mine workers which is one of the highest in Zambia. The mining industry has the potential to create long-term employment opportunities. The three major reasons for that are first, the mining industry covers almost all the different phases of basic production, such as mining, ore processing and enrichment and product distribution. Therefore, most of the activities in mining value chain are conducted inside the mine, which is not common in other industries.

REVENUE BY TOP FIVE COMPANIES IN BILLIONS OF KWACHA (2016)



The top 5 mining companies contributed 70.12% of the total revenue from the sector

Source: Sikamo, J. (2016) Presentation on the state of the Zambian Mining Industry. Zambia Chamber of Mines, Lusaka.



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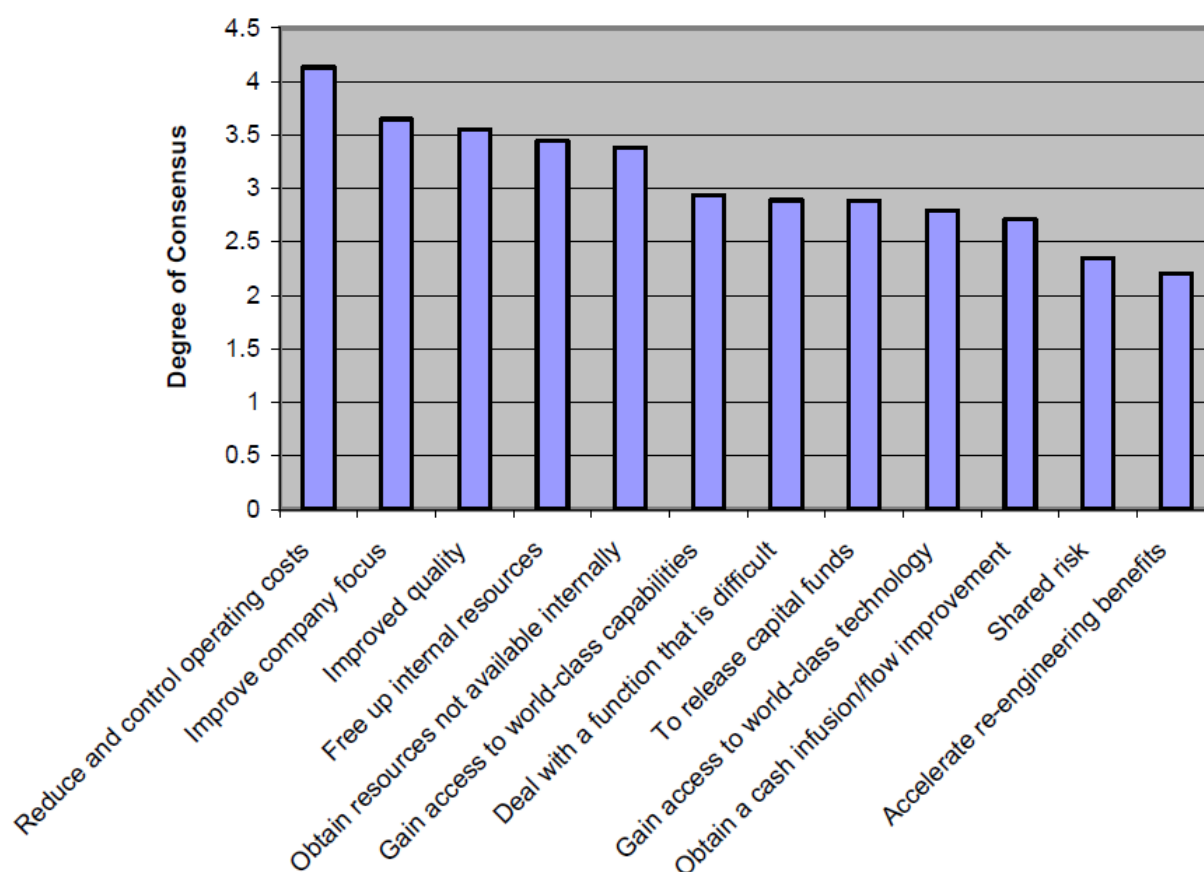
2.3 Reasons for Outsourcing

The ultimate reason why companies outsource is about gaining a competitive edge in the market. Through strategic outsourcing to an outsourcing partner, the partner may provide the best services and also help increase productivity while managing the in-house resources intelligently. Outsourcing can help surpass competitors who have not yet realized the benefits of outsourcing. In order for outsourcing to be successful Steenkamp and van der Lingen (2014) it should include but are not limited to a fair and mutually beneficial contract, adequate incentive schemes including both gains and penalties, shared values and beliefs driving a spirit of partnership and strong communication channels driving continuous communication and knowledge sharing but not many businesses thoroughly understand the benefits of outsourcing. It's true that outsourcing can save money, but that's not the only reason to do it because, outsourcing too much can be an even bigger mistake than not outsourcing any work at all. The other reasons why organizations outsource is because of the many potential benefits that have been identified such as Improved financial performance (cost benefits) and various performance effects, such as an additional focus on core-competencies are the most often discussed (Gilley and Rasheed 2000). According to Holcomb and Hitt (2007) the main drivers for outsourcing appear to be shifting from cost benefits to strategic issues, such as core competence and flexibility.

In 2003 detailed research was undertaken and completed in Zambia on "Strategic Outsourcing and the degree to which it may support the successful growth in the Zambian Copper Mining Industry". Based on a 70% response rate across the different mining companies and associated organizations, the information acquired was collated and is presented here as being representative of the opinion and situation in the Zambian Copper Mining Industry in 2003.

Twelve factors had to be ranked on a scale of One to Five, One being not important and Five very important.

Figure 2.3. Zambian Copper Mining Industry 2003 Reasons for Outsourcing



Source: Zambian Copper Mining Industry in 2003

These results principally the first “Reduce and control operating costs” do not come as a surprise. Companies can have only two sources of competitive advantage, namely low cost or differentiation. These two sources can either be applied industry-wide or in a single segment. Therefore, in total, there are three generic strategies namely, cost leadership, differentiation and focus. The minerals industry in general, because it is a commodity based industry, has little other option than to adopt a cost leadership strategy. This is also confirmed by analyzing several of the Mission and Objective statements of the Mining Companies in the Copperbelt that have a similar statement built in “Achievement of unit costs for copper in the second lowest quartile on the international cost of production curve for example KCMs objective is to produce 400,000 metric tonnes of Copper at a cost of 100 cents per pound.

2.0.7 Functions outsourced by mining companies

Where the debate starts is "How to identify these core functions?" Hamel and Prahalad (1990) believe it starts with the identification of Core Competencies "the collective learning in an organisation, especially how to coordinate diverse production skills and integrate multiple streams of technology". Stacey (1999) on the other hand recommends that there are only two core competencies in a Mining/Minerals Company, "managing and financing". It becomes apparent that the concept of core competence is based upon skills, knowledge and learning, and their effective integration. The tangible resources of the Mining Companies on the Copperbelt can be described as their assets in the form of underground shaft systems, concentrator, smelter and refinery. Of equal if not more importance, are the intangible activities and resources including people, extensions or attributes of the attitude, ethos, commitment etc., by individuals within a company. These factors are developed through the company's own efforts and do not just comprise "inherited" assets. Nor does it incorporate the value chain activities or their execution. The competence comes from the individual's ability to do the activity better or more efficiently than his counterpart and therefore be more successful. Answers given in response to the question on defining core and non-core business in essence fell into two categories. The participants who used a "broad" interpretation of core and non-core business intimated that: A core function has to have a direct impact on the mining and processing flow of the copper ore from the underground production area to a saleable product; it should be of a continuous nature.

Core Business Functions

- Mining: Development, Production (Stope drilling, Blasting, Lashing), Trammig, Hoisting, Pumping, Supply Services.
- Mining Technical Services: Geology, Rock Mechanics, Planning, Ventilation, Survey.
- Processing: Crushing, Smelting, Refinery.
- Manufacturing.

Non-core Business Functions

- Mining: Special projects like Raise boring, Diamond drilling, Shaft maintenance.
- Equipment maintenance (Loaders and Hydraulic drill rigs).
- Equipment rehabilitation, Fabrication.
- Services Water and Sewage, Security, Transport, Medical, Education

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Table 2.4: Schedule of Outsourced Business Functions

PRIORITY	BUSINESS FUNCTION
1	Underground equipment (Loaders and Hydraulic drill rigs) repair and maintenance
2	Underground equipment refurbishment and rebuilt
3	Development
4	Light vehicle maintenance
5	Raise boring
6	Diamond drilling (Underground exploration drilling)
7	Cleaning of offices
8	Rolling stock repair and maintenance (Granby cars, locos, axels, etc.)
9	Transport of employees and ore
10	Security
11	Horticultural maintenance (Parks and gardens)

Source: Zambian Copper Mining Industry in 2003

The participants were very consistent that only functions deemed as non-core functions are outsourced with one exception, development. Development was declared as core function by most of the participants but then repeatedly reported as having been outsourced. Although in its totality, development is an ongoing process, it can be a discontinuous function. It is also one function where cutbacks are quickly implemented when cashflow problems or similar financial

situations occur. This would give some explanation why development has been outsourced in most cases.

2.0.8 Perceived effectiveness of outsourcing by employees

Business performance refers to how well an enterprise performs, and is an important construct in determining organizations success. Business performance determines both the objective measures such as return on investment, profits and sales turnover, and perceived measures of business performance of the enterprise, which relates to productivity in the context of the industry, department, individuals and customers. Hence, the impact of outsourcing on business performance outcomes can be considered both in financial and non-financial terms.

Meyer (2012) performed a case study of professionals involved in an outsourcing deal in London. They noted the lack of research of employees' perceptions of outsourcing, and sought to identify potential impacts these perceptions had on outsourcing success. They measured work attitudes focusing on organizational commitment, job satisfaction, and HR practices including rewards, career development, training, communication and involvement. Their evaluation attempted to link consequences of outsourcing to change in employees' assessment of HR practices, to whether initial employee expectations were met, and to the extent there was change to important attitudinal outcomes following outsourcing.

Table 2.5 Perceived Business Performance Measures (PBPM)

Key factors manifesting PBPM
Individuals are satisfied with their own performance and are happy working here
Individuals are ready to recommend their products to friends and families
Market research is conducted to discover customers' expectation, satisfaction and changes
Market research is conducted to scan the environments
Enterprise is successful/ meets its clients' needs
Enterprise profitability, market share and price has increased tremendously
Enterprise's future performance is secure and well respected in the industry
Department makes a strong contribution to the organisation
Department meets its performance targets and are well motivated
Customers' complaints and feedback are used to improve the products/ services
Customers loyalty/ retention is high
Customers are satisfied with the customer service; thus no complaints
Customer relationship is well managed by the enterprise

Source: Khong (2005)

The benefits of successful outsourcing or expected rationalization gains may not materialized, due to the complexity of the operations of the combined entities, hence, controls and performance of all stakeholders must be properly monitored. In addition, remuneration, reward

and operational issues must be well specified and coordinated, so as to keep high morale and performance of the remaining employees. According to Thomas, (2004) to maintain harmonious labour, social and political relations, existing laws must be followed, while the IT infrastructure of the two companies must be properly aligned to pave way for smooth operations, cost reduction, customer satisfaction and improved productivity. Lastly, there must be adequate and objective performance evaluation and reward system, while feedback and corrective mechanism on the outsourcing programme must be properly elucidated. However, Elmuti (2003) stated the importance of noting that the opposite of these success factors represents the key failure factors. Hence, lack of clear objectives and expectations of outsourcing efforts, choice of wrong partners, inadequate skills, poor communications, poor controls measures, low morale and productivity, lack of adequate supporting infrastructures, poor change and conflict managements and inadequate performance measures and feedback mechanism are often responsible for the poor execution of outsourcing efforts.

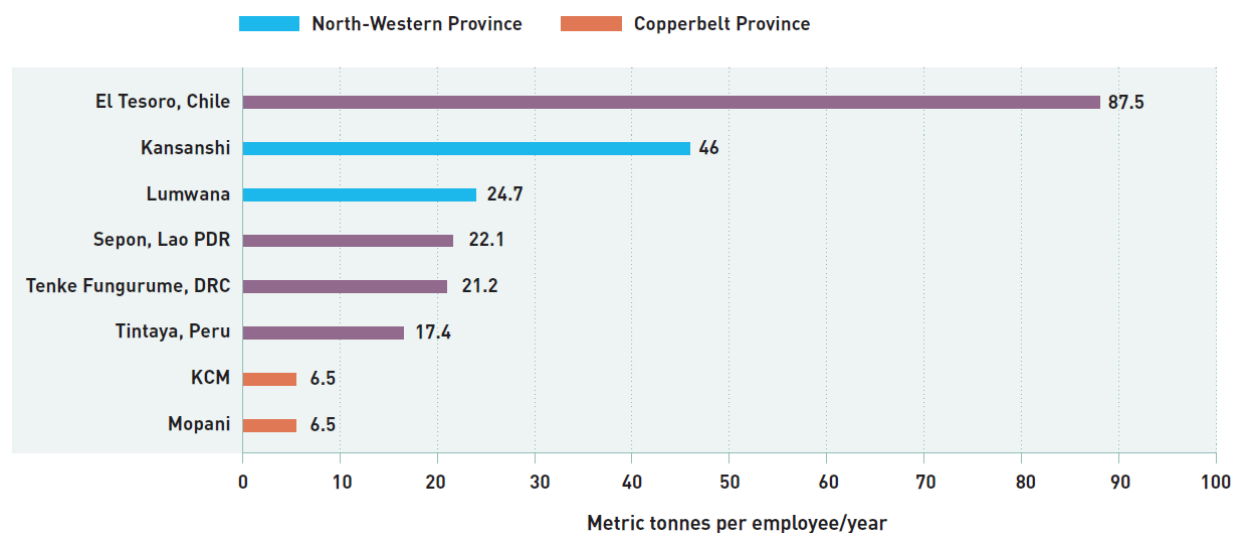
The central theme that runs through most of the studies on outsourcing strategies reflects a common belief that it generally improve organizational effectiveness or may have a severe impact on organized labor force and deterioration of morale among employees (Drezner, 2004 :Charara, 2004). Therefore, this study is important because more information is needed to understand issues, directions, and implications of outsourcing strategies to both employers and employees and to study the effects of outsourcing strategies on participant's attitudes (the human aspects) as well as job performance (the financial aspects) of the program.

2.6 Outsourcing and employee productivity

One of the impacts of outsourcing can be viewed from the reaction of some of the workers in an organization. When some of them hear the word "outsourcing", they assume their organizations or their jobs will disappear. Consequently, the word 'outsourcing' is often replaced with euphemisms such as "rightsizing" and "reinvention reengineering". One survey indicated that shows 61 % of the managers have undergone a major restructuring such as downsizing or outsourcing in the past year. As a result of these changes, nearly 2/3 feel less secure in their jobs and are experiencing lower morale. More worrying, however, is the fact that nearly half of these managers indicate a significant decline in motivation and loyalty to their employers (Cooper, 1998) Outsourcing entails dramatic changes in the nature of work, control, and organizational design. Most researchers have focused on the successful implementation of outsourcing strategy

which has been credited with helping to cut cost, increase capacity improve quality, increase profitability, productivity, and improve financial performance and growth (Farrell, 2004; Drezner, 2004) but other researchers argue that the overall economic benefits of outsourcing are at the expense of the individual workers, the outsourcing trend affects employees through the loss of fixed-employment opportunities and results in an increasing number of part-time and contract workers typically earning less pay than permanent workers and without health, life, short- and long-term disability, and retirement benefits (Charara, 2004) and a study by Kennedy, et al. (2002) viewed outsourcing in general, as a negative change, which creates higher levels of dissatisfaction by employees and increased likelihood of them leaving their positions.

Figure 2.6: Productivity, copper production/employee (direct and contractors)



Source: ICMM & ZCM Report (2014)

According to a 2014 report by the International Council on Mining and Metals (ICMM) and the Zambia Chamber of Mines (ZCM) the production per employee in KCM is well below the global industry average of similar-sized. KCM produce roughly 6.5 metric tonnes of copper per annum per employee. To put this in context, Tenke Fungurume mine (TFM) across the border in the DRC produces 21.2 metric tonnes per employee, and the El Tesoro mine in Chile produces 87.5 metric tonnes per employee per year. Mining companies in Zambia now believe that in order to compete globally, they have to look at efficiency and cost containment rather than relying strictly on revenue increase which

Another study conducted by Walsh and Deery (2006) examined the effect of an outsourcing strategy on those who become employed as a result of that strategy. They found that the

outsourcing contract created minimal job security for the new employees because the organization was not committed to these employees beyond the three-year contract. The study also found very limited opportunities for training and development, as well as promotions. HR

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FOCUS (2009), "refers to a marked decrease in motivation, engagement, and productivity of employees that remain at the company as a result of downsizing and workforce reductions. It entails a series of complex psychological processes and subsequent behavioral responses." Feelings of fear, anger, grief, guilt, insecurity, unfairness, depression, reduced risk taking, and motivation are expressions of survival syndrome. Besides, "survivors" are expected to bring result soon, cover the extra work, and come up with new ideas.

2.7 ADVANTAGES OF OUTSOURCING

Similar to other strategies available to the business, due diligence should be exercised before outsourcing decision is taken by any business entity. The result of an outsourcing exercise can greatly benefit the entity depending on how well it is planned and executed.

2.7.1 Access to Experts and Advanced Technology

Skills, knowledge and expertise are the core competences of a firm, and are likely to develop to a cost for the organisation should outsourcing decreases. In a situation where the business core competences decline in the market, the organisation may be forced to look elsewhere for an alternative outsourcing as a means of compensating the cost for staying competitive in the short-term. This may have a tremendous effect on the firm competitiveness. Some organisations need expertise and advanced technology for the success of their business operations. As such, they source special knowledge, skills, experiences, improved technology and automation capabilities from the vendors (Kakabadse, 2002).

2.7.2 Reduce Costs

The reduction of operational costs is still one of the main goals of outsourcing. Significant savings in capital and operational costs have been reported from organisations that outsource parts of their in-house operations. According to Elmuti (2003) Organizations gain cost advantage by using external vendors to perform administrative and routine activities. Since external vendors have the economies of scale and the capital investments, they perform the business activities more efficiently and effectively.

2.7.3 Flexibility

Besides the aim of cost reduction, the strategic goal of sustaining a higher level of flexibility within organisation has forward as one of the strategic motives in implementing outsourcing activities. Outsourcing provides organisations with greater capacity for flexibility in responding to changing market conditions rather than trying to cope by investing in rapidly changing machines and technologies as well as other complex systems (Quinn, 1999).

2.7.4 Improve Quality and efficiency

The opposite of outsourcing with a cost reduction motive is to outsource with a quality driven motive. Maintaining efficiency and outsourcing to gain higher quality is a strategic choice that is difficult to combine with gaining a lower cost, outsourcing permits organisations to get better quality services especially from the experts. The assumption is that once quality economic inputs are employed to the production process, it ensures quality end product and subsequently high profit. (Elmuti, 2003)

2.7.5 Shift the Burden of Risk and Uncertainty

Outsourcing helps the organisation to transfer the risks and uncertainties associated with performing the functions to outside providers (Quinn, 1999)

2.8 DIS-ADVANTAGES OF OUTSOURCING

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully and these may include some of the following:

2.8.1 Loss of Management Control

Organisations that become too dependent on external vendors for the performance of their business activities may find themselves business activities may find themselves locked into specific arrangements that erode their internal abilities to execute activities critical to competitiveness (Bettis, et-al, 1992; Quinn and Hilmer, 1994).

2.8.2 Loss of Internal Expertise and Skills

An organisation that is overly dependent on external vendors may not emphasize enough on internal skills. This leads to loss of critical and functional skills within the organisation and the development of wrong skill sets (Adler, 2003; Quinn and Hilmer, 1998).

2.8.3 Costs Consideration

The cost savings expected from an outsourcing exercise may be negated by other costs that are under-scoped at the outset, such as, search cost (cost to gather information on suitable vendors) and contracting cost (Gilley and Rasheed, 2000; Elmuti, 2003).

2.8.4 Declining Innovation

Outsourcing lead to a loss of long run Research and Development competitiveness since it is often used as a substitute for innovation. Organisations also stay behind new technology breakthroughs that offer opportunities for product and process innovation (Barthelemy, 2003)

2.8.5 Effect on Employees' Morale

Outsourcing may have a profound effect on the relationship between employer and organisation. This condition may lead to deteriorating impact on the employees morale in which they may feel insecure or unappreciated by their management (Elmuti, 2003)

2.8.6 Potential Lower Service Quality

Some organisations which outsource their business activities may suffer from low quality output by vendors who have shallow knowledge of the activities and the objectives of the organisations concerned (Barthelemy, 2003; Elmuti, 2003)

2.8.7 Disruptions and Clashes of Opinions

External vendors inadequate knowledge of the organisations culture and values often leads to clashes of opinions between the vendors and the organisations (Elmuti, 2003)

2.9 THEORETICAL FRAMEWORK

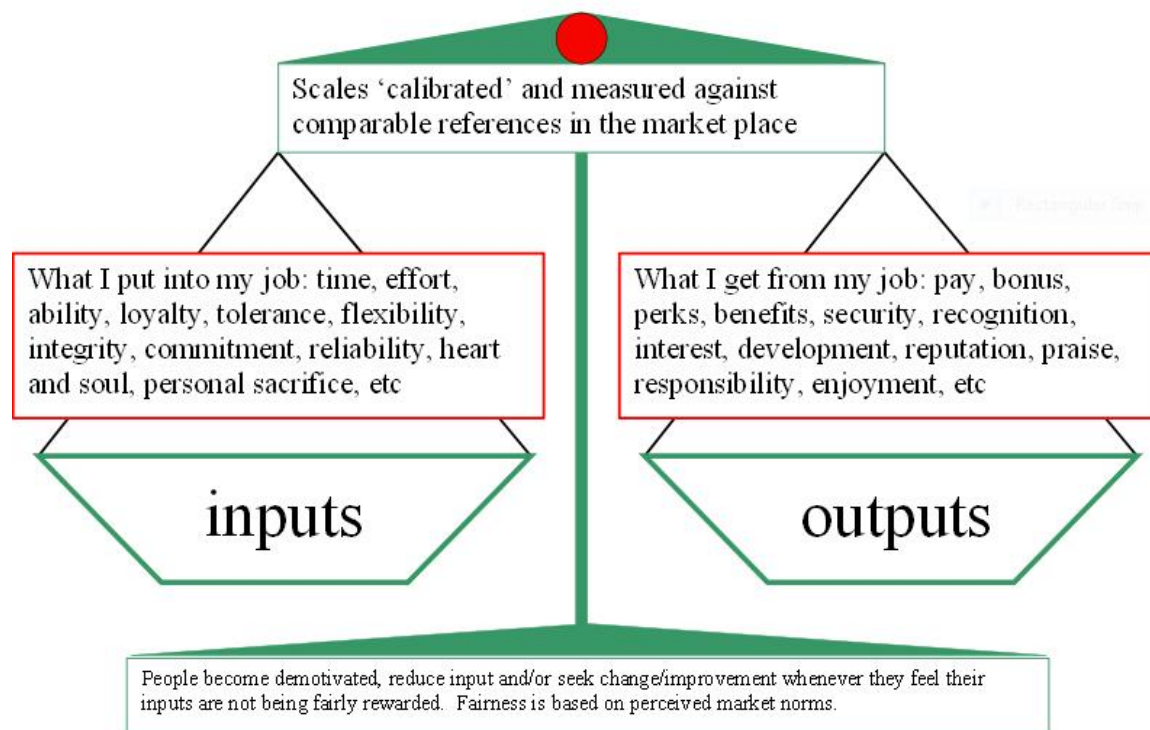
Theories related to outsourcing comprise of different activities and each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. Much of the studies on outsourcing have been affected by three approaches which are Resource-Based View, Transaction Cost Theory and Equity Theory.

2.9.1 Equity Theory

Equity theory is very helpful to management in perceiving what motivates employees. Motivation of an employee is affected by the individual's perception of being treated fairly in

comparison to others. Equity is defined by Adams (1963) as justice, inequity injustice. Inequity exists for an individual when he or she perceives an imbalance in the ratio between outcomes (reward for work) and inputs (efforts at work) as other workers outputs and incomes. The theory acknowledges that subtle and variable factors affect each individual's assessment and perception of their relationship with their work, and thereby their employer. However, awareness and cognizance of the wider situation - and crucially comparison - feature more strongly in Equity Theory than in many other earlier motivational models.

Adams' Equity Theory diagram - job motivation



© design alan chapman 2001-4 based on J S Adams' Equity Theory, 1963. More free online learning materials are at www.businessballs.com.

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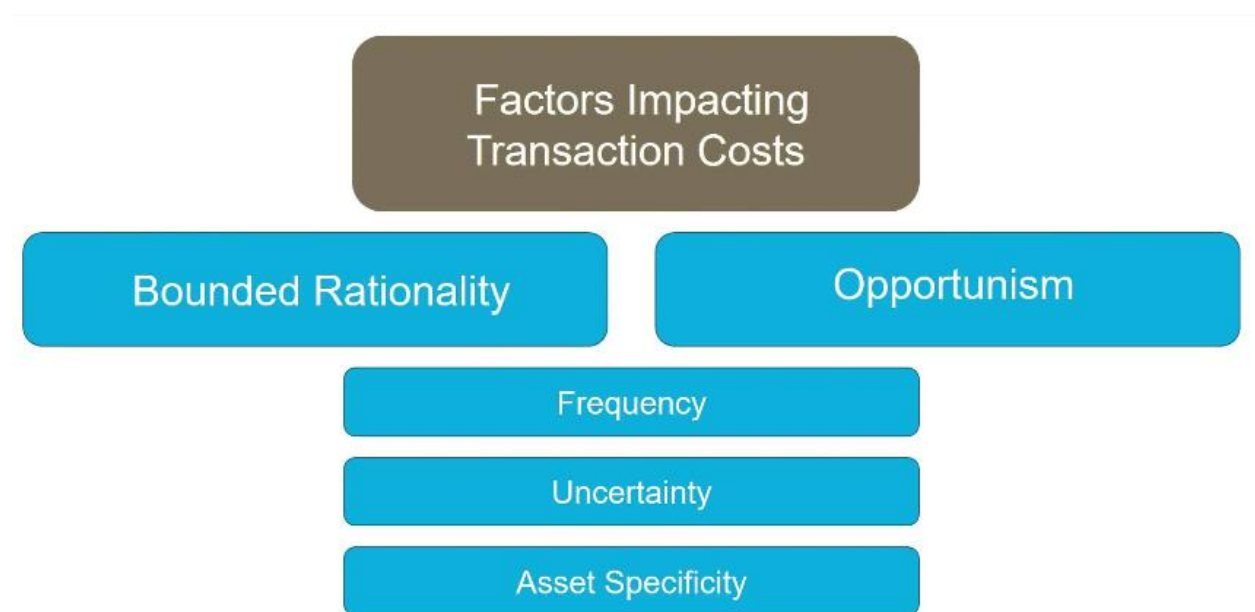
Source: Adams Equity Theory (1963)

When people feel fairly or advantageously treated they are more likely to be motivated; when they feel unfairly treated they are highly prone to feelings of disaffection and demotivation. The way that people measure this sense of fairness is at the heart of Equity Theory. Therefore, this theory is very important to an organization like Konkola Copper Mines which has outsourced

some of its operations which usually results in KCM employees having very different conditions of service.

2.9.2 Transaction Cost Theory

Transaction cost theory has been developed to facilitate an analysis of the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures. The transaction cost approach to the theory of the firm was created by Ronald Coase. Transaction cost refers to the cost of providing for some good or service through the market rather than having it provided from within the firm. Coase describes in his article "The Problem of Social Cost" the transaction costs he is concerned with:



Source: Williamson, (1985).

The unit of analysis in transaction cost theory is a transaction, which by the words of Williamson (1985) "occurs when a good or service is transferred across a technologically separate interface". Decision-makers at Keswick books and gifts limited must weigh up the production and transaction costs associated with executing a transaction within their firms (insourcing), versus the production and transaction costs associated with executing the transaction in the market (outsourcing).

outsourcing. Decision-makers at KCM must weigh up the production and transaction costs associated with executing a transaction within their firm's insourcing, versus the production and transaction costs associated with executing the transaction in the market outsourcing. KCM can choose whether to buy from the market or to develop in-house, the decision can be based on the relative cost, which is combined from the costs of production and costs of the transaction

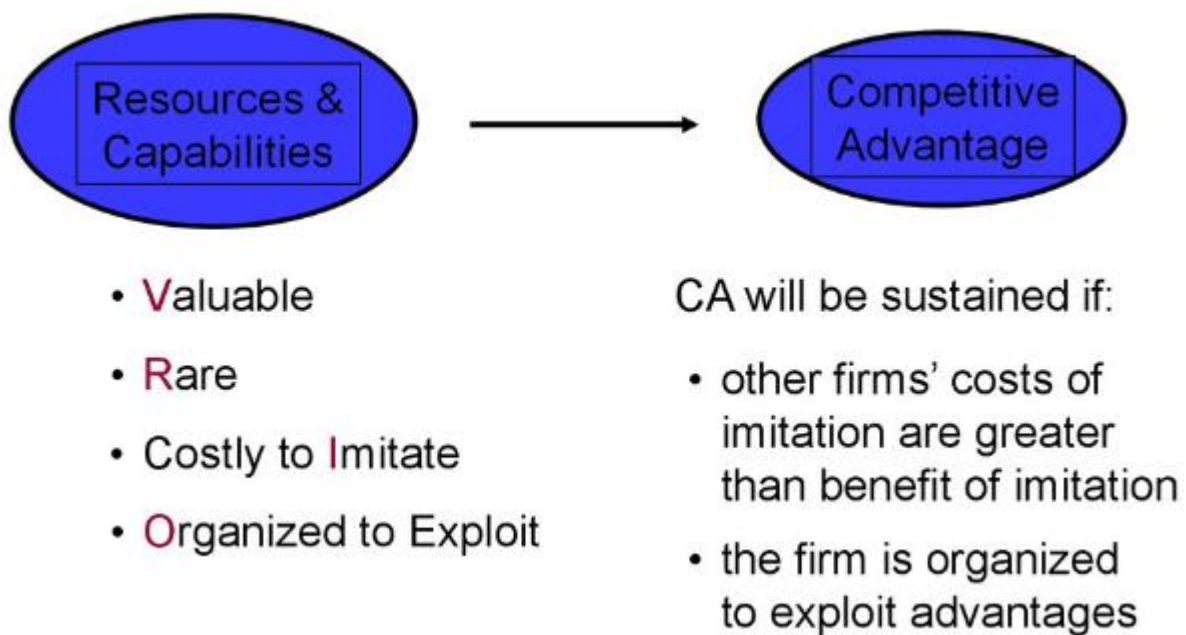
2.9.3 Resource Based Theory

The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable. According to Hamel and Prahalad (1990) if resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organisation that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness.

Firm resources are defined broadly in the RBV and include all physical resources, human resources, information resources, organizational processes, and even organizational capital resources (internal and external relations) that can be leveraged by a firm for competitive advantage. Certain resources may represent unique firm strengths that can be leveraged for competitive advantage. Two key assumptions underlying the RBV are that resources are not homogeneous nor are they perfectly mobile between firms in an industry (otherwise firm capabilities would be equal and no one firm within an industry would achieve a competitive advantage over the others).

Four characteristics (the "VRIN" attributes) describing a firm's resources are relevant to how they may result in a competitive advantage or sustainable competitive advantage for the firm:

valuable, rare, inimitable, and non-substitutable.



Source; Hamel and Prahalad (1990)

To be relevant to competitive advantage, firm resources must be valuable, meaning they have power to create or leverage opportunities or minimize threats inherent in the firm's operating environment. Rarity speaks to the uniqueness of a firm's resources. The more ubiquitous a given resource is throughout an industry, the less likely that resource is to provide any one firm with a competitive advantage. Rare and valuable resources that are hard to imitate may enable a competitive advantage to not only be achieved, but also to be sustained over longer periods of time. Some resources may be difficult for competitors to imitate because the true nature of its

link to potential competitive advantage is misdiagnosed or misunderstood, either by the competitor or even by the firm itself, a condition referred to as "causal ambiguity. As with the other resource attributes the availability of viable substitutes for a given resource diminishes the likelihood that it will be able to generate a competitive advantage for the firm. Organizations will plug gaps in resources and capabilities in the most cost-effective manner to maintain a distinctive product and its competitive advantage.

2.9.4 Research Gap

There has been an enormous amount of research conducted on the effects of outsourcing labour in organizations, making it one of the most praised, criticized and debated management practices (Elmuti and Kathawala, 2000). Despite all the research, countless management texts and relevant articles, outsourcing strategy remain a major source of frustration for managers. In this regard, this study sought to establish the effect of outsourcing labour on the performance of mining companies in Zambia. The results presented in this study provides support for the claims of outsourcing proponents that outsourcing allows companies to enhance expertise, improve service quality, reduce staff, streamline the process of recruitment, lower costs and reduce the administrative burden and saving time. Outsourcing in this sense, would be beneficial to organizational performance (Quinn 2000).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter gives the methodology adopted and that was used in this study. It describes the research design, study site, Study population, Study sample, sampling techniques, data collection instruments, data collection procedures and timeline and data analysis instruments and procedures.

3.1 Research Design

Research design is the basic plan that indicates an overview of the activities that are necessary to execute the research project which consists of procedures used to test the predicted relationships natural phenomena thus providing answers on how the variables under study would be defined, measured, and related to each other (Mugenda and Mugenda, 2003). This study adopted a descriptive study design.

Babbie, (2010) explained that descriptive designs focus on the current status of occurrences rather than the causes of the current occurrences. Therefore, it involves the collection and analysis of data in order to determine the current status of some phenomenon. This design helps in determining the status, relative incidence and conditions of a problem at the present time. In some cases, casual relationships may be involved. Kothari (2008) maintain that in the data collection process, questionnaires, interviews and observations are predominantly used. Therefore, in this the study questionnaires were used in the collection of data from KCM.

3.2 Study Site

This case study was conducted at Konkola Copper Mines operations on the Copperbelt province in Zambia.

3.3 Study population

Population is defined as a complete set of individuals, cases or objects with some common observable characteristic, (Mugenda and Mugenda, 2003) and the target population in statistics is the specific population about which information is desired. The target population of this study was 12,163 KCM employees.

3.4 Study sample

Yamane, (1967) defines a sample as a subset of population elements from which information required in the study is collected. The sample for this study will be 68 employees and was calculated using the Scott (2016) suggested a simplified formula on how to determine the correct sample size. With a 90% confidence level, 0.5 standard deviation, and a margin of error (confidence interval) of +/- 10%.

$$\begin{aligned} \text{Sample size } n &= \frac{Nz^2s^2}{Ne^2 + z^2s^2} \\ &= \frac{12,163 \times 1.645^2 \times 0.5^2}{12,163 \times 0.1^2 + 1.645^2 \times 0.5^2} \\ &= 67.5 \\ &= 68 \text{ respondents needed} \end{aligned}$$

Population Size = N | Margin of error = e | z-score = z | s=Standard deviation

3.5 Sampling techniques

According to Singh and Masuku (2012) sampling is the process of selecting a portion of the population to represent the entire population. In this study simple random sampling was used in the selection of respondents. Cochran, (1963) describes random sampling as the process which involves giving a number to every subject or member of the accessible population placing the numbers in a container and picking them randomly. A simple random sampling technique was used in the selection of the 68 KCM employees.

3.6 Data collection instruments

Data was collected using primary and secondary sources, primary data was obtained from respondents through use of questionnaires and secondary data was collected from publications, websites, books, journal articles and internal KCM records. Mugenda and Mugenda (2008) states that questionnaires are considered suitable for a descriptive since they are easy to administer, there is fast delivery and the respondents can answer at their own convenience. The questionnaires contained structured questions to capture the effect of outsourcing on the performance of Konkola Copper Mines. The questionnaires also contained a section meant to

collect information on the background of the respondents. Properly standardized questionnaires were used in order to elicit for accurate and relevant information.

3.7 Data collection procedure and time line

According to Kothari (2008) data collection refers to gathering specific information aimed at providing or refuting some facts. This process is important as it allows for dissemination of accurate information and development of meaningful programs. This study collected primary data by administering questionnaires. The questionnaires were distributed to the respondents and a duration of one week was given for respondents to fill the questionnaires. Follow-ups were made in order to ensure high response rate was recorded.

3.8 Data analysis instruments and procedures

Data analysis is the process of bringing order, structure and meaning to the mass of information collected (Mugenda & Mugenda, 2003). The analysis of quantitative data resulting from the questionnaires involved coding, data entry, and data processing using Statistical Package for Social Sciences (SPSS) and Excel, which will be presented using Microsoft PowerPoint to the relevant stakeholders.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0.0 Introduction

This chapter is devoted to the presentation, analysis and interpretation of the study with the objectives being to find out the reasons behind outsourcing, to ascertain the perceived effectiveness of outsourcing and to determine the effect of outsourcing on productivity of KCM employees. The data gathered was analysed by using descriptive summary statistics generated from the use of Statistical Package for Social Science (SPSS) and Microsoft Excel.

4.0.1 Data Presentation, Interpretation and Analysis

This chapter is a presentation of the study of 42 employees representing 61.8% of the sample size on the subject of outsourcing in mining companies. The employee respondents were individuals from different sections and departments within their working environment. The researcher sought to investigate through opinions from employees and by secondary data obtained in the form of company production statements, to determine the reasons why KCM has outsourced some of its functions, to ascertain the perceived effectiveness of outsourcing by KCM employees and to find out the effect of outsourcing on employee productivity.

In order to address the research questions, there are key questions presented to respondents on KCM departments that have outsourced some functions, possible reasons for outsourcing, relationship commitment, perceived effectiveness, organizational commitment, employee satisfaction, communication and job performance. The questions are asked on a level of agreement basis (i.e. Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree). These questions are analysed using Statistical Package for Social Sciences (SPSS) the researcher used bar charts pie charts and descriptive analysis which is the discipline of quantitatively describing the main features of a collection of information. The common methods that are used in describing a given data set includes measures of central tendency and measures of dispersion. Hence, it was necessary to use this analysis in order to come up with the frequency distribution tables, percentages and the mean.

4.0.2 Response rate

The study targeted 68 respondents but managed to obtain responses from 42 employees, thus representing a 61.8%% response rate as shown in table 4.0.3 below. This response rate was

considered adequate for analysis and making conclusions for the study. According to Babbie (2010) explains that a 50% response rate is adequate, 60% good and above, while 70% rated very good. Therefore this study considered the response rate adequate for analysis and generalization since it exceeded the minimum recommended.

Table 4.0.2 Response rate

Response	Frequency	Percentage
Returned	42	62%
Not filled in	12	18%
Not returned	14	20%
Total	68	100%

Source: field work 2018

4.0.3 Reliability analysis

The reliability of an instrument refers to its ability to produce consistent and stable measurements. Reliability simply means the extent of accuracy and unreliability is the extent of inaccuracy. According to Tavakol and Dennick (2011) the most common reliability coefficient is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test internal coherence of data. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more reliable is the test.

A Cronbach alpha estimate interpreted is just like other internal consistency estimates, that is, it estimates the proportion of variance in the test scores that can be attributed to true score variance. Cronbach alpha estimates the proportion of variance that is systematic or consistent in a set of test scores. It range ranges from 0.0 (if no variance is consistent) to 1.00 (if all variance is consistent) with all values between 0.0 and 1.00 also being possible. In this study Cronbach's Alpha for each value was established by the SPSS application and gauged against each other at a cut off value of 0.7 which is acceptable according to Cooper and Schindler (2008). Cronbach's alpha values of 0.7 and above is considered adequate, the average Cronbach's Alpha value was 0.83 as shown in table 4.0.4 below which means that the items under each variable were consistent.

Table 4.0.3 Reliability Analysis

Variable	Cronbach's Alpha	No of items	Comment
Reasons for outsourcing	0.84	10	Accepted
Perceived effectiveness of outsourcing	0.95	6	Accepted
Communication	0.70	11	Accepted
Employee satisfaction	0.74	9	Accepted
Organizational commitment	0.92	9	Accepted
Average Cronbach's Alpha	0.83	45	

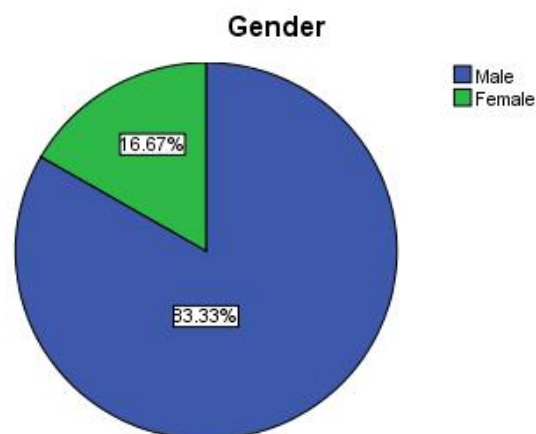
Source: field work 2018

4.0.4 Background of respondents

This research took into consideration responses from 42 KCM employees. This section gives a background on the respondents from which the data was collected from.

4.0.5 Gender of respondents

From table 4.0.6 below, majority of the respondents were male employees constituting 83.33% of the total number of individuals, this is due to the fact that the mining industry is male dominated. Female employees only represented 16.67% of the total respondents.

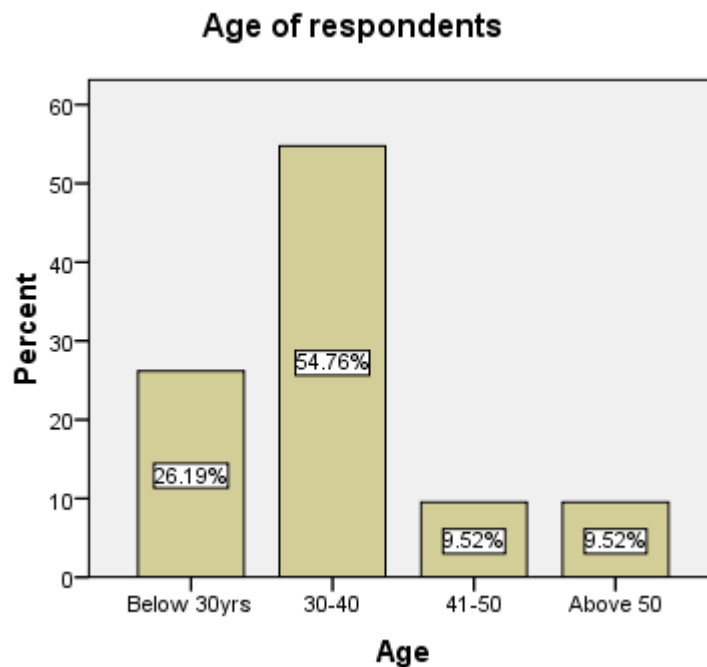
Table 4.0.5 Gender

Source: field work 2018

4.0.6 Age of respondents

Study results presented in figure 4.0.7 below reveals that the majority of the respondents 54.76% were aged between 31 and 40 years followed by those aged below 30 years who were 21.05%. This means that about eighty percent of the respondents (80.07%) were aged 40 years and below. This means that the majority of the respondents were young.

Table 4.0.6 Age of respondents



Source: field work 2018

4.0.7 Education level

On the education level of participants 90.47% had formal professional training. This implies that the duties carried out by the majority of participants required specialized training.

Table 4.0.7 Education level

Academic qualification	Frequency	Percent
Secondary	4	9.52%
Certificate	11	26.19%
Diploma	13	30.95%
Advanced diploma	7	16.67%
Bachelor's degree	5	11.90%
Postgraduate degree	2	4.76%
Total	42	

Source: field work 2018

4.0.8 Departments of respondents

Respondents were from various departments across KCM both production and support departments.

Table 4.0.8 Department of respondents

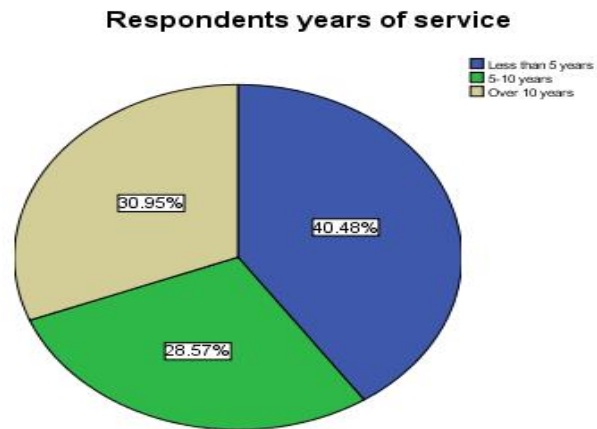
Department	Frequency	Percent
Mining	5	11.90%
Processing	15	35.71%
Engineering	6	14.29%
Security	3	7.14%
Safety	4	9.52%
Medical	3	7.14%
Human Resources	2	4.76%
Environment	1	2.38%
Commercial	3	7.14%
Total	42	

Source: field work 2018

4.0.9 Years of service of respondents

Years of service of respondents were important to this research almost seventy percent of the respondents had more than 5 years of experience.

Table 4.0.9



Source: field work 2018

4.0 Reasons for outsourcing

The first objective of this study was to find out the reasons behind KCM outsourcing. To do this, various reasons for outsourcing were provided for the respondents to rate. The rating scale was 1= strongly agree, 2= disagree, 3=not sure, 4= agree, 5= strongly agree. The findings are presented in table 4.2

Table 4.0

Reasons for outsourcing	Mean	Std. Deviation
To reduce and control costs	2.88	1.64
Improve company focus	2.57	1.42
Deal with a function that is too difficult	2.74	1.53
Obtain resources not available internally	2.46	1.48
Gain access to global capabilities	2.56	1.42
Improve quality	2.55	1.61
Staff shortage	1.74	1.17
Shared risk	2.45	1.38
Deliberate downsizing	3.33	1.49
Others	1.05	1.22

Source: field work 2018

The first objective of this study was to find out the reasons behind KCM outsourcing. Participant's opinions on the reasons for outsourcing are summarized in Table 4.0 the summary shows a general agreement for all the factors enlisted. , based on the mean comparison of all possible reasons for outsourcing, The Mean Score for the opinions are between 1.05 for others to a high of 3.33 deliberate downsizing, which is followed by reducing and controlling costs with a mean of 2.88 representing a general agreement that the main reasons for KCM outsourcing is deliberate downsizing of the workforce. The participant's opinions might be from the fact that KCM has always wanted to reduce its workforce but due to government interference the company has failed to implement its plans according to Lusaka times (2013) Minister of Labour and Social Security said that Government will not tolerate Konkola Copper Mines (KCM) management's arrogance of defying President Sata's directive that no miner be retrenched

from the mine. In 2013, the Sata-led government forced KCM to reverse a plan to lay off 1,500 workers after the government threatened to revoke the company's license, a row that tarnished the image of one of Africa's most promising frontier markets. Therefore the finding is that. KCM management has decided to outsource some of its functions in order to have flexibility when it comes to managing its labour which is in line with the findings of Elmuti and Kathawala (2000) that the main goal of outsourcing by organizations and institutions is to enable growth and gain sustainable competitive edge through cost efficiency, gaining outside expertise, greater financial flexibility through reduced overheads, outsourcing allows firms to have greater control over the amount of time they would have used to employ or recruit workers, actual or perceived risks of recruiting and laying off some staff are transferred to either labour hire agency or the worker are other benefits reaped from outsourcing (Contractor et al., 2010).

4.1 To ascertain the perceived effectiveness of outsourcing by KCM employees

The second objective of this study was to ascertain the perceived effectiveness of outsourcing by KCM employees. To do this, various reasons for outsourcing were provided for the respondents to rate. The rating scale was 1= strongly agree, 2= disagree, 3=not sure, 4= agree, 5= strongly agree. The findings are presented in table 4.1 below.

Table 4.1

Perceived effectiveness of outsourcing	1	2	3	4	5	Mean
	Strongly disagree	Disagree	Not sure	Agree	Strongly agree	
I feel that outsourcing is much more cost effective	26.2%	26.2%	21.4%	14.3%	11.9%	2.60
I feel that outsourcing has led to an increase in production	26.2%	26.2%	28.6%	14.3%	4.8%	2.45
I feel that outsourcing has increased the quality of the business process	26.2%	14.3%	40.5%	11.9%	7.1%	2.60
I feel that outsourcing has met or exceeded my expectations with respect to responsiveness	28.6%	14.3%	33.3%	14.3%	9.5%	2.62
I feel that outsourcing has met or exceeded my expectations with respect to flexibility	28.6%	11.9%	23.8%	23.8%	11.9%	2.79
I feel that outsourcing has met or exceeded my expectations with respect to reliability or dependability	21.4%	23.8%	14.3%	23.8%	16.7%	2.90
Likert Scale Average	26.2%	19.4%	27.0%	17.1%	10.3%	

Source: field work 2018

The findings presented in figure 4.1. On cost effectiveness the majority 52.4% (22) disagreed, on Increase in production the majority 52.4% (22) as well disagreed, on Quality of the business process 40.5% (17) disagreed and another 40.5% (17) where not sure, while on Responsiveness the majority 42.9% (18) disagreed and 33.3% (14) where not sure, on flexibility 40.5% (17) strongly disagreed or disagreed and 35.7% strongly agreed or agreed and on reliability and dependability 45.2% (19) strongly agreed or agreed and 40.5% (17) strongly agreed or agreed

that outsourcing was effective and the resulting average mean score of 2.66 which on the Likert scale is between disagreeing and not being sure that outsourcing has being effective in KCM with regards to cost effectiveness, increase in production, quality of the business process, responsiveness, flexibility, reliability and dependability, this means that outsourcing has not met its main objective thus making it ineffective these findings are supported by Gul and Zaib (2010) who examined outsourcing problems from both an organizational and personnel Perception. They stated personnel problems associated with outsourcing often are reflected in employee perceptions and actions. They contended it was important for managers to understand these perceptions so they could deal effectively with problems arising as outsourcing evaluation or transition progressed.

4.2 To determine the effect of outsourcing on productivity of KCM employees

It was very important for this study to establish the effect of outsourcing on employee productivity in KCM. To do this, statements to be rated by the respondents. The findings are presented in table 4.2 The rating scale used was highly satisfied =5, Satisfied =4, fairly satisfied =3, Dissatisfied =2, highly dissatisfied=1,

Table 4.2 Employee satisfaction of respondents

Employee satisfaction	1	2	3	4	5	Mean
	Highly dissatisfied	Dissatisfied	Fairly satisfied	Satisfied	Highly satisfied	
Your base pay	50.0%	28.6%	16.7%	2.4%	2.4%	1.79
Your bonus	59.5%	26.2%	7.1%	2.4%	2.4%	2.12
Your career progression at the Company thus far	31.0%	28.6%	16.7%	16.7%	7.1%	2.40
Your possibilities for future career progression at the	26.2%	23.8%	31.0%	11.9%	7.1%	2.50
The retirement plan	47.6%	19.1%	21.4%	7.1%	4.8%	2.02
The process used to determine promotions	35.7%	26.2%	23.8%	11.9%	2.4%	2.19
The process used to determine annual raises	50.0%	26.2%	16.7%	4.8%	2.4%	1.83
Your medical insurance	50.0%	4.8%	26.2%	11.9%	7.1%	2.21
Likert Scale Average	45.8%	22.2%	19.8%	7.9%	4.0%	2.1

Source: field work 2018

The other objective of this study was to determine the effect of outsourcing on employee productivity. After carefully analysing the average likert scale field data, it was determined that 45.8% (19) highly dissatisfied, 22.2% (9) Dissatisfied, while 19.8% (8) Fairly satisfied, 7.9% (3) Satisfied and 4.0% (1) respondents Highly satisfied with the statements presented to them in the questionnaires, and the average mean was 2.1 indicating that the majority of respondents were highly dissatisfied and dissatisfied. Finding is that the majority of respondents about 50% either strongly disagreed or disagreed with the reasons which were presented to them about it was important for this study to consider job satisfaction because it is a pre-requisite for employee performance in any organization. It is important for both the employee and the employer. For the employee, job satisfaction gives them a sense of security and fulfillment. In return, it leads to employee commitment, decreased absenteeism and reduced employee turnover. For the

employer, employee job satisfaction ensures committed staff and stable workforce which reduce cost of recruitment and training. Most successful organizations consider worker morale and job satisfaction an output just as important as productivity (Sumita, R., 2004). The responses for the various questions by respondents on employee satisfaction are in the diagram above. From the findings, it can be seen that the majority of the respondents were very dissatisfied with their base pay, bonuses, career progression, possibilities for future career progression, retirement plan, process used to determine promotions, process used to determine annual raise and medical insurance. Workers who are satisfied in their jobs will be co-operative and well-motivated while those who are dissatisfied will be more inclined than others to produce low quality output, go on strike, and be absent from work, invoke grievance procedures or even leave the organization. A worker's sense of achievement and success is generally perceived to be directly linked to productivity as well as to personal well-being. Motivation is the inner drive that makes people act in a certain way and it goes by the saying that "a well-motivated and satisfied employee performed better than unsatisfied employees. Non-monetary motivational factors include symbolic issues such as work promotion, rewards, development training courses, health benefits. Such rewards can leave a symbolic effect on employees and group solidarity, which may ultimately enhance team performance. On the other hand, monetary motivational factors have a substantial cost of extrinsic value. They include salary/pay rise, bonuses or stock options to get people motivated within a team or organisation.

Table 4.3 Organisational commitment of respondents

Organisational Commitment	1	2	3	4	5	Mean
	Highly disagree	Disagree	Fairly Agree	Agree	Highly agree	
I do feel a strong sense of belonging to KCM.	14.3%	19.1%	19.1%	31.0%	16.7%	3.17
I do feel 'emotionally attached' to KCM	19.1%	33.3%	21.4%	16.7%	19.6%	2.64
I enjoy discussing KCM with people outside it	26.2%	21.4%	28.6%	11.9%	11.9%	2.62
I feel like part of the family in KCM	14.3%	19.1%	21.4%	28.6%	16.7%	3.14
I would be very happy to spend the rest of my career with KCM	21.4%	21.4%	38.1%	4.8%	14.3%	2.69
KCM has a great deal of personal meaning for me	21.4%	16.7%	33.3%	16.7%	11.9%	2.81
I really feel as if this KCM's problems are my own	14.3%	14.3%	23.8%	35.7%	11.9%	3.17
I think that I could not easily become as attracted to another organization as I am to KCM.	31.0%	33.3%	11.9%	16.7%	7.1%	2.36
I feel a strong commitment to KCM.	14.3%	9.5%	26.2%	28.6%	21.4%	3.33
Likert Scale Average	19.6%	20.1%	24.9%	21.2%	14.6%	

Source: field work 2018

When asked on their organisational commitment majority of the employees 24.9% (10) fairly agreed and 39.70% (16) either disagreed or highly disagreed while 35.80% (15) agreed or highly agreed to the statements presented to them about their commitment to KCM and the average mean score was 2.88 which shows that participants in this study fairly agreed that they were committed to the organization, which is evident that commitment by KCM employees to their organisational goals and objectives was lacking which has a negative effect on their

performance. This is in line with the findings of Hyman (1988) in which he asserted that the 'central objective (of such forms of flexibility) is to render workers disposable rather than adaptable'. This coupled with the uncertainty and stress associated with the restructuring of work can lead to a lowering of commitment, if outsourcing reduces employee commitment, it will impact negatively on productivity, product quality, and labour turnover. For example, the retrenchment of regular employees, the different employment conditions and the intensification of work often associated with outsourcing can lower the morale and trust of those employees remaining in the firm. This low-trust environment will almost certainly have a negative impact on firm performance due to lower employee effort.

In order to improve the perception of the outsourcing process by employees, there has to be effective communication between the employees and management so this study sought to determine how effective communication was in KCM and the results are in table 4.6 below.

Table 4.4 Effectiveness Communication of respondents

Communication	1	2	3	4	5	Mean
	Highly disagree	Disagree	Fairly Agree	Agree	Highly agree	
KCM Goals and objectives are clearly communicated	26.2%	16.7%	19.1%	19.1%	19.1%	2.88
Supervisors are willing to listen to my ideas	19.1%	14.3%	31.0%	23.8%	11.9%	2.95
Supervisors work to improve communications in all directions	14.3%	16.7%	35.7%	16.7%	16.7%	3.05
KCM does an excellent job communicating changes or decisions that affect employees	19.1%	19.1%	19.1%	23.8%	19.1%	3.05
Employees regularly share and exchange ideas	11.9%	16.7%	33.3%	19.1%	19.1%	3.17
Leadership communicates frequently with employees	19.1%	23.8%	26.2%	23.8%	7.1%	2.76
I have enough information to do my job well	7.1%	11.9%	23.8%	19.1%	38.1%	3.69
There is good communication between me and my supervisor	9.5%	7.1%	19.1%	33.3%	31.0%	3.69
I know what is expected of me at work	2.4%	9.5%	11.9%	33.3%	42.9%	4.05
The company directors give staff a clear picture of the direction in which the Company is headed	35.7%	21.4%	19.1%	11.9%	11.9%	2.43
Communication is good between departments	23.8%	28.6%	19.1%	14.3%	14.3%	2.67
Likert scale average	17.1%	16.9%	23.4%	21.6%	21.0%	

Source: field work 2018

From this study it is evident that the majority of employees 23.4% fairly agreed that communication in the company was effective and the average mean score was 3.1 which on the Likert scale is fairly agree that there is effective communication in the company. Without effective communication between management and the employees it becomes difficult to implement the outsourcing program by management, which is in line with the arguments of Elmuti (2003) an important factor when considering Outsourcing, is the timing of the announcement of this to the organization's staff. As the process especially that involving larger business functions is of a complex nature, the negotiations can take between nine to eighteen months. In many cases it is not even clear at the beginning if this strategy will actually be implemented. Although it may be morally correct for an organization to inform its employees of major changes as soon as negotiations commence, this ought to be balanced against the uncertainty and dissatisfaction that a long period of waiting for a confirmed result may create. One point is clear from the moment that outsourcing becomes the preferred option, the organization should immediately start working on the details necessary to inform staff and bring about a smooth transition. In any outsourcing process the attitude of the staff, both those to be retained and those to be transferred, is of paramount importance to the success. Management's main objective is to maintain goodwill between the two groups, therefore it is essential to keep the time of uncertainty to an absolute minimum. Management need to address this aspect decisively and with consistency, having prepared the criteria to be applied in the selection of those staff members to be retrenched, finalized redundancy offers and final packages, prior to any announcement being made.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study was to establish the effect of outsourcing on the performance of mining companies, case study of KCM. In this section, a summary of findings obtained during the study are discussed, the findings are then related to the research questions, the researcher general conclusion about the results and recommendations based on the research objectives. The research objectives were to find out the reasons behind outsourcing, to ascertain the perceived effectiveness of outsourcing and to determine the effect of outsourcing on productivity of employees.

5.1 Summary of Key Findings

5.2 The reasons behind outsourcing

Findings on the reasons for KCM outsourcing showed that deliberate downsizing scored the highest by recorded the 3.33 and was followed by reducing and controlling costs which had a mean of 2.88. These findings imply that cost reduction through labour restructuring was the main reason by KCM for outsourcing these findings are in tandem with the findings of Roberts, C. R. (2005) that many organizations are using outsourcing as the single biggest operational cost reduction approach. It is the most likely candidate for reducing wage and salary cost.

5.3 Perceived effectiveness of outsourcing by employees

Study findings on the perceived effectiveness of outsourcing by employees revealed that employees felt that outsourcing did not have a positive effect on KCM. A significant majority of employees felt that outsourcing did not have a positive impact on costs, production, business process, responsiveness, flexibility, reliability and dependability. According to Drezner, (2004) how employees feel about outsourcing is important because it may have mediating effects on employees' behavior and attitudes as well as on variety of organizational outcomes. Therefore employees' cognitions and affects regarding outsourcing are likely to vary with the degree of their familiarity of various aspects of outsourcing such as its content and process. Some aspects of outsourcing may be evaluated favorably, while other aspects may be viewed as detrimental.

5.4 Effect of outsourcing on productivity of employees

Outsourcing Study findings on the effect of outsourcing on employee productivity revealed that outsourcing did not have a positive effect on productivity. This is due to the findings on employee satisfaction which showed that the majority of employees were either highly dissatisfied or dissatisfied with employee satisfaction, on organisational commitment and job performance the scores were mixed but the majority were not committed and their job performance was not satisfactory. This means that outsourcing generally had a negative effect on employee productivity in the mining industry which is contrary to Beulen et al. (2012) argument that outsourcing leads to increased productivity. This could be attributed to the imminent loss of management control and insecurity thus calling for careful evaluation of the outsourcing company to make sure the organization's data is protected and the contract has a penalty clause if an incident occurs.

5.5 Conclusion

Outsourcing has become a strategic human resource approach in the current competitive mining industry. Mining companies are involved in the practice to reduce cost and increase production. From the study findings, it was concluded that the reason why mining companies are outsourcing is to reduce operating costs, through labour downsizing. The mining industry being labour intensive, labour downsizing results in significant cost reduction for the mines and also political interference plays a very big part when it comes to outsourcing decision because mining companies want to have flexibility when it comes to labour so that government interference will not have that much impact when it comes to implementing their labour strategy.

Moreover, this study concludes that employees have a very negative perception of outsourcing which makes it difficult for management to successfully implement it. Regardless of underlying reasons for outsourcing activities, employees perceive a qualitative change in their employment and psychological contract with the firm as a result of the firm's outsourcing decisions. Outsourcing may affect some employees positively by upgrading their role, requiring them to focus on high value-added activities, replacing mundane and repetitive work. However, for some employees, outsourcing can result in a loss of employment (Adler, 2003)

Study results showed that outsourcing did not have a positive effect on employee productivity, the effect was found to be statistically insignificant. The reasons behind this could be lack of employee motivation, job insecurity, lack of accountability, teamwork, and poor communication

between management and the employees. This shows that the negative effects of outsourcing on employee productivity had not been mitigated in the mining industry.

5.6 Recommendations

- This study recommends that mining companies reevaluate the reasons why they are outsourcing because it should not only be about cost reduction. This is based on the fact that the effect of outsourcing, on organizational performance was not significant.
- This study recommends that effective communication is cardinal before the implementation of outsourcing, employees need to have the necessary information on their contribution and role in the organization when they are outsourced. This will result in an improvement in the way employees perceive outsourcing.
- This study also recommends that mining companies device ways and means of improving employee motivation This is because motivation is most hurt by outsourcing if employees are not engaged by management during and after its implementation

5.7 Recommendation for Future Research

- Perhaps the biggest issue with the study was that the limited scope of the research left some questions unanswered, the study could have delved deeper and determine if there are differences in perception on the effectiveness of outsourcing in the mines between direct and indirect employees.

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6.1 APPENDICES

6.1.1 Questionnaire

QUESTIONNAIRE

Q-ID:

Dear Sir/Madam,

This questionnaire aims at seeking information for the purpose of research work on the topic “The effect of outsourcing on the performance of mining companies in Zambia. Case study of Konkola Copper Mines plc”. In this endeavor your kind cooperation is solicited. I shall be grateful if you kindly fill the questionnaire. You are requested to respond to each question. Please be fair and frank while responding to the statements. The information supplied by you is strictly confidential and will be used only the research/academic purpose.

Thanking you,

SECTION A: Demographic Data

Tick where appropriate

- (1) **Gender:** Male [] Female []
- (2) **Age:** Below 30yrs [] 31-40 [] 41-50 [] Above 50 []
- (3) **Highest Education Level:** Primary [] Secondary [] Certificate [] Diploma []
Advanced Diploma [] Degree [] Master’s Degree [] PHD []
- (4) **Marital Status** Single [] Married []
- (5) **KCM Employee** [] **Contractor** []
- (6) **Department**.....**Section**.....
- (7) **Job Title**.....
- (8) **Years of Service**.....Less than 5 years [] 5-10 years [] Over 10 years []

SECTION B:**DEPARTMENTS THAT HAVE SOME OPERATIONS OUTSOURCED**

Which departments in KCM have outsourced some operations (please tick as many as applicable)

	KCM Departments	Departments which have outsourced some operations
1	Mining	
2	Engineering	
3	Concentrator	
4	Tailings and Leach Plant (TLP)	
5	Security	
6	Medical	
7	Smelting and Refinery	
8	Trust Schools	
9	Commercial	
10	Finance	
11	Information Technology(IT)	
12	Human Resources (HR)	
13	Safety Health and Environment(SHE)	

REASONS FOR OUTSOURCING BY KCM

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Strongly agree 4- Agree 3- Not sure 2- Disagree 1- Strongly disagree

		5	4	3	2	1
14	To reduce and control costs					
15	Improve company focus					
16	Deal with a function that is too difficult					
17	Obtain resources not available internally					
18	Gain access to global capabilities					
19	Improve quality					
20	Staff shortage					
21	Shared risk					
22	Deliberate downsizing decision					
23	Others					

KCM RELATIONSHIP COMMITMENT

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Strongly agree 4- Agree 3- Not sure 2- Disagree 1- Strongly disagree

		5	4	3	2	1
24	There is a long term commitment by KCM towards building up of the relationship with its contractors					
25	The relationship between KCM and its contractors is identified to be a partnership					
26	Risks and rewards are shared by KCM with its contractors					
27	KCM and its contractors share a compatible culture and					

	policies					
28	KCM and its contractors make mutually beneficial decisions in most circumstances					

THE PERCEIVED EFFECTIVENESS OF OUTSOURCING BY EMPLOYEES

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Strongly agree 4- Agree 3- Not sure 2- Disagree 1- Strongly disagree

	Category of risk	5	4	3	2	1
29	I feel that outsourcing is much more cost effective					
30	I feel that outsourcing has led to an increase in production					
31	I feel that outsourcing has increased the quality of the business process					
32	I feel that outsourcing has met or exceeded my expectations with respect to responsiveness					
33	I feel that outsourcing has met or exceeded my expectations with respect to flexibility					
34	I feel that outsourcing has met or exceeded my expectations with respect to reliability or dependability					
35	I feel that outsourcing has led to work being carried out quicker and much more effective.					

WORK ALIENATION

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Highly agree, 4- Agree, 3- Fairly Agree, 2- Disagree, 1- Highly disagree

		5	4	3	2	1
36	I am not pleased about what I do in my organization;					
37	I spend time only to be paid.					

38	It is a painful and boring experience to face my daily duties in my organization.					
39	For me working is rather drudgery or load.					
40	I feel myself detached/distanced in my organization.					
41	I wish I do a different thing. In time I have become disappointed about my job.					
42	I don't feel to show better efforts in my job.					
43	I don't feel engaged to the events occurring around me in my organization (I don't care about anything).					
44	I feel discriminated on the basis of either or any of the following (gender, sexuality, religious beliefs, pregnancy, disability)					

SUPERVISION

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Highly agree, 4- Agree, 3- Fairly Agree, 2- Disagree, 1- Highly disagree

		5	4	3	2	1
45	Overall, my supervisor does a good job					
46	My supervisor actively listens to my suggestions.					
47	My supervisor enables me to perform at my best.					
48	My supervisor promotes an atmosphere of teamwork.					
49	It is clear to me what my supervisor expects of me regarding my job performance.					
50	My supervisor evaluates my work performance on a regular basis.					
51	My supervisor provides me with actionable suggestions on what I can do to improve.					
52	When I have questions or concerns, my supervisor is able to address them.					

ORGANIZATIONAL COMMITMENT

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Highly agree, 4- Agree, 3- Fairly Agree, 2- Disagree, 1- Highly disagree

		5	4	3	2	1
53	I do feel a strong sense of belonging to KCM.					
54	I do feel 'emotionally attached' to KCM					
55	I enjoy discussing KCM with people outside it					
56	I feel like part of the family in KCM					
57	I would be very happy to spend the rest of my career with KCM					
58	KCM has a great deal of personal meaning for me					
59	I really feel as if this KCM's problems are my own					
60	I think that I couldn't easily become as attracted to another organization as I am to KCM.					
61	I feel a strong commitment to KCM.					

EMPLOYEE SATISFACTION

To what extent are you satisfied with the following. Tick (✓) where appropriate in the table below:

Key: 5- Highly satisfied, 4- Satisfied, 3- Fairly satisfied, 2- Dissatisfied, 1- Highly dissatisfied

		5	4	3	2	1
62	Your base pay					
63	Your bonus					
64	Your career progression at the Company thus far					
65	Your possibilities for future career progression at the Company					
66	The retirement plan					
67	The process used to determine promotions					
68	The process used to determine annual raises					
69	Your medical insurance					

70	Your annual raise					
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COMMUNICATION

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Highly agree, 4- Agree, 3- Fairly Agree, 2- Disagree, 1- Highly disagree

		5	4	3	2	1
71	KCM Goals and objectives are clearly communicated					
72	Supervisors are willing to listen to my ideas					
73	Supervisors work to improve communications in all directions					
74	KCM does an excellent job communicating changes or decisions that affect employees					
75	Employees regularly share and exchange ideas					
76	Leadership communicates frequently with employees					
77	I have enough information to do my job well					
78	There is good communication between me and my supervisor					
79	I know what is expected of me at work					
80	The company directors give staff a clear picture of the direction in which the Company is headed					
81	Communication is good between departments					

JOB PERFORMANCE

To what extent do you agree with the? Tick (✓) where appropriate in the table below:

Key: 5- Highly agree, 4- Agree, 3- Fairly Agree, 2- Disagree, 1- Highly disagree

		5	4	3	2	1
82	I always complete the tasks involved in the job description in my workplace.					
83	I fulfil my responsibilities as required by my job.					
84	I am not successful in fulfilling my basic tasks.					
85	I don't neglect the tasks as required by my job.					

86	I fulfil the formal tasks as required by my job.					
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6.1.2 Ethical clearance letter



THE UNIVERSITY OF ZAMBIA

DIRECTORATE OF RESEARCH AND GRADUATE STUDIES

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Approval of Study

9th August, 2018

REF. NO. HSSEREC: 2018-JULY-003

Mr. Brown Kalela
House No. 4
Marula Road
Kamenza Township
CHILILABOMBWE

Dear Mr. Kalela,

RE: "EFFECTS OF OUTSOURCING ON THE PERFORMANCE OF MINING COMPANIES IN ZAMBIA. CASE STUDY OF KONKOLA COPPER MINES PLC"

Reference is made to your request for waiver of ethical approval of the study. The University of Zambia Humanities and Social Sciences Research Ethics Committee IRB has approved the study noting that there are no ethical concerns.

On behalf of The University of Zambia Humanities and Social Sciences Research Ethics Committee IRB, we would like to wish you all the success as you carry out your study. In future ensure that you submit an application for ethical approval early enough.

Yours faithfully,

Dr. Jason Mwanza

BA, MSoc, Sc., PhD

CHAIRPERSON

**THE UNIVERSITY OF ZAMBIA HUMANITIES AND SOCIAL SCIENCES
RESEARCH ETHICS COMMITTEE IRB**

cc: Assistant Director (Research), Directorate of Research and Graduate Studies
Assistant Registrar (Research), Directorate of Research and Graduate Studies

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