

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



AN ASSESSMENT ON THE IMPACT OF OUTSOURCING OPERATIONS ON ORGANIZATIONAL PRODUCTIVITY: THE CASE OF MINING COMPANIES IN MASHONALAND CENTRAL PROVINCE, ZIMBABWE.

BY

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APPROVAL FORM

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DEDICATION

This project paper is dedicated to my family who gave me the zeal to give heart to everything I do special mention goes to my mom; I wouldn't have been here without her. I also dedicate this paper to my friends for their inspiration, encouragement, financial support, tribute and gratitude to **ELOHIM** who has given me the wisdom to undertake this course. Also with special mention I dedicate this research project to my colleagues and all those close and dear to me for their unwavering support.

ABSTRACT

This research majored on exploring the benefits, challenges and opportunities that outsourcing brings in mining sector. It entailed looking at the advantages and opportunities provided by outsourcing, examining the dangers and difficulties associated with it, identifying the essential elements for its success, and developing suggestions for how, when, and why mining businesses should outsource their operations. The researcher got a deeper understanding of both theoretic and applied information on outsourcing. Literature was revealed with much focus on the drive for outsourcing, benefits, difficulties faced, and procedures for guaranteeing success. Fourthly three individuals were chosen from three departments using a stratified random sample procedure. According to the report, the mining industry outsources tasks including engineering, transportation, catering, cleaning, audit (which is required by law), IT, and security. The need to deploy specialized expertise, maintain flexibility, and concentrate on essential competences are some justifications for outsourcing. Since their attention was distracted from routine duties like cleaning and security, top management was free to concentrate on formulating and implementing strategies as a result of outsourcing. Relying on contractors, being unable to manage quality and expenses, and having personal information leaked are some drawbacks of outsourcing. The study made clear that responsibility, transparency, and effective communication are all necessary for outsourcing to be successful. The researcher suggested that adopting expert procurement techniques was necessary. Fundamental levels of internal procurement procedures are hampered by layers of bureaucracy. A highly centralized policy has also not only failed to stop corruption, but has actively helped it to flourish. The researcher suggested conducting additional investigation on the outsourcing issue. This was because the study only looked at a small number of mining enterprises; a subsequent study might look at the mining industry in Zimbabwe as a whole, the southern region of Africa, etc. It would be ideal if a scientific institute conducted a more thorough investigation.

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CHAPTER ONE

1.0 INTRODUCTION

Organizations are facing growing competition in terms of new technology and corporate reorganization in today's global business climate. These reasons compel firms to seek and sustain competitive advantages by focusing on the profitability and productivity of each department. Outsourcing has grown in popularity around the world as a way for firms to get a competitive advantage in a global market. The evolution and progression of outsourcing operations which traditionally dominated manufacturing sector has become increasingly prevalent in mining (Olsen, 2006). Outsourcing only makes sense, in accordance with the transaction cost hypothesis, when costs are lower than the advantage of lower production costs, leading to a positive link between outsourcing and productivity.

The history of outsourcing is intertwined with the development of contemporary corporate enterprises. Outsourcing arose as a response to the twenty-first century's over-diversification. As a result, many businesses have reviewed their core operations and focused on their core competencies, or what they feel they are greatest at (Lysons & Farrington, 2000). The operations that are easiest to outsource are those that are resource heavy (high labor or capital expenses), need specialized skills, are prone to fast technological change, or require a large investment.

1.1 BACKGROUND OF THE STUDY

Many mining businesses have made mass production and efficiency their primary goals since the industrial revolution. According to the Mineral Marketing Corporation of Zimbabwe (MMCZ) 2018 report, the Zimbabwean government has recognized the mining industry's importance to the country's economy and designated it as a critical sector.

Mining has the potential to be a significant business in Zimbabwe, with mineral exports accounting for 60% of the country's export revenues as of October 2018, and the mining sector accounting for about 16% of GDP. As it tries to take advantage of vast natural resources, the government has also established ambitious goals to triple the sector's overall worth to \$12 billion by 2023.

Mines in Bindura have faced a number of difficulties over the past ten years, including low productivity brought on by high cost of production, political unrest, shaky economic conditions, the global financial crisis, and poor nickel grade in the mining industry (as in the scenario of Bindura Nickel Cooperation). As a result, the company decided to outsource its operations.

In 2019 the companies then entered into a partnership with the foreign and domestic investors, which resulted in new capital injection into the company and it adopted outsourcing in an endeavor to improve the organization's performance. Therefore with the idea of outsourcing operations it led the organization to reduce its operating costs resulting in an increase in productivity.

For instance, Due to a sharp decrease in global nickel prices and production issues, the company found it difficult to achieve profits because the unit cost of production became higher than the nickel price per ton, hence Trojan Nickel Mine was operating at a 5% capacity (Mwana Africa outlook, 2012). Financial year statements of 2017 and 2018 reported that they sold 6.613 and 7.352 tons of nickel respectively. Trends of nickel sales, nickel concentrate and nickel head grade have been different each and every year. For example in 2018 and 2017 respectively, nickel sales were 6.613tonnes and 7.352tonnes, nickel concentrate was 6.621tonnes and 7.306tonnes and nickel head grade was 1.5% and 1.7% (ASA rresource Group PLC, 2017). With such trends, it demonstrates that production expenses were extremely high. Consequently, the aim of this investigation was to ascertain whether these efforts made a good contribution to improving the productivity of mining companies.

In Zimbabwe's hyper-inflationary atmosphere, the Freda Rebecca gold mine has suffered from poor income collections. Following the identification and implementation of a number of proactive fiscal policies by Zimbabwe's new government in early 2009, such as the dollarization of the economic system, revision of gold export protocols, and authorization to operate foreign currency accounts, Mwana Africa declared its intent to reinstate gold production at the Freda Rebecca Mine in March 2009. To put the mine back into production, the business had to take a number of moves

such as adopting outsourcing to increase the organizational productivity as from when it was commenced.

1.2 STATEMENT OF THE PROBLEM

Despite the fact that firms may anticipate a wide range of benefits from successful outsourcing, there are important hazards that could arise if outsourcing is unsuccessful (Luke and Anthony, 2010). Due to inadequate internal capacity to handle the majority of activities and having too many personnel in relation to the amount of work available, mining companies in Bindura have generally seen an increase in production costs, a decline in service quality, poor performance, and a decline in productivity. The Freda Rebecca and Trojan Nickel mines of Mwana Africa's Zimbabwean operations saw production rise by 23 percent and 5 percent, respectively, in the three months that concluded on September 30, (Mwana Africa outlook, 2012).

Mwana Africa stipulated that, As a result of advancements in feed grade, recovery, and milled tons, Freda Rebecca's gold output increased by 23 percent in the second quarter of the company's 2015 fiscal year, from 14 563 tons to 18 985 tons. According to the group, the number of tons milled increased by 41.3 percent to 319.768 tons, and the average feed grade increased by 9 percent to 2.25 g/t. In comparison to the prior quarter, gold recovery for the quarter was 5.2 percent higher at 70 percent. Cash expenses for the period under review reduced 18% from \$1 078/oz in Q1 2015 to \$980/oz, while all-in sustaining costs decreased by 20% from \$1 678/oz in Quter1 2015 to \$1 061/oz in Q2 2015, confirming the mine's potential to remain profitable.

After difficulties were found, action was made to address them by hiring dependable personnel with higher levels of training. The catering services was outsourced to platinum foods. Engineering companies such as Drill Rig Engineering, R Davis and Co and many others were given the tasks to look at the engineering services with little help from company engineers. The company also sold its old buses which were used to fare employees as they were now giving more trouble than service and the company looked for local business to provide transport for the workers. Therefore, the purpose of this study is to determine if these efforts have improved the output of the mining company in any way.

1.3 Primary Objectives

To establish whether outsourcing has resulted in an increase in productivity in mining companies

1.4 Secondary Objectives

1. To examine the impact of outsourcing operations on organizational productivity in mining companies in Mashonaland central.
2. To come up with recommendations on how outsourcing operations can be used in improving productivity in mining companies in Mashonaland central.

1.5 RESEARCH QUESTIONS

1. What is the impact of outsourcing operations on productivity in mining companies in Mashonaland central?
2. What recommendation can be given to mining companies in Mashonaland central in regards to outsourcing?

1.6 Assumptions

- Despite any unanticipated or uncommon patterns that can be discovered, a thorough and unprejudiced interpretation of the results will be carried out.
- The pertinent authorities will assist in facilitating access to the pertinent data.
- The information gathered and obtained was pertinent to the research.
- All research tools will be considered as valid and ethical.
- The researcher will rely on the statistical distribution of all the model's estimated variables.

1.7 SIGNIFICANCE OF THE STUDY

The study of outsourcing will enable the researcher to enhance her research abilities and gain a thorough understanding of outsourcing's effectiveness. The research can assist other scholars interested in this area of study as resource material and for future referencing.

The study aims to provide policy makers with information about the impact of outsourcing on organizational productivity and the relevant techniques to use to improve performance. Policy makers may use this information to guide the creation of effective regulations for the sector.

1.8 Delimitations of the study.

The study took place for period of 2022 only. Also, the research was carried out at only three mines (Freda Rebecca Gold Mine, Shamva Gold Mine and; Trojan Nickel Mine trading under Bindura Nickel Corporation) because of easy proximity.

1.9 Limitations of the study

The following are some of the challenges that the researcher encountered during the research:

Participant availability; Due to work commitments and tight work schedules, management workers were not always accessible for interviews. To avoid this, appointments were made in advance to guarantee that participants would be present and that the required data would be collected.

Confidentiality; Participants were hesitant to reveal some of the information due to confidentiality concerns. The project was emphasized as being purely academic, and any information submitted would be handled with the strictest confidentiality.

Lack of experience and knowledge; although the researcher lacked the necessary knowledge and expertise for the research tasks, she was helped by other students, particularly those studying economics, and by her dissertation advisor.

1.10 Definition of key terms

Outsourcing is a strategic use of outside resources to perform activities traditionally handled by internal staff and resources according to (Luke and Anthony, 2010). It is essentially viewed as the contacting out of non-core activities of the firm and this therefore means the organization is handing over such functions as buying, catering, security and cleaning services which they feel are not of core to the third party specialists allowing the organization to concentrate more better on their core competes. Outsourcing, according to Prahalad & Hamel (1990), is the acquisition of goods and services from sources outside of the existing company.

Productivity is the output to input ratio (Prahalad & Hamel, 1990). Productivity is a performance metric that accounts for the costs associated with obtaining a particular level of performance.

Mining is the removing of soil from the earth as well as important raw resources or other geological resources. The ability of a company, institution, or organization to deliver desired results with the least amount of effort, time, money, staff, and resources.

1.11 Chapter summary

The first chapter concentrated on the background of the study, the statement of the problem, the purpose of the study, the objectives and questions for the inquiry, as well as the importance of the study. It also discussed the study's limitations and boundaries. The chapter concluded with the structure of the research project. The following chapter will focus on the study's literature review, explaining the theoretical framework and empirical data.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The chapter investigates the literature on the topic by examining outsourcing, operational costs, and outsourcing and productivity. In addition, the chapter covered theoretical and empirical evidence, and also the advantages of outsourcing. A literature review is an act of researching relevant research and theory in order to uncover connections between accumulated materials on a particular topic of interest. It reviews a critical assessment of the literature findings by other researchers relating to how outsourcing impacts the productivity of a firm.

2.2 Make or buy decision

According to McIvor, there are many things to think about before outsourcing (2000). Cost analysis, outsourcing risks, a strategic approach, and supplier effects are a few of the things to think about. This helps the company decide whether to offer a service internally or outside. Organizations should take into account variables like competitiveness analysis, contingency planning, and cost analysis while outsourcing, claims Jennings (2002).

- **Competitive advantage analysis:** In order to create a strategic plan, organizations should look at how their sourcing strategy reflects their overall strategy. This suggests that in order for the organization to be able to respond to changes in the marketplace, it is necessary to assess corporate resources and identify how they might be modified. Because of this, it is wise to perform a resource-based study to ascertain the organization's competitiveness and to outsource any gaps found after doing so.
- **Risk analysis for outsourcing:** Frost (2002), alluded that one must weigh the advantages and disadvantages of outsourcing in order to adopt a holistic strategy. This assists management in deciding whether it should outsource or otherwise, as well as in figuring out how to reduce potential risks that

may develop during the outsourcing phase. For outsourcing to be successful, risk mitigation measures should be taken into account.

- **Costs analysis:** The organization should be fully aware of the scope and nature of all potential costs associated with outsourcing before moving forward. 19, Jennings (2002). A management should assess both the long-term and short-term costs that are expected to result from outsourcing in order to prevent performing the incorrect analysis of the advantages. For instance, the company should take into account expenditures like those linked with development or production processes, as well as related costs like monitoring and contractual fees. Outsourcing is likely to be less effective than performing the service internally if these costs are considerable.

2.2.2 Possible advantages of outsourcing

According to Abraham and Taylor (1996), there are three key reasons why outsourcing can reduce manufacturing costs. The first argument is that a third party may be able to produce the intermediate at a lower cost than the company, for example due to lower labor. This is especially true in international outsourcing, where wages might vary significantly between nations. Even domestic outsourcing, according to Abraham and Taylor, can cut wage costs, for example, when the outsourced firm is unionized and the contractor is not. The second explanation has to do with the output cyclicity. When a business's productivity is cyclical over time, it may lack capacity at busy periods since it has too much capacity during low-demand periods. Instead, the company might choose to outsource a portion of the manufacturing process during peak periods. The third argument is scalability. If efficiencies apply to some component of the manufacturing process, costs will decrease if all enterprises outsource this part to a third party. Many small businesses, for example, outsource their salary administration to specialized accounting services.

2.2.3 Problems associated with outsourcing

Outsourcing results in a loss of control, a loss of critical skills and knowledge, a loss of intellectual property, a loss of security, a drop in service quality, an increase in costs, and a loss of innovative capability. In addition, there should be ongoing follow-up and monitoring of the service provider relationship, as well as dispute resolution. The most significant challenge is determining how to deal with the shift in power that favors the service provider. (Weele, 2010)

Lack of strategy clarity prior to contracting and/or failure to account for appropriate development changes may affect the composition of the outsourcing arrangement. Some outsourcing contracts require big capital investments, the ultimate outcome of which can have a considerable impact on a company's performance and

financial situation and organizational performance. Because outsourcing implies giving the service provider control of a function/activity, there is indeed a threat of business disruption at the beginning and conclusion of the contract. Firms experience uncertainty when they depend on service providers to administer what could be a vital component of their production operations in regards to quality and efficiency.

2.3 Theoretical framework.

2.3. Resource Based Theory (RBT)

The Resource Based View theory of Wernerfelt (1984) was utilized by the researcher in order to produce this work. This theory is supported by two essential ideas. First of all, those resources are what make a company perform, and secondly, in order to have a competitive advantage, those resources need to be uncommon, valuable, challenging to duplicate, and non-substitutable by other rare resources. The hypothesis is predicated on the notion that administrative structure exists within organizations. All individual and team actions inside the organization are connected by and brought together by the structure. These links are the tools that regulate organizational productivity, which varies from one company to the next and contributes to the variety of businesses (Penrose, 1959; Neves et al., 2014).

According to the RBV hypothesis, not all resources are crucial and useful from a strategic standpoint for enhancing organizational performance. By creating and protecting all necessary resources, both internally and internationally, an organization aims to ensure that it has access to and control over valuable resources. The Theory asserts that because outsourcing is a strategic choice, strategy creation may occur "inside-out" throughout this process. We begin by examining the resources the company has available. We then evaluate their capacity to generate value, and we conclude by establishing a plan that will enable us to maximize value in a sustainable manner (Robert Grant CM, 1991). Both the outsourcing user and the outsourced provider must exercise caution to avoid straying from their core capabilities. According to the RBV hypothesis, an organization can maintain an activity better in-house than a third party in order to remain viable and increase its operational efficiency provided it is able to secure effective civic resources from its surroundings. On the same note, it is desirable for the company to outsource target operations if their end value is negligible and there are no resources available to carry them out. Since corporations use outsourcing as a tactic to gain access to the valuable resources of other enterprises, RBV is thus particularly suitable for optimizing outsourcing operations. In order to respond to changes in the business environment, firms establish dynamic capacity; they first produce resources that are specific to their company and then recreate those resources.

Processes, all assets, information, and skills that are owned by the company and its employees are some of these resources (Roy & Aubert, 2001). This idea provides an explanation for the organization's choices made during the Relationship Management and re-evaluation phases (Kutsikos & Mentzas, 2011). Based on an

organization's structure and processes, the capabilities can be applied as cross-functional capabilities as well as functional capabilities (IT, production, exploration, etc). (Neves et al., 2014).

2.3.2 Resource Dependency Theory (RDT)

The study of how an organization's external resources impact organizational behavior is known as resource dependence theory. An essential component of any company's strategic and operational management is the acquisition of outside resources. First put forth by (Prahalad & Hamel, 1990). Resource dependency theory's implications for the ideal organizational divisional structure, board member and employee recruitment, production techniques, contact structures, organization 's external links, and a number of other organizational strategy components (Brudenall, 2005).

According to the organization's resource-based philosophy, a resource must now be rare, challenging to duplicate, non-substitutable, and tough to obtain in factor markets in order to provide long-lasting competitive advantage. Two key assumptions form the basis of this theory. Resources must be helpful, challenging to duplicate, and unreplaceable by other resources in order to determine the performance of an organization. The latter situation results in the creation of a competitive advantage. Butler and Priem (2001). Organizations rely on multifaceted resources such as labor, capital, raw materials, and so on. Organizations may be unable to devise viable initiatives for all of these various resources. As a result, a company should progress by adhering to the politeness and scarcity ideals. Citizens' resources are those that are necessary for an organization to operate. For instance, burger rolls are essential for running a burger joint. A company may implement a variety of countering methods, including as partnering with other suppliers or integrating vertically or horizontally (Kotler, 2004).

2.3.3 Core Competence Theory

Prahalad and Hamel introduced the concept of core competence to management literature in 1990. They defined Core Competencies as an organization's shared knowledge about the ways for merging various productive skills and the strategies for unifying multiple technologies. This idea explains how businesses might gain a competitive advantage in the marketplace by taking certain behaviors. Firms must focus on their strengths, or the areas or functions in which they excel (Prachi, 2018). Core and noncore competencies are commonly used to categorize organizational competencies.

Non-core competences are functions that are directly tied to the production of products and services, whereas core competencies are functions that are directly merged into the development of products and services (Power

et al, 2006). Typically, decision makers choose to keep critical tasks in-house and outsource non-critical activities to third-party service providers (Arnold, 2000).

Prahalad and Hamel (1990), the authors of this model, stated that in order to determine which activities are core, one must consider the following: first, functions or activities that assist organizations in accessing the market; second, one cannot achieve customer retention/satisfaction without the input of such activities or functions; and third, activities or functions must be difficult to replicate. Outsourcing key services decreases an organization's ability to innovate and raises competition, as well as exposing the organization's sensitive information (XU, 2009)

2.3.4 Production Function Model (PFM)

The approach, according to Thomas and Came (1987), constitutes one of the early attempts to assess productivity. It considers production to be an organization's most significant activity and hence contends that measuring productivity is equivalent with evaluating the productivity of the production function. It is assumed to be a function of several input variables. Cobb-Douglas The traditional one is function, which depicts the function as

$$Q = a L^d K^t e^u$$

Where

Q = Output

L = Labor

K = Capital

u = random measurement error a, d, f are constants

2.4 Empirical Review

A study by Hamlet et al, (2018) stated organizations gain increased flexibility when they outsource their production to a contract manufacturer. Hamlet and company conducted a study in china on the impact of outsourcing in manufacturing firm. Using the results they got from their study on the impact of outsourcing in manufacturing firm they found that, contract Manufacturers typically make items for a lot of organizations,

even competitors in the same industry; as a result, they can produce more goods than the original manufacturing company and respond quickly to growing production requirements. When an enterprise outsources production, it benefits from cost savings. The running expenditures (i.e. the acquisition, operation, and upkeep of facilities and equipment) associated with mass manufacturing typically overwhelm many companies. Organizations can also gain access to industry knowledge because counseling on materials and processing procedures typically provides significant benefits to organizations that outsource production to experienced service providers.

Ogola (2013) conducted research at the University of Nairobi on the relationship between outsourcing and organizational performance in the Kenyan book publishing industry. One of the objectives was to determine how much the organization outsources. She conducted a survey of 19 book publishing organizations. It was revealed that Kenyan book publishers feel that external service providers have acceptable qualifications and experience in supplying outsourced services.

Mohlmann and Goot (2013) conducted a study on Dutch firms in the Netherlands to investigate the effects of international and domestic outsourcing on firm productivity. Mohlmann and Goot (2013) conducted a study on Dutch firms in the Netherlands to explore the impact of domestic and international outsourcing on firm productivity. According to the findings of their survey, outsourcing leads to a firm's specialization of work, which reduces production costs while increasing productivity (Mohlmann and Goot, 2013). The study then reviewed the effects of these various types of outsourcing on labor productivity and total factor productivity (TFP) without adjusting for firm size, implying that more productive firms are more likely to outsource. The results of an adjustment for firm fixed effects suggested that international outsourcing of core functions reduced total factor productivity.

Charles (2011) conducted a study in Uganda called "the effects of outsourcing on organizational performance," a case study of the telecommunications industry, and published his findings in 2011. He was using a sample size of 50 participants. The research goal was to determine whether outsourcing is a beneficial measure for increasing organizational productivity. The data demonstrated that outsourcing led to cost efficiency and increased organizational performance and productivity.

Antonioli, Pini, Mazzanti, and Monteso (2011) conducted research in Emilia Romagna on a diachronic cross-section econometric model of the productivity effect of outsourcing from a local production system (Italy). Their findings were quite intriguing: the average labor productivity from 2012 to 2015 was only affected by the externalization of services, or outsourcing: positively by high-value added services and negatively, but not significantly, by low-value added services. According to Olsen (2006), this is what he refers to as the 'law of diminishing returns from outsourcing,' where the potential gains from outsourcing low value-added activities are exhausted, whereas a strategy of outsourcing large return operations still gives profits.

Outsourcing has been found to be an effective means of achieving cost savings for client firms in studies conducted in China and Nigeria (Akewushola, 2007; Heili, 2005; Tijun et al., 2012; Suraju and Hamed, 2013), supporting the argument that cost competitiveness should be a key driver for outsourcing strategies. However, there are counter-arguments. According to Relph and Parker (2014), while most organizations' major motivation for outsourcing tasks is cost control,

This strategy may result in a lack of focus on other critical indicators. In the end, businesses may pay additional costs and perform in ways that were not anticipated. This viewpoint is reinforced by a research conducted in the Zimbabwean forestry industry, which discovered that while outsourcing increased production, overall costs increased in the opposite direction of what was expected (Chikuse et al., 2012). Another study, this one focusing on small businesses in Sweden, discovered no significant link between outsourcing intensity and financial performance. (2015) (Isaksson and Lantz).

2.5 Conceptual Framework

According to Thomas (2010), a conceptual framework is a collection of general concepts and principles drawn from relevant disciplines of study and utilized to construct a particular concept. It aids the researcher in developing a knowledge and appreciation of the situation under investigation and communicating this to others. In addition, Thomas' conceptual framework highlights the study variables and explains the underlying linkages (2010). Increased productivity and lower operational costs are the dependent variables within this research study, whereas outsourcing, as represented by kinds of outsourcing and outsourcing activities in Figure 2.1 below, is the independent variable.

INDEPENDENT VARIABLE □

DEPENDENT VARIABLE

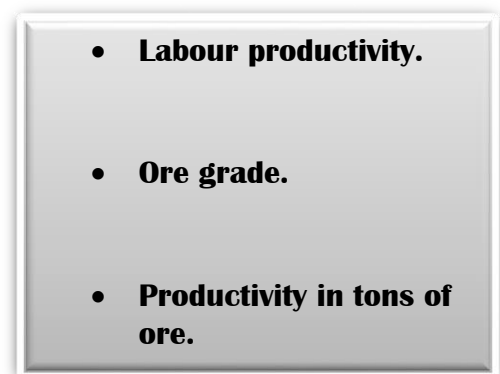


Fig 2.1: Conceptual framework

2.5 Gap analysis.

A gap analysis tool for aiding the organization to understand what information it holds regarding the outsourcing practice and where it needs improvement is essential for assessing the gap in finding out how outsourcing help increase organization's productivity. Furthermore, to improve in locating the finest vendor to outsource from so that the organization can realize the benefits and chances associated with outsourcing. The literature review aids in highlighting information gap in the subject area understudy. The researcher was able to recognize that the actual proof of literature on the relationship of outsourcing and productivity is not clearly outlined as sometimes the benefits are outweighed by the risks. Previous researches did very little emphasize how outsourcing operations impact organizational productivity, instead focusing on the nature of the relationship.

The researcher realized that most of the research done was quantitative and the need for the research to be qualitative was realized. There also was realized the need for the research to be broadened for example the mining sector as a whole or Africa so as to broaden findings and views on how outsourcing affects the mining industry. Also the research tools and methods of research used created necessity of study since some of the previous researchers only used secondary data obtained from repots, company journals and magazines.

2.6 Chapter Summary

This chapter examined the theoretical work and empirical evidence of the research area. There was a review of previous researches on the similar topic of outsourcing theories, dives into outsourcing, and challenges encountered while outsourcing. Furthermore, the impact of outsourcing on returns to production and competence has been highlighted and discussed in this chapter. The chapter also concluded with a gap analysis of previous research and the study topic. The chapter that follows looks at research technique.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction.

This chapter will lay out the strategy for gathering information in order to answer the research objectives and questions established during first chapter of this study. Theoretical model, empirical model, and rationale of procedures, estimation procedure, diagnostic test, and data sources are all included. The purpose of this study is to see how outsourced operations affect organizational productivity.

3.2 DESCRIPTION AND JUSTIFICATION OF VARIABLES.

3.2.1. Productivity (PRO).

Productivity is the efficiency of productive effort, particularly in industry, as measured in terms of output per unit of input. Because it is related with revenue generation rather than reflecting increased costs to the organization, it is used to measure organizational performance. Productivity is measured quantitatively in tones. It was averaged over three months to arrive at a roughly average productivity in tones. In the mining industry, productivity is one of the most important performance indicators. Over 60% of Zimbabwe's export earnings come from mining. It is estimated that the sector accounts for between 12 and 16 percent of GDP.

3.2.2 Training (TRA).

Training is the practice of new skills in order to gain knowledge. It aims to improve one's potential, capacity, productivity, and performance. All personnel should have access to effective training in order to improve their experience and competencies. Unusual circumstances training increases morale on the work and company loyalty, resulting in an increase in productivity and profits. Training can aid in the resolution of performance issues such as the time spent on correcting errors, which reduces staff turnover and breakdowns. As a result, a decrease in employee retention will result in a decrease in productivity levels.

3.2.3 Outsourcing Costs (OUT)

Outsourcing is a common practice in which a company hires another organization to complete tasks that were previously completed by the company's own workforce. Outsourcing is expected to decrease production costs and increase productivity because it leads to greater specialty. Outsourcing operations will be used in this project to investigate whether there is an increase or decrease in the organization's productivity levels. According to the researcher, there will be a positive association between outsourcing activities and organizational productivity.

3.2.4 Machine maintenance (MAC)

Machine maintenance is just the methodical care and preservation of tools, machinery, and equipment with the goal of protecting them, reducing downtime, and increasing production. Ignoring routine maintenance is the fastest way to make things slow down. Maintenance shutdowns are substantially less costly than breakdowns for broken or worn machinery. Preventive maintenance guarantees that your equipment functions smoothly and efficiently, with no unplanned downtime or work stoppage. As a result, the more machinery is repaired and upgraded as more productivity increases.

3.3 Research Design

The researcher employed both quantitative and qualitative research methods. It is because quantitative research design studies necessitate the collection and analysis of data in order to determine the current state of a phenomenon. Furthermore, the researcher described specific attributes using a descriptive study methodology. It is more concerned with the condition of events than with the happenings themselves. The link between variables is discovered by the research design, according to Kothari (2008). Furthermore, the researcher employed a quantitative approach to measure frequency utilizing information from questionnaires in order to explain present conditions and examine the correlation between outsourcing and productivity.

Furthermore, the study included a qualitative technique to explain events and report findings via interviews and questionnaires. This enabled the researcher to collect precise information, which was later employed in the investigation.

3.4 Target Population

The population refers to the group in which the researcher is most interested. According to Saunders et al. (2009), the researcher would generalize the study's findings to this group. The population consists of all individuals about whom the researcher wishes to obtain information and draw conclusions. The study focuses on employees from the purchasing, finance, and production departments of mining companies. The target population includes people who are both directly and indirectly involved in the research variables under consideration.

3.5 Sampling

A sample is a part of the target population that is used to collect data in order to make an estimate about the population. According to Yin (2003), the goal of sampling is to locate a representative who looks like the population within an acceptable margin of error. Concentrating on a sample reduces costs, gives the researcher more control over data, produces more precise results, and saves time. Sampling also allowed the researcher to produce results on schedule, ensuring the validity and dependability of the data.

As a result of the need to ensure representation, the researcher was cautious when selecting sample elements. Kothari (2004) highlights the importance of sample participant selection and claims that if a researcher chooses a sample objectively, it will be representative. The researcher employed the stratified random sampling technique. Participants were drawn from the procurement, finance, and production departments. The study used a sample of 43 respondents.

3.6 Research instruments.

A questionnaire and interviews were used as study instruments by the researcher. Because of the advantages it offers over other approaches that might be utilized, the questionnaire was utilized as a primary tool for data collecting. The benefits of questionnaires and how they influenced the researcher were examined by Saunders et al. (2009). These included the questionnaires' simplicity, ease of administration, and ease of analysis, as well as the researcher's capacity to collect information from a large sample of participants due to the large sample size. Another advantage of using questionnaires was that individuals could contribute information while staying anonymous. Furthermore, because the questionnaire gave written data, there was less potential of factual or information falsification. The questionnaire was designed in accordance with the research objectives.

3.7 Validity and Reliability

According to Marczyk, DeMatteo, and Festinger (2005), research instruments should be valid and reliable. Validity in research is important for evaluating whether the research instruments are actually measuring the variables that are being studied. There are two methods for measuring validity: content validity and construct validity. The goal of content validity is to determine whether research tools contained enough questions to cover the purpose of the survey (Ritchie and Lewis, 2003). The researcher ensured content validity by designing the questionnaire with objectives in mind.

Construct validity is concerned with the design of questionnaire questions (Ritchie and Lewis, 2003). The researcher ensured that all questions were brief and to the point. In addition, closed questions were used to make it easier for participants to complete questionnaires.

The extent to which a questionnaire, test, observation, or any measurement procedure produces the same consistent results is defined as reliability (Saunders et al., 2009). Since there were qualitative questions, establishing the instrument's reliability was difficult. Repeated trials of qualitative statements will never yield the same results.

To confirm the data's reliability, the researcher gathered the appropriate facts and information from respondents he considered to be trustworthy and valid because they know so much about the company. Questionnaires were given to a randomly selected group of cross-functional personnel, including top management and lower-level employees who were directly involved in the areas of concern. Interviews with key individuals were done.

The information was thought to be accurate and trustworthy by the researcher. The Cronbach's Alpha, a validity measurement scale, was used to assess validity and reliability. Cronbach's Alpha, which ranges from 0 to 1, measures how closely a group of variables are related, according to Mungenda & Mungenda (1999). A number of 0.70 indicates a high level of trustworthiness.

3.8 Data Collection

The data was descriptive in nature, and the collecting tool was a questionnaire, which allows for the collection of unbiased opinions from a large sample while simultaneously applying advanced technical techniques.

The questionnaire was made up of closed-ended questions that were administered by drop and pick and others that were provided via email. The questions were given to the respondents by email, along with an introductory letter from the university, and the researcher ensured that all questionnaires were retrieved.

3.9 Data Processing and Analysis.

Data analysis is an important aspect of the research study for reaching conclusions. Two data analysis approaches were used in this study which used both quantitative and qualitative methods. The quantitative data obtained using the 5-point-Likert scale was analyzed by using Statistical Package for Social Scientists (SPSS) Version19. Data analysis was presented in the form of bar graphs, tables, line graphs, and column graphs.

3.10 Ethical considerations

Before gathering information and convincing respondents, the researcher evaluates the utility of the study he is conducting. According to Kumar (1996), it is unethical if the researcher doesn't justify the significance of the research he is performing; it is also deemed wasting the respondents' time. Because part of the data is regarded confidential, the researcher must obtain the approval of the respondents before providing information. The researcher must assure each respondent that the study is primarily for scholarly objectives. The researcher additionally tells the responder that he had approval from management before gathering data for the study.

3.11 Summary

The chapter's main goal was to provide a clear outline of how important information for the study would have collected. The research demonstrated and justified the research design, as well as the population and sample size. The instruments which are to be used in data collection were also discussed. The instruments' suitability was also clarified. The data collection method was also specified. The chapter also looked at how the data would be separated for easy analysis. The following chapter will go over data presentation and analysis.

CHAPTER 4

4.1 Introduction

The presentation and interpretation of results will be the focus of this chapter. This chapter seeks to answer the research questions and objectives set in Chapter one by tying the answers to the findings.. Data collected via questionnaires was presented as tables and pie charts. Each summarized data set includes a data interpretation. The findings were then linked to the literature review findings that were relevant to the topic under investigation.

4.2 Response Rate and Demographic Characteristics

Participants responded well to the researcher.

Table 4.1 illustrates the response rate.

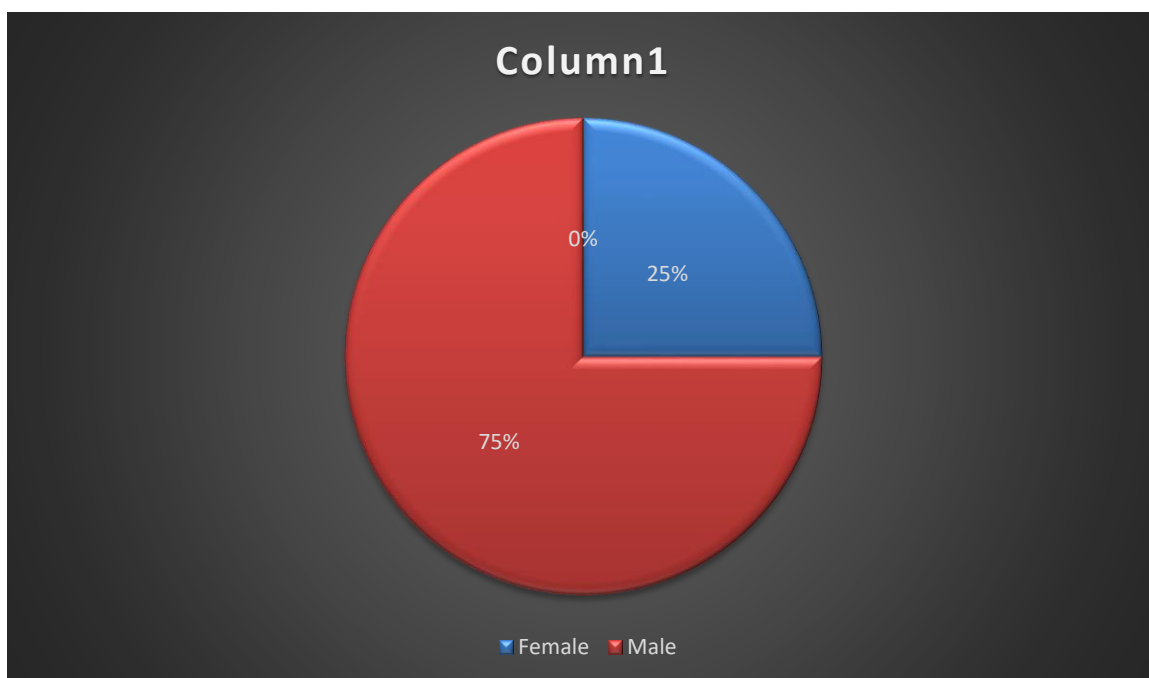
Category	Sample Target	Response	Response Rate
Procurement	18	16	88%
Finance	15	15	100%
Operations/production	10	9	90%
Total	43	40	93%

Table 4.1 shows that responses were received from 40 participants out of a sample target of 43. The response rate was 93 percent, which was acceptable because it was well above the 67 percent recommended by Saunders et al (2012).

4.2.2 Demographic Characteristics of Participant

The study discovered male dominance. There were 30 males (75%) and 10 females (25%) among the 40 participants who responded. As a result, the findings in this study were primarily male perspectives.

Figure 4.1 shows the gender of participants.



4.2 Level of education

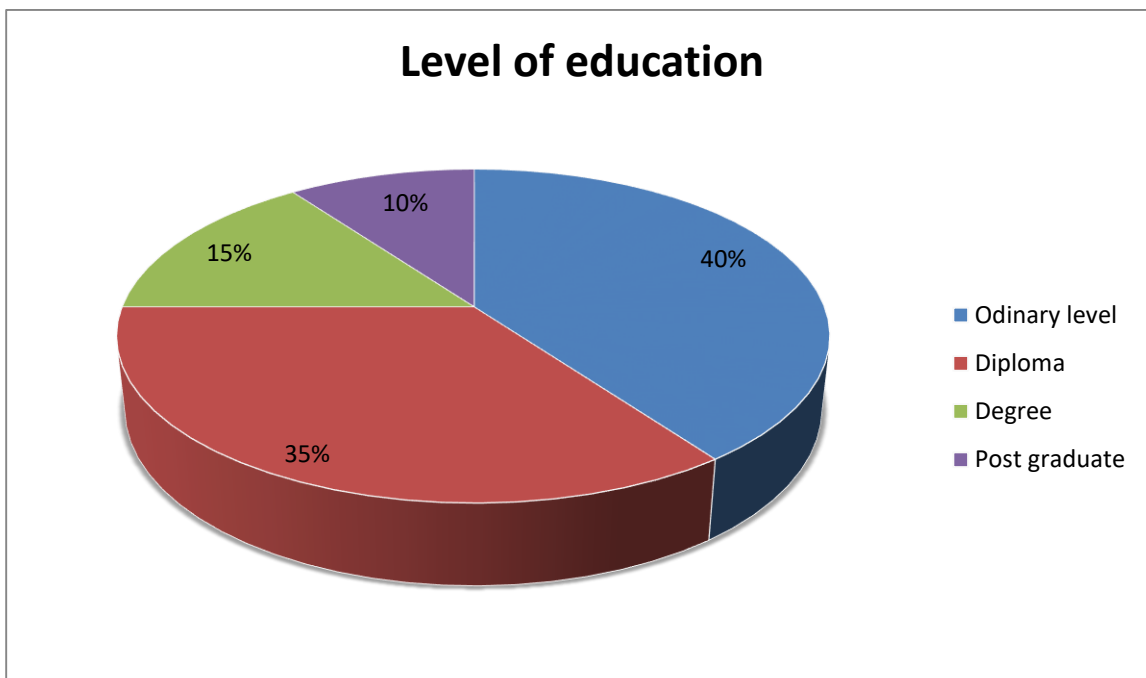


Figure 4.3: Tenure of Employment at mine

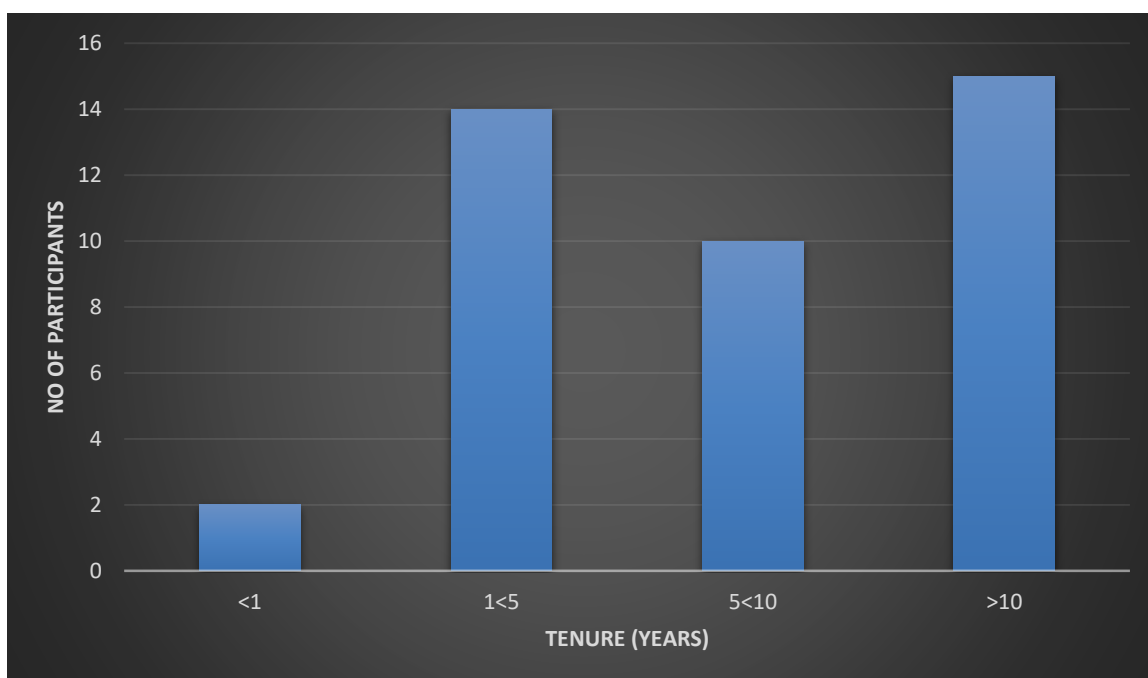


Figure 4.3 indicates that two participants (5%) had been at a mine for less than a year, 14 respondents (35%) had been there for one to five years, and the rest (60%) had been there for more than ten years. According to the data in Figure 4.2, a greater proportion of respondents had worked long enough at a mine to understand the benefits and challenges of mining outsourcing.

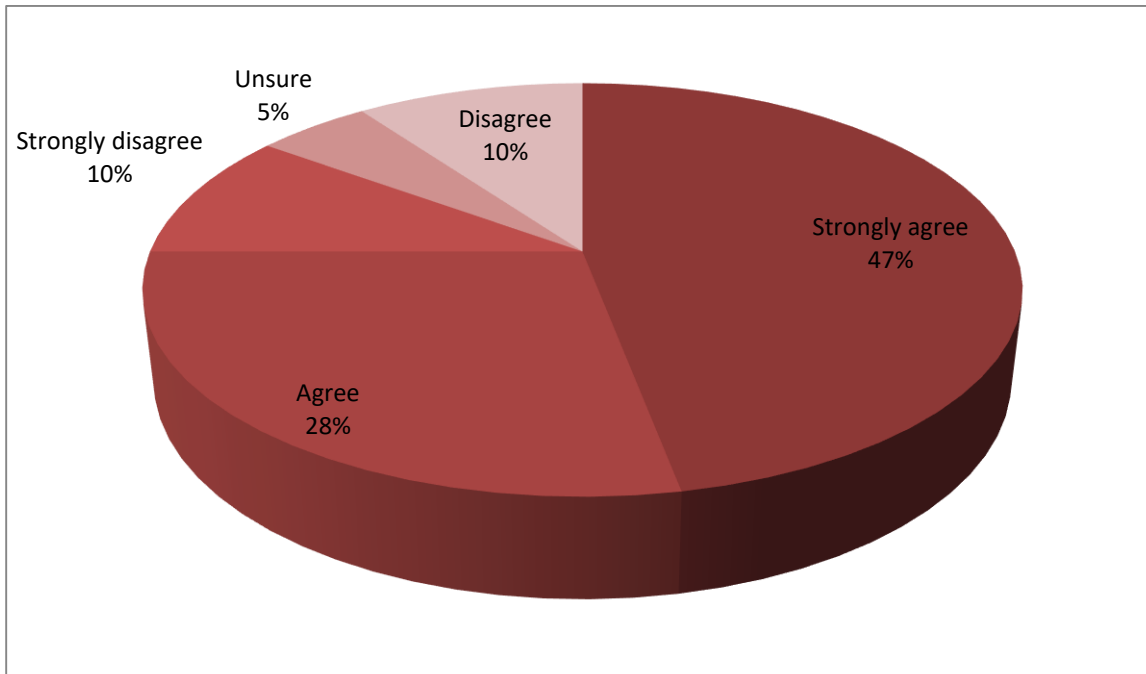
4.4 Determinants of Outsourcing in the mining sector.

All 40 participants (100%) agreed that outsourcing was necessary to increase the efficiency and effectiveness of mining operations and, ultimately, to ensure sustainability. The requirement for management to dedicate more time to strategic management justified outsourcing. Furthermore, mining corporations wanted to deploy specialist expertise in areas such as cafeteria, engineering, and security, forcing function outsourcing. There was also a requirement to comply with statutory requirements, which led to the outsourcing of the external audit function. Historically, chartered accounting companies were in charge of external auditing. Other operations outsourced at the three operations include blasting, transportation, and cleaning. Going future, certain miners (namely, FRGM) are considering outsourcing human resource management activities such as training and recruitment.

4.5 Benefits of Outsourcing

Outsourcing has several advantages. Outsourcing leads to flexibility, according to 32 participants (80 percent), while 2 (5 percent) were unsure and 6 (15 percent) disagreed. Figure 4.3 depicts the findings.

Figure 4.5: Outsourcing Leads to Flexibility



The findings in Figure 4.3 support O'Rourke's (2011) statement that organizations must be adaptable in order to obtain a competitive advantage. Outsourcing is one way to provide flexibility. Outsourcing provides cost savings, increased flexibility, increased focus, leverage, and diversification, according to Jennings (2002). The benefits of outsourcing, according to Harland, Knight, Lamming, and Walker, include increased flexibility to address changing market needs, the ability to profit from efficiencies, and exposure to best-in-class talents and capabilities (2005). Another strategic concern that favors outsourcing consideration, according to Kremic T et al (2006), is the ability to handle demand swings. Flexibility is a major incentive in that organization for responding quicker to its obligations, and outsourcing is considered as a management tool to achieve this.

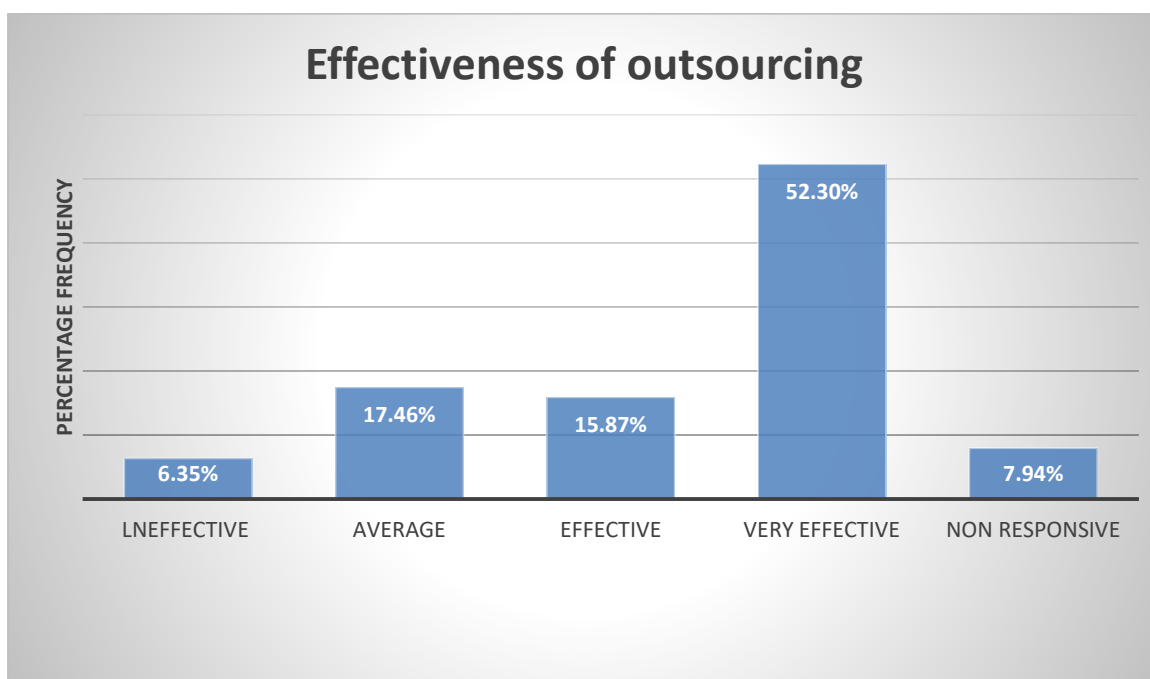
4.6 Outsourcing effectiveness

The study also attempted to analyze the value of outsourcing at the mine. According to the research findings, 52.30 percent of respondents assessed outsourcing as extremely effective, with effective and average scores of 17.46 and 15.87, respectively. However, 3 (7.74%) of respondents reported ineffective ratings, while 4.8 percent did not answer. And according to findings, the vast majority of respondents thought outsourcing was extremely effective. In addition, participants felt that outsourcing was quite beneficial in the mining business.

As a result of their explanations, corruption, construction malpractices, and low quality grade production problems were minimized, enhancing efficacy.

The primary goal of outsourcing, according to Elmuti and Kathawala (2000), is to allow growth and gain a sustainable competitive advantage. Some argue that certain mines should not concentrate on obtaining outside technical skills, cost efficiency, greater financial flexibility though the lower overheads, and outsourcing allows companies greater control over the time required to complete projects or the time required for a complete redesign because work can be completed by expertise (Contractor et al 2010). These are some of the advantages gained by the mining industry as a result of outsourcing.

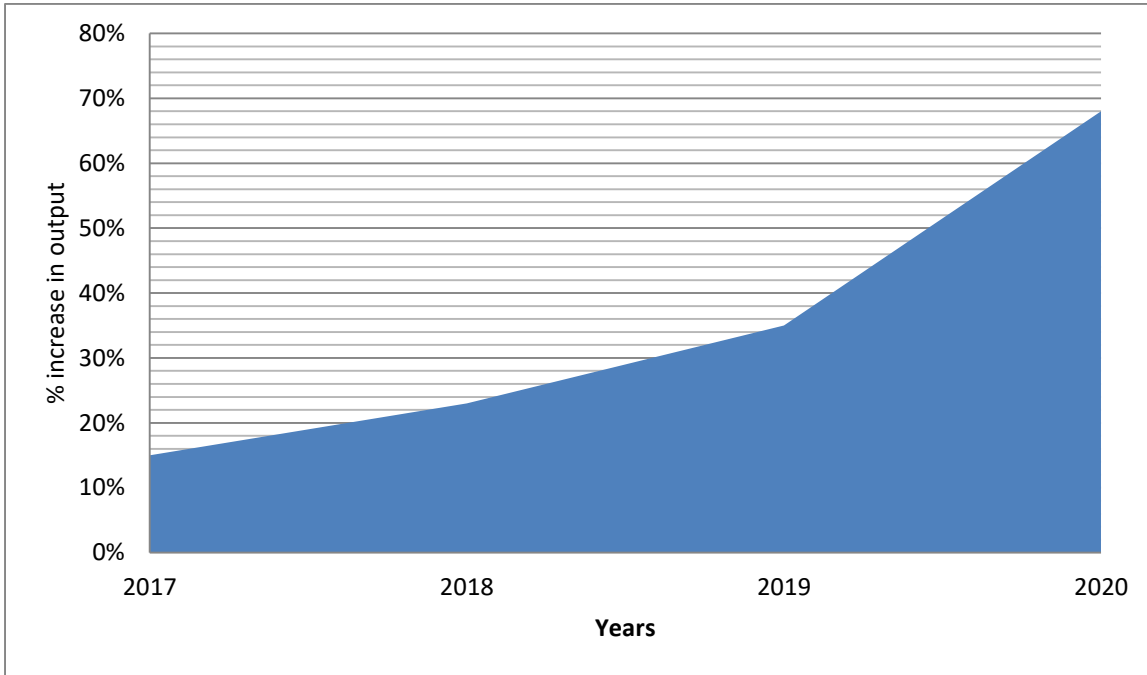
Figure 4.6 below shows how effective outsourcing was at the respective mines.



Source: Primary data

Furthermore, participants stated that as a response to outsourcing, (tons of ore) productivity at individual mines has increased.

Figure 4.7 shows the trend in output from 2017 to 2020.



Source: Primary Data

The use of specialists in the fields contributed to promote quality in areas such as engineering, cleaning, catering, IT, and security. When it comes to IT, the findings support Puntra (2012)'s contention that, in this digital age, where technological advancement (IT) has now become a source of sustainable competitive advantage, IT outsourcing is extremely crucial because IT vendors have productivity gains and technical knowledge to provide IT services more efficiently than organizational IT departments. The second cause is that information technology is perceived as a cost that should be reduced. They tend to outsource it because they believe it will help them meet the company's IT needs more affordably (Hirschheim and Jens, 2009).

Furthermore, participants claimed that outsourcing allowed their respective mines to focus on their core competencies, resulting in increased profitability. Freda Rebecca Gold Mine, for example, was able to save some money by not employing as many people. Contractors were hired to manage the risks involved with human management. This point of view is congruent with Fontes' (2000) claim that having fewer people implies limited necessary infrastructure systems, which may result in a much more sophisticated network.

4.7 Challenges faced in Outsourcing

The participants agreed that there surely are some outsourcing challenges, the most serious of which is the leak of confidential information. Managers also find it difficult to discipline contractors' employees. As a result, some disciplinary actions that should have been taken immediately were postponed due to the need to first notify the contracting firm's superiors. Contracting, according to one management, means that a business loses control over its human capital department. The discoveries are similar to those of Lysons et al (2006), who noted a handful of outsourcing issues, which would include excessive dependence on supply chain partners, cost escalation, a lack of supplier flexibility, a top management commitment and abilities abilities to monitor and control vendors, and false expectations of independent consultants as a result of over-promising during the negotiation stage.

Furthermore, the greater proportion of respondents (75 percent) acknowledged that corruption is a problem in the procurement procedure. According to Shaw (2010), outsourcing has been viewed as a source of waste and corruption. Corruption is a problem in both the private and public sectors.

4.8 Strategies for Ensuring Success of Outsourcing

Participants reaffirmed the importance of transparency, accountability, effective communication, and clear expectations. It was also noted that organizations must carefully choose which procedures to outsource in order to achieve project management success. Choosing the best service provider is also critical to the growth of outsourcing. Cullen et al. (2009) contend that in order to select and deploy the appropriate outsourcing service providers, a business must manage it as a life-cycle, including discovery, cooperation, transition, management, and regeneration, rather than just a one-time transaction. Cullen et al. (2009) also advised that enterprises focus on the competences of their suppliers. Delivery expertise, transition competency, and connection competency are three critical talents to assess.

Moreover, it was agreed that companies should have a clear understanding of the features and total cost of all expenses associated with the subcontracted service. To prevent making the wrong option, evaluate both long-term and short-term expenses. Transactional (bargaining costs, monitoring costs, and formal opportunist costs) and processing (directly connected to process) expenses must be taken into account, according to Franceschini and Galletto (2003). Outsourcing is judged ineffective in comparison to internal hierarchical governance when transaction costs are excessively high.

Furthermore, an all-encompassing strategy to outsourcing is essential, one that takes into account both the dangers and the advantages. Similarly, Jiang (2005) asserts that being aware of the hazards connected with outsourcing will enable policymakers and stakeholders to make informed decisions and establish contingency and mitigation strategies. However, risk management procedures such as identifying the risks of losing important talents, assessing the dangers of getting access to special and sensitive data, and planning contingency and remedies for the aforementioned risks must be evaluated for outsourcing to be successful.

4.9 Linear Regression Analysis

The study employed linear regression analysis to inaugurate the connection between outsourcing and organisational productivity as suggested in the research model. This is recommended when investigating connections between concepts.

4.9.1 Linear Regression Analysis for outsourcing and organisational productivity

A linear regression analysis was used to define the relationship between outsourcing and productivity. Table 4 shows the model summary of the regression analysis. From the table below, it can be noted that the model R Square was .658, which means that 65.7% of the variability in productivity of the respective mines of masonaland central was explained by outsourcing

Table 1.9.1 Model Summary for outsourcing and organisational productivity

Model Summary

Model	r	R square	Adjusted r square	Std error of the estimate
1	.676	.658	.675	.5678

Source: predators (constant)

Table 4.9.2 statistical description of variables used during research.

	PRO	OUT	MAC	TRA
MEAN	45.57	445.09	32.97	54.78
MEDIAN	45.02	46.7	67.007	39.77
MAX	65.93	45.8	56.322	56.876
MIN	56.90	56.087	45.340	45.89
STD DEVIATION	48.9009	6.854	48.890	45.9

4.9 Conclusion

This chapter presented the study's findings. It demonstrated that while outsourcing has many advantages, it also has some disadvantages. The study suggested steps to assure the success of outsourcing. A summary, conclusions, and recommendations are provided in the next chapter.

Chapter 5

5.1 Introduction

This chapter brings the investigation to a close. The chapter provides an overall summary of the study, including an overview of the research objectives, reviewed literature, research methodology, and major findings. There are also conclusions which are in line with the research objectives. The chapter concludes with suggestions and recommendations for advance research.

5.2 Summary

The primary goal of this study was to investigate the benefits, challenges, and opportunities for outsourcing in mining companies in Mashonaland central (Trojan Nickel Mine, Shamva Gold Mine and Freda Rebecca Gold Mine).). The specific objectives were to investigate organizational determinants or motivators for outsourcing, advantages and opportunities that result from outsourcing, risks and difficulties associated with outsourcing, and critical success factors associated with outsourcing. This study was significant because it sought to identify the factors that prevent some mining businesses from reaping the rewards of outsourcing. The research project was important to the student because it allowed him to learn more about outsourcing in-depthly and satisfied the requirements for the Bachelor of Commerce (Honors) Degree in Purchasing and Supply at Bindura University of Science Education (BUSE). The study expanded the researcher's understanding of outsourcing's theoretical and practical facets. The researcher reviewed the outsourcing-related literature. The reasons for outsourcing, the rewards, the challenges, and the solutions had been the main points of discussion. The researcher employed a stratified random sampling technique. The departments of production, finance, and procurement were represented among the participants. 43 participants made up the sample for the study.

According to the report, mining businesses outsource tasks such as engineering, transport, cleaning, audit (which is required by law), IT, and security. Outsourcing is supported by the need to focus on essential competences, flexibility, and the use of specialized talents. Senior management was completely focused on strategic planning and management since their attention was diverted away from day-to-day tasks such as

cleaning and protection as a result of outsourcing. Outsourcing has a number of downsides, including reliance on contractors, loss of control over quality and pricing, and the leakage of personal information. According to the report, transparency, responsibility, and excellent communication are all required for outsourcing to be successful.

5.3 Conclusions

For each of the research goals, the researcher came at the following conclusions:

5.3.1 The impact of outsourcing operations.

Outsourcing aided in ensuring flexibility. The mining companies in the study were similarly able to focus on their primary business, which increased output. Outsourcing similarly allows for the use of specialized skills, which leads to an increase in excellence. Furthermore, outsourcing allowed them to focus on their core competencies, which resulted in increased profitability. However, there were a number of difficulties encountered during the outsourcing process. Among them were cost growth, an inability to manage contractor staff, and information leaking.

5.4 Recommendations

Introduction of effective procurement systems is required. In reality, putting procurement and tendering in the hands of legal people leads to better supervision of important resources within the firm. Professional procurement techniques applied by businesses across all sectors would have a favorable impact on the country's GDP because input (buying) costs account for 30-40% of total costs for each finished product. That is, appropriate procurement resource management is never an option, but a need for firms to invest with in right personnel.

Training for procurement officers is required. Education might enable procurement professionals to make sound, credible decisions that offer value to the firm. To reduce unnecessary actions that would cost the nation money, the Zambian government, for instance, made it mandatory for anybody working in public sector procurement team to have had a Chartered Institute of Purchasing and Supply (CIPS) degree. And through Chinhoyi University of Technology (CUT) and Bindura University, who offer these certificates at the highest level and fall under the Ministry of Higher and Tertiary Education, the local government has made it easier for locals to get degrees in supply chain management. In addition, polytechnics offer Higher National Diplomas (HNDs). Simply understanding and following governmental directives that can improve procurement effectiveness is all that is necessary.

The study's conclusions coincided also with literature in that transparency in tendering is required. Accountability, clear communication, and well-defined expectations are also required. Furthermore, there is a requirement to maintain transparency in tender awarding. Tenders should be awarded to deserving businesses regardless of country or political affiliation. There is also a need to decentralize sourcing in order to make timely judgments. Multilayered bureaucracy stymies grassroots in-house procurement operations. Furthermore, a centralized purchasing policy has not only failed to combat corruption, but has actively exacerbated it.

An effective outsourcing deployment increases the production of the firm while eliminating unnecessary costs. This saves the organization money by allowing them to focus on what they do best rather than worrying about extraneous tasks. Resources will be directed where they are most needed, resulting in cost savings.

5.5 Suggestions for further research

Because the research was qualitative, a similar study utilizing quantitative research to establish the influence of outsourcing on organizational productivity is required. In addition, investigations on the influence of outsourcing on a company's profitability and cost are recommended. Apart from the mining business, this research can be used to other industries such as architecture and manufacturing.

There is need to examine additional variables that influence productivity levels of an organization in the mining industry. In the future research may have to include more companies than focus on just three companies in the mining sector. Furthermore, this study focused on outsourcing activities as the primary indicator of organizational productivity. However, the very same study on outsourced operations should be done on other performance criteria such as customer satisfaction and lead time reduction, to name a few.

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