

**DRIVERS AND IMPACT OF OUTSOURCING IN MALAWI'S
PUBLIC UNIVERSITIES: THE CASE OF SECURITY AT THE MALAWI
POLYTECHNIC**

MASTER OF BUSINESS ADMINISTRATION THESIS

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UNIVERSITY OF MALAWI

THE POLYTECHNIC

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MASTER OF BUSINESS ADMINISTRATION THESIS

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**Submitted to the Faculty of Management Studies, Faculty of Commerce in partial
fulfilment of the requirements for the award of the degree of Master of Business
Administration.**

University of Malawi

The Polytechnic

March 2017

DECLARATION

I declare that this dissertation is my own work and it has not been submitted before for any degree or examination in any other university. It is being submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of the University of Malawi.

Candidate's Name.....

Candidate's Signature.....

Date.....

CERTIFICATE OF APPROVAL

We declare that this thesis is produced by the student's own work and effort and where she has used other sources of information, it has been acknowledged. This thesis has therefore been submitted with our approval.

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Signature _____

Date _____

DEDICATION

I sincerely dedicate this piece of work to my husband, Jeff, and my three daughters, Chimango, Zelia and Naomi, for their love and moral support.

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ABSTRACT

This case study investigated the main factors responsible for the adoption of outsourcing of non-core activities in the University of Malawi and its impact on the University's ability to efficiently offer its mandated objectives. It was conducted at The Malawi Polytechnic, one of the constituent colleges of the University of Malawi. The adoption of outsourcing policy was based on the assumption that it would lead to efficiency in the delivery of the University of Malawi corebusiness of teaching, research and consultancy. Thus, this study was conducted to provide empirical evidence of the impact of outsourcing policy at The Malawi Polytechnic on the college's ability to efficiently offer teaching, research and consultancy services. The study employed both quantitative and qualitative methodologies to collect data for the study (secondary data from college security section and accounts department, and interviews conducted with management, academic staff and students). The findings of this study demonstrate that outsourcing of security services at The Malawi Polytechnic was primarily driven by the desire to reduce college financial operational costs through areduction in staff emoluments wage bill and operational costs related to providing security services. However, the college's objective of increasing funding towards its core business has not been achieved. While the college's real income has been unstable and dwindling since theadoption of security outsourcing, the costs of outsourcing have been increasing in real value due to a number of outsourcing related costs such as monitoring and administration costs. These costs were overlooked in the design of the outsourcing model. Consequently, outsourcing has resulted in the reductionof real resources allocated to theprovision of the college core functions.

TABLE OF CONTENTS

CERTIFICATE OF APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT	v
LIST OF FIGURES.....	ix
DEFINITION OF TERMS.....	xi
CHAPTER 1.....	1
INTRODUCTION.....	1
1.1 Introduction	1
1.2 Background	1
1.3 History and Mission of the University of Malawi.....	2
1.4 Vision of the University of Malawi.....	2
1.5 Policy Shift to Outsourcing of Non-Core Functions in the University of Malawi.....	3
1.6 Problem Statement	4
1.7 Research Objectives	5
1.7.1 Specific Objectives.....	5
1.8 Research Questions	5
1.9 Study Assumption	5
1.10 Significance of the Study	6
1.11 Organisation of Thesis.....	6
CHAPTER 2.....	7
LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Understanding the Concept of Outsourcing	7
2.3 Factors Driving Policy Shift to Outsourcing Strategies	7
2.3.1 Economies of Scale	7

2.3.2	Strategic Outsourcing	8
2.4	Major Categories of Outsourcing	9
2.5	Merits and Demerits of Outsourcing	10
CHAPTER 3.....		12
THEORETICAL FRAMEWORK		12
3.1	Theoretical Framework	12
3.1.1	Introduction	12
3.1.2	Definition of Decision and Risk Theories	12
3.2	Chapter Summary.....	14
CHAPTER 4.....		15
RESEARCH METHODOLOGY		15
4.1	Introduction	15
4.2	Study Area.....	16
4.3	Sample Size and Sampling Techniques.....	16
4.4	Data Collection Methods and Instruments	17
4.5	Data Analysis	17
4.6	Chapter Summary.....	18
CHAPTER 5.....		19
RESEARCH FINDINGS, ANALYSIS AND DISCUSSION.....		19
5.1	Introduction	19
5.2	Demographic and Socio-economic Characteristics of Respondents	19
5.3	Policy and Institutional Framework for Outsourcing Security Services at The Malawi Polytechnic.....	19
5.4	Main Drivers of Outsourcing at The Malawi Polytechnic	21
5.5	Extent of Savings Arising from Outsourcing of Security Services at The Malawi Polytechnic.....	21
5.6	Level of College Concentration on Core-Business after Security Outsourcing	27
5.6.1	Level of College Concentration on Teaching and Learning.....	28

5.6.2	Level of Resources Realised from Research and Consultancy Projects.....	30
5.6.3	Level of Publications by Academic Members of Staff	31
5.7	Outsourcing and Performance of Security Services at The Malawi Polytechnic	32
5.8	Other Costs Associated with Outsourcing of Security Services at The Malawi Polytechnic.....	35
CHAPTER 6.....		37
CONCLUSION AND RECOMMENDATIONS		37
6.1	Introduction	37
6.2	Conclusion.....	37
6.3	Summary	39
6.4	Recommendations	40
6.5	Areas of Future Research	41
REFERENCES.....		42
APPENDICES.....		45
Appendix 1: Key Informants Interview Guide.....		45
Appendix 2: Students and Staff Survey Questionnaire		46

LIST OF FIGURES

Figure 1: Audited Financial Report	22
Figure 2: The Malawi Polytechnic Teaching and Laboratory Activities and Research and Publication Budget Annual Allocation, 2006-2012	23
Figure 3: The Malawi Polytechnic Proportion of Actual Budget for Teaching Material and Research and Publication since 2006	23
Figure 4: Students' Assessment of Costs Towards Security since Outsourcing	24
Figure 5: The Malawi Polytechnic Proportion of Actual Budget Allocation to Research and Publication.....	25
Figure 6: Nominal and Real Budget Allocation to Teaching and Laboratory Material	26
Figure 7: Nominal and Real Budget Allocation to Research and Publication.....	26
Figure 8: Students Assessment of College Concentration on Teaching and Learning since Outsourcing of Security Services	29
Figure 9: Students Assessment of Security Situation at Polytechnic Since Adoption of Outsourcing Policy.....	32

LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Certified Accountants
BKO	Business Knowledge Outsourcing
BPO	Business Process Outsourcing
COM	College of Medicine
ESCOM	Electricity Supply Commission of Malawi
GOM	Government of Malawi
ICT	Information and Communication Technology
IPC	Internal Procurement Committee
IT	Information Technology
KCN	Kamuzu College of Nursing
PLC	Private Limited Company
SADC	Southern Africa Development Community
SAP	Structural Adjustment Programmes
SPSS	Statistical Package for Social Sciences
TCT	Transaction Cost Theory
UNIMA	University of Malawi

DEFINITION OF TERMS

Content analysis: Content analysis is a research technique used to make replicable and valid inferences by interpreting and coding textual material. By systematically evaluating texts (e.g., documents, oral communication, and graphics), qualitative data can be converted into quantitative data.

Decision Risk Theory: Risk subjectively associated with the consequences of a decision and impact of that decision on a set-out objective.

Economies of scale: In microeconomics, economies of scale are the cost advantages that enterprises obtain due to size, output, or scale of operation, with cost per unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output.

Outsourcing: Process of contracting out of specified operations or services to an external vendor.

Paradigm: A paradigm is essentially a worldview, a whole framework of beliefs, values and methods within which research takes place.

Proxy measure: A proxy is an indirect measure of the desired outcome which is itself strongly correlated to that outcome. It is commonly used when direct measures of the outcome are unobservable and/or unavailable

Zero-sum game: It is a mathematical representation of a situation in which each participant's gain (or loss) of utility is exactly balanced by the losses (or gains) of the utility of the other participant.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, the purpose of the study will be outlined; the trends in outsourcing practices in public institutions in both developing and developed countries, with a focus on developing countries. It will then present arguments for outsourcing in Malawi, specifically in higher education. The Chapter further gives background to the study's problem statement, objectives, assumptions and significance. The thesis outline is provided at the end of the chapter.

1.2 Background

The 1990s policy shift towards outsourcing of non-core responsibilities in higher education institutions has generated a heated debate on two major dichotomous views. One view considers outsourcing as a solution to high operational costs facing universities while the other view doubts the practicality of outsourcing strategy in reducing rising universities' operational costs. For example, King and Malhotra (2000) argue that outsourcing is a complex policy which requires proper coordination of operational activities. The two authors argue that most institutions are not well organised to exploit the advantages of outsourcing.

In Malawi, the subject of outsourcing in the University of Malawi (UNIMA) dates back to the 1980s when Structural Adjustment Programmes (SAPs) were touted, which led to drastic budget cuts to public institutions (Gawa, 2006). It was a response to the declining resource envelope available for the public sector. Thus, the original aim of outsourcing in UNIMA was to save resources for financing university core functions of teaching, research and consultancy (MIM UNIMA, 1997). In line with current increasing global and national austerity measures in the public sector, outsourcing will most likely be a favoured approach to managing public universities.

1.3 History and Mission of the University of Malawi

The University of Malawi was founded a few months after Malawi Independence in 1964. The first enrollment consisted of 90 students in Blantyre. Teaching began in 1965 in Blantyre, and within two years the Institute of Public Administration at Mpemba, the Soche Hill College of Education and the Polytechnic in Blantyre, and Bunda College in Lilongwe became colleges of the University. In 1973, all the constituents of the University apart from the Polytechnic and Bunda College moved to Zomba and were merged into Chancellor College. In 1979, Kamuzu College of Nursing became a college of the University, and in 1991 the College of Medicine in Blantyre was formed as a further constituent college. Bunda College is no longer part of UNIMA following the restructuring of universities in Malawi in 2012. Now Bunda forms part of Lilongwe University of Agriculture and Natural Resources (LUANAR).

1.4 Vision of the University of Malawi

UNIMA has the mandate to advance and disseminate knowledge through teaching, learning, research and consultancy; to provide facilities for high education in matters of research, teaching and learning; and to confer degrees, diplomas, honours, other academic distinctions and honorary degrees, in accordance with the Act (UNIMA ACT, 1965). Thus the core functions of UNIMA comprise teaching, research, consultancy and all other teaching-related functions such as laboratory, workshops, experimental units like experimental farms or clinics. UNIMA became the country's major institution to spearhead higher education training and development of the cadre of professionals needed to fill the vacancies created by the departing colonial masters. At its inception, the Government of Malawi (GOM) and donors assumed full responsibility of funding UNIMA's recurrent and operational costs to enable it to achieve its goals.

UNIMA was fully funded by the government and donors until the early 1980s when GOM started implementing the SAPs. This led to drastic cuts in funding to the University, prompting it to introduce cost-sharing strategies (MIM UNIMA, 1997). Students, therefore, started paying contributions fees of MK200 towards their education in 1985. Over the years, the problem of underfunding has brought a host of inefficiencies, which have consequently slowed down university operations. Furthermore, the fees collected

from students have proven insufficient to alleviate the shortfall, resulting in the university accumulating huge debts. UNIMA has, therefore, been urged by GOM to outsource its non-core functions.

1.5 Policy Shift to Outsourcing of Non-Core Functions in the University of Malawi

In 1986, the operations of UNIMA were reviewed by the Malawi Institute of Management (MIM) which recommended that the University Office should decentralise most of its activities to colleges and those non-core functions of the university, such as maintenance, security and catering should be outsourced (MIM UNIMA, 1997). This meant that 111 staff should be retrenched (MIM UNIMA, 1997). The original aim for outsourcing of UNIMA's non-core functions was to free resources towards the quality management of the UNIMA's core functions. The aim of this study is to assess whether costs on non-core functions are being saved or not and whether efficiency on performance has improved or not, amidst reduction in GOM funding.

UNIMA has experienced a drastic reduction in funding from GOM. For instance, there has been a reduction of over 50% funding from the government to UNIMA in relative terms between 1996/97 academic year to 2003/04 academic year (UNIMA Budget Estimates, 1996/97 to 2003/04). The reduction in funding resulted in UNIMA's failure to maintain the standard of its core functions, which are teaching, learning, research and consultancy. The state of teaching and learning environment, remuneration and incentive packages for academic staff are inadequate to retain the academic staff. Consequently, UNIMA is experiencing brain drain to other universities, especially in the Southern Africa Development Community (SADC) region.

Each time the university budget is reduced, it negatively affects the requirements of the core activities such as library stock, teaching equipment/materials and incentives given to staff. For instance, UNIMA budget estimates between 2002 and 2005 indicate that the proportion of its total budget allocated to core activities have been 6% or lower (subtracting staff emoluments and benefits).

In light of the above stated financial limitations, UNIMA management, in its strategic plan of 1996, seriously considered outsourcing the institution's non-core activities in order to improve the operational and allocation efficiency of UNIMA's resources towards its core activities. Hence, the outsourcing of non-core activities in The Malawi Polytechnic. The Malawi Polytechnic effected outsourcing in 2008 when it retrenched some of its employees working on non-core functions.

1.6 Problem Statement

Outsourcing is not a zero-sum game, but it has advantages and disadvantages. The dichotomous views about the advantages and disadvantages of outsourcing are not yet settled. There is a growing debate that less state involvement in the provision of public educational service may be counterproductive (Sang, 2000). Notwithstanding the contribution of 1980s SAPs in reducing government expenditure on public services, there has been a growing outcry that the policy has resulted in the declining quality of public services. There is increased recognition that liberalisation policies have greatly reduced the capacity of Government of Malawi to provide public service. King and Malhotra argue that outsourcing is not a panacea to decreasing resources (King and Malhotra, 2000; Sang, 2010). For instance, liberalisation of marketing systems and removal of subsidies have contributed to the increased household poverty situation in most developing countries (King and Malhotra, 2000).

Furthermore, King and Malhotra argues that theoretical and empirical evidence from international experience has revealed that the success of outsourcing varies greatly depending on local economic, political, social and institutional context (King and Malhotra 2000; Sang 2010). Thus, assessment of a location-specific situation is crucial in understanding the effects of outsourcing in a particular location.

Though the literature has revealed that there is increasing academic research into the subject of outsourcing at the global level (Sang, 2010), there is ascarcity of research on this subject in Malawi. The few studies such as, The role of privatisation, by Chirwa (2000) and Cost Benefit Analysis by Gawa (2006) have been conducted on the subject in Malawi. These few studies have concentrated on theeconomic efficiency of privatisation. According to Sang (2010), the paradigmatic shift towards outsourcing seems appealing, however, the outcomes of outsourcing are not adequately explored. Thus, in the public

sector in general and university in particular, the subject area remains unexplored. This study is set to fill this literature gap by investigating the drivers and effects of outsourcing of security services at The Malawi Polytechnic. This is due to the fact that the aforementioned two studies by Chirwa and Gawa did not concentrate their studies on outsourcing of security services.

1.7 Research Objectives

The main objective of the study was to investigate the effects of outsourcing of security services at the Polytechnic on the delivery of core services of teaching.

1.7.1 Specific Objectives

The specific objectives of this study were to:

- assess whether there has been an improvement in the delivery performance and efficiency of security services
- analyse whether The Malawi Polytechnic has made any savings from outsourcing of security services;
- assess whether outsourcing of security services has achieved any concentration on the college core of teaching, research and consultancy.

1.8 Research Questions

Specific research questions of this study were:

- To what extent has outsourcing improved the delivery performance and efficiency of security services?
- What savings has Polytechnic made from the outsourcing of security services?
- To what extent has outsourcing of security services achieved concentration of the college core activities of teaching, research and consultancy?

1.9 Study Assumption

The assumption guiding this study is that outsourcing of non-core business is not a panacea to reducing universities' operational costs because of administrative and other costs that accompany outsourcing. The vision of UNIMA has clearly stated that its

mandate is to advance and disseminate knowledge through teaching, learning, research and consultancy.

1.10 Significance of the Study

Outsourcing has become an established policy in the management of public institutions in Malawi. Yet, outsourcing experiences are not spatially uniform. Although this study is limited to The Malawi Polytechnic, its findings on effects of outsourcing could be appreciated in other public institutions. The significance of this study is that it provides empirical evidence of the effects of outsourcing on a public institution. Thus, the study contributes to the advancement of knowledge in the field of outsourcing which will allow policy guidance in the field.

1.11 Organisation of Thesis

This thesis is divided into five chapters. In Chapter 1 the background information to the problem under study was presented. It briefly outlined the outsourcing trends globally, in Malawi and at The Malawi Polytechnic. It also presented the problem statement and objectives of the study. In Chapter 2 literature review is presented. Concepts and theories relating to outsourcing and its adoption in UNIMA and at The Malawi Polytechnic are presented. In Chapter 3, the research methodology is outlined by describing the study area, sample size and sampling techniques, data collection and data analysis techniques. In Chapter 4 study findings are presented and discussed. Finally, in Chapter 5 the conclusion from the findings is presented with recommendations and directions for further research in the area of outsourcing.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter, a description of the study context is done by reviewing the literature related to concepts and theories and also discusses the main theories guiding this study. This provides a framework for understanding and analysing the findings of the study.

2.2 Understanding the Concept of Outsourcing

There are numerous definitions of outsourcing. According to Lynch (2006), outsourcing is the contracting out of specified operations or services to an external vendor. It is seen as a process by which an organisation enters into a contract with another individual or company to execute some of its tasks. Generally, it is non-core aspects of the business that are outsourced. Lynch (2006) further emphasises that outsourcing is the process of contracting with a third party with the aim of achieving efficiency. Generally, the assumption is that outsourcing would lead to a number of benefits including increased revenue and improved income generation, reduced operational costs resulting in increased savings, increased workforce efficiency and motivation, increased resource efficiency and efficient time use (Gawa, 2006; Sang, 2010). However, Holroyd (2006) argues that efficiency can be achieved by building the capacity of the institution rather than outsourcing. She argues that there is need to consider institutional core competencies and bring those competencies in-house. Holroyd (2006) further argues that only materials can be considered for outsourcing and for a short term.

2.3 Factors Driving Policy Shift to Outsourcing Strategies

There are several factors that drive policy shift to adopt outsourcing strategies in both public and private institutions. Generally, factors driving outsourcing programme can be grouped into scale economy and strategic sourcing (Holroyd, 2006).

2.3.1 Economies of Scale

Economies of scale focus on the benefits that come with the increase in size. For example, a cleaning firm may fight hard to conduct research into new technologies that benefit a

number of its clients. If the cleaning firm manages to satisfy its clientele, it can generate the potential to win more contracts. McFarlan and Nolan (1995) studied more than one hundred companies with extensive outsourcing practices and concluded that most Western companies outsource primarily to save on overheads or induce short-term cost savings. They argued that the major drivers for outsourcing services were primarily cost-effective access to specialised or occasionally needed development skills, avoidance of building in-house skills and access to special functional capabilities.

Some economists have argued that growth in indirect overhead costs is as a result of the growth of non-core competencies which are increasingly being outsourced (Sang, 1999,2010). Lewis and Sappington (1991) also examined the incentives for outsourcing and they argue that outsourcing is a trade-off between lower production costs (provided the supplier possesses lower cost technology) and higher monitoring costs. Generally, global competitive pressures have positioned large companies to adopt greater market discipline, reduced their product range and loosened their vertical links in the production process (Domberger, 1998). As a result, corporations have divested peripheral or supplementary businesses in order to focus on their core business. Thus, firms have, in turn, vertically de-integrated by increasingly outsourcing their requirements for components and business service. According to Domberger (2007), the search for greater efficiency has, in turn, led to the increased specialisation and as such outsourcing is seen as a trend of this manifestation. Research shows that, even in the late 1990s, cost-savings and freedom to focus upon core business were major reasons for outsourcing (Currie and Willcocks, 1997).

2.3.2 Strategic Outsourcing

Strategic outsourcing is the reconfiguring of the whole outsourcing process in order to attain greater shareholder value across the whole enterprise. In effect, emphasis shifts from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems, exemplified by customer response handling, procurement and management (Quinn, 1994). Strategic outsourcing emphasises that the organisation needs to determine the scope of its internal activities by reference to its objectives, in contrast to resorting to outsourcing when there is a pressing need to apply cost disciplines or find ways round difficult industrial relations disputes. Firms use outsourcing in order to satisfy any of the three strategic intents, namely: strategic improvement (cost reduction and enhancement of efficiency), strategic business impact (improving contribution to companies' performance

within existing lines of business) and strategic commercial exploitation (focus on leveraging technology-related assets. Clemons (1994) explains the benefits of strategic outsourcing:

It is clearly recognised that IT facilitates the reduction of transaction costs without increasing transaction risks, thus sponsoring further outsourcing. Malone et al (2006) were among the first to link transaction cost theory (TCT) to electronic communication, illustrating how electronic networks can lower the costs of transactions and influence the formation of both electronic markets and electronic hierarchies. They argue that more efficient transactions help firms reduce the costs of coordination, which are defined as the transaction costs of all the IT processing necessary to coordinate the work of people and machines that perform primary processes...and take into account the costs of gathering information, negotiating contracts and protecting against the risks of opportunistic bargaining. From the Information Technology view, networks encourage vertical de-integration by lowering the cost of 'buying' compared to making in-house ownership. (1994:272).

As found by Clemons, strategic outsourcing is aimed at encouraging vertical de-integration by lowering the cost of 'buying' compared to making in-house ownership, and in the case of the present study, security services at the Polytechnic.

2.4 Major Categories of Outsourcing

Lynch (2006) argues that outsourcing can be divided into two broad categories namely: Business Process Outsourcing (BPO) and Business Knowledge Outsourcing (BKO). BPO involves outsourcing of a particular business process such as preparation of a payroll. BKO involves outsourcing of work that calls for higher level of involvement from the worker. In BKO, outsourced work needs higher levels of research, analytical and technical skills and decision making than BPO work such as pharmaceutical research and development, patent or intellectual property research. It also includes outsourcing of data research, analysis and database development service. The MIM UNIMA report was not enough to warrant immediate outsourcing in the University of Malawi. A comprehensive research was supposed to be carried out in all respective UNIMA constituent colleges in accordance with said BPO and BKO.

2.5 Merits and Demerits of Outsourcing

There are a number of arguments raised for and against the policy of outsourcing. Generally, the major argument for outsourcing is that it allows companies on practice to focus on other core business issues while having the details taken care of by outside experts (Lysons and Farrington, 2006). This situation leads to a large amount of resources and attention being targeted at specific issues. Outsourcing professionals argue that specialised companies are often streamlined, and often have world-class capabilities and they access new technologies that a company could not afford to buy on its own. Outsourcing strategy works better if a company aims at expanding because it is perceived as a cost-effective way to start building foundations in other countries.

Equally important, outsourcing is viewed as a better strategy if the company aims at producing at lower costs as it does not have to provide benefits to its workers and it has fewer overhead expenses (Foulks and Lynch, 2006). In line with this, it can be argued that outsourcing removes uncertainty about operational costs as there is often a long-term contract where services are specified in advance for a fixed price. For example, if the cleaning, security and catering services at The Malawi Polytechnic are inefficient, the costs will be borne by the respective contracting firms. This also provides an incentive for the contracting firms to provide high-quality services. Organisations rendering out services and the contracting firms have also the opportunity to sign for long-term contracts, a fact which encourages them to plan for their future.

Lynch (2006) indicates that outsourcing is beneficial as it may bring the benefits of economies of scale such as research into new technologies that benefit a number of their clients. Specialist organisations using this research are able to retain skills and knowledge. Usually, a contracting firm has full expertise in a specific service and it has the capacity to offer in-house training to the organisation rendering the services. For example, many organisations would not have a sufficiently well-developed information technology department to offer information technology opportunities for staff career development. This lack of career development would force talented staff to leave the organisation and pursue careers elsewhere. In this way, new skills and knowledge become available to the organisations rendering services. A specialist company can share its expert staff with several clients. This allows the outsourcing company to take advantage of new

developments without the burden of recruiting new or re-training existing staff. Finally, outsourcing allows flexibility (contract permitting). This allows organisations to scale up or down their resources depending on demand.

Notwithstanding its advantages, outsourcing has its demerits. One of the major disadvantages is that outsourcing often eliminates direct communication between a company and its clients; this prevents a company from building solid relationships with their customers and often leads to dissatisfaction on one or both sides (Holroyd (2006). Additionally, some aspects of the company may not be adequately controlled as outsourcing may lead to delayed communications and project implementation. The argument is that if the company becomes very dependent upon its outsourced providers, this could lead to problems should the outsourced provider back out on its contract suddenly (Holroyd (2006). Furthermore, outsourcing is challenging in times of a party handling competitive services that the company safeguards against potential competitors. In this situation, the company may find it difficult to block potential competitors (Lysons and Farrington, 2006).

In addition to the challenges above, outsourcing may result in an organisation being locked in an unsatisfactory contract, especially considering that contractual decisions are very difficult to reverse (Holroyd (2006)). Furthermore, outsourcing does not encourage awareness of the potential costs and benefits of the services within the organisation (Holroyd, 2006).

Considering that outsourcing has both merits and demerits, it is important that each individual company accurately assesses its needs to determine if outsourcing is a viable option. According to Gawa (2006), there are grey areas that require further investigations before outsourcing non-core functions of public universities. In his study, Gawa (2006) argues that outsourcing catering and hostel services would entail realisation of greater economic returns as the costs of maintaining a student are much higher than the per capita income of a Malawian. Likewise, Lynch (2006) argues that there is danger in outsourcing since many outsourcing deals suffer death by change order. Bodole (2008) and Lynch (2006) argue that most serviceproviders under-quote prices to win the business but may demand more money after winning the contract citing change of circumstances. This situation may cause irreparable damage.

CHAPTER 3

THEORETICAL FRAMEWORK

3.1 Theoretical Framework

3.1.1 Introduction

This section presents and discusses the theoretical framework adopted for analysis of this study. Different aspects of decision and risk theory have been employed by a number of researchers to assess the viability and performance of privatisation and outsourcing in both private and public institutions (King and Malhotra, 1999; Sang, 2010). This chapter spells out the major aspects of the theories and justifies their use in this thesis.

3.1.2 Definition of Decision and Risk Theories

Decision theory describes the idea that decision making involves comparison of the risks associated with and benefits expected of particular operational alternative (Goldstein, Kempner and Brookman 1993; Sang 2010). It is based on the concept of risk-benefit analysis in management, which highlights that a management decision is based on an assessment of all potential risks and benefits that may arise from a particular defined alternative (Sang, 2010). For purposes of this study, decision theory refers to the decision to outsource non-core functions of The Malawi Polytechnic.

According to Goldstein et al. (1993), outsourcing requires that management assess the full array of options available to the institution and select the operating approach best suited for the institution. This view necessitates examining all the strengths and weaknesses of outsourcing before making a decision. Goldstein et al. (1993) outlined the following six decision factors that need to be considered in selecting a particular alternative especially:

1. human resources - how employees will be affected;
2. financial - the direct and indirect cost to the institution;
3. service quality - how each alternative will meet campus needs;
4. legal and ethical considerations - the level of risk and potential liability posed by each option, any tax ramifications, any potential conflicts of interest;

5. mission and culture - the effects of choosing an option in consistency with the institution's culture and historical mission;
6. management control and efficiency - the likely effect of each option being considered on the institution's ability to control the direction and priorities of the functional area.

The central idea in decision theory is that as long as benefits outweigh costs, a person responsible for decision making will have a positive attitude towards a particular decision. Further inherent risks in a transaction play a critical role in the making a decision over an alternative approach (Goldstein et al. 1993; Phillips and Mrisotis 2005; Sang 2010). This is based on the understanding that potential risks reduce individual persuasion to adopt outsourcing. Sang (2010) argues that management perception towards outsourcing could be positive or negative whereby negative perception is born out of its associated risks while positive perception is born out of associated benefits.

Outsourcing is also analysed in terms of certainty and uncertainty of alternative actions. According to Glomark-Governan (2009), benefits of outsourcing are analysed in terms of four categories namely: cost reductions, revenue increases, cost avoidance and revenue protection. Therefore, outsourcing should be chosen when it has a lot of positive certainties. Thus, outsourcing option should be based on analysis of the short and long-term costs, benefits and risks.

The analysis of this study is, therefore, based on the perceived risks and benefits that guided the adoption of outsourcing as a financial management approach Glomark-Governan (2006). In decision theory, risk-benefit analysis guides the choice of a strategy or approaches to adopt. The strategy or approach which has the most advantageous outcome is selected. In adopting outsourcing as a financial management tool, the assumption is that managers assessed risks and benefits associated with the strategy or approaches (Tashakkori, 2003). Risk theory subjectively analyses the risk and impact of that decision on a specific objective (Sang, 2010). As long as the perceived benefits outweigh the perceived risks, decision makers positively take the decision. Risks associated with outsourcing may hinder adoption of the strategy while outsourcing advantages promote adoption of the strategy. Decision and risk theories converge in that they have aspects of risk analysis in decision-making (Holroyd (2006).

3.2 Chapter Summary

In this chapter, a description of the study context was done by reviewing the literature related to concepts and theories on outsourcing. Apart from discussing the main theories guiding this study, this chapter has also provided a framework for analysing the findings of the study. The chapter has also presented the direction of the study through a review of the relevant literature, in particular, explained the decision and risk theories. The discussion has pointed out that decision to outsource largely depends on the comparison between its risks and benefits. Thus, the central theme running across these theories is that outsourcing is not a simple but a complex decision involving the assessment of the risks and benefits associated with it. The next chapter has presented and discussed the methodology used in this study.

CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

In this chapter, a presentation of the methodology employed in this study is highlighted important variables and definitions in the study and the units of analysis. Methods, tools and sampling techniques used to collect data are provided.

A paradigm is essentially a worldview, a whole framework of beliefs, values and methods within which research takes place (Cresswell, 2003). A paradigm is a perspective based on a set of assumptions, concepts, and values that are held by a community or researchers (Sang, 2010) and it is this world view within which researchers work.

This study employed both qualitative and quantitative methods for the sake of triangulation. There is the quantitative and the qualitative paradigm. According to Cresswell (2003), a qualitative study is defined as an inquiry into the nature of a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. Alternatively, a quantitative study, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analysed with statistical procedures, in order to determine whether the predictive generalisations of the theory hold true (Holroyd, 2006).

For most of the 20th Century the quantitative paradigm was dominant (Cresswell, 2003). During the 1980's, the qualitative paradigm came of age as an alternative to the quantitative paradigm, and it was often conceptualised as the polar opposite of quantitative research (Sang, 2019). Researchers can also utilise a mix of qualitative and quantitative methods. Tashakkori (2003) states that modern roots of mixed research date back to the late 1950's and that mixed research has been conducted by practising researchers throughout the history of research.

4.2 Study Area

The research was conducted in Blantyre at The Malawi Polytechnic. The Malawi Polytechnic was targeted because it was among the first constituent colleges of UNIMA to adopt outsourcing of its non-core activities.

4.3 Sample Size and Sampling Techniques

This study was aimed at finding out the drivers and impact of outsourcing in UNIMA through the case of outsourcing of security services at The Malawi Polytechnic. The subject of outsourcing is largely an administrative function while the subject of impact is felt by the whole community. Thus, the following individuals from management were included in this study: Principal, Vice Principal, Registrars, College Finance Officer, Deans of Faculty and Heads of Department. The study also included lecturers, students, support and clerical staff as critical individuals in defining the impact. The study interviewed a total of 30 individuals.

The study adopted two sampling techniques in the choice of study participants namely purposive and simple random sampling techniques. Purposive sampling technique was employed in the choice of management individuals to be included in the study and it was largely based on their role in decision making concerning outsourcing and access to information on the same. Due to the relative economic and social homogeneity, and large size of the population of lecturers, students and support and clerical staff, the researcher used the simple random technique. Lists of support and clerical staff and students, acquired from management, provided the sampling frame and only included those staff members and students who were there during the policy change to outsourcing.

The sample size for the student survey was calculated through the statistical formula by Israel (2009) below:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = the sample size,

N = the target households/population,
 e = the desired level of precision.

The study level of precision was set at 0.05 and the confidence level was 95%. The total number of students that were there when the policy was fully adopted in 2009/10 academic year and are still in college is 240. Thus, the study targeted 150 students. This formula is relevant as it is employed in a situation where the total population is known and the population is relatively homogeneous, economically and socially.

4.4 Data Collection Methods and Instruments

This research employed both qualitative and quantitative data collection methods. Qualitative data were mainly collected through key informant interviews with college management, administrative and academic staff. A review of the literature, related to outsourcing at The Malawi Polytechnic, was undertaken. This was done to gain insight into the salient issues surrounding the achievement of the set-out objectives. Seeking information from this group of people was essential in this study as it largely represented the views of the people with decision making responsibilities over the policy of outsourcing and assessment of its implementation. The major tool used for the interviews was a structured questionnaire (Appendix 2).

Quantitative data were collected through a survey in which students who were there when the policy was adopted were interviewed. These were mainly fourth and fifth-year students. The major research tool used in the student survey was a closed-ended questionnaire with question items largely focusing on the students' perception of and experience with outsourcing. In both cases, the analysis was based on the risk theory which analyses perceived benefits and risks that guide the adoption of a strategy as a financial management approach and the achievement of the institution objectives. This study's analysis focus was on achievement of core and non-core objectives of the college.

4.5 Data Analysis

The unit of analysis for the study was the effect of outsourcing, which was measured by analysing the resources allocation to the core activities. The expectation of outsourcing management, administrative and academic staff and students. Thus, qualitative data from participants were analysed through content analysis by developing themes from emerging

drivers and effects of outsourcing. The emerging themes were explained in line with the risk theory presented earlier. On the other hand, quantitative data from the student survey was analysed through descriptive statistics, which allowed computation of percentages and frequencies. This study used Statistical Package for Social Scientists (SPSS) to analyse pre-coded data. Analysed quantitative data has been presented in tables and graphs in order to compare the trend of each variable (costs before and after privatisation). Thus, qualitative and quantitative data have complemented each other.

4.6 Chapter Summary

This chapter has presented the methodology employed in this study by highlighting important variables and definitions in the study and the units of analysis. The chapter has also provided methods, tools and sampling techniques used to collect data.

CHAPTER 5

RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

5.1 Introduction

In this chapter, the main factors for the adoption of outsourcing of non-core activities in the University of Malawi and its impact on the university's ability to efficiently offer its mandated objectives are presented. It further discusses the assumption authorities had on each of the factors considered for the adoption of outsourcing policy. This analysis is based on the assessment of both the administrative staff, academic staff and students. Then it presents suggested arrangements for successful implementation of outsourcing of non-core business in the higher education sector.

5.2 Demographic and Socio-economic Characteristics of Respondents

As earlier explained in the methodology, students included in this survey were only those in fourth and fifth year as they were there when the policy of outsourcing was being adopted. Demographic characteristics of students have been considered in this study because it is a proxy variable affecting in the students' assessment of university support services. A questionnaire comprising 150 questions was distributed to 150 students and 107 students returned completed copies of the questionnaire, which represent 71.3% of the sample. This response rate was considered adequate to continue with data analysis. From this figure, 58.9% were male and 41.1% were female. The sample distributed between male and female used in this study is representative enough to reveal the disaggregated impact of the adoption of outsourcing on male and female. This is because the total number of males at the college is already higher than that of females.

5.3 Policy and Institutional Framework for Outsourcing Security Services at The Malawi Polytechnic

This study has found that there is unclear policy guiding outsourcing of non-core functions, including security, at the University of Malawi in general and at The Malawi Polytechnic specifically. The Senate of the University of Malawi has policy pronouncements for the University to concentrate on its core-functions of teaching, learning and research and publications. However, apart from Senate meetings and written communications,

UNIMA does not have a coherent policy framework on outsourcing of non-core functions. According to interviews conducted with college management, there is need that the University of Malawi Act is amended to reflect this policy shift.

Equally important, The Malawi Polytechnic has no clear institutional structure for managing the outsourcing of its non-core services. Currently, outsourcing of security is managed by a Sub-Committee of the Internal Procurement Committee (IPC) which reports to the main IPC. However, other members feel there is no need for a subcommittee to manage the outsourcing of security services, arguing the creation of a sub-committee increases operation costs. This situation shows that there are unclear policy and institutional framework guiding outsourcing of non-core services, which potentially threaten its sustainability.

The procedures for outsourcing of security services at The Malawi Polytechnic is guided by procurement rules and guidelines. The process begins with an advertisement and interested companies bid for the services through a tender box. After the deadline for the tendering period, the college evaluates the interested companies based on the following criteria that the company must have:

- a business registration certificate;
- adequate and well qualified human resource and equipment;
- well known established offices;
- most recent financial audited reports;
- good track record of offering such services for at least two past years;
- an insurance policy covering incidents of theft of institutional property.

According to interviews conducted with members of staff in IPC, the evaluation process takes almost four months. It is this process that adds to the cost of actual security service provision by the contracted companies. According to interviews conducted, evaluation of potential security service providers demands conducting a number of evaluation meetings which are costly to the college in terms of time and allowances for the members of IPC. Furthermore, there is a need for monitoring of the contracted service providers even after outsourcing, which is an extra cost.

5.4 Main Drivers of Outsourcing at The Malawi Polytechnic

This study found that economic consideration was the major reason for the adoption of outsourcing at The Malawi Polytechnic. The understanding was that outsourcing would result in reduced operational costs, which would then lead to efficient provision of core functions. The following are the summary of the reasons for the adoption of outsourcing at The Malawi Polytechnic after doing the data analysis:

- reduce operational cost (68% of respondents);
- increase concentration on core functions (20% of respondents);
- reduce management pressure on management (22%).

5.5 Extent of Savings Arising from Outsourcing of Security Services at The Malawi Polytechnic

The adoption of outsourcing was mainly based on the idea that it would lead to university staff concentrating on the core business of the university. Furthermore, it was argued that outsourcing would lead to a reduction in the monetary costs towards the provision of non-core business (MIM UNIMA, 1997). Thus, an investigation into the extent of saving arising from outsourcing of security services at The Malawi Polytechnic was aimed at finding out if outsourcing has resulted in the shifting of monetary resources from saved resources provision of security services to core-business of the college.

Generally, saved figures would provide a good indicator of resources saved in the provision of security services. However, lack of disaggregated data on the cost of security services before outsourcing means that it is difficult to estimate with accuracy the amount of money spent on security.

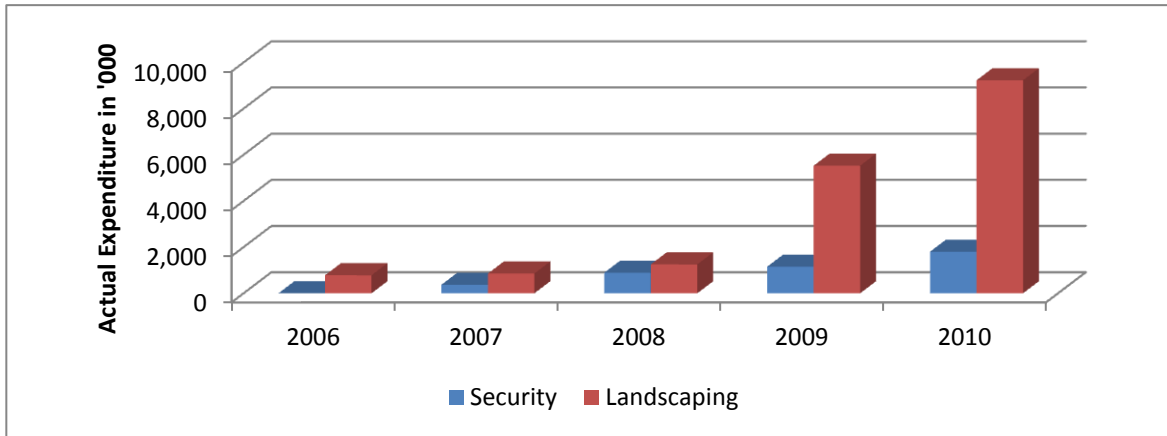


Figure 1: Audited Financial Report

Source: Poly Audited Reports, 2006 - 2010

The assumption behind outsourcing was that it would lead to improvement in college provision of corefunctions as monetary and time savings from non-core functions would be channelled to corefunctions. Figure 1 demonstrates that the achievement of this objective has been difficult as there has been increasing thecost of security after outsourcing. This trend has been the same for the outsourced landscaping services This means that security costs may potentially take up resources meant for other core-services of the college such as teaching and laboratory materials, and, research and publication. In order to get the picture of the trend in financial resources allocated to core-business of the college, this study assessed actual resources allocated to the buying of teaching and laboratory materials and resources towards college based research and publications.

Figure 2, below, provides a summary of The Malawi Polytechnic annual budget allocation to research and publication and teaching and laboratory materials as some of the core functions of the college. The two variables would give an indication of college concentration on corefunctions since the adoption of outsourcing policy.

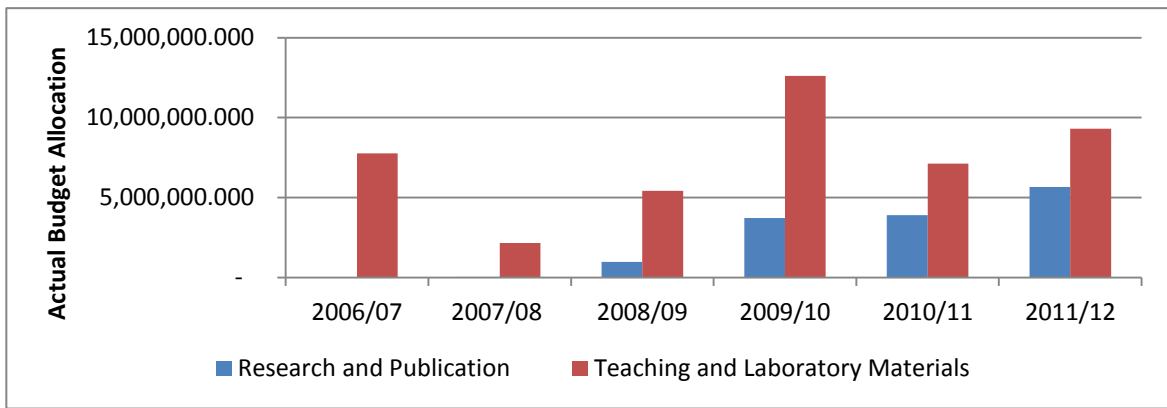


Figure 2: The Malawi Polytechnic Teaching and Laboratory Activities and Research and Publication Budget Annual Allocation, 2006-2012

Source: Polytechnic Budget Statements, 2006 - 2012

Figure 2 shows a summary of actual annual Malawi Polytechnic budget allocations to two of the core functions of the college namely teaching and learning materials, and research and publication. The two variables have been isolated to assess college financial concentration on the college core functions. In order to get a clear picture of the trend of financial allocation, the two variables have been further analysed below to show their allocation trend to overall budget over the period since outsourcing was adopted in 2006.

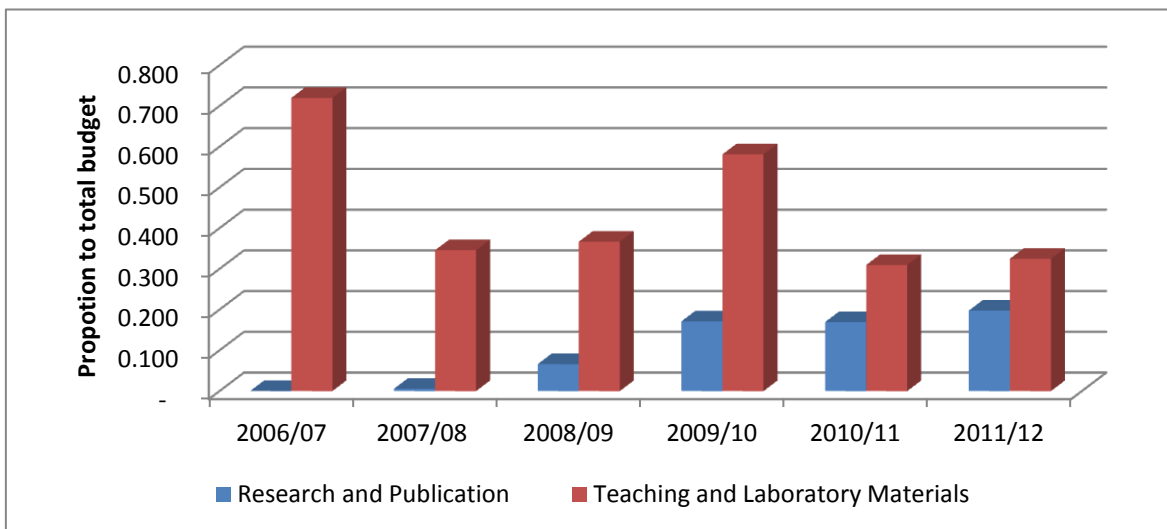


Figure 3: The Malawi Polytechnic Proportion of Actual Budget for Teaching Material and Research and Publication since 2006

Source: Polytechnic Audited Reports, 2006 - 2012

From Figure 3, while the proportion of the budget allocated to teaching material and research and publication has been on the increase, budget allocation to teaching and laboratory materials has remained very unstable. The trend shows that actual percentage of budget allocated to teaching and laboratory materials has been on the decline since 2006. These findings may be an indication that there have been no financial savings, from outsourcing of security services, that could be channelled towards the provision of core services. On the contrary, there has been a reduction in the percentage of total budgetary allocations to teaching and laboratory resources. One of the reasons for this trend may be that high administrative and management costs related to the outsourcing of security services have resulted in a reduction of resources allocated to core functions. This finding reveals that while there has been an increase in the nominal values of the total budget (see Figure 2), real budget allocations to the buying of teaching and laboratory materials has been on the decline.

The trend of resources allocated towards teaching and learning is similar to that of resources channelled towards research and publication. Figure 3 presents the percentage of resources allocated to teaching materials and security. Interviews conducted with administrative and academic members of staff reveal that outsourcing has not achieved its set out objectives. Of the 30 members of staff interviewed, 46% argued that the policy of outsourcing has reduced the cost of providing security services while 54% indicated that the policy has not changed anything. The assessment of the college staff is also similar to the assessment made by students as highlighted in Figure 4 below:

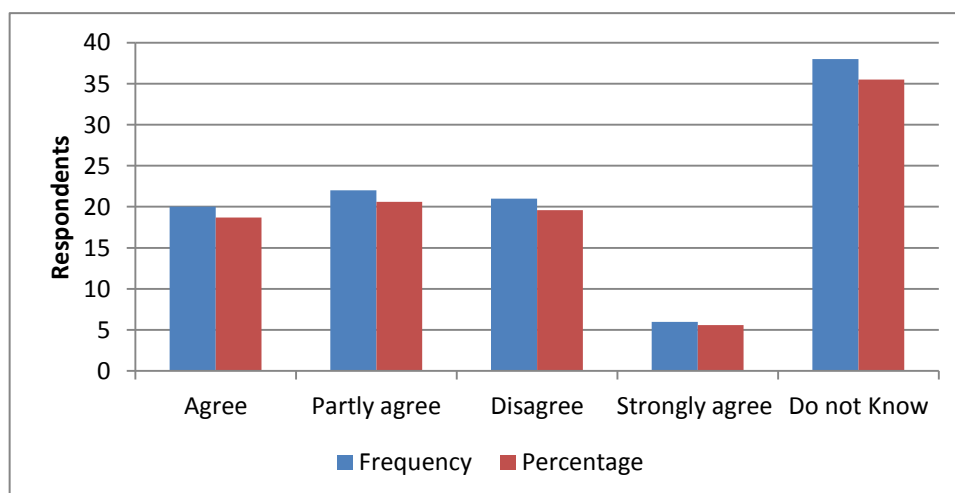


Figure 4: Students' Assessment of Costs Towards Security since Outsourcing

Student Survey, 2013

From Figure 4, it is observed that 60.7% of the students responded that outsourcing has not reduced the costs of providing security. According to interviews conducted with both college staff and students, the view that is coming out clearly is that the cost of providing security may have increased due to a number of hidden costs such as monetary costs of holding meetings for the management of outsourced services, supervision of outsourced security services, advertising for the recruitment of companies offering security services, evaluation of short-listed security companies, documentation of outsourced services and refunding of stolen items.

This study explored these claims further by assessing the extent of resources saved from outsourcing that could potentially be channelled to core functions. This aspect was used as a proxy measure of college concentration of resources to core function. This assessment was further complemented by Polytechnic college managers' own assessment of the amount of resources channelled towards payment of outsourced security services. Figure 2 below presents a summary of money allocated for consultancy and research publication.

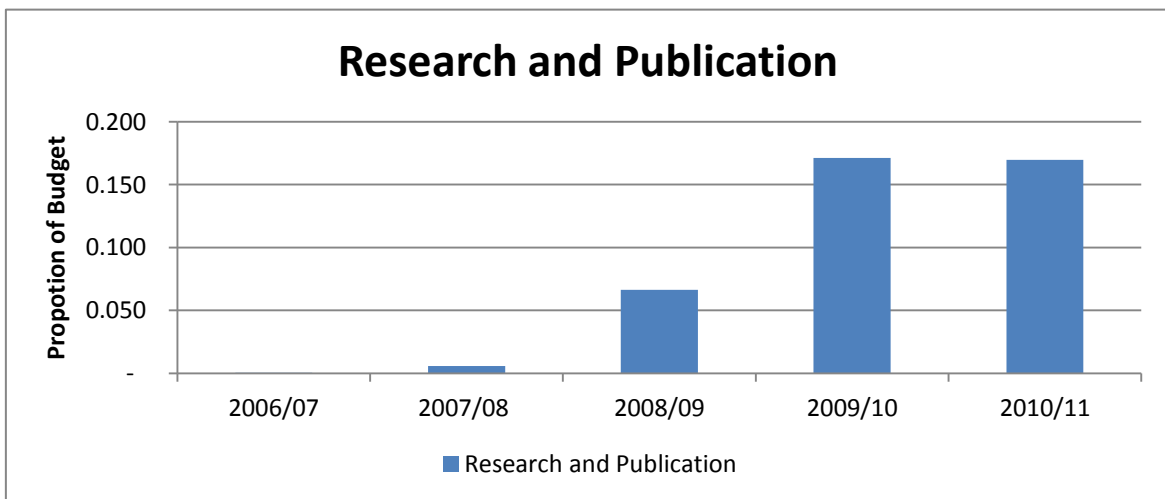


Figure 5: The Malawi Polytechnic Proportion of Actual Budget Allocation to Research and Publication

Source: Polytechnic Audited Report, 2006 - 2011

From Figure 5 above, the percentage of the budget allocated to college-based research and publication activity since 2006 when outsourcing was adopted has remained below 0.2% of the total budget. This trend shows that outsourcing has not significantly increased the

amount of resources channelled towards research and publication. This may be due to the fact that outsourcing, as earlier highlighted, might have generated other activities that are costly to the college apart from the actual fee paid to contracted companies.

Equally important, the actual amount of resources allocated to research and publication is likely to be affected by the ruling inflation over the period of reforms. Table 3 shows a comparison of the expenditure figures before and after adjusting and incorporating ruling inflation rates over the years. It can be deduced from the graphs that inflation has a small impact on the raising or lowering of the expenditures as illustrated in the Figures 3 and 4.

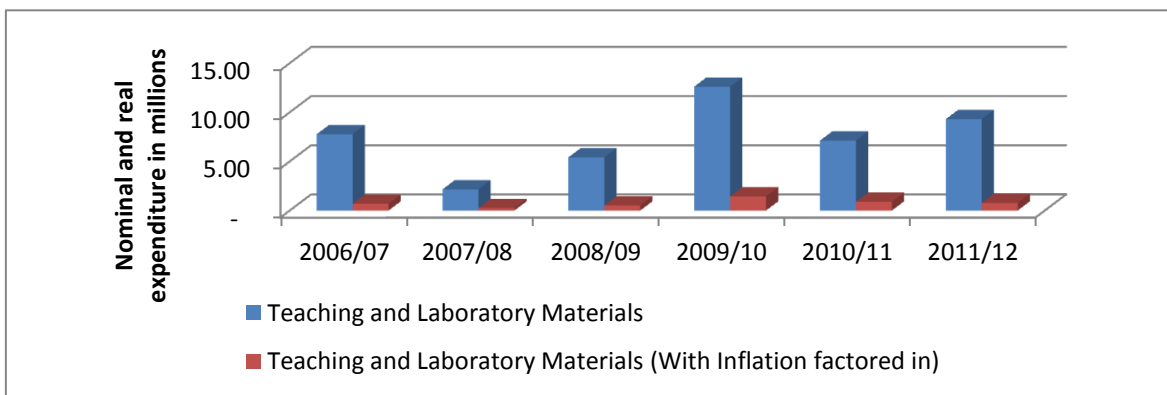


Figure 6: Nominal and Real Budget Allocation to Teaching and Laboratory Material

Source: Polytechnic Audited Reports, 2006 - 2012

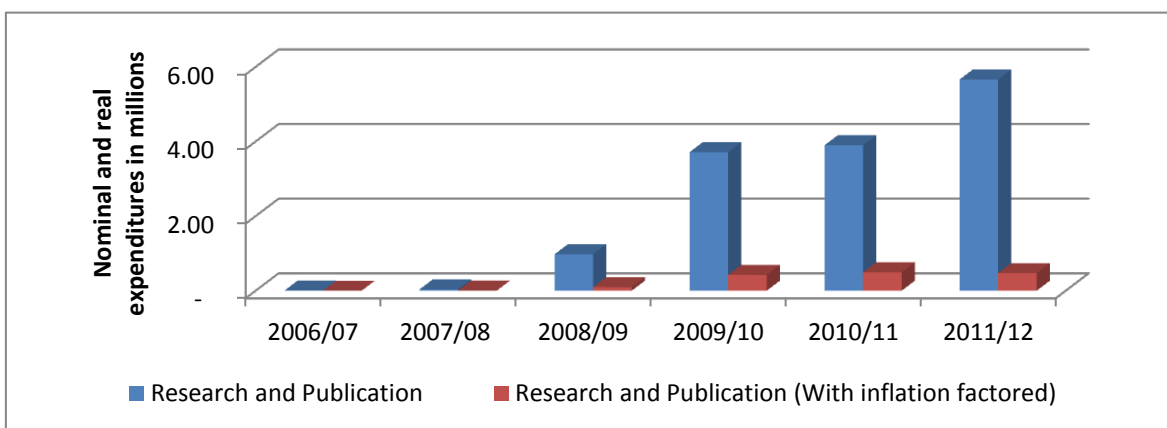


Figure 7: Nominal and Real Budget Allocation to Research and Publication

Source: Polytechnic Audited Reports, 2006 - 2012

The findings from this study demonstrate that though the assessment of security costs purely based on payments made to companies is misplaced as there are a number of operational costs in the management of outsourced services that accrue to the college. This is largely so because these costs have not been transferred to companies providing outsourced services. Furthermore, it is difficult to correctly determine some of the costs as they are determined by the company in place such as the extent of theft at the college. For instance, one of the management staff members observed that:

there was misjudgement that own security staff was more expensive than outsourced security. This is a fallacy...because outsourcing has other costs such as costs of advertising, documentation and time spent in the meeting. We cannot say outsourcing has reduced costs as there is also serious increase in thefts on the campus (MIM UNIMA, 1997).

This finding is in line with the proposition of the decision risk theory which highlight the need to adequately assess the perceived benefits and risks in the adoption of outsourcing as a financial management tool (Goldstein et al, 1993; Sang, 2010). According to this theory, every management decision is supposed to be guided by risk versus benefit analysis to prevent unforeseen challenges and costs. In the case of this study, the findings reveal that The Malawi Polytechnic did not engage in an adequate analysis in assessing the hidden costs accompanying the adoption of outsourcing of security services. The findings of this study further demonstrate that hidden risks associated with the outsourcing of security services are currently the greatest challenges in the successful implementation of the strategy.

5.6 Level of College Concentration on Core-Business after Security Outsourcing

As earlier explained, adoption of outsourcing of security services was mainly based on the premise that it would lead to the college concentrating on its core business. Thus, this study found out the level of college concentration into three core business of the university namely: teaching, research and consultancy. This study used three proxy variables for assessing the level of college concentration on its core business namely: improvement in the quality of learning and teaching as evidenced by improvement in the performance of students in the end of semester and end of year examinations, amount of monetary

resources realized from research and consultancy and the number of academic staff publishing in academic journals.

5.6.1 Level of College Concentration on Teaching and Learning

UNIMA rates teaching and learning as one of its corefunctions. This study assessed the judgment of Polytechnic college staff and students on the trend of the quality of teaching and learning over the period of outsourcing. According to interviews conducted with college staff, 58% argue that outsourcing of security services has barely improved college concentration on corebusiness while 42% feel outsourcing has not improved the situation.

In terms of performance of students in end-of-semester and end-of-year examinations, this study has found that performance has been on the decline and not as impressive as the years before outsourcing. Although there have been other factors that have affected the performance of students on their final examinations such as frequent closure and unstable school calendar, academic members of staff concentration on teaching remain one of the major factors. For instance, one member of staff argued that quality of teaching is largely affected by high teaching load that is given to academic members of staff.

The views of college members of staff are also shared by the views of students on the observed level of college concentration on core business. Students were asked to assess the level of college concentration on teaching and learning business and Figure 8 below summarises their responses:

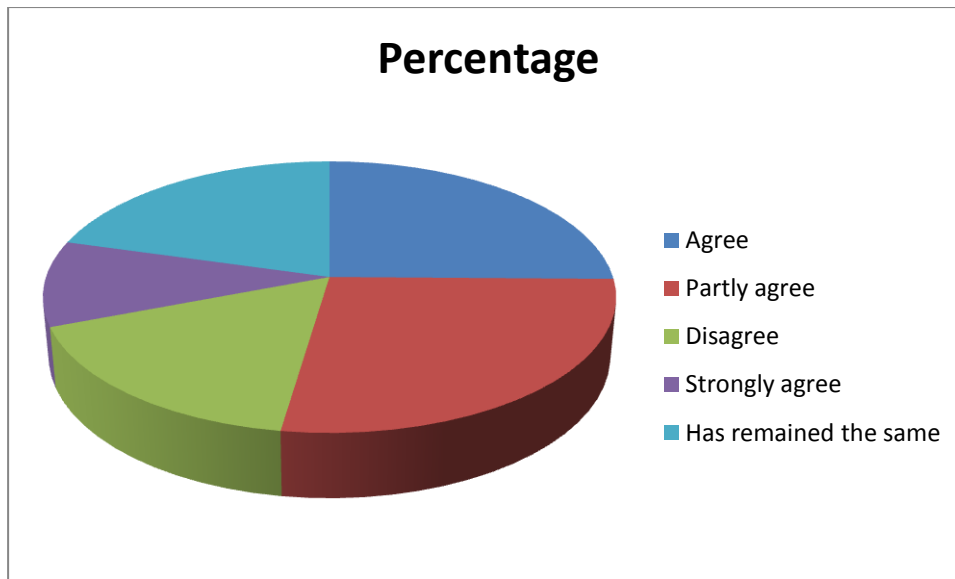


Figure 8: Students Assessment of College Concentration on Teaching and Learning since Outsourcing of Security Services

Source: Student Survey, 2013

From Figure 8, it can be concluded that about half of the students indicated that outsourcing has not improved college concentration on corebusiness. In particular, 47.3% of the interviewed students argue that management concentration on college corebusiness remained the same or has decreased. In particular, students explained that the situation has deteriorated because there is an increasing student-lecturer ratio. The student explained that the number of academic staff with regard to courses offered and thenumber of students enrolled is on the increase, resulting in failure of academic staff to provide adequate services to all students.

This finding reveals that the arguments that outsourcing would lead to an increase of college concentration on corebusinesswas based on simplistic premises. This is largely so because outsourcing of non-core business brings in hidden responsibility that may demand a lot of time from the same members of staff. For instance, management members of staff reported that outsourcing of security services demanded advertisement, evaluation of short-listed companies and monitoring of the recruited companies. One interviewed members of staff observed that:

Outsourcing was done wholesomely in a haste. If I had my way, I would reverse outsourcing of security. (MIM UNIMA, 1997).

As stated earlier, this study argues that adoption of outsourcing was done prior to full assessment of the benefits and risks of the strategy as a tool to achieving the core business of the college. One of the main premises guiding the adoption of outsourcing strategy in the UNIMA was that it would lead to improvement in the provision of core services and reduction in the cost of providing the service. Notwithstanding the argument, there is need to assess the long-term risks associated with this decision. In the case of this study, outsourcing has proved not to be cost-effective nor resulting in efficient service provision. In particular, there is need to consider the operational cost of adopting outsourcing as its costs may outweigh its benefits. This study has also revealed that a lot of time is wasted on managing outsourced services such as security as the college has not yet institutionalised administrative capacity for outsourced services (Sang, 2010).

5.6.2 Level of Resources Realised from Research and Consultancy Projects

With regard to the amount of resources realised from research and consultancy, this study has found that there has been no significant change in the proportion of resources realised from research and consultancy. In particular, while there is an increase in the nominal values of the figures realised from research and consultancy, real figures are fairly constant and at times on the decline.

Interviews with academic members of staff revealed that mere outsourcing of non-core activities will not lead to increased research and consultancy activities. In particular, academic members pointed out a number of factors that need to be addressed if the volume of research and consultancy has to improve namely:

- less motivation due to unfair money distribution;
- college not interested in research and consultancy;
- lack of support from college in terms of seed money;
- the complicated process of processing money for research and consultancy.

According to one academic staff member interviewed, adoption of outsourcing policy *has not changed anything in research and consultancy*. From the reasons pointed out above, it is clear that there are a number of factors that affect academic staff involvement in research and consultancy. This finding suggests that the college has not done enough to

address factors affecting academic members of staff to engage in research and consultancy. According to King and Malhotra (2000), outsourcing will not be successful if it does not correspond with innovation measures to stimulate the internal core business of the institution.

5.6.3 Level of Publications by Academic Members of Staff

Academic publication is one of the indicators of staff concentration on the college core-business. It is an indication of the value that academic members of staff place on their professional work. It is further evidenced by the number of publication output by college academic members of staff in a particular period. According to interviews conducted with academic members of staff, there is an increase in the number of scientific publications by members of staff, which shows staff concentration on their professional work.

However, members of staff argued that most of the publications are coming from individuals who have established a network for accessing external research funding and not college-based funding. In particular, members of staff argued that the Polytechnic rarely supports young scholars to develop their research skills and experience. For instance, one academic member of staff argued that *"The Malawi Polytechnic has a research and publication committee, but this committee is not for supporting academic members of staff to do research. I applied for research funding two years ago and I am still on the waiting list"*. The study also found that none of the interviewed staff members who had published in international journals was funded by the College in terms of conducting the study. The study, however, found that The Malawi Polytechnic does fund members of staff to present their findings at research dissemination conferences, within and outside the country.

Thus, the findings from this study reveal that outsourcing has not resulted in concentration on research and publication. The drive to outsourcing in Malawi is that savings from outsourced services would allow the institution to direct more resources on teaching and research (King and Malhotra, 2000; Sang, 2010). Interviews with college management have revealed that it has not been possible to fund college based staff research activities because funding to college has been unstable. Equally important, outsourced security has also resulted in unforeseeable costs. Thus, it is not automatic that outsourcing will lead to saving and extra fund for the core business. In the case of security outsourcing at The Malawi Polytechnic, the findings indicate that there has been no significant resource saved

to be directed to core functions. On the contrary, there is an increase in the operational costs of managing outsourced services.

5.7 Outsourcing and Performance of Security Services at The Malawi Polytechnic

As explained earlier, the main premise for adopting outsourcing in the University of Malawi was that outsourcing would lead to the provision of quality non-core functions at a reduced cost. This would allow the colleges to direct funds towards concentration on core functions. In addition to assessing the financial savings, this study also found out the quality of security services offered by contracted security firms as judged by students and college staff. Figure 5 summarises responses from students with regard to quality of security services:

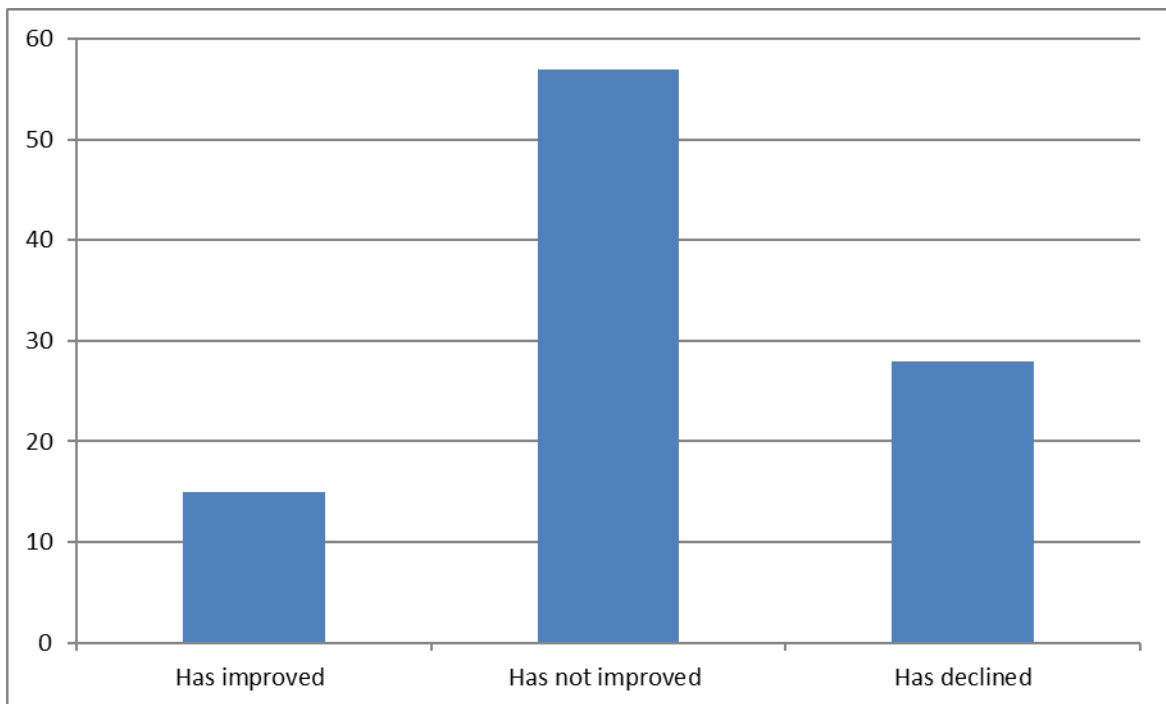


Figure 9: Students Assessment of Security Situation at Polytechnic Since Adoption of Outsourcing Policy

Source: Student Survey, 2013

From Figure 5, it can be concluded that more than three-quarters of the student body stated that security had not improved. About half of the students asserted that outsourcing had not improved the security situation at the campus (57% argued that there was no change while 28% argued that security had declined).

In particular, 90% of the students interviewed explained that there were certain incidences that made them feel unsafe even with the presence of security personnel. In particular, these students mentioned the following incidences as a sign of insecurity namely:

- theft of students property
- burglary into offices and students residences
- the killing of a student on campus

A number of incidences were mentioned by these students particularly such as the killing of one of the students on campus. A number of students argued that the failure of security personnel to be aware of the killing of the student (according to their claims) on campus indicates that they are not protecting students. In addition to this, students explained that outsourcing has increased incidences of missing students' property within the campus. In particular, students reported a number of incidences involving thefts of laptops and cell phones within hostels and classrooms. Equally important, members of staff reported that outsourcing of security services has resulted in a number of security related problems such as:

- increase in theft in offices; this problem was mainly reported to be rampant at Chichiri Campus where computers and other equipment have been stolen from offices of members of staff; incidences of theft were also reported at the Main Campus involving theft of laptops from offices during the day;
- very low quality of security personnel from security companies;
- negligence of security personnel in caring for college property;
- refunding staff items that have been stolen.

This study found that about 450 incidences of security guards absenteeism were reported between September 2009 and June 2010 alone. During the same period, about 50 incidences of theft were reported for a single company offering security services. The damage ranged from vandalism and theft of college property and stealing of staff and students' property. According to the report and interviews conducted with the management, the following are the major causes of the increasing insecurity incidences:

- negligence of security guards and management of contracted companies in the execution of their duties
- poor or complete lack of training for the guards
- the low motivation of security personnel due to low wages
- lack of established standards for the security guards
- lack of supervision for the security guards from the contracted companies.

These findings correspond with the challenges of outsourcing in educational institutions as advanced by a number of authors (Phipps and Merisotis, 2005; Sang, 2010). With regard to this study, findings reveal that policy shift towards adoption of outsourcing did not fully explore unforeseeable and long-term costs and risks associated with outsourcing. According to King and Malhotra (2000), outsourcing may bring in potential threats to the attainment of the objectives of the institution. The two authors also argue that outsourced contractors may have aims and actions that are contradictory to those of the parent institution. For instance, interviews with college management revealed that theft on the campus is on the increase because it is being done by the contracted security personnel themselves arguing:

Security personnel engage in theft because they are lowly paid and because they are contracted for a short period (12 months), they know that after 12 months they will leave and seek employment elsewhere.

This finding reveals that while it is important to outsource the non-core activities, there is need to adequately assess all factors that would affect the performance of explored services on the capability of the institution to achieve its core objectives. In the case of the Malawi Polytechnic, outsourcing of security has resulted in the loss of valuable college property hence increasing college operational costs. Increased theft of staff members teaching equipment has also affected achievement of the college core function of offering quality teaching and learning services. Thus, outsourcing of non-core business should properly define the complementarities that exist between the core and non-core function (Phipps and Merisotis, 2005).

5.8 Other Costs Associated with Outsourcing of Security Services at The Malawi Polytechnic

This study also found that outsourcing of security at The Malawi Polytechnic has resulted in the increase of costs of offering security due to:

- a taxing process of identifying and contracting security service providers
- a large amount of time spent in meetings to evaluate short-listed security service providers bidders
- need for Monitoring of contracted security companies by The Malawi Polytechnic.

According to an interview conducted with one member of staff:

Outsourcing was done wholesomely and in a haste. If I had my way, I would reverse outsourcing of security.

As already stated, this study argues that the process of outsourcing did not fully assess the potential benefits and risks of the strategy as a tool to achieving the core business of the college. In the case of this study, outsourcing has proved to be neither cost-effective nor resulting in efficient service provision. In particular, there is need to consider the operational cost of adopting outsourcing as its costs may outweigh internal provision. This study has also revealed that a lot of time is wasted on managing outsourced services such as security as the college has not yet institutionalised administrative capacity for outsourced services (Sang, 2010).

The findings presented above indicate that outsourcing of security services did not fully assess the benefits of outsourcing in relation to the institution's interconnected services. According to Sang (2010), decision making on outsourcing should consider six categories of decision factors, namely:

- human resource - how employees will be affected by the option;
- financial - direct and indirect cost of the option to the institution;
- service quality - how the option of outsourced services meet the education institution needs;

- legal and ethical - the level of risk and reliability that is associated with the option of outsourcing the services;
- mission and culture - effects of the service provider on the institution culture and mission;
- management control and efficiency - the likely effect of each option on the ability of the institution to control the direct and priorities of the functional area.

Assessed against the above six variables, it can be concluded that outsourcing of security has not resulted in achievement of set objectives. Study results indicate that the college has not managed to reduce costs related to the provision of security services nor channelled more resources to core activities of the college (see Tables 1 and 2 and Figure 1).

In general, both the students and members of staff have rated outsourcing as performing below their expectation in terms of financial savings, service quality and control of the service. This analysis indicates that mere outsourcing of the outsourced services cannot lead to the achievement of efficient provision of core functions of the institution. For example, the study found out that efficiency of core functions is more connected to the performance of complementary services such as security of teaching and learning equipment and the environment. This means that outsourcing is not a neutral process but is heavily engraved in the performance of a set of non-core functions that are complementary to core functions of the institution.

5.9 Chapter Summary

In this chapter, a presentation of the main factors for the adoption of outsourcing of non-core activities in UNIMA is made. An assessment of the impact on the University's ability to efficiently offer its mandated or core objectives is also made. It has also discussed the assumption the authority had on each of the factors considered for the adoption of outsourcing policy. Furthermore, the chapter has discussed the impact the policy has had on the running of the University since its adoption. Lastly, a presentation of suggestions for successful implementation of outsourcing of non-core business in the higher education sector is finally made.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter draws conclusions from the findings of the study based on the theory, knowledge of decision and risk theories that guided this study. Lastly, the chapter provides the study's recommendations.

6.2 Conclusion

This study mainly aimed at finding out the main drivers and challenges of outsourcing at The Malawi Polytechnic. The study findings, guided by decision and risk theories, demonstrate that economic motive was the major driver of outsourcing. This motive was mainly aimed at reducing the operational costs of providing non-core functions of the university. The economic consideration was supported by the idea that concentration of resources on core functions of the college would lead to increased efficiency in the provision of the college's core-functions.

However, this study found that outsourcing has neither led to reduced operational costs nor increased efficiency in the provision of the college core functions. Instead, the standards of core functions decreased as evidenced by real monetary contribution to corefunctions of the university. One of the main factors that led to this trend was the inability of the college to control predicted contractual financial commitments as well as maintain the culture and mission of the institutions. In general, outsourcing resulted in the mushrooming of new challenges such as management costs that the college did not foresee (Sang, 2010; Phillips and Merisotis, 2005).

This study has found that cost saving (68%) and efficiency improvement in the provision of core services of the college have been the major drivers for the adoption of outsourcing. However, adoption of outsourcing was based on anticipated cost savings with insufficient regard to anticipated costs and demands (King and Malhotra, 2000). In-depth interviews with the management team revealed that the decision to outsource was a heavily divided topic and its adoption atcollege level was based on a top-down approach. In particular,

respondents pointed out that the college's decision to outsource was a directive from the UNIMA senate. According to one member of the management team, "*outsourcing policy was championed by individuals at Senate level with minimal involvement of the junior management level staff*". At college level, outsourcing strategy was rubber-stamped in order to experiment the policy as a directive from the University Office.

This trend of events explains the reason for the loss of control of outsourced activities at The Malawi Polytechnic. According to King and Malhotra (2000), failure to properly handle outsourcing can result in decline in morale and performance of employees and loss of control of other non-core but necessary activities at the institution (Sang, 2010).

The study has also found that the process of outsourcing did not fully assess the benefits and risks of the strategy as a tool to achieving the core business of the college. One of the main premises guiding the adoption of outsourcing strategy in UNIMA was that it would lead to improvement in the provision of core services and reduction in the cost of providing the service to be outsourced. In the case of this study, outsourcing has proved neither cost-effective nor resulting in efficient service provision. In particular, there is need to consider the operational cost of adopting outsourcing as its costs may outweigh internal provision. This study has also revealed that a lot of time is wasted on managing outsourced services such as security as the college has not yet institutionalised administrative capacity for outsourced services (Sang, 2010).

The findings of this study also confirm negative impact of outsourcing on the strategic planning of the educational sector (King and Malhotra, 2000; Phipps and Merisotis, 2005; Sang, 2010). This study has found that shifting of jobs to contracted companies has resulted in lowly paid security staff who are of low quality in terms of education and training standards and show little dedication towards work. In particular, this study found that security service providers did not provide the quality of security personnel indicated during bidding but continuously switched qualified security personnel with the less qualified. For instance, Ministry of Labour wrote to The Polytechnic Management that most of the security companies they contract use low-quality security personnel and pay them less than the recommended minimum wage.

Students and staff complained that they are not protected while on campus and contracting security firms have resulted in the rise of theft incidences at the campus. According to Sang (2010), low-quality services can result in uncomfortable teaching and lack of quality support services for teaching. The study also found that some of the security personnel were not aiming at assisting the College in achieving security but were themselves thieves.

6.3 Summary

The objectives of this study were to explore factors that led to the adoption and justification of outsourcing; to analyze whether The Malawi Polytechnic has made any savings made from outsourcing of non-core services; to assess whether outsourcing has achieved any concentration on the college core of teaching, research and consultancy; to assess whether there has been improvement in the delivery performance and efficiency of both core and non-core services; and to recommend feasible strategies for the successful outsourcing of non-core functions of the University of Malawi.

The study has investigated the main factors for the adoption of outsourcing of non-core activities in UNIMA and its impact on the University's ability to efficiently offer its mandated objectives, with The Malawi Polytechnic as a case study. The results from a student survey of 107 students and 30 members of staff (management, lecturers and support and clerical staff) reveal that outsourcing remains a highly divisive subject among different people and has largely not yielded expected results.

The major drive for the adoption of outsourcing approach in the University of Malawi was that it would lead to financial and time savings which would be channelled towards the provision of core functions. Likewise, the study found that at The Malawi Polytechnic outsourcing of non-core services was primarily driven by the desire to reduce financial operational costs of the college. This was assumed to be achieved through the reduction in staff emoluments and operational costs related to providing non-core services. However, this study found that the process of outsourcing overlooked other costs that accompany outsourcing such as advertisement, monitoring and administrative costs.

In particular, the study revealed that the expectation that outsourcing would lead to concentration of time and financial resources to the core business of the college did not materialise. Instead, there was no improvement and at times no reduction on some of the budget allocations to core services of the college such as teaching and laboratory materials and research and publication. This situation was caused by a reduction and instability of the college real income (subverted budget from GOM and its generated income) since 2006. While this was the case, the cost of security outsourcing kept increasing in nominal and real terms. Thus, outsourcing has not resulted in the improvement in the college core functions.

This study has found that the outsourcing of security has not improved the security situation at the campus. Interviews conducted with students and staff members revealed that contracted companies do not provide the expected security service and there have been increased incidences of theft in both offices and students hostels. The study also found that there is a mismatch between the objectives of staff employed by contracted companies and college objectives. In particular, most members of staff and college management assert that the security personnel focus more on their financial gains and are not very keen on protecting college property. This situation explains increased incidences of security personnel being suspected of being responsible for theft at the campus.

It can, therefore, be concluded that outsourcing alone is not enough to address the college's financial problems and to increase concentration on its core business. This is evidenced by a decline in resources allocated to buying of teaching and laboratory materials since the adoption of the outsourcing policy in 2006.

6.4 Recommendations

Based on the findings of this study, the following recommendations are made:

1. Outsourcing policy should not be extended to other non-core functions of the college until all corresponding costs of the policy are adequately explored. The Malawi Polytechnic should clearly define its income trends and stability before adopting outsourcing as it is difficult to control the real increase in the costs of outsourced services in the event of rising costs. This situation results in dipping into resources that could be allocated to core-business of the college.

2. UNIMA and The Malawi Polytechnic should finalise the policy on outsourcing. This study has revealed that currently there is no clear policy on outsourcing apart from Senate official communications. Furthermore, there is no clear institutional structure for the management of outsourcing. This situation leads to slowness in the implementation of outsourcing activities. For example, at The Malawi Polytechnic, it takes about four months to complete the process of contracting a company to provide security services.
3. The Malawi Polytechnic should develop clear procedures for managing terms and conditions of contract for outsourced services. These procedures should clearly stipulate the financial entitlements associated with such responsibilities. This is important as it would assist in assessing the potential implication of outsourcing a particular service.

6.5 Areas of Future Research

This study has identified the following areas for further study:

- Examination of the effectiveness and financial implications of the different approaches employed in the management of outsourcing of non-core services. This study has revealed that at present, The Malawi Polytechnic is strongly involved in the management and monitoring of outsourced security services. This topic is suggested on the background that management of outsourcing can employ several approaches and there is need to find out the most effective and efficient context-specific outsourcing management approach
- Outsourcing is a new policy in UNIMA. This study has revealed that outsourcing of security has neither achieved the cost-saving objective nor improved the security situation at the campus. However, any impact has a different effect on different groups of people, especially between males and females. Thus, there is need for a gendered approach to assessing the impact of outsourcing security at an educational institution such as The Malawi Polytechnic
- Other studies may also examine the cost of outsourcing services against the cost of having own security with its attendant additional expenses such as medical, funeral and terminal costs.

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APPENDICES

Appendix 1: Key Informants Interview Guide

SALUTATION

Greetings.

My name is Mrs. Grace Mzembe. I am a postgraduate student in Master of Business Administration (MBA) at The Malawi Polytechnic. One of the requirements of the programme is that we conduct research and produce a thesis. In line with this requirement, my research topic is entitled “*Drivers and Impact of Outsourcing in Malawi’s Public University: The Case of Security Services at The Malawi Polytechnic*”.

As part of the assignment, I am conducting interviews for the study. The interviews are especially targeting top and middle management staff at the college, especially those responsible for key decision making.

I, therefore, write to request your participation in the interviews as one of the top management staff by responding to a few questions that I have developed. I have left enough spaces in the questionnaire so that it can be filled in your free time. The information provided will solely be used for academic purposes and will be kept under strict confidentiality. Participation in this study is voluntary, and if there is any question to which you do not want to provide information, be free to do so. However, I hope you will participate by answering all questions as your views are important.

Researcher's signature

Appendix 2: Students and Staff Survey Questionnaire

1. Sex

Male = 1

Female = 2

2. Department

Administration = 1

Academic = 2

Support and clerical = 3

Library = 4

Students = 5

3. Were you at Polytechnic when security service was outsourced

Yes = 1

No = 2

4. What were the major reasons for adopting outsourcing

Cutting financial cost = 1

Reducing administrative burden on non-core functions = 3

Improving security = 4

Other explain _____ = 5

5. Do you agree with the following statement; security situation has improved after outsourcing

Strongly Agree = 1

Partly agree = 2

Partly disagree = 3

Totally disagree = 4

I do not know = 5

6. Do you agree with the following statement; outsourcing of security has reduced college cost towards security

- Strongly Agree = 1
- Partly agree = 2
- Partly disagree = 3
- Totally disagree = 4
- I do not know = 5

7. Do you agree with the following statement; outsourcing of security situation has improved efficiency of management

- Strongly Agree = 1
- Partly agree = 2
- Partly disagree = 3
- Totally disagree = 4
- I do not know = 5

8. What aspects of security do you most value (name two)

- Security of students = 1
- Security of staff = 2
- Security of college property = 3
- Other State _____ = 4

9. Do you agree with the following statement; security situation has reduced burden on management and made them concentrate on core functions

- Strongly Agree = 1
- Partly agree = 2
- Partly disagree = 3
- Totally disagree = 4
- I do not know = 5

10. Do you agree with the following statement; outsourcing of security has made control of security issues difficult at campus

- Strongly Agree = 1
- Partly agree = 2

Partly disagree	= 3
Totally disagree	= 4
I do not know	= 5

CHALLENGES MANAGEMENT IS FACING IN OUTSOURCING SECURITY SERVICES

(MANAGEMENT AND STAFF ONLY)

- 11. What process is involved in outsourcing security services?

- 12. Who is responsible for identifying the firm/company to provide security services?

- 13. What qualities are considered when contracting a firm/company for security services ?

- 14. On average, how long does it take to identify a firm/company for security services?

- 15. What financial costs are incurred in identifying a firm/company to be contracted for security services?

- 16. Once identified, for how long is a firm contracted to provide security services?

STRATEGIES TO BE ADOPTED SO THAT OUTSOURCING SHOULD ACHIEVE ITS EXPECTED GOALS

- 17. What strategies do you think should be adopted to achieve the intended goals of security outsourcing

- 18. Any other comment

The Concept of Outsourcing in the University of Malawi

- What is the understanding of outsourcing strategy in the University of Malawi? Person's understanding or UNIMAs?

Policy and Legal Framework

- What are the policy and legal frameworks for outsourcing of services within the University of Malawi in general and The Malawi Polytechnic in particular?

Factors that led to adoption of Outsourcing Policy in the University of Malawi and The Malawi Polytechnic

- What factors led to the adoption of Outsourcing Policy in the University of Malawi and at The Malawi Polytechnic?

- What factors led to the adoption of outsourcing of security services in particular at The Malawi Polytechnic?

- What specific merits were advanced in the adoption of sourcing of security services at The Malawi Polytechnic?

Policy Implementation

- What process is involved in outsourcing security services at The Malawi Polytechnic?

- Who is responsible for identifying the firm/company to provide security services?

- What qualities are considered when contracting a firm/company for security services?

- On average, how long does it take to identify a firm/company for security services?

- Once identified, for how long is a firm contracted to provide security services?

Problems and Challenges

- What are the major problems and challenges that have been experienced due to outsourcing of security services at The Malawi Polytechnic?

- What financial and other costs are incurred in identifying a firm/company to be contracted for security services?

- In your opinion, has outsourcing of security services achieved its set out objectives? If not, what strategies do you think should be adopted to achieve set out objectives?

- Any other comment on outsourcing.
