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CRITERIA FOR OUTSOURCING BY THE UNITED NATIONS

by

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CERTIFICATION

This is to certify that this research was carried out by KEN ANI CHARLES and was supervised by Prof Chris Cloete.

Student's Signature: _____

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DEDICATION

To my Roxanne and my family, for their support and encouragement

DECLARATION

I declare that this research is my own unaided work, except where otherwise stated and referred to.

This thesis is being submitted in fulfilment of the requirement for the degree of PhD [Real Estate] at the University of Pretoria. It has not been submitted before for any degree or examination at any other university.

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ABSTRACT

The UN, being a non-profit organization, has limited experience in and use of outsourcing criteria developed for commercial enterprises and therefore does not have the criteria to judge its outsourcing decisions. The UN's experience in outsourcing, for example, is mainly limited to peacekeeping. The objective of the thesis is to translate the private sector's extensive outsourcing experience into an outsourcing scorecard for the UN from criteria identified in the research.

Forty national and international organizations were surveyed: fifteen third party logistics service providers; fifteen private sector manufacturing forms and ten UN peacekeeping missions. The survey was carried out through telephone interviews and written questionnaires. Purposive sampling, a non-probability sampling method, was used to ensure equal representation. A correlational study was adopted as the appropriate research method since there is a requirement to fully analyse all outsourcing trends, associations and relationships between the groups. In the statistical analysis, the Fisher's Exact test was used to report for all variables for purposes of uniformity.

Risks, the establishment of goals and objectives, barriers to outsourcing, the use of experts, benchmarks and the evaluation of a service provider's performance are indicated as important criteria for developing an outsourcing relationship, as is the establishment of appropriate policies and procedures. The thesis further indicates that service provider selection is influenced by criteria such as operational excellence and reputation, strategic direction and compatibility, financial stability, costs and political considerations. Another criterion indicated as important is peace-building, suitable for humanitarian organizations. It was also ascertained that although the cost of a provider is important, cost should be considered in the light of satisfaction of the criteria outlined earlier as well as on efficiency and effectiveness. These criteria identified by the research form the basis for development of the decision-making scorecard. In the broad based scorecard for the UN, each scorecard theme is expanded to encompass additional requirements for the UN and similar organizations. Therefore, the institutional settings of the organization, risks, goals and objectives are expanded. Provider selection is added to the traditional theme and the

evaluation criteria strengthened to include peace-building measures. This effort supplements and ensures completeness of the scorecard for the purpose of the UN.

Though the outsourcing scorecard model has not been tested, it is a modification of an existing model and is based on the unique nature of the UN as well as feedback received from questionnaires and interviews. Additionally, the fundamental assumptions and postulates of the existing model have not been altered.

The thesis presents the first large-scale survey of outsourcing criteria applicable to the UN and develops the first outsourcing scorecard to guide the UN and similar organizations in identifying services that can be outsourced successfully. The scorecard could provide the UN with a number of benefits, such as maximization of efficiency and savings in costs. Additionally, it provides recommendations on improving the effectiveness and efficiency of UN peacekeeping operations.

CHAPTER I

INTRODUCTION

1.0 GENERAL INTRODUCTION

The increase in conflicts around the globe coupled with shortage of funds and the need to be able to manage these crises has made it necessary to advocate methods for reducing the cost of UN's operations. Additionally, given that it costs about US$3.2 billion to run UN peacekeeping and peace-building operations annually (United Nations, 2005), this staggering amount used to provide services, facilities, support staff can be reduced by outsourcing support function/services and facilities attached to these operations.

Outsourcing of non-core functions is a viable business strategy for any company, including the United Nations, although it has non-profit objectives and therefore has limited experience in and use for outsourcing criteria developed for commercial enterprises. Outsourcing has become necessary in a bid to maximise limited resources due to the unavailability or inadequacy of funds for peacekeeping operations. Presently, outsourcing by UN peacekeeping operations is in the infancy stage. Its major outsourcing experience is in the form of providing troops for peacekeeping operations, since the organization does not have a standing military army or police force. Apart from outsourcing peacekeeping, it is also vital to outsource the support functions of the operations. This would ensure more effective, efficient, and expeditiously managed peacekeeping operations. Outsourcing should be used as a reform strategy to save cost and make the organization more efficient.

Although reforming the UN has been a priority with every Secretary-General, what stands out clearly is that it has failed to achieve its objective (Abdul Aziz, 2007). Klareskov and Helgason (2005) added that considering the limited success the UN has had in it reforms; reforming human resources by strengthening pay, recruitment, and promotion systems would make the reformation process simpler and more effective.

This staffing problem could easily be resolved through outsourcing since it provides access to a larger efficient talent pool and a sustainable source of cheaper skills and services that can bought on a flexible on-demand basis (Buligiu and Ciora, 2008 and Booty, 2009).

Outsourcing has become one of the most powerful, organization-shaping management tools available today and organizations' leaders now measure success by outcomes, effectiveness, as well as member and customer satisfaction (Petrick, 1996). Leading global firms and even non-profit making organizations have cashed in on the new trend and now use outsourcing as a primary business solution tools. However, the non-profit-making organizations use outsourcing as a tool to maximise efficiency. By outsourcing as many non-core functions and activities as possible they are able to reduce costs of operations and create funds for vital, but non-funded activities. However, this strategy requires that top management possess a variety for negotiation and relationship management skills, as well as strategic planning expertise, which is lacking in some non-profit making organizations such as the UN (Goolsby, 2002b).

Barrett and Baldry (2003) defined outsourcing as process by which a user employs a separate organization (provider) under a contract to perform function which could alternatively have been performed by in-house staff. Outsourcing is also an approach by which organizations contract out functions to specialised and efficient service providers who become valued business partners making strategic use of outside resources to perform activities traditionally handled by internal staff and resources (Cloete, 2002). Furthermore, Grossman & Helpman (2003) stated that outsourcing means more than just the purchase of raw materials and standardized intermediate goods. It means finding a partner with which a firm can establish a bilateral relationship and having the partner undertake relationship-specific investments so that it becomes able to produce goods or services that fit the firm's particular needs. Often, but not always, the bilateral relationship is governed by a contract, but even in those cases the legal document does not ensure that the partners will conduct the promised activities with the same care that the firm would use itself if it were to perform the tasks.

Outsourcing is usually done in anticipation of better quality, lower rates and, in a sense, getting an edge over one's competitor. Outsourcing today is an increasingly common way of doing business (Booty, 2009). The private sector experience has shown that specialised service providers are typically able to deliver such services with comparable or better quality, and often at lower costs, than in-house providers. Because of the streamlining of the firms' facilities, effective outsourcing also allows them to expand their market share, pursue new strategic directions, and improve overall competitive advantage. As a result, organizations in both the private and public sector have several incentives to explore their outsourcing options (Eger *et al*, 2002).

With costs as the main motivating factor for organizations considering outsourcing, the practice has become a solution for many firms and providers as a formula for financial stability through increased revenue, long-term customers and sustained profitability. Inherently outsourcing costs cutting initiatives can produce direct cost and a reduction of back-office functions (Goolsby, 2002a, Buligiu and Ciora, 2008 and Harland *et al*, 2005). Osborne and Gambler (1993) and Eger *et al* (2002) added that outsourcing has also grown tremendously popular as a means of reducing costs, increasing efficiency, and improving overall quality of service in public sector organizations. This is based on its proven record of success in many different contexts. Throughout the development of this new perspective, a great deal has been learnt from observing private sector outsourcing practices and their applicability within the public sector which has provided a number of important suggestions, precautions, and some extensive models to guide the outsourcing decision-making process.

According to Harland *et al* (2005), there are many other motivations for outsourcing, beyond short-term cost savings. For example, it can enable firms to focus on "core" activities (Prahalad and Hamel, 1990, Hendry, 1995 and Arnold, 2000). The concept of "focus" originates in operations strategy literature. Skinner (1969) identified the benefits of concentrating an operation on a small, manageable, number of tasks at which the operation becomes excellent. Some observe that as suppliers may be significantly more advanced; outsourcing to them allows organizations to exploit their more advanced technologies (Lamming, 1993, Venkatesan, 1992 and Greaver, 1999). Others suggest that outsourcing improves flexibility to meet changing business

conditions, demand for products, services and technologies (Greaver, 1999), by creating smaller and more flexible workforces (Patterson and Pinch, 1995). Other outcomes are less obvious. Kerr and Radford (1994) claim that outsourcing helped to undermine the power of trade unions dominating the UK public sector workforce. Greaver (1999) highlighted the potential benefits of improving credibility and image by associating with superior providers. Short-term costs savings can provide clear evidence.

Domberger and Hall (1996) and Boston (1996) reviewed contracting out by the public sector in New Zealand and Australia. In New Zealand (Boston, 1996, p. 107) and some sectors of Australian government (Domberger and Hall, 1996, p. 135) public sector organizations were required to seek best value for money and encouraged, but not compelled, to use competitive tendering and contracting out. However, public sector outsourcing has earned a mixed record of success, failure, praise, and criticism (Klareskov and Helgason, 2005).

Many private sector organizations have outsourced support services such as catering, cleaning, maintenance and security (Bailey *et al.,* 2002). There is now a tendency for these arrangements to be made under one "facilities management" contract. Rao and Young (1994) note that most large multi-nationals use third party logistics providers. Harland *et al* (2005) advised that outsourcing is used not just for support services but also for activities "closer to core". Many studies reveal that automotive manufacturers have outsourced component manufacturing that was previously conducted in-house. As suppliers developed capabilities, they may take on the role of "systems integrators" enabling the vehicle producer to source entire sub-systems of an automobile, such as the power-train, to one supplier (Lamming, 1993). The definitional problem remains, however, since outsourcing organizations typically retain the ability to in-source the activity, or to subcontract only part of the business. For example, in 1997, Roberto Testore, head of Fiat Automotive, identified his company's "core competences" as styling and engines. Both, however, were conducted partly by subcontractors (e.g. Pininfarina conducted major parts of Fiat's styling). Evidence exists of outsourcing relating to core activities in the public sector. For example, Cheesley (1997) found that, since 1993, competitive tendering had been extended by UK hospital trusts and

health authorities to clinical support services, e.g. provision of sterile supplies and patient appliances, and parts of occupational health, pathology, radiology, and pharmacy services. It appears, therefore, that motivation for outsourcing may be relevant to services viewed as "core" as well as "non-core".

Harland *et al* (2005) further indicated that there is a lack of guidance on how organizations should decide how much to outsource. Outsourcing a complete activity may remove all internal competence, skills and learning relating to performing that activity, thereby making subsequent in-sourcing problematic. Naturally, it is possible to retain part of the activities in-house. This might be done in order to retain skills and competencies, to provide knowledge of that market and to reduce potential threats from service providers through the presence of internal competition.

On managing outsourcing relationships, Harland *et al* (2005) advised that outsource relationships are likely to be medium to long term, collaborative arrangements with service level agreements (perhaps two-way) and some form of relationship assessment. Skills and competencies required to formulate and manage these relationships may be very different from those needed for traditional forms of contract. This has been highlighted by Lonsdale (1999) and Cox (1996) while the broad lack of management approaches was revealed by Marshall (2001). Guidance and contract frameworks could be provided, especially in the public sector, to prevent an array of varying specifications of contract being placed with the same outsource provider. It is not only necessary to develop new skills for the management of outsource relationships but also to learn how to manage the capability to conduct them.

Some organizations do not achieve the expected benefits from outsourcing. For example, a report quoted in Lonsdale (1999) and McIvor (2000) suggested only 5 per cent of companies' surveyed achieved significant benefits from outsourcing. Lonsdale (1999) and Cox (1996) highlight reasons for this: focusing on achieving short-term benefits; lack of formal outsource decision-making processes, including medium and long-term cost-benefit analyses; increased complexity in the total supply network. In a survey of outsourcing in Australia, Beaumont and Sohal (2004) found a further impediment to outsourcing was formulating and quantifying requirements.

In the public sector there are other concerns. Concerns relate to the number of jobs lost to the private sector (Kerr and Radford, 1994). Giddens (1979) argued that structuration of organizational fields would lead to bureaucratisation and homogeneity. DiMaggio and Powell (1983) agree, explaining that structuration occurs as a result of the activities of a diverse set of organizations; creeping privatisation and job losses might be unintended consequences of diverse, individual, organizations' actions. The approach focuses on social practices ordered across space and time. (Wikipedia, 2010).

Bettis *et al.* (1992) identified unintended consequences for the US economy of outsourcing in private sectors, such as automotive and computers, where US organizations were outsourcing component manufacture to Japan. Such concerns stimulate interest in "strategic outsourcing" (Alexander and Young, 1996) and in the risks and limitations in public and private sectors, including "over-outsourcing" (Hendry, 1995; Hood, 1997; Boston, 1996; Patterson and Pinch, 1995). Elsewhere, the impact of outsourcing on quality is highlighted as a cause for concern, for example in the USA (Seidenstat, 1996, p. 470) and Australia (Quiggin, 1996, p. 52). Marshall (2001) concluded that insufficient attention had been paid in general to the management of the outsourced activity and that outsourcers do not receive guidance on how to approach the task.

Hood (1997) argued that the extent of outsourcing in the public sector should relate to the culture of the state; consumerist cultures may find outsourcing of core public sector services more comfortable than less consumerist states. Similarly different levels and types of outsourcing might fit better in the USA than in parts of Europe. Proponents of outsourcing deploy primarily economic arguments; opponents focus on social consequences of outsourcing, making it difficult to compare benefits and costs. Strategic management and purchasing and supply literatures focus on potential risks and benefits to individual organizations (Sharpe, 1997; Hendry, 1995; Earl, 1996; Kakabadse and Kakabadse, 2000) and the outsourcing process (McFarlan and Nolan, 1995; Krause et al., 1998; Gunasekaran and Ngai, 2005).

It is noted above that outsourcing is an ideal business approach through which an organization such as the UN should be able to exploit their core business expertise by

being flexible and capable of rapid change. Outsourcing should enable the UN to overcome intrinsic failings and inefficiencies associated with performing tangential activities in-house, including inexperienced staff, which often result in poor economies of scale and lack of flexibility (Burden and Haylett, 2000). The thesis will identify outsourcing criteria applicable to the UN which will form the basis for the development of an outsourcing scorecard. The scorecard model should assist UN decision-maker in identifying functions and services with outsourcing potentials.

1.1 The Decision to Outsource

Making the right decision should come from a basic understanding of an organization's aims, objectives and requirements as well as their vision. Therefore achieving lower cost is of little significance if the principal goals are not attained. In stressing, the importance of decision-making Barrett & Baldy (2003) stated that the effectiveness of decisions is determined predominantly by the quality of the decision-making process used to generate it and it is usually best for top management to define the decision-making model to be adopted.

According to Harland *et al* (2005), one of the objectives of outsourcing is to relieve organizations of the constraints of cultures, established attitudes and taboos, providing fresh ideas and creativity for new opportunities. However, the most significant risks lie in the need to develop new management competencies, capabilities and decision-making processes. These include decisions on which activities should remain within the organization and which outsourced, whether all or part of the activity should be outsourced, and how to manage relationships rather than internal functions and processes. Mistakes in identifying core and non-core activities can lead organizations to outsource their competitive advantages. However, what is core one day may not be so the next. Moreover, once organizational competence is lost, it is difficult to rebuild. There is a difficult decision regarding how "close to core" outsourcing should be. Some organizations choose to retain some capability and capacity in-house and outsource part of the activity. Failure to manage outsourcing relationships properly, perhaps through service level agreements, may reduce customer service, levels of control and contact with customers. The assessment of costs of "make or outsource"

should include the additional cost burden of managing the outsource relationships (Harland *et al*, 2005).

Outsourcing or in-sourcing decision should be based on a solid business case analysis of alternatives. When deciding whether to outsource, Bendor-Samuel (2001b) recommended that organizations should first assess the value outsourcing can generate, while Alexander (1996) indicated that getting value through the application of incentives, quality management through partnership outsourcing should be the main goal. Swindon (1998) and M2 presswire, (2003) cautioned against overzealous adoption of private sector practices in public management. Osborne & Gaebler (1993) further suggested that solutions that work for the private sector may not necessarily work for non-profit making organizations. Cloete (2002) was of the view that an outsourcing decision is driven by the benefits and risks of outsourcing therefore, proper care must be taken to ensure that the right decision is reached. Bragg (2006) added that certain risks must be taken into consideration and mitigated, while Patterson (2005) mentioned that the application of formalized risk management will reduce the risk exposure. Hence, risk identification is essential in outsourcing decision-making.

Harland *et al* (2005) added that more risks are associated with outsourcing in the public sector than in the private sector. Public sectors are intended to safeguard services for the wellbeing of the public where the commercialism, fragmentation and lack of regulation of the private sector may act to the detriment of citizens and taxpayers. Swindon (1998) adjudges that governments are about serving the public and therefore outsourcing of services by governments should be about improving efficiency and effectiveness and not profit. Osborne and Gaebler (1993) also agreed with Swindon (1988) and further stressed that the private sector exist to make profit, while governments should provide services which makes them facilitators, planners and policy makers, not providers of services. Unchecked outsourcing within public sectors may create problems. Firstly, outsourcing reduces government control. Second, it creates powerful players who assimilate many independently arranged outsourcing contracts, gaining leverage and power over the sector. Third, it can worsen employment patterns in a sector, reducing consistency of training and development,

impacting on skill and knowledge levels under government guidance. Fourth, it can weaken some public sector stakeholders (e.g. politicians and trade unions) who influence public sector activities but have more difficulty influencing private sector outsourcing organizations. Osborne and Gaebler (1993) concluded by suggesting that solutions that work for the private sector may not necessarily work for government.

According to Buligiu and Ciora (2008), the decision to outsource is should be taken at a strategic level and normally requires board approval. Outsourcing is the divestiture of a business function involving the transfer of people and the sale of assets to the supplier. The process begins with the client identifying what is to be outsourced and building a business case to justify the decision. Only once a high level business case has been established for the scope of services will a search begin to choose an outsourcing partner. In determining outsourcing needs, Siegel, (2000) and Goldsmith (1989) agreed that the immediate objective of management is to identify areas where the firm can match its needs with the essential competencies of potential service providers. It is important to identify and connect core competencies when making the decision to outsource. It is also considered important that outsourcing should provide a model for assessing public agencies core competencies and should examine the delivery modes available for the services being considered for outsourcing. The reason is, unless a qualified provider can be identified for a specific function, there may be no value added in considering an outsourcing plan for that function.

Once the decision has been made to outsource, a number of other concerns come up regarding the transition toward outsourcing. The emphasis should be on the importance of establishing a plan for moving forward on the outsourcing decision. The chosen approach to outsourcing should evaluate costs and potential process improvements that can be gained from using service providers. Furthermore, to ensure the implementation of best practice strategies with service providers, successful partnership with them is essential. It is also vital to know whether the outsourcing relationship will reduce costs and improve efficiency in the organization. An organization should also consider using an external expert to negotiate the contract and in choosing the service provider, the point of contact should be an internal staff. Also, the scope of service(s) to be performed and the duration of the outsourcing

agreement should be clearly stated in the statement/scope of works including a dispute resolution clause (Bragg, 2006).

In conclusion, it was noted that the benefits of outsourcing are variable and depend on the nature and situation of an organization. Therefore, the decision to outsource non-core activities of the UN and its peacekeeping operations should be arrived at by answering a number of important questions about the organizations core competencies and policy goals, coupled with the availability of service providers, contract negotiations, and other considerations. The extensive experience and practices of the private and public sector should be compared with the political legal and economic considerations that must be made when applying these lessons to the UN.

1.1.1   **Decision-making Criteria**

In identifying outsourcing criteria, it is necessary to recognize whether or not outsourcing is appropriate. To achieve this, several background questions must be answered. For example, once it has been determined that the use of external resources may be an option that would meet business needs, thereafter a thorough cost-benefit analysis should be conducted because it considers specific cost-benefit criteria (Hamer, 1988 & Longworth, 2005). It is also important to provide a simple criteria template for an outsourcing versus in-sourcing cost-benefit analysis. In doing this, criteria, priorities and weights must be determined for each project depending on its individual circumstances (Eger *et al*, 2002).

Since the success or failure of a project depends on the choice of decision made, therefore, before embarking on an outsourcing engagement, several criteria must be addressed because proper decision criteria aid in prioritizing and developing successful programmes and projects (Deuser, 1996). The challenge is to integrate such diverse criteria to arrive at the best decision (Reid & Christensen, 1994). Most importantly, decision-making criteria should be flexible, realistic and applied on a case by case basis. These various criteria, derived from several sources and commonalities provide

important indicators, categories, attributes, and standards for the development of an outsourcing decision-making scorecard (Eger et al, 2002).

Due to its unique nature and having non-profit objectives, outsourcing criteria developed for public and commercial enterprises would not be adequate for developing an outsourcing decision-making scorecard for the UN. Therefore, existing outsourcing criteria for private and public enterprises would be customized to address the outsourcing needs of the UN.

1.1.2 **Outsourcing Scorecard**

The traditional focus of an outsourcing scorecard would be insufficient as a decision-making tool for UN managers in making decisions on whether or not to outsource. Consequently a more broad-based scorecard would be required. In developing the scorecard for the UN, the traditional scorecard model is adapted and customised to create an innovative scorecard that is tailored to the outsourcing needs of the UN. Therefore, the scorecard developed will have similar attributes to outsourcing scorecard models for private and public sector enterprises but will be modified to meet the unique needs of the UN. However, the fundamental assumptions and postulates of existing models will not be altered. To ensure completeness of the scorecard for the purpose of the UN, each scorecard theme will be expanded to encompass additional requirements for the UN and its peacekeeping operations.

1.2   CONCLUSION

UN approved budgets can no longer meet the running costs of peacekeeping operations. Therefore, to maximise available funds, the UN should consider outsourcing as a management tool to improve services and reduce costs. Outsourcing will grow to be an accepted way of doing business as both the private sector and public sector. However, non-profit making organizations such as the UN should focus more on customer service and cost/budget reductions. As the concept becomes more accepted and outsourcing opportunities expand, the process will be more clearly outlined. Outsourcing of support functions is an attractive option for many organizations. Outsourcing should be an integral part of an organization's overall

business strategy; however it should involve senior executives and key staff. The rationale for pursuing outsourcing options should involves the strategic, financial and technological benefits to be gained. A number of problems may also be encountered related to the service quality, its costs, or its overall effect on business operations. However, a thorough risk assessment of the factors involved in these potential problems is a useful tool for avoiding them in the first place. While there are no perfect deals, a number of measures can mitigate the risks of outsourcing (Buligiu and Ciora, 2008). A well thought-out strategy, due care in the service provider selection, a carefully drafted contract as well a proper monitoring of the services delivered under the outsourcing contract will help the UN reap the benefits it expects.

Johnston and Romzek (1999), Best et al (2003) and Sullivan and Ngwenyama (2005) added that although outsourcing has general advantages, it also has a number of uniquely public sector concerns that may extinguish outsourcing's advantages or in some cases even put the public at risk. Therefore caution should be taken when considering outsourcing ventures, as well as attention to accountability, economies of scale, competition and risk such that the cost of monitoring outsourced services' contracts does not eliminate any benefit derived from the reform. Futhermore, Best *et al* (2003); Sullivan and Ngwenyama (2005) and Grossman and Helpman (2003) agreed that though there are disadvantages associated with outsourcing, such as risk to intellectual property protection and trust, other factors such as increase international trade and globalisation, and freer communication and transparency may be mitigating influences, however, it appears that the advantages are more significant.

In conclusion, the thesis develops suitable decision-making scorecard from criteria identified in the research to guide the UN in identifying potential services that can be outsourced successfully through a survey of best practices outsourcing examples in private sector enterprises. The thesis focuses on the following four principal efforts:

- Provide a general introduction into outsourcing with emphasis on using outsourcing as a viable reform strategy for the UN since the being non-profit making, the UN does not have the criteria to judge its outsourcing decisions.

- Provide a literature review relative to outsourcing decisions-making and its application in the UN and its peacekeeping operations, choosing an outsourcing provider, and the development of decision-making criteria and scorecard; discusses the use of private security organizations for traditional UN peacekeeping role as an outsourcing strategy to make peacekeeping more cost-effective and efficient;

- Investigate private and public sector enterprises and service providers to assess outsourcing activities from the perspective of these organizations in order to gain a better understanding of outsourcing and how it can be successfully applied to the UN to attain all the advantages; and

- Identify and evaluate criteria from the research which forms the basis for the development of an outsourcing scorecard model for the UN.

1.3 THE PROBLEM AND ITS SETTING

1.3.1 The Statement of the Problem

Being non-profit making, the UN and its peacekeeping operations does not have the criteria to judge its outsourcing decisions. Using private and public sector outsourcing experience, the thesis proposes to identify and evaluate outsourcing decision-making criteria for the UN which forms the basis for the development an outsourcing scorecard for identifying services that can be outsourced successfully.

1.4 AIMS AND OBJECTIVES OF THE THESIS

The objective of the thesis is to translate the private sector's extensive outsourcing experience into a scorecard for the UN from criteria identified in the research. The scorecard can serve as a decision-making tool for the UN in identifying services that can be outsourced successfully. The developed scorecard should provide the UN with a number of benefits, such as maximization of efficiency and savings in costs by reducing costs of operations and creating funds for vital, but non-funded activities. The scorecard may be useful to similar organizations.

1.5 THE HYPOTHESIS

1.5.1 The Research Hypothesis

It is possible to develop a scorecard for the UN and its peacekeeping operations outsourcing needs based on the non-profit objectives and unique nature the UN from a modification of existing outsourcing model of the private and public sector without altering the fundamental assumptions and postulates of the existing model.

1.6 DELIMITATION

The outsourcing decision-making criteria and outsourcing scorecard are limited to the UN outsourcing requirements.

1.7 THE ASSUMPTION

The private sector manufacturing firms and the service providers surveyed are presumed as having outsourcing best practices.

1.8 THE IMPORTANCE OF THE THESIS

Given that it costs about US$3.2 billion to run UN peacekeeping operations annually (United Nations, 2005), the thesis derives appropriate outsourcing decision-making criteria which form the basis for the development of a scorecard for identifying services that can be outsourced successfully. By outsourcing as many non-core functions and activities as possible they should be able to the reduce costs of operations and create funds for vital, but non-funded activities. Additionally, the thesis examines cost-effective and efficient alternative to UN peacekeepers.

The thesis presents the first large-scale survey of outsourcing criteria applicable to the UN and should be useful to similar organizations. Additionally, it develops the first outsourcing scorecard to guide the UN and similar organizations in identifying services that can be outsourced successfully.

1.9 DEFINITION OF TERMS

This section contains the lists of terms used in the thesis:

Outsourcing	• A process by which a user employs a separate organization (the supplier) under a contract to perform a function which could have been performed by in-house staff (Cloete, 2002). A practice where a service is commissioned from a provider, usually under the term of a formal contractual arrangement based upon terms and conditions derived from a service level agreement (Barrett and Baldry, 2003).
UN:	United Nations
DPKO	Department of Peace Keeping Operations of the United Nations Secretariat
SC	Security Council
GA	General Assembly
Mission	United Nations Peacekeeping Operation
SRSG	Special Representative of the Secretary General
DSRSG	Deputy Special Representative of the Secretary General
DAO	Director of Administration
CISS	Chief Integrated Support Services
CAS	Chief Administrative Services
FC	Force Commander
NGOs	Non Governmental Organizations

CHAPTER II

LITERATURE REVIEW

2.0   **GENERAL INTRODUCTION**

In the early 1970s, inflation became a threatening issue. Oil embargo brought fuel shortages. Not only did these shortages spur a dramatic increase in the cost of material but also in the financing of all endeavours leading to capital flight as well as the deregulation of monopolies. This economic stagnation had a rippling effect on nations' ability to provide resources for their people. Such inability, when combined with natural and other economic disasters, meant nations were unable to feed themselves and had to depend on donor nations for survival. Paying their dues and contributing towards humanitarian and other good causes became the least of their worries. Therefore, organization that depended on funding from these nations had to look elsewhere and/or identify solutions to maximised available resources. Therefore, higher work expectations have led to a search for alternatives, a need to plan for the long term and to be more competitive and or resourceful. A result of this business crisis was the evolutionary management of scarce resources whereby people began thinking about new and smarter ways of optimizing available resources to attain the same or higher level of efficiency and effectiveness (Rondeau *et al*, 2006).

Since then, organizations have followed the corporate model of increasingly handling more tasks in-house, forcing organizations to tighten their belts and downsize thus aggressively reshaping and fundamentally changing the way business is carried out. In the restructuring of enterprise, outsourcing became one of the tools for re-engineering the process. Thus business process re-engineering radically changed the distribution of work within and outside the organization and made outsourcing a strategic element that reinforced and complemented strategic plans to build core competence (Best *et al* (2003).

These organizations now faced with the tough issue of downsizing have realised that they need a measurable solution that could easily shrink or grow with their needs.

According to Janssen (2002) this trend is bound to continue for some time to come and would imply that:

- Outsourcing providers would be under a lot of pressure to distinguish them in the marketplace. They can distinguish themselves by specialising in different forms of outsourcing and by gaining deep vertical market knowledge as well as by developing technological innovation that creates real competitive advantage for buyers.

- The outsourcing market would continue to grow in importance with bigger providers purchasing smaller ones;

- Outsourcing organizations would focus more on value creation rather than on cost savings; and

- More outsourcing organizations would transform from outsourcing of individual functions/activities to outsourcing entire functions/activities of these organizations in order to participate in that specific growth market.

In the realms of business management, where new business practices often become fads very rapidly, outsourcing seems to have established itself as a sustainable practice. The increasing scale and complexity of projects demands specialized expertise that is best acquired through outsourcing. At the same time, outsourcing encourages specialization and so contributes to self proliferation and sustainability. At the firm and enterprise level, the pressure to become cost effective through structural streaming, sharpened strategic focus and development of core competencies in order to compete in an increasing competitive global environment, make outsourcing and ideal medium for attain such attributes (Best *et al.* 2003)

Inevitably, unprecedented levels of excellence and profitability have resulted from outsourcing efforts. However, in some case as outlined above, downsizing meant there was work still unattended to that had to be done, and that's when the trend of outsourcing picked up momentum. For organizations, outsourcing became the new way of accomplishing tasks (Rondeau *et al*, 2006).

The outsourcing industry has reached an important crossroads in its development. It recently matured from being a commodity supplier of services sought by organizations which simply want to cut costs, to being a provider of value added operations that free an organization's executives to concentrate on core businesses. Furthermore, Tracey *et al* (1998) concurs that outsourcing enables organizations to concentrate on core business and provided other causes such as:

- Access world class capabilities;

- Provide flexible delivery based on needs;

- Act as catalyst for change;

- Reduce or control costs; and

- Improve reporting methods

Outsourcing needs of UN peacekeeping operations have similar characteristics to those in the public sector and the outsourcing challenges facing them are similar to private sector challenges. These include, but are not limited to:

- Large information networks;

- Expanding service provider base;

- Complex inventory of equipment;

- Maintenance functions specific to unique fleets of equipment;

- Intensive information reporting;

- Shrinking work forces;

- Shortened turn-around times;

- Smaller budgets;

- More customization; and

- Unique customer demands

Outsourcing has come to be viewed as a strategic activity in the redefinition of core competence for many organizations that sought to reposition their business scope in an increasing competitive business environment (Best *et al,* 2003).

Eger *et al* (2002) defined outsourcing as the transfer or delegation to an external service provider or a supplier the operation and day-to-day management or ownership of a business process. This is usually done in anticipation of better quality, lower rates and in a sense getting an edge over one's competitor(s). Buligiu and Ciora (2008) agree with Eger *et al* (2002) and states that outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract.

Sprague, (2006) differentiated between outsourcing and in-sourcing. She advised that outsourcing involves allocating or relocating business activities (both service and/or manufacturing activities) from an internal source to an external source. Conversely, insourcing can be defined as internal sourcing of business activities. So, insourcing can be viewed as an allocation or reallocation of resources internally within the same organization, even if the allocation is in differing geographic locations.

Barrett and Baldry (2003) described outsourcing as a practice where a service is commissioned from a provider, usually under the term of a formal contractual arrangement based upon terms and conditions derived from a service level agreement. The service level agreement builds on the service specification by amplifying, in practical terms, the obligations of each party. Technical and quality standards will usually be defined in relation to industry standards or manufacturer's recommendations, whereas performance will be related to the specific requirements of stakeholders, that is, frequency of activity and response times to call-outs (Atkin and Brooks, 2005). It is important that all stakeholders are identified and their requirements understood, with specifications and service levels aligned to their needs. While it may not always be possible, given the constraints that may be imposed on the outsourced team, to satisfy all specific requirements, the needs of stakeholders can be ranked according to their benefit to the business to ensure that the more significant ones are met (Atkin and Brooks, 2005). There may be several of these contractual relationships operating in parallel for a range of services from a variety of providers

but the responsibility of monitoring and control should remain with the outsourcing organization.

According to Harland *et al* (2005), outsourcing changes the structure of sectors, providing opportunities for focused, niche players to enter. For example, the growth of specialist biotech and niche finance players may be attributed to the creation and seizing of opportunities that have impacted on sector structure. The specialist service providers enable other players in the sector to focus on their core, improving the products and services they offer. By providing a wide range of services, service providers can offer a "one stop shop" expertise. Some transport companies have created market opportunities by offering a complete logistics package including stores design and management, logistics consultancy and customer call centres. Players within sectors where outsourcing becomes the norm benefit from improved financial performance through cost reduction and reduced asset investment, yielding higher return on investment, attracting more investment to the sector to develop customer markets. Public sectors might shift policy from tactical control to strategic planning. Healthcare, for example, might focus on preventive care rather than cures.

Additionally, outsourcing allows organizations provide better customer focus, flexing and changing offerings and processes to meet changing markets. This is particularly beneficial to larger, more mature organizations whose strong, hierarchical structures make them less agile. For such organizations, re-engineering business processes to improve flow across functions is difficult: outsourcing enables "opting out" from complex internal organizational change.

According to Eger *et al* (2002), the benefits of outsourcing are variable, dependent upon the nature and situation of an organization. Buligiu and Ciora (2008) added that organizations that outsource are seeking to realize benefits or address the following issues:

- *Cost savings*. The lowering of the overall cost of the service to the business. This will involve reducing the scope, defining quality levels, re-pricing, re-negotiation, cost re-structuring;

- *Cost restructuring.* Operating leverage is a measure that compares fixed costs to variable costs. Outsourcing changes the balance of this ratio by offering a move from fixed to variable cost and also by making variable costs more predictable;

- *Improve quality.* Achieve a step change in quality through contracting out the service with a new Service Level Agreement;

- *Knowledge.* Access to intellectual property and wider experience and knowledge;

- *Contract.* Services will be provided to a legally binding contract with financial penalties and legal redress. This is not the case with internal services;

- *Operational expertise.* Access to operational best practice that would be too difficult or time consuming to develop in-house;

- *Staffing issues.* Access to a larger talent pool and a sustainable source of skills.

- *Capacity management.* An improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier;

- *Reduce time to market.* The acceleration of the development or production of a product through the additional capability brought by the supplier;

- *Commodification.* The trend of standardizing business processes, IT Services and application services enabling businesses to intelligently buy at the right price. Allows a wide range of businesses access to services previously only available to large corporations; and

- *Risk management.* An approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation.

- *Customer Pressure.* Customers may see benefits in dealing with your company, but are not happy with the performance of certain elements of the business, which they may not see a solution to except through outsourcing.

Best *et al* (2003) defined outsourcing as the action "to obtain (goods, etc, especially component parts) by contract from a source outside an organization or area: to contract (work) out". Eger *et al* (2002) came up with a more precise description of outsourcing which they described as "work done for a company by people other than the company's full time employees." A customer receives a service that performs a distinct business function that fits into the customer's overall business operations.

Outsourcing which was first done in the data processing industry has over the time spread to other areas, including tele-messaging and call centres. Presently, many large organizations now outsource jobs such as billing, medical transcription, data entry and payroll processing, information technology, human resources, facilities and real estate management, and accounting, customer support and call centre functions like telemarketing, market research, medical transcription, tax preparation, manufacturing and engineering (Buligiu and Ciora , 2008, Eger *et al,* 2002 and Drezner D, 2004). Most of these jobs are outsourced by first world nations like the United States of America (USA) and the United Kingdom (UK) to third world nations like India, Philippines, China, Malaysia and some eastern European countries. These jobs are handled by separate organizations that specialise in each service, and are often located overseas (State of Texas, Department of Information Resources, 1998).
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The State of Texas, Department of Information Resources (1998) also added that outsourcing is the delegation of tasks or jobs from internal production to an external entity, such as a subcontractor. More recently it has come to mean the elimination of native staff for overseas staff, where salaries are lower. Outsourcing also includes the buying of goods and services instead of producing or providing them in-house. While outsourcing is not a completely new innovation, the shifts that have occurred recently are worth noting. As the need for e-learning moves higher up on the IT and corporate training agendas, organizations are now more likely to take on the IT management burden of implementing a learning management system.

According to Buligiu and Ciora (2008), in today's environment, organizations must deal with rapid and regular changes, the performance demands of the e-economy, and pressure to deliver competitive functionality. To meet these challenges, organizations are increasingly considering outsourcing of their information systems activities as an attractive option. In fact, many organizations already use outsourcing in one form or another. Furthermore, outsourcing occurs when an organization contracts a service provider to perform a function instead of performing the function itself. The service provider could be a third party or another division or subsidiary of a single corporate entity. Increasingly, organizations are looking offshore for the means to minimize service costs and related taxes. Many times, the outsourcing decision results in a

transfer or sale of the information processing assets and the people who performed the in-house function to the service provider. Outsourcing is also a common option for start-up operations and for organizations entering new business lines. Rather than devoting time, energy and capital to the creation of processing services, organizations feel they can minimize the start-up time required to enter new markets by contracting a third party to provide those services immediately.

Outsourcing also means "contracting out", that is, a process by which a user employs a separate organization (the supplier) under a contract to perform a function which could have been performed by in-house staff. This differentiates outsourcing from business relationships in which a buyer retains control of the process or, in other words, tells a supplier how to do the work. It is the transfer of ownership that defines outsourcing and often makes it such a challenging and painful process. In outsourcing, the buyer does not instruct the supplier how to perform the task but instead, focuses on communicating what results they wants to buy and leaves the process of accomplishing those results to the supplier (Cloete, 2002). Furthermore, outsourcing occurs when a firm subcontracts a business function to an outside supplier. According to Drezner, (2004), this practice has been common within the U.S. economy for some time.

This concept called outsourcing which involves taking internal company functions and paying an outside organization to handle them, is usually done to save money, improve quality or free company resources for other activities. Additionally, outsourcing offers the potential for value enhancement and is worth careful consideration since it enables workplace strategies to concentrate on core business with the view to increasing market share by not being distracted by other non-critical activities Best *et al* (2003).

Tracey *et al* (1998) highlighted the strategic importance of outsourcing in describing the management of workspace and services which it creates and maintains. This, he explained had always been neglected until some 12 year ago in the USA and UK. From then on the management of facilities became a key business issue and the profession and the outsourcing market started to develop to what it is today.

According to Best *et al* (2003), the genesis and proliferation of the practice of outsourcing appears to have been triggered by:

- The need for resources (intellectual as well as physical) not available with the traditional bounds of the organization
- The favourable transaction costs of employing "outside" resources
- The strategic advantages that ensue from the ability to focus on the development of core competencies

Tracey *et al* (1998) cited three reasons for the growth of outsourcing:

- Recession and Economy;
- Focus on core business; and
- Public sector policy.

The recession of the economies of USA and UK drove organizations to outsource in order to reduce costs and cut directly employed staff. Furthermore, with a change in government policies to privatise and use the private sector, organizations realised that they only needed to support their own core business and did not need to provide it (Tracey *et al*, 1998).

There are two principal types of outsourcing: "traditional" outsourcing and "green-field" outsourcing. In "traditional" outsourcing, employees of an enterprise cease to perform specific tasks to the enterprise and rather, tasks are identified that need to be performed and the employees are normally hired by a service provider. For example, outsourcing information technology may include a transfer of responsibility from management of data centres and networks (LAN, WAN, and telecommunications). In the field of facilities management, individuals acting as property managers might become employees of a facilities management company (Eger *et al*, 2002).

Outsourcing services can be mainly divided into technological services outsourcing and business process outsourcing. Business process outsourcing or re-engineering is defined as by Hammer and Champy (1993) as "the fundamental rethinking and radical

redesign of business processes to achieve dramatic improvements on critical, contemporary measures of performances, such as cost, quality, services and speed". Technological service outsourcing comprises of:

- Web hosting;
- E-commerce: Business to Business (B2B), Business to Commerce (B2C), Commerce to Business (C2B);
- Web security and solutions;
- Telecommunications; and
- Website designing/development/maintenance

Business process outsourcing comprises of:

- Back office operations;
- Customer Relationship Management;
- Call Centres and telemarketing;
- Tele-servicing and product support;
- Payroll maintenance;
- Finance/ Accounting/ billing;
- Human Resources;
- Logistics Management;
- Supply Chain management; and
- Medical Transcription

In "Green-field" outsourcing, an enterprise changes its business processes without the hiring of its personnel by the service provider. For example, an enterprise might hire a start-up company to provide a new service, such as wireless remote computing, that was not previously managed internally. However, the type of outsourcing engagement required in the UN falls into both categories i.e. technological services outsourcing and business process outsourcing.

However, outsourcing is not always the right decision nor in the interest of an organization in the long term. For examples, it generally acknowledged that outsourcing leads to a transfer of expertise from the organization to others from where it then purchased back at a higher rate. If the quality of the services is not improved, then there is no gain as managerial supervision must still occur (Best *et al,* 2003).

The main business criticism of outsourcing is that it fails to realize the business value that the outsourcer promised the client. Some argue that the outsourcing of jobs (particularly off-shore) exploits the lower paid workers. However, a contrary view is that more people are employed and benefit from paid work (Buligiu and Ciora, 2008).

In the US, critics charge that the information revolution (especially the Internet) has accelerated the decimation of U.S. manufacturing and facilitated the outsourcing of service-sector jobs once considered safe, from backroom call centres to high-level software programming. (This concern feeds into the suspicion that U.S. corporations are exploiting globalization to fatten profits at the expense of workers.) They are right that offshore outsourcing deserves attention and that some measures to assist affected workers are called for. But if their exaggerated alarmism succeeds in provoking protectionist responses from lawmakers, it will do far more harm than good, to the U.S. economy and to American workers (Drezner, 2004).

Sullivan and Ngwenyama (2005) agreed that though outsourcing offers high potentials for cost savings and improved services, however, the risk of failure is also very high. The risk factors that must be mitigated include outsourcing lack of experience, opportunistic behaviours by the vendors and vendor's lack of experience (Sullivan and Ngwenyama, 2005).

Even in the political arena outsourcing is causing some concerns. The cause of the commotion is offshore outsourcing and the alleged migration of American jobs overseas. In 2004, Gregory Mankiw, the head of President George W. Bush's Council of Economic Advisers, observed that "outsourcing is just a new way of doing international trade," which makes it "a good thing?" However, Mankiw's comments

sparked a furore on both sides of the aisle. Speaker of the House Dennis Hastert, meanwhile, warned that "outsourcing can be a problem for American workers and the American economy." The Democratic presidential candidate John Kerry then accused the Bush administration of wanting to export more jobs overseas and Senate Minority Leader Tom Daschle quipped, "If this is the administration's position, I think they owe an apology to every worker in America" (Drezner, 2004).

Therefore, before embarking on any outsourcing initiative, there are several potential problems which should be anticipated and evaluated. Many of these are concerned with the people affected by the change in operation; others are to do with changes in the business itself and the manner in which the business is undertaken (Booty, 2009). These are:

- People issues
- Business change
- Process change

There is also a strong public opinion regarding outsourcing that outsourcing damages a local labour market. Since outsourcing is the transfer of the delivery of services which affects both jobs and individuals. Therefore, it is difficult to dispute that outsourcing has a detrimental effect on individuals who face job disruption and employment insecurity; however, its supporters believe that outsourcing should bring down prices, providing greater economic benefit to all (Buligiu and Ciora, 2008)

According to (Drezner D, 2004), Mankiw's statements on outsourcing are absolutely correct. The creation of new jobs overseas will eventually lead to more jobs and higher incomes in the United States. Because the economy and especially job growth is sluggish at the moment, commentators are attempting to draw a connection between offshore outsourcing and high unemployment. But believing that offshore outsourcing causes unemployment is the economic equivalent of believing that the sun revolves around the earth: intuitively compelling but clearly wrong.

Furthermore, Outsourcing is more than a simple purchase decision based upon economic or financial criteria. It is a strategic decision that encompasses the transfer of service delivery of selected activities to a third party and the establishment of a long-term relationship that can create new sources of value for an organization. Key to the understanding of outsourcing is that while service delivery has been transferred, accountability has not. Additionally, outsourced service delivery is, or should be, transparent to the users of the service and the customers of the organization (Lacity *et al* 1999).

Sullivan and Ngwenyama (2005) in their book on managing public sector outsourcing risk, suggested risk management strategies to deal with this potential outsourcing risk. While Earl (1996) identified the following as outsourcing risks that must be mitigated:

- Possibility of weak management

- Inexperience staff

- Business uncertainty

- Outdated technology skills

- Endemic uncertainty

- Hidden costs

- Lack of organizational learning

- Loss of innovative capacity

- Dangers of an eternal triangle

- Technological indivisibility

- Fuzzy focus

Earl (1996) however noted that these eleven outsourcing risks do not occur in every outsourcing decision. Conversely, they are not unusual or esoteric risk and some can be avoided or reduced by carefully selecting sourcing. However, the benefit of outsourcing maybe so great that the risk are worth managing or that he risks are so

manageable that the benefits are worth having. Therefore, a risk/return trade-off may become necessary. This logic could lead organizations to towards adopting some mix of selective or smart sourcing.

Best *et al* (2003) outlined the disadvantages and advantages of outsourcing

The disadvantages and potential problems include:

- Lack of an adequate supply of needed expertise; intellectual, trade or manufacturing capabilities must be available at the time they are required;

- Competitive advantages that arise from patents, copyrights and other proprietary processes are at risk from unscrupulous business associates. Therefore, intellectual property protection must be enforceable;

- The conditions that favour outsourcing, e.g., remoteness and rapid access, are not always conducive to the development and assessment of trust, yet trust is an essential element;

- The need for well thought out upfront specifications for the deliverables;

- Loss of quality control resulting from lack of direct influence and control over the resources used for the execution of the work; and

- Lack of leverage traditionally accrued by firms as a result of their position in the supply or demand chain whereby they can control the distribution of work or the allocation of assets and therefore exert influence for items such as discounted fees and accelerated response times

Advantages:

- Enables companies to re-examine their mission and strategic aspects of their activities based on organizational strengths and existing core competence;

- Allows companies to focus on the development of core competences and develop best-in-world expertise;

- Affords companies access to extramural expertise and diminishes the limiting effect of geographic barriers;

- Allows rapid response to problems by virtue of access to already available teams of experts;

- Promotes access to innovation by doing away with the risks and cost associated with the incubation and development of innovation;

- Capitalizes on potential synergies that develop in the collaborative environment fostered by outsourcing;

- Enables integration of services while affording single-point responsibility for the delivery of final products and services;

- Reduces production co-ordination and management issues, and reduces overhead and inventory costs and

- Usually reduces design and production times because of the expertise involved.

On international outsourcing, Spencer (2005) was of the view that the incentive to outsource is increased if component suppliers are more important in creating surplus than final-good producers. Additionally, he added that there are three primary explanations for a reliance on international outsourcing to procure specialized inputs, rather than domestic production through outsourcing or vertical integration:

- lower costs of foreign production;

- Improvements in foreign institutions or international communications;

- Reduced costs of international transactions, which is associated with globalization or greater integration in world markets.

The main source of lower costs is lower wages, but the effect of physical distance is also important. A low cost country should export a greater variety of intermediate goods to physically closer countries (Feenstra *et al*, 2005). Furthermore, a study has attempted to show that public controversies about outsourcing in the U.S. have much more to do with class and ethnic tensions within the U.S. itself, than with actual impacts of outsourcing (Whitten *et al*, 2006).

On the exportation of US jobs overseas in the name of outsourcing, Drezner, (2004) was of the opinion that there is no denying that the number of manufacturing jobs has fallen dramatically in recent years, but this has very little do with outsourcing and

almost everything to do with technological innovation. As with agriculture a century ago, productivity gains have outstripped demand, so fewer and fewer workers are needed for manufacturing. If outsourcing were in fact the chief cause of manufacturing losses, one would expect corresponding increases in manufacturing employment in developing countries. An Alliance Capital Management study of global manufacturing trends from 1995 to 2002, however, shows that this was not the case: the United States saw an 11 percent decrease in manufacturing employment over the course of those seven years; meanwhile, China saw a 15 percent decrease and Brazil a 20 percent decrease. Globally, the figure for manufacturing jobs lost was identical to the U.S. figure, 11 percent. The fact that global manufacturing output increased by 30 percent in that same period confirms that technology, not trade, is the primary cause for the decrease in factory jobs. A recent analysis of employment data from U.S. multinational corporations by the U.S. Department of Commerce reached the same conclusion

The thesis present the first large-scale survey of outsourcing criteria applicable to the UN and develop the first outsourcing scorecard to guide the UN in identifying services that can be outsourced successfully. Additionally, it provides recommendations on improving the effectiveness and efficiency of peacekeeping operations.

This literature review starts with an introduction into the UN and its peacekeeping operations. Comparisons of outsourcing practices in private and public sectors are highlighted and the advantages that outsourcing will bring to UN and its peacekeeping operations. The first section of this review thoroughly discusses the efficiency and cost-effectiveness of using private organizations/armies, standing armies and rapid deployment taskforce for peacekeeping functions as well as the need to make peacekeeping cost-effective and efficient. The second section discusses outsourcing and how the advantages can be applied to peacekeeping operations to make it more cost-effective.

The third section then continues with the outsourcing decision-making process and provides a number of criteria, and in some cases, full decision-making models to guide

this process. It addresses the initial step in the outsourcing process i.e. the reasons why the UN should choose to outsource peacekeeping operations and describes the function/services that should be outsourced. It also describes the decision to outsource whereby, in making the decision to outsource, the private sectors best practices are contrasted with legal, economic, and political considerations that must be made when applying these lessons to the UN and its peacekeeping operations. The importance of outsourcing governance to outsourcing success is highlighted and furthermore how the absence of outsourcing governance would cause a fundamental philosophical problem for outsourcing organizations is also stressed.

The fourth section highlights the functions of third party service providers and describes the type of service providers to be employed in outsourcing practices. The fifth section then considers the transition to outsourcing, specifically the process of choosing a service provider once an organization has decided to outsource. A number of important related considerations with regard to contractual issues, labour agreements, and other management issues are also considered here. The fifth section lays emphasis on methods by which both private and public sector organizations conduct analysis and evaluation of existing outsourcing agreements. Establishing decision-making criteria is discussed in the sixth section. Goals and objectives, and the development of strategy and programmes are critically analysed as they determine criteria to be utilised in a decision-making process. The final section highlights methods by which both private and public sector organizations develop decision-making criteria and scorecard necessary for successful outsourcing decision-making.

2.1 OUTSOURCING MILITARY FUNCTIONS OF PEACEKEEPING OPERATIONS

This section discusses the use of private security organizations or third party providers for traditional UN peacekeeping role as an outsourcing strategy to make peacekeeping more cost-effective and efficient and reviews problems associated with outsourcing the role.

The UN and its peacekeeping operations are unique in the sense that it is involved in areas in the world where some multinational companies have never set foot.

The United Nations System

Principal Organs

| Trusteeship Council | Security Council | General Assembly | Economic and Social Council | International Court of Justice | Secretariat |

Trusteeship Council

Subsidiary Bodies

Military Staff Committee
Standing Committee and ad hoc bodies
Peacekeeping Operations and Missions
Counter-Terrorism Committee

International Criminal Tribunal for the former Yugoslavia (ICTY)
International Criminal Tribunal for Rwanda (ICTR)

General Assembly

Subsidiary Bodies

Main committees
Human Rights Council
Other sessional committees
Standing committees and ad hoc bodies
Other subsidiary organs

Advisory Subsidiary Body

United Nations Peacebuilding Commission

Programmes and Funds

UNCTAD United Nations Conference on Trade and Development
  ITC International Trade Centre (UNCTAD/WTO)
UNDCP[1] United Nations Drug Control Programme
UNEP United Nations Environment Programme
UNICEF United Nations Children's Fund

UNDP United Nations Development Programme
  UNIFEM United Nations Development Fund for Women
  UNV United Nations Volunteers
  UNCDF United Nations Capital Development Fund
UNFPA United Nations Population Fund
UNHCR Office of the United Nations High Commissioner for Refugees

WFP World Food Programme
UNRWA[2] United Nations Relief and Works Agency for Palestine Refugees in the Near East
UN-HABITAT United Nations Human Settlements Programme

Research and Training Institutes

UNICRI United Nations Interregional Crime and Justice Research Institute
UNITAR United Nations Institute for Training and Research

UNRISD United Nations Research Institute for Social Development
UNIDIR[2] United Nations Institute for Disarmament Research

UN-INSTRAW United Nations International Research and Training Institute for the Advancement of Women

Other UN Entities

UNOPS United Nations Office for Project Services
UNU United Nations University

UNSSC United Nations System Staff College
UNAIDS Joint United Nations Programme on HIV/AIDS

Other UN Trust Funds[8]

UNFIP United Nations Fund for International Partnerships
UNDEF United Nations Democracy Fund

Economic and Social Council

Functional Commissions

Commissions on:
  Narcotic Drugs
  Crime Prevention and Criminal Justice
  Science and Technology for Development
  Sustainable Development
  Status of Women
  Population and Development
Commission for Social Development
Statistical Commission

Regional Commissions

Economic Commission for Africa (ECA)
Economic Commission for Europe (ECE)
Economic Commission for Latin America and the Caribbean (ECLAC)
Economic and Social Commission for Asia and the Pacific (ESCAP)
Economic and Social Commission for Western Asia (ESCWA)

Other Bodies

Permanent Forum on Indigenous Issues
United Nations Forum on Forests
Sessional and standing committees
Expert, ad hoc and related bodies

Related Organizations
WTO World Trade Organization
IAEA[5] International Atomic Energy Agency
CTBTO Prep.Com[6] PrepCom for the Nuclear-Test-Ban Treaty Organization
OPCW[6] Organization for the Prohibition of Chemical Weapons

International Court of Justice

Specialized Agencies[7]
ILO International Labour Organization
FAO Food and Agriculture Organization of the United Nations
UNESCO United Nations Educational, Scientific and Cultural Organization
WHO World Health Organization

World Bank Group
  IBRD International Bank for Reconstruction and Development
  IDA International Development Association
  IFC International Finance Corporation
  MIGA Multilateral Investment Guarantee Agency
  ICSID International Centre for Settlement of Investment Disputes

IMF International Monetary Fund
ICAO International Civil Aviation Organization
IMO International Maritime Organization
ITU International Telecommunication Union
UPU Universal Postal Union
WMO World Meteorological Organization
WIPO World Intellectual Property Organization
IFAD International Fund for Agricultural Development
UNIDO United Nations Industrial Development Organization
UNWTO World Tourism Organization

Secretariat

Departments and Offices

OSG[3] Office of the Secretary-General
OIOS Office of Internal Oversight Services
OLA Office of Legal Affairs
DPA Department of Political Affairs
UNODA Office for Disarmament Affairs
DPKO Department of Peacekeeping Operations
DFS[4] Department of Field Support
OCHA Office for the Coordination of Humanitarian Affairs
DESA Department of Economic and Social Affairs
DGACM Department for General Assembly and Conference Management
DPI Department of Public Information
DM Department of Management
UN-OHRLLS Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
OHCHR Office of the United Nations High Commissioner for Human Rights
UNODC United Nations Office on Drugs and Crime
DSS Department of Safety and Security

UNOG UN Office at Geneva
UNOV UN Office at Vienna
UNON UN Office at Nairobi

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NOTES: Solid lines from a Principal Organ indicate a direct reporting relationship; dashes indicate a non-subsidiary relationship.
1 The UN Drug Control Programme is part of the UN Office on Drugs and Crime.
2 UNRWA and UNIDIR report only to the GA.
3 The United Nations Ethics Office, the United Nations Ombudsman's Office, and the Chief Information Technology Officer report directly to the Secretary-General.
4 In an exceptional arrangement, the Under-Secretary-General for Field Support reports directly to the Under-Secretary-General for Peacekeeping Operations.
5 IAEA reports to the Security Council and the General Assembly (GA).
6 The CTBTO Prep.Com and OPCW report to the GA.
7 Specialized agencies are autonomous organizations working with the UN and each other through the coordinating machinery of the ECOSOC at the intergovernmental level, and through the Chief Executives Board for coordination (CEB) at the inter-secretariat level.
8 UNFIP is an autonomous trust fund operating under the leadership of the United Nations Deputy Secretary-General. UNDEF's advisory board recommends funding proposals for approval by the Secretary-General.

Chart 1: United Nations organization chart (2006)

Source: United Nations. www.un.org

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┌─────────────────┐
│   Mine Action   │         ┌──────────────────────────────┐      ┌──────────────────┐
│     Service     │─────────│         Office of            │──────│   Peacekeeping   │
└─────────────────┘         │  the Under-Secretary-General │      │  Best practice   │
                            └──────────────────────────────┘      │      Unite       │
                                                                  └──────────────────┘
                                                                  ┌──────────────────┐
                                                                  │ Executive Office │
                                                                  └──────────────────┘

┌──────────────────┐                                              ┌──────────────────┐
│ Office of        │                                              │ Office of Mission│
│ Operations       │                                              │     Support      │
└──────────────────┘                                              └──────────────────┘

              ┌──────────────────┐    ┌──────────────────┐
              │ Military Division│    │ Civilian Police  │
              │                  │    │    Division       │
              └──────────────────┘    └──────────────────┘

                                            ┌──────────────────┐  ┌──────────────────┐
                                            │ Logistics Support│  │ Administrative   │
                                            │    Division       │  │ Support Division │
                                            └──────────────────┘  └──────────────────┘

┌──────────────────┐  ┌──────────────────┐
│ Situation Centre │  │ Asian and        │
│                  │  │ Middle East      │
│                  │  │ Division         │
└──────────────────┘  └──────────────────┘

┌──────────────────┐  ┌──────────────────┐
│ Africa Division  │  │ Europe and       │
│                  │  │ Latin America    │
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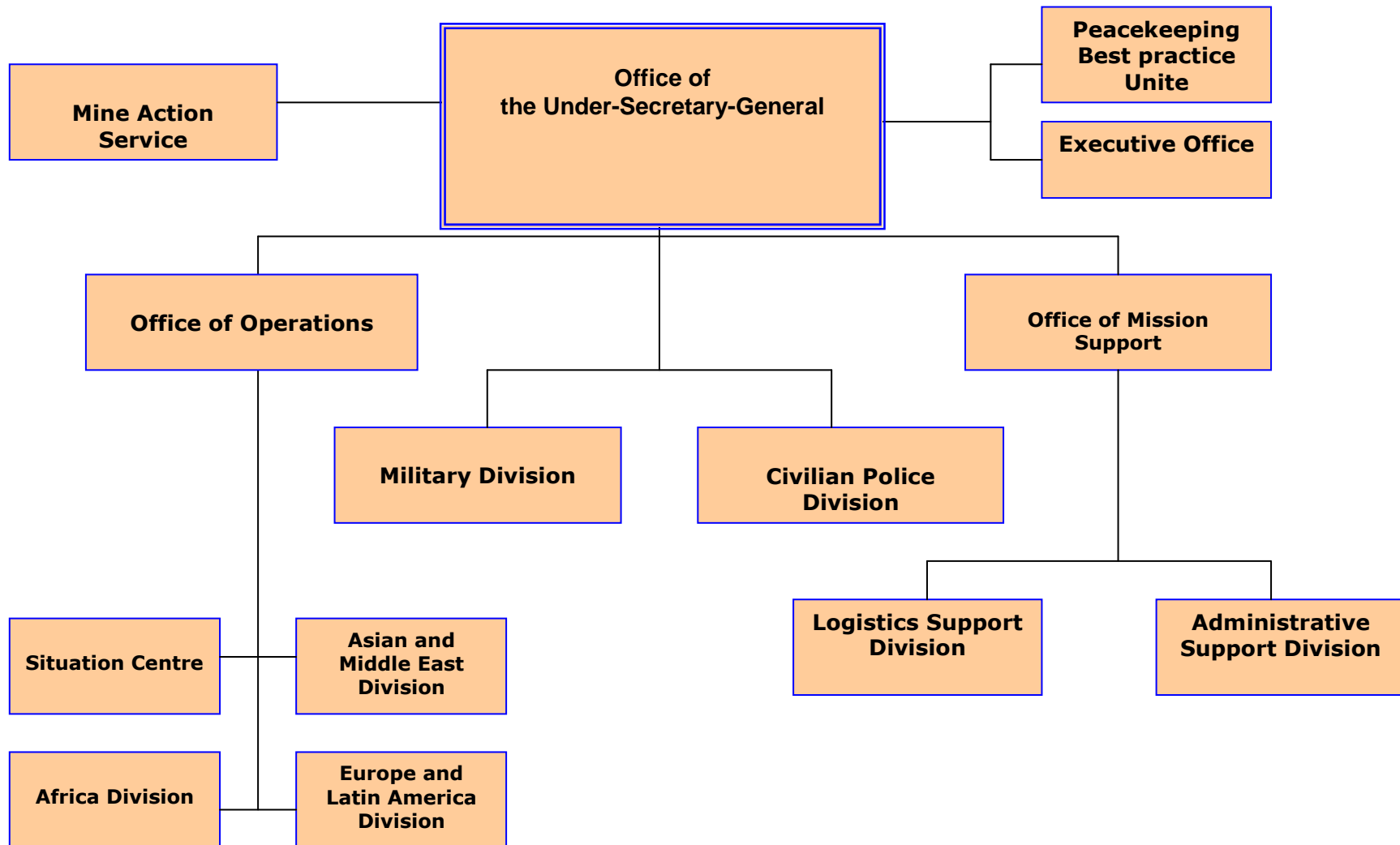
Chart 2:   UN department of peacekeeping operations organization chart (2006)

Source: United Nations. www.un.org

Furthermore, its organizational structure and thus the bureaucracy involved contribute to hurdles in decision-making. This is further complicated by cultural differences which have varying effects on response time in decision-making.

Peacekeeping operations are established by the UN Security Council through resolutions after they have determined that continued unrest in a country may constitute a threat to international peace and security. So far United Nations peace operations have addressed no more than one third of the conflict situations of the 1990s. United Nations peacekeeping operations comprise three principal activities; conflict prevention and peacemaking; peacekeeping; and peace-building. Long-term conflict prevention addresses structural sources of conflict in order to build a solid foundation for peace. Where those foundations are crumbling, conflict prevention attempts to reinforce them, usually in the form of a diplomatic initiative. Such preventive action is, by definition, a low-profile activity which when successful may even go unnoticed altogether. However, these three principal activities: Conflict prevention and peacemaking; peacekeeping; and peace-building are inseparable.

Since the UN has no military or police force of its own, the member states decide whether to participate in a peacekeeping operation or mission, and if so, what equipment and personnel they are willing to offer. The DPKO under the Secretariat administers peacekeeping operations (Chart 2).

According to the Berghof handbook for conflict transformation, peacekeeping operations primarily consisted of monitoring ceasefire agreements, assisting in troop withdrawals, providing buffer zones and helping in the implementation of a final settlement. Modern peacekeeping, in an environment of intra-state conflicts where a range of economic, political and social issues must be addressed simultaneously, is now described as multilateral, multidimensional, multinational and multicultural (Ramsbotham *et al*, 1999). The military's task is theoretically to re-establish order and create a level of security that allows civilian organizations to carry out their humanitarian and political functions. Once the situation has stabilised the military should begin to reduce the size of their forces.

Recognition for multi-dimensional peacekeeping operations began in the early 1990s. In 1992 then UN Secretary-General Boutros Ghali issued the Agenda for Peace which laid the foundation for a broader interpretation of what peacekeeping should entail. Further evidence is found in the Report of the Panel on United Nations Peacekeeping Operations, commonly referred to as the "Brahimi Report". Among the recommendations of the Brahimi Report was that a peacekeeping operation mandate must expressly state the use of force where necessary in order to respond effectively to such challenges and successfully and responsively carry out their mandates. That means peacekeepers must be capable of defending themselves (United Nations, 2000). The success of any force depends on its effectiveness and efficiency. All nations prefer effective military forces however, the more cost-effective they are the more useful they would be to these nations.

However, though the UN has been in charge of peacekeeping for years, they have not been as efficient and effective as would have been expected. During an interview with the Daily Telegraph last year, the then United States Permanent Representative to the UN, John Bolton said that the UN is completely out of touch and stuck in a "time warp" with "practices, attitudes and approaches that were abandoned 30 years ago in much of the rest of the world." Abul Aziz (2007) was also of the same opinion and said that it is not surprising that the UN is what it is today and went further to describe it as an organization that barely meets minimum international standards of service delivery and efficiency.

It has been argued that the UN cannot maintain a standing army and civilian police because it would defeat the whole aim of efficiency and cost-effectiveness. Nations can be called upon to provide soldiers that would be part of a rapid deployment team to respond at a short notice to trouble spots around the world. However, these forces from contributing nations may be cost-effective but not efficient as they would be bound by international law since they are under the auspice of the UN. To become truly very efficient and cost-effective a peacekeeping force would either have to be a private organization and/ or military organization (Abul Aziz, 2007).

The 1990s witnessed an increased use of private military and security organizations in a number of contexts within peacekeeping. Organizations such as Military Professional

Resources Inc (MPRI), ACME, Sandline International, DynCorp, Raytheon, Kellogg Brown and Root (KBR), Blackwater and Triple Canopy to name a few, have been hired by governments, private corporations and humanitarian organizations to provide a range of security and military services including: combat and operational support, military advice and training, arms procurement, logistical support, security services, intelligence gathering and crime prevention services. These services depend on the prevailing circumstances (Lilly, 2000). Others have spoken of having a permanent corps of several brigades/battalions of U.N. peacekeepers, with donor nations including the likes of the U.S., U.K., Japan, France, Germany, Russia and China. It seems to be an idea that has been discussed many times but has never been realised.

According to Lilly (2000), private armies appear in theory to be the most effective. Private security and military organizations may be used in future by multilateral peacekeeping organizations to perform all the functions of a regular army. This would be the ideal situation as it would not only be cost-effective, but efficient as well. Lilly (2000) added that one could argue that activities of private military and security organizations have revealed many of the shortcomings of the UN and other multilateral organizations in responding to a growing number of global crises and that they could be used to take up the slack where these bodies are unable or unwilling to intervene. Serious concerns has however been raised about private organizations being involved in peacekeeping operations of a military nature, as their activities are seen by some to resemble those of mercenaries. The UN in particular does not see them as a feasible option. According to Flynn (2006), "What is astonishing is the outsourcing of war to private organizations concerned with profit? At least when the government does it, it is motivated to win and to protect the troops. With private military organizations, they are motivated by profit only"

Since the end of the Cold War many western governments with the United States at the forefront, have been increasingly reluctant to commit their national troops to multilateral peacekeeping missions unless key interests are at stake, because of the political storm that would erupt back home if there are casualties. This trend became evident after the ill-fated intervention in Somalia in 1993 and was displayed quite vividly again in Kosovo when most allied countries were unwilling to provide ground troops to the NATO campaign.

Against this backdrop private military organizations have shown a willingness to intervene in many of the hostile environments that have little strategic interest to key global powers, while appearing not to suffer the same political constraints as governments in incurring casualties. As opposed to national troops, the public outcry when privately contracted military personnel are used is not the same because their motivation is essentially financial and not to ensure national security. Fatalities of private military company personnel have received far less attention than those of national forces. Heavy losses incurred by DynCorp, an organization used by the United States in Colombia, for example, apparently received minimal attention when compared with the death of five active-duty American service personnel in a plane crash in the same country in 1999 (Lilly, 2000). For example, a former US military officer who was responsible for outsourcing various counter-narcotics operations in Colombia said the risks are greatly reduced when private contractors take over dangerous assignments (Robberson, 2000)

With governments the aim would be to bring a quick end to a war and thereby peace, while private armies main concern would be profit. Although so many individuals have come in defense of private armies, the argument is whether it is financially wise to keep an extra 20,000 soldiers on standby for years, collecting peacetime paychecks and needing to be housed and fed, while waiting for a nation to be overthrown or go to war with another. According to the International Peace Operations Association (IPOA) Vice President Mr. Brooks, "Private organizations (armies) provide surge capacity for just such scenarios". He went further to say, "they are faster, cheaper and better".

Furthermore, on the use of private armies, Flynn (2006) disagreed with Mr. Brooks. He said that private armies are not usually faster, nor is the U.S government known for being quick to react or reach decisions. On whether they are better, he described it as being highly debatable. For example, on March 31, 2004, four private contractors working for Blackwater Security were killed in Fallujah, Iraq. Of the thirty-four men initially assigned to Blackwater's ESS project, nine were dead by June 2004. On whether the use of private armies is cheaper, he believed that they are cheaper in a theoretical capitalistic world. According to him Iraq is but a theory and off the

battlefield, a tangle of contracts and subcontracts, with cost and expenses buried in private deals and passed through layers of organizations all taking a cut. He concluded by saying that private armies are far from being cheap (Flynn, 2006).

Private organizations are perceived as offering a more cost-effective way of providing the same number of personnel because of savings usually associated with the private sector. Certainly the American government appears to be increasingly convinced by cost-benefits in using private contractors to conduct aspects of its military operations abroad. Its State Department, for example, has turned to Virginia-based MPRI to carry out large a part of its military training overseas, such as the Africa Crisis Response Initiative (ACRI). The purpose of ACRI is to create an indigenous peacekeeping force in Africa and MPRI is in the process of training a number of African militaries to this end. Presently, DynCorp is training the young conscripts for the new Liberian Army. According to the DynCorp spokesperson in Monrovia, Renee Hubka, "We are here, paid by the US State Department, to recruit, vet and train 2,000 young Liberian for the new Armed Forces of Liberia (Blunt, 2006).

Another factor necessitating the use of private armies is that the UN and other multilateral organizations also simply have not had the capacity or the necessary funds to cope with providing for peacekeepers on a continual basis in many of the conflict zones around the world. For example, the number of UN peacekeepers dwindled substantially by the latter part of the 1990s; although the figure for UN troops grew from 10,000 in 1989 to 70,000 in 1995, it had fallen to 19,000 by 1998 (Malan, 1999).

According to Lilly (2000), the peacekeeping plan for Kosovo also revealed a lack of capacity in certain areas. Originally, it included 4,780 police officers who were to come from forty-two countries and work under the direction of the UN, but by January 2000 there were only 1,970 officers committed with concerns about where the remainder would be found. On other occasions, according to Mallaby (2007), the Security Council does act but in confusing ways. In 2000, the Security Council mandated a peacekeeping force of 5,500 to monitor a ceasefire in Congo. The force was one-eighth the size of that deployed a few months earlier for Kosovo regardless of the fact that Congo is 60 times larger. Lilly (2000) concluded that in view of these

capacity problems, private security and military provide another potential pool from which personnel for peacekeeping operations may be found.

Apart from not being able to provide the necessary force required to enforce a peacekeeping mandate, another problem that has prevailed for a very long time in the UN and other multilateral organizations is the inability to act quickly and to deploy peacekeepers fast when crises arise. The fact is that the UN is a political body that requires consensus on decision-making and is administered by large bureaucratic institutions, which can be slow in responding even when there is sufficient warning of looming crises (Mallaby, 2007). A typical example of the lack of consensus was the unilateral invasion of Iraq. However, American unilateralism is not the only threat stalking the UN Security Council. The structure of the UN Security Council, which equips the five permanent members with a veto, is almost designed to invite unilateral obstructionism from Britain, France, China and Russia. The result is that the United Nations is paralyzed on almost every issue it faces, even ones on which unanimity might be expected. No government, for example, declares itself in favour of the genocide in the Sudanese territory of Darfur, and yet, despite the unanimity of rhetoric, one permanent member of the Security Council China, has a commercial interest in tempering its outrage: China buys 80 percent of Sudan's oil exports. As a result, China has used its veto power to wield the weapons of delay and dilution. Thus the UN is condemned to being slow and ineffective (Mallaby, 2007).

Even when there is consensus, in principle, the willingness to field a UN peacekeeping operation, getting agreements in place and forces mobilized to get to a conflict zone in time is extremely difficult. An example is the use of the Economic Community of West Africa Force (ECOMIL) for a quick intervention in the Liberian crises in 2003, pending deliberation at the Security Council for a full fledged UN peacekeeping operation. The same scenario was employed earlier in Liberia and Sierra Leonean in the 90s, where a regional force, the ECOWAS Monitoring Group (ECOMOG) were used to contain the crises in the two countries due to their ability to quickly intervene in regional security matters to prevent the situation from spilling into neighbouring countries. The preparedness of the Australian forces in East Timor is also important to mention.

The UN or most other multilateral bodies does not have a rapid deployment stand-by force that can be used on such occasions apart from the West African Force. It has been suggested that private security and military organizations could be called upon and deployed much more quickly than traditional multilateral forces. Furthermore, calling upon private organizations as and when they are needed could be far less costly than maintaining a permanently fixed stand-by force made up of national contingents from UN Member States (Lilly, 2000).

Flynn (2006) disagreed with the cost-effectiveness of private organizations. In the Blackwater death's at Fallujah, the men where paid by Blackwater who were in turn paid by Regency a hotel group and middle company providing catering services to troops and personnel in Iraq. Regency then passed the cost to ESS, another catering company that Blackwater was protecting. ESS them moved its cost to KBR and finally KBR gave its bill to the U.S government, which pays KBR all the expenses under a cost-plus contract, including what it has already paid to ESS, Regency and Blackwater, as well as a guaranteed profit. It becomes apparent that there is no incentive to save money in all the contracts. Flynn, (2006) ended by saying that private organizations or armies are not cost-effective. In addition, the profit motive of contractors may not always be congruent with the interests of the respective governments (Klareskov and Helgason, 2005)

Despite their advantages, at least for now, private armies cannot be used. A peacekeeping force comprising of a rapid deployment task force is the best solution both efficient and cost-effective. However, the only draw back is that it would still be under a political leadership of the UN. To be truly cost-effective the UN would need to outsource all support services associated with peacekeeping including discarding the idea of a standing army and have in place a properly trained rapid deployment task force drawn from member states, ready to respond at a short notice to any conflict zone around the world.

However, the Americans see it differently. The US government has so far used private military organizations for its commitment to multilateral peacekeeping operations. The probable reason is that they see the UN as being incapable of effective

peacekeeping. However, a recent study by the RAND Corporation, a non-profit global institute calls UN peacekeepers more successful than American troops at nation building. Sooner or later, the Pentagon may try to call UN troops a good alternative to Americans for occupation duty somewhere. In the Congo today, UN peacekeepers are simply called heroes (Dobbins, 2005). Furthermore, based on improved performance, there is a reality that UN troops may become very useful to the United States in the future since they now have the capacity to better resolve conflicts (Starr, 2005).

UN peacekeeping contingents are still constrained by one key limit: they are only as committed as the consensus in the United Nations Security Council (SC). That rules them out for anything as big and controversial as Iraq and Afghanistan, or to stop the slaughter of non-Arabs in Southern Sudan. Even in the Congo, the UN force stood aside instead of preventing interventions from the Rwandan government. So United Nations peacekeepers are not an instant answer for all low-level wars of today.

Mallaby (2007) further explained that the United Nations ineffectiveness is better explained by the Security Council's failure to reach a consensus on Sudan. In February 2007, the Bush administration sponsored an innocuous resolution condemning Burma's regime, which couples extreme brutality with only limited reserves of minerals. Even though the resolution imposed no sanctions, China and Russia combined to block it. In 2000, to cite another example, some members of the Security Council wanted to condemn Zimbabwe's odious dictator, Robert Mugabe, but China blocked this, too, even though a U.N. special envoy had suggested that Mugabe's violent expropriation of white farms might involve crimes against humanity.

A turning point for reforming the UN came in 2000 after rebels in Sierra Leone killed some peacekeepers and took hundreds more hostages. The UN commissioned a review, headed by Lakhdar Brahimi, a former foreign minister of Algeria, which called for troops to be deployed more rapidly in peace enforcement operations. According to the so-called Brahimi Report, "No amount of good intentions can substitute for the fundamental ability to project credible force" (UN General Assembly, 2000). This recommendation called for ways and means to making peacekeeping cost-effective while being efficient at the same time. Though the recommendations of the panel have

been applauded, the report fell short of a comprehensive cost-effective and efficient solution to peacekeeping operations. Private organizations or armies would have been the most efficient but they are not as cost-effective as originally thought by many observers and there is also the moral question of control. The other alternative is a rapid deployment task force, efficient and cost-effective; however, it has a drawback that it would still be under the political leadership of the UN leading to slow decision-making.

However, a UN Secretary-General, no matter how skilled, is caught between big powers that refuse to make the institution effective and the small less powerful nations that refuse to make it more efficient. The selfishness of one side encourages the irresponsibility of the other. Since the UN Secretariat implements resolutions passed by the unrepresentative Security Council (SC), the General Assembly (GA) sees no urgency in making it efficient. Therefore a way to strengthen the SC that is well understood by world leaders especially those leaders in the UN system is to abolish the SC vetoes and replace them with a system of weighted voting. Prominent countries such as those with large populations, large economies and large contributions to peacekeeping or other global public goods would retain more say than less prominent ones; but no single country could hold the rest to ransom. This would shift the SC from a diplomatic model to a quasi-parliamentary one but it would reward coalition-building and favour action (Mallaby, 2007).

As highlighted earlier, peacekeeping operations are constrained by funds and international politics. Due to their large sizes and robust management, they require a lot of funds to be able to undertake mandated responsibilities. Moreover, being a non-profit organization, they rely on the SC and contribution from donor countries and philanthropic individuals for funds. Since pledged funds usually take time before they are committed to physical cash, consequently peacekeeping operations must put in place a proper management system to ensure the proper use of funds when made available.

An ideal business approach to managing resources is to outsource support services or non-core functions in order to create a situation where organizations can concentrate on their core-functions. By so doing the UN would be able to better perform their

peacekeeping role and become more cost efficient and effective. Outsourcing requires proper planning and management. It should be cost efficient and lead to improved services.

2.2 OUTSOURCING SUPPORT FUNCTIONS OF PEACEKEEPING OPERATIONS

Though the increase in peacekeeping and peace operations in recent times signals that the world's intractable conflicts are coming to an end (Table 1), however, increased demand has placed huge additional strains on UN resources and personnel and member states ability to contribute funds, troops or peacekeepers, support personnel and equipment (United Nations, 2000).

Table 1: Personnel requirements of DPKO peacekeeping operation (2006)

Source: United Nations Department of Public Information, Peace and Security Section, in consultation with the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts.

Personnel	
Uniformed personnel serving in peacekeeping operations[1]	72, 778
Countries contributing uniformed personnel	107
International civilian personnel	5,287
Local civilian personnel	10,010
UN Volunteers	1,607
Total number of personnel serving in peacekeeping operations	89,682
Total number of fatalities in peacekeeping operations since 1948 [2]	2,242

Since effective peacekeeping comes at a high price (Table 2), additional resources are needed to ensure that peacekeeping and peace building efforts are effective; however,

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[1] The term "uniformed personnel" refers to troops, military observers and UN police.

[2] Fatality figures include military, police and civilian international and local personnel in United Nations peacekeeping operations only.

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it should be noted that no amount of additional funding can solve problems of peacekeeping in the world.

Therefore, to reduce rising cost, the recommended cost reduction method in the thesis is the outsourcing of non-core functions of peacekeeping operations to enable operations to become more efficient and allow for better focus and concentration on their core functions which are peace intervention, mediation and sustaining the peace. To achieve this as highlighted earlier, the thesis will identify outsourcing criteria applicable to the UN and develops the first outsourcing scorecard to guide the UN and similar organizations in identifying services that can be outsourced successfully.

Table 2:   Financial requirements of DPKO peacekeeping operation

Source: United Nations Department of Public Information, Peace and Security Section, in consultation with the Department of Peacekeeping Operations and the Office of Programme Planning, Budget and Accounts.

Financial Aspect

Approved resources for the period from 1 July 2004 to 30 June 2005	About $4.47 billion[3]
Approved resources for the period from 1 July 2005 to 30 June 2006	About $5.03 billion[4]
Estimated total cost of operations from 1948 to 30 June 2004	About $36.01 billion
Estimated total cost of operations from 1948 to 30 June 2006	About $41.04 billion
Outstanding contributions to peacekeeping as at 31 December 2004	About $1.61 billion
Outstanding contributions to peacekeeping as at 31 December 2005)	About $2.92 billion

The United Nations and its peacekeeping operations in particular, would choose to outsource for almost the same reason as IT and manufacturing industries which is for improved competence, cost-effectiveness and lower overall costs and to focus on its core function of peacekeeping. This is especially true since the core business of

[3] Includes requirements for support account for peacekeeping operations and the UN Logistic Base, Brindisi

[4] Includes requirements for support account for peacekeeping operations and the UN Logistic Base, Brindisi

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peacekeeping operations is the restoration of peace and upholding of democratic principles in strife ridden and war torn countries. Peacekeeping operations aiming to outsource non-core functions do it to overcome inherent shortcomings and inefficiencies associated with performing tangential activities in-house and focus on its core functions and to become more competent, more effective and; reduce administrative, overhead and operating costs (Burden and Haylett, 2000). In my opinion, political considerations and economic empowerment of local economies now form part of the reasons for outsourcing by these organizations.

Table 3:   Peacekeeping operations budgetary levels

Source: Peacekeeping Financing Division. Office of Programme Planning, Budget and Accounts, Department of Management, Department of Peacekeeping Operations

PKO Component	1990/00 Approved	2000/01 Approved	2001/02 Approved	2002/03 Approved	2003/04 Approved
All PKOs[5]	1,705,161,200	2,566,292,719	2,674,522,400	2,502,249,689	2,684,378,400
UNLB	7,456,451	9,317,400	8,982,600	14,293,200	22,221,100
Support account	38,388,700	59,890,100	89,749,200	100,896,200	112,075,800
SDS[6]	—	—	—	141,546,000	—
Subtotal	45,845,151	69,207,500	98,731,800	256,735,400	134,296,900
Total	1,751,006,351	2,635,500,219	2,773,254,200	2,758,985,089	2,818,675,300

A report on outsourcing practices of the UN Secretary-General commits the UN to viewing outsourcing as one of the required options, among many others, that programme managers at the headquarters and in the field, should consider when seeking to provide or upgrade the quality or cost-effectiveness of the organization's non-core activities and services. However, the report specifically states that non-core

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[5] Peace Keeping Operations
[6] Strategic Deployment Stock

activities and services should be outsourced only when it is cost-effective to do so. The report also established the guiding principles to be followed in any outsourcing engagement by the UN (United Nations General Assembly, 1999).

Table 4:   Individual mission budget for 2005-2006

Source: Peacekeeping Financing Division. Office of Programme Planning, Budget and Accounts, Department of Management, DPKO

Peacekeeping Operation	Budget
MINURSO (Western Sahara)	$47,948,400
MINUSTAH (Haiti)	494,887,000
MONUC (Democratic Republic of the Congo)	403,408,500
ONUB (Burundi)	307,693,100
UNAMSIL/UNIOSIL (Sierra Leone)	113,216,400
UNOCI (Côte d'Ivoire)	386,892,500
UNDOF (Israel-Syria Disengagement)	43,706,100
UNFICYP (Cyprus)	46,512,600
UNIFIL (Lebanon)	99,228,300
UNOMIG (Georgia)	36,380,000
UNMEE (Ethiopia and Eritrea)	185,993,300
UNMIK (Kosovo)	252,551,800
UNMIL (Liberia)	760,567,400
UNMISET/UNOTIL (Timor-Leste)	1,757,800
Total	$3,180,743,200

Another report of the UN Secretary-General (documents A/57/185 and A/58/92) on outsourced activities between 1999 and 2001, indicated that outsourcing activities remained a relatively small proportion of the United Nations financial resources and that the services and activities outsourced continued to be concentrated in specific areas, such as IT.

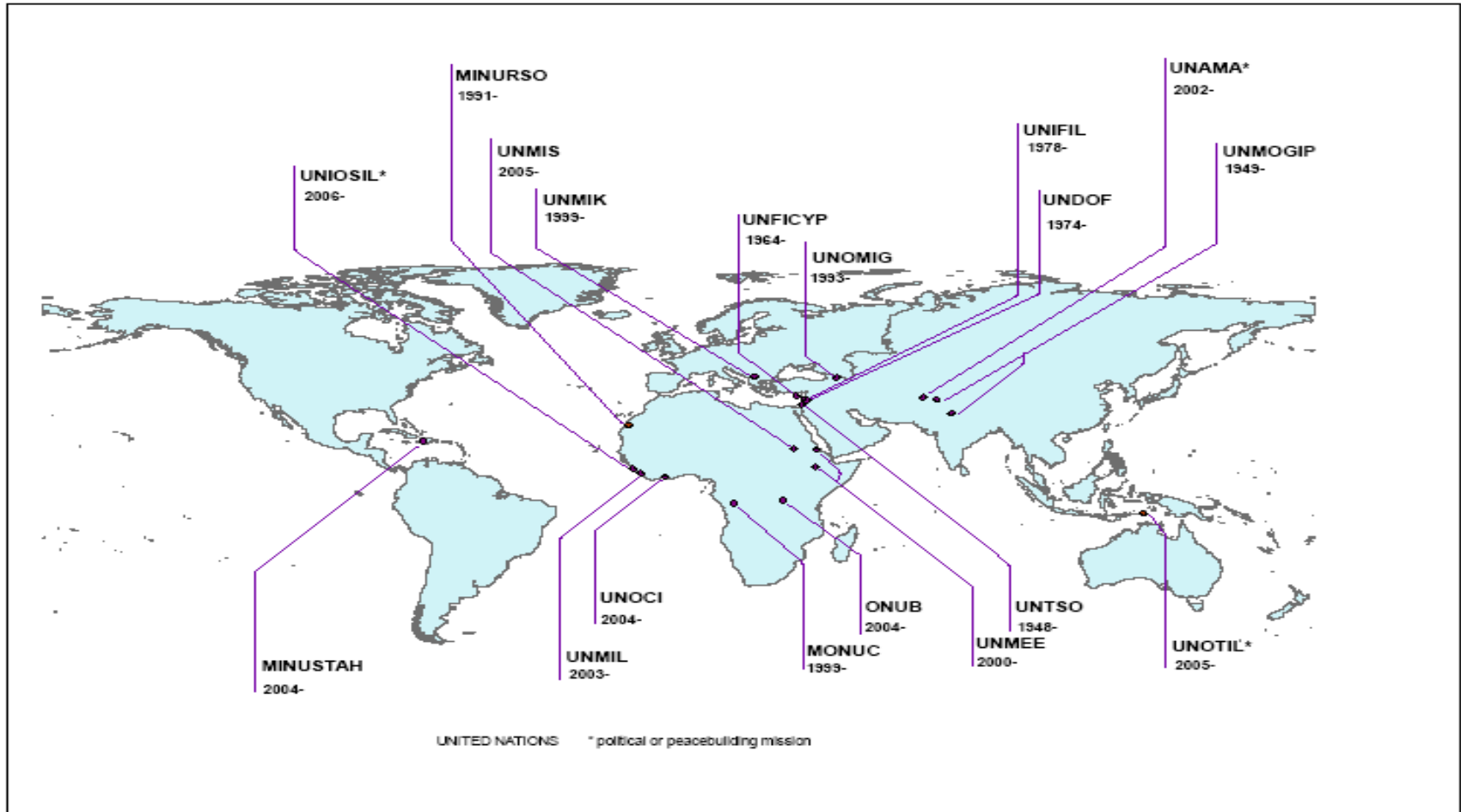MISSIONS ADMINISTERED BY THE DEPARTMENT OF PEACEKEEPING OPERATIONS

Chart 3: United Nations peacekeeping and peace-building operations (2006)
Source: UN Department of Peacekeeping Operations Cartographic Section

Though outsourcing is necessary to acquire technical skills not readily available within the organization and to achieve cost savings, on the contrary, outsourcing has not accomplished what it had set out to do, namely to establish the extent to which outsourcing practices in 1999 and 2000 were consistent with approved policies of effectiveness and efficiency in the management of resources (M2 presswire, 2003)

As outlined earlier, peacekeeping soldiers or peacekeepers are paid by their own government according to their own national rank and salary scale, countries volunteering personnel to peacekeeping operations are reimbursed by the UN at a flat rate of $1000 per soldier per month. This is the main experience by the UN regarding outsourcing together with the reimbursement for equipment. However, payment to troops and equipment contributing nations is usually deferred due to a shortage of funds caused by inability of member states to pay their dues. Requests for exemption from paying dues by member states is acceptable under Article 19, however, if a member state of the UN falls behind in the payment of its dues by an amount equal to its assessments for the two most recent years, it will lose its right to vote in the GA, unless the Assembly decides that non-payment is a consequence of factors beyond its control (M2 presswire, 2003).

During the Fifty-Ninth General Assembly, Plenary, 104th Meeting, the General Assembly (GA) on 22 June 2005 adopted a record-breaking $3.18 billion 2005-2006 peacekeeping budget for 15 peacekeeping operations (Chart 3) and emphasized a need for budgetary discipline, improved management and adequate control over budget implementation in the face of the current unprecedented surge in peacekeeping operations (United Nations, 2005). Therefore, the time for reform has arrived especially when contributing member's states are failing to pay their dues. The reform would ensure that available resources are properly maximised.

The "Brahimi panel" on peace operations recommended that the following core capabilities require considerable strengthening:

- The DPKO's management practices and culture;

- Its ability to translate legislative guidance into strategic plans for future peacekeeping operations, from "lessons learnt from past operations";

- The priority and effort it dedicates to developing the requisite polces and capacities required to enable peacekeeping operation function efficiently and effectively; and

- Internal coordination for planning, conduct and support of specific peacekeeping operations

A complete and proper reformation of the UN should include methods that would also make it more cost-effective and efficient. As the most money guzzling department under the UN Secretariat, the reformation of DPKO should be of utmost priority. An ideal business approach to this problem is outsourcing all non-core functions and support services of peacekeeping operations. Therefore, to ensure that peacekeeping operations are fully efficient and cost-effective, all support functions must be outsourced. Outsourcing most of these activities that are non-core in nature would create value and lead to a better business focus on the organization's core function and will free much needed resources that are tied up in providing remunerations for its staffs. The objectives of outsourcing will be achieved when it lead to a significant costs reduction while still remaining efficient and effective in providing support services required in accomplishing the organization's mandate.

Outsourcing of support function is the only means by which the reformation of the UN and its peacekeeping operations would be wholly complete in all forms. Outsourcing requires proper planning and management. It should be cost-effective and lead to improved services. To achieve this objective, the right decisions must be made using appropriate decision criteria and scorecard developed in the thesis.

The thesis presents the first large-scale survey of outsourcing criteria applicable to the UN and develops the first outsourcing scorecard to guide the UN and similar organizations in identifying services that can be outsourced successfully.

2.3 MAKING THE DECISION TO OUTSOURCE

Many organizations look to outsourcing as a strategic decision to relieve strained resources, relieve non-core functions, reduce operating costs or improve service levels and gain a competitive advantage. No matter the reason, any outsourcing or in-sourcing decision should be based on solid business case analysis of alternatives.

When deciding whether to outsource, Bendor-Samuel (2001b) recommended that organizations should first assess the value outsourcing can generate. He further recommended that outsourcing relationships should be capable of the following:

- Generating direct savings;
- Creating indirect savings;
- Reducing risks;
- Making outsource processes more valuable to the rest of the firm or organizations;
- Mitigating antitrust issues;
- Improving customer relations;
- Satisfying stockholders; and
- Addressing the difficult issue of change.

Successful projects result from strong in-house knowledge and understanding of organization requirements, processes and service, and performance measures. Assigning costs and benefits requires that management understand the goals of the organization and how the proposed effort would benefit from the outsourcing process. Choosing either internal or external resources is simply a question of determining what available option best enables an organization to achieve its business objectives.

According to Bohanec *et al* (2003), decision is the choice of one alternative among a number of others on the one hand, and on the other hand, decision-making is a process of making a choice that includes:

- Assessing the problem;

- Collecting and verifying information;

- Identifying alternatives;

- Anticipating consequences of decisions;

- Making the choice using sound and logical judgement, based on available information;

- Informing others of decision and rationale; and

- Evaluating decisions

Swindon (1998) indicated in his study that senior managers in major federal organizations in 10 or so largest states and counties, in the United States such as Los Angeles and Wayne County, Michigan are under enormous pressure to produce results that save large sums of money, speed up service delivery and vastly improve government business processes. As if that was not enough, they also face the daunting challenge of actually carrying out the vision beyond their infrastructure decisions and taking responsibility for the impact of those decisions in the long run (Swindon, 1998).

Swindon (1998) went further to state that the result is often a solution that is in itself monolithic in nature and that turns to the major IT industry trends of the last five years including client/server computing, the internet and intranets, network computers and the privatization and outsourcing movement in its various forms for answers. Considering the mixed successes of each of these technologies, one wonders whether a simple monolithic solution to a complex problem is indeed too good to be true.

Of all the trends noted above, the most insidious has been outsourcing, which Swindon (1998) described as "the simple act of giving your troubles to someone else so you would not be bothered by them any more". However he noted that that while many states in the United States have considered outsourcing in varying degrees, none had actually gone ahead to outsource everything. Perhaps the most basic question raised by Swindon (1998) is whether governments and the public sector organizations should outsource some of their non-core function especially IT. However this depends on what is right for your organization and whether they make the right outsourcing decision. Making the right decision should come from a basic

understanding of an organization's aims, objectives and requirements as well as their vision. What becomes of the outsourced staff is equally vital in any outsourcing decision-making.

Furthermore, the World Public Sector Report 2005 in highlighting some complex issues that governments need to consider when embarking on the implementation of outsourcing among their policy recommendations, cautioned developing countries against overzealous adoption of private sector practices in public management. Private sector practices, the report argues, are not a panacea that can address all the problems confronting the public sector, but only one part of a needed comprehensive reform. Therefore, there should be no rush in implementing and extending initiatives without properly evaluating outsourcing consequences. However, there is always a tendency that when influential international agencies assist and advise developing countries, governments and public sector organizations they are tempted merely to copy private sector practices, when in fact, the challenge is to adapt and select initiatives based on current prevailing circumstances of the organizations/countries. Therefore, public sector outsourcing success requires strong political direction and some old-fashioned fiscal discipline and controls (M2 presswire, 2003).

In continental Europe, for example, some countries have not been attracted to outsourcing of public functions because culture and traditions of these countries are not receptive to market-driven, alternative sourcing solutions to public-service problems. Their bureaucracies are imbued with top-down, public law privileges and obligations that cannot so easily be carved up or contracted out (Klareskov and Helgason, 2005).

Rondeau *et al* (2006) were of the opinion that if an organization chooses to outsource, consideration should be given to the impact of the outsourcing decision on employees and staff. It would have to be determined whether employees would be reassigned within the outsourcing organization or hired by the provider as part of the contract.

An understanding of the reaction of staff members faced with the preposition of being outsourced is essential. The initial reaction is almost as serious as in a lay-off situation and a total lack of understanding of how an organization they have worked for over a

reasonable length of period would even consider such an option. An understanding of how they would finally come to terms with the fact that the situation was going to change is to concentrate on looking after their own career interests, which may apply at an individual level. In this case staff should aim at getting an improved personal deal with the new service provider or try to transfer an alternative role in the same organization, while in unionized organizations, unions may be asked to negotiate terms with the service provider or seek to prevent an outsourcing engagement from proceeding.

Bragg (2006) was also of the opinion that in order to reduce the impact on employees, an outsourcing organization should keep outsourcing information and plans from their staff until a provider is selected. Afterward, the outsourcing details should be revealed together with the provider's representative who should then be introduced to employees. Outsourcing may prove to be a career enhancer for more talented employees who are transferred to a provider, since they will have a better chance of working in their areas of specialization.

The UN also consider the reaction of outsourced employees important, wherein the UN General Assembly Resolution 59/289, while requesting the Secretary-General, inter-alia, to continue to consider outsourcing actively in accordance with the guidance and goals contained in paragraphs 1 to 3 of Assembly resolution 55/232. One of the three significant goals that must be considered with regards to the use of outsourcing by the United Nations is to avoid a possible negative impact on staff (United Nations, 1999)

However, the majority of the staff would eventually come to terms that their best interest would be served by joining forces and being absorbed by the new service provider. This would make them go out of their way to ensure that everything is done to reach a reasonable service level agreement which would give them and the new provider a chance to succeed. Furthermore, when outsourcing is chosen, in-house staff should be used to negotiate and manage the contract. The contract should also include a detailed service level agreement and benchmarks for measuring a provider's performance.

The UN report on outsourcing further indicated that in pursuing the goal of avoiding a possible negative impact on staff, heads of departments and offices are requested to ensure that, where outsourcing is under consideration and would affect staff members, they should inform staff representatives for the area concerned who would then have the opportunity to submit their views and make alternative proposals. This has been done in several instances but needs to be done in a systematic manner in order to fully implement a recommendation that was previously made by the Staff Management Coordination Committee and was accepted by the Secretary-General (United Nations General Assembly, 1999).

Due to pressure from outside groups, chief executives governments would have to be firm to ensure that when a decision is reached regarding outsourcing of services, it should be fully implemented for it to succeed. However, unlike in the private sector, where the main reason for outsourcing is profit, chief executives of government parastatals should be more accountable than their private sector counterparts.

The situation is no different at the UN which operates as a large public organization. Decision-making in the UN is as cumbersome as in most large government bodies. The reason is because of the composition and large size of the GA and the SC and also due to the complexity of the UN. The SC mandates all peacekeeping operations in the world, while the GA on the other hand makes most of the decisions at the UN including approval and providing of peacekeeping operations budgets. The DPKO administers peacekeeping operations but with the large number of nations and the complexities involved, its little wonder that decision-making is slow.

On the extent of services that should be outsourced and or carried out in-house by governments, Swindon (1998) stated that governments should investigate outsourcing, however only where an outsourcing decision does not lead to uninformed decision-making. He further argued that public ownership doesn't necessarily mean owning everything or that outsourcing should be all-inclusive. He however agreed that when government outsource services, proper control mechanism to ensure that an outsourcing engagement achieves its objective should be put in place. It is my opinion that Swindon's theory may also be useful to the UN when embarking on outsourcing

by ensuring that there should be no deterioration in the quality of product(s) or service(s) outsourced but rather, there should be marked and measurable improvements.

On user requirements and service levels, Alexander (1996) was of the view that the interpretation of a customer's expectation requires expertise, especially when a customer requires a level of service that would take twice as long to provide as the service provider had expected. A relationship between an outsourcing organization and a provider is vital for the satisfactory delivery of services. However, satisfactory service level depends on an organization's definition of quality. Requirements of an organization and what they are prepared to pay for it would lead to a fall in service level if there is no common understanding of what is achievable. Therefore the level of service should be clearly defined in the service level agreement.

According to Bragg (2006), a service level agreement (SLA) defines expected performance levels of a provider, while the development of the SLA should include extensive input from users who know what measurements targets are most importance. It should also describe procedures to be followed in the event of a provider's failure to meet SLA objectives. Negotiating an effective SLA that will provide value in the outsourcing relationship need not, and should not, be a one-sided process. The willingness of a preferred bidder to enter into the negotiation of the SLA design speaks volumes for their future acceptance of it, and indeed, they may have as much at more experience in the task as the client, Furthermore, while it is important to specify the desired outcomes in detail, the SLA must not be so prescriptive in the inputs side that it prevents the contractor from seeking ways to do a better job Booty (2009). An effective SIA:

- Identifies certain service levels or performance standards that the outsourcing contractor must meet or exceed;
- Specifies the consequences for failure to achieve one or more service levels;
- Includes credits or bonus incentives for performance that exceeds targets; and
- Establishes the level of importance of key service areas by a weighting system.

SLAs are not easy to design or negotiate. However, a comprehensive, fair and effective SLA is critical for a successful outsourcing relationship. In the course of negotiation, outsourcing clients and suppliers have the opportunity to learn much about how their future partner will approach important issues in the outsourcing relationship, which can only help in the smooth running of a contract (Booty, 2009)

Additionally, Cloete (2002) considered the description of services that are to be provided by a service provider as the most important aspect of any outsourcing agreement. Accordingly, the definition of the level of service is regarded as one of the most difficult tasks encountered when preparing an outsourcing agreement. He further stressed the importance of service levels since they are often tied to a rebate provision or a liquidated damages clause that require a provider to pay damages, issue credits or forego certain payments on failure of meeting specified service levels. Therefore without detailed service levels and performance standards, it would be impossible to measure or manage a provider's performance. The measurement of performance is important because it enables the provision of accurate data and facilitates cost control (Cloete, 2002).

In drawing up a contract, Bragg (2006) was of the opinion that the agreement should not be so detailed that the parties will get bugged down in the bureaucracy of abiding by the contract. A better approach is to focus on the development of a solid management framework within a contract which can be used to modify it later. However, this depends on changes in the operating relationship of all parties involved as well as changes in the business environment. Cloete (2002) also agreed that proper and effective management of all aspects of the agreement will ensure that an outsourcing engagement proceeds smoothly. Booty (2009) added that reasonable clients will avoid over measuring and trying to include every imaginable service level. They should agree to fair credits for failures in meeting service levels. Suppliers should be willing to understand that the client requires significant protection in the SLA and to acknowledge that there are certain levels of performance that would justify termination of the contract.

Alexander, (1996) further explained that interpretation of user requirements and service levels is formalised into agreements specifying these details which may either

be prescriptive and/or performance based. Performance specification sets the standard required while technical specification provides the details. However, service level agreements provide a mechanism for measuring conformance and auditing to ensure satisfactory delivery and receipt of service.

According to a research by the State of Texas, Department of Information Resources (1998), organizations and university IT management staff face increasing pressure from new technologies and competition from trained resources when planning, developing and maintaining IT projects. In response, managers have sought to use both internal and external resources to meet business needs effectively. External service providers are utilised to meet organization demands, but concerns over rising costs and contract effectiveness have led to the need to re-evaluate the decision-making process.

The decision whether to use internal or external resources must be made by:

- Understanding the needs and constraints of the organization;
- Identifying and quantifying appropriate measures for internal and external operations;
- Identifying and prioritizing project goals; and
- Conducting a cost-benefit analysis of the internal and external alternatives.

In order to make an effective decision, one of the first steps is to identify an organization's needs and understand why outsourcing may or may not be appropriate. The Department of Information Resources Austin Texas (1998) went further to identify the following as the reasons why external resources should be used:

- To have access to technology, skills, and knowledge not internally available;
- To improve business processes and enable organizational change;
- To provide needed short-term services without adding to ongoing operational costs; and
- To focus internal IT resources on core strategic plans and projects

They also identified the following as the reasons to use internal resources:

- To retain skilled personnel who are able to respond directly to organization needs;
- To obtain needed services at lower overall costs;
- To take advantage of employees' unique insight into a project or the organization's goals; and
- To have ownership and control over resource and personnel assets

Ultimately, decision-making is an informed selection of a solution to a problem. Important elements of this process include considering a range of alternatives and developing a criteria to choose the best approach.

Furthermore, when developing appropriate contract strategy, Alexander (1996) explained that it would be necessary to take each support function or activity and test whether the principal objectives of the outsourcing organization are influenced by the service. In situations whereby an organization would be at risk should any of its support services fail, the potential contracting mechanism must be redesigned to counter such a threat. Where a suitable contract cannot be structured, then in-house alternatives would need to be developed.

Hammer (1988) also agreed with the Department of Information Resources, Austin Texas (1998) that once an organization's needs and goals have been established, a thorough cost-benefit analysis should be conducted. The goal of the analysis would be to identify external and internal services costs that provide the greatest return on investment required. Therefore, cost-benefit analysis still provides the best basic structure for approaching provider selection and implementation decisions. Organizations must identify all internal and external service costs and benefits to make an effective and reasonable comparison. Quantitative and qualitative measures are essential to determine the full impact of staffing choice. Prioritizing objectives and identifying measures are essential to project success because they influence costs and benefits of staffing decisions. Staffing decisions are based on the opportunity cost of using internal resources and the identification of organization needs and costs. The decision also relies on an understanding of the complete costs of an outsourcing

engagement. Some of these potential costs are identified as those pertaining to outsourcing and to the use of internal resources and are explained as follows.

a.   Costs of outsourcing, comprising of:

- Contract management costs to the organization;
- Effectiveness costs from lack of understanding of project objectives;
- Higher project costs as organizations may experience greater overall project costs in order to access necessary skills and expertise that are unavailable internally; and
- Higher costs from inadequately defined requirements

b.   Costs of using internal resources, comprising of:

- Opportunity costs of staff time;
- Ongoing costs for additional full time equivalent (FTE) employees;
- Unpredictable costs as overtime occurs and as employees spend varying amounts of time month-to-month working on the project; and
- Effectiveness costs if in-house resources are not sufficient or skilled enough for the project.

A decision whether to use internal or external resources on a project is determined by the total of overall costs including more the intangible needs and risks. Significant benefits will be realised from prioritisation and determination of success criteria, as the organization is able to identify complete and comparable set of costs and benefits regarding resource choices. Resource limitations, in-house skill sets and knowledge, and expected performance and outcome measures are important factors that must be analyzed when making an outsourcing decision. Establishing and analyzing quantitative and qualitative criteria provides a bottom-line total that indicates which staffing decision is most effective and states the reasoning used in reaching that decision. Outsourcing can be an efficient and effective alternative to using in-house resources, but a full determination of costs and benefits is required to make that

decision. Successful decisions are dependent on having a clear understanding of all options available.

The chances for a successful outsourcing decision are maximised when a decision fully incorporates all known costs and benefits of internal versus external resources according to the type of project under consideration (Long worth, 2005). Outsourcing decision-making should include identifying an organization's needs, strategic interests and goals, in addition to computing all costs associated with the outsourcing process. It is important to consider all costs. Total costs or the total value a business would generate remains one of the primary drivers of management interest in outsourcing, while intangible costs are those that have important bearing on an outsourcing decision and are often ignored (Long worth, 2005). He concluded by saying that all cost savings are not always obvious in outsourcing engagement.

A cost-benefit analysis requires identifying, weighing, and evaluating all costs and benefits associated with any outsourcing project. The costs and benefits presented here are only starting points for criteria identification. After an analysis is completed, compared and information is gathered, if costs outweigh benefits for outsourcing, in-sourcing is the preferred option, and vice versa. If an analysis reveals that quantitative measures in monetary value show outsourcing to be more expensive, but pro outsourcing qualitative reasons are more important, then tools necessary to justify the decision are now available. A complete cost-benefit analysis will show why an organization has selected a staffing alternative, and what the most important factors in that decision-making process were. Measurements and objectives that explain how a decision supports an organization's business objectives in the most effective manner possible will be explicit.

Having a secure understanding of in-house strengths and weaknesses, as well as an understanding of the real total costs of an outsourcing engagement, will an enable organization make the best decision? Project success must always come from an ability to perform a desired service or activity. Identifying the best option for obtaining project success also stems from an understanding of the project processes: do you want the project done better, faster, or cheaper? A staffing decision is based upon the best use of an organization's resources, according to its needs and priorities.

Significant benefits will be realized when priorities and success criteria are clearly identified from the beginning and an organization is able to identify a complete and comparable set of costs and benefits regarding staffing choices. Establishing and analyzing quantitative and qualitative criteria provides a bottom-line total that indicates which staffing decision is most effective and states the reasoning used in reaching that decision. The next section discusses the decision-making process.

2.3.1 The Decision-Making Process

Concerns over rising costs and contract effectiveness have led to the need to re-evaluate the decision-making process. According to Bradley (1967), decisions of varying importance are made every day. Recent studies have also shown that most people are much poorer at decision-making than they think and an understanding of what decision-making involves, together with a few effective techniques, help produce better decisions. Furthermore, he defined a problem as an existing situation whereby what actually happened is different from what is desired. Accordingly, decision-making is a process that begins to change that situation and can thus be described as knowing whether or not to decide, when to decide and what to decide. It includes understanding the consequences of ones decisions (Bradley, 1967).

Harris (1998) also defined decision-making as the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them. This definition stresses the information gathering function of decision-making, where uncertainty is reduced rather than eliminated. Very few decisions are made with absolute certainty because complete knowledge about all alternatives is seldom possible. Thus, every decision involves a certain amount of risk. Barrett and Baldy (2003), revealed that decision-making is a complex, irrational process, however in spite of the apparently chaotic nature, it is essential to the overall success of an outsourcing engagement, Therefore, managers should develop more rational decision-making procedures and strive to improve decision-making capabilities. Experience has its own essential role to play within a rationalised decision-making structure. Therefore, decision-making should be viewed as a process that can be improved by working on integrating rational decision-making with intuitive and common sense approach to decision-making.

Advantages of Outsourcing	Disadvantages of outsourcing
Disadvantages of in-sourcing	Advantages of in-sourcing

Chart 4:   Matrix of primary factors
Source: Barrette and Baldry (2003). Page 160

In stressing the importance of decision-making Barrett and Baldy (2003) stated that the effectiveness of decisions is determined predominantly by the quality of the decision-making process used to generate it. Therefore, in a decision to outsource, a matrix of alternatives, as shown in Chart 4 should be considered which can act as a helpful tool in any decision-making process. Primary advantages and disadvantages variables when compared with secondary driving factors can be seen to be predictable in terms of nature and not in the effect they have on any given use. Primary forces can be viewed as influencing resources decision-making, while secondary forces generate incidental advantages

It is usually best for top management of organizations to define the decision-making model to be adopted. Typically, it should entail one of the following models:

- One person making the decisions;
- One person consulting a group, then making the final decision; and
- Team or group making decisions based upon majority rule or consensus

Therefore, a decision-making model should be chosen at the beginning of an outsourcing engagement, that is, during team formation, because of potential political and internal power groups.

According to Chording Inc (2007), an information portal on decision management on the World Wide Web, the success of a business depends upon the quality of decisions it makes for each customer contract. Such decisions must reflect the business strategy,

the interest of the customer, his or her value and risk to the business. It further stated that a business that can determine and implement personalised management strategy for each customer has the means of ensuring that suitable decisions are made in accordance with its overall objectives.

Bragg (2006) added that though there a many good reasons to outsource there are also a number of risks associated with doing so which can range from minor pricing issues to non-performance of key functions by a provider. Therefore, before making a decision to outsource, certain risks must be taken into consideration and mitigated. Such risks include:

- Future changes in supplier circumstances;
- Supplier failure;
- Political fallout;
- Loss of confidential information;
- Local responsibility;
- Perceived risks that are lower than actual; and
- Job loss.

Furthermore, Cloete (2002) was of the view that an outsourcing decision is driven by the benefits and risks of outsourcing therefore, proper care must be taken to ensure that the right decision is reached. (Harris, 1998) differentiated on types of decisions by pointing out that there are several basic kinds of decisions. An example is "Decisions whether": This is the yes/no, either/or decision that must be made before proceeding with the selection of an alternative. Should I buy a new TV? Should I travel this summer? "Decisions whether" are made by weighing reasons pros and cons. It is important to be aware of having made a decision, since too often we assume that decision-making begins with the identification of alternatives, assuming that a decision to choose has already been made.

Barrett and Baldy (2003) further considered decision-making as part of a larger process of problem solving. While Harris (1998) considered other types of decision-making such as, "Decisions which": These involve a choice of one or more alternatives from

among a set of possibilities, the choice is based on how well each alternative measures up to a set of predefined criteria. Lastly, "Contingent decisions" are decisions that have been made but put on hold until some conditions are met. Furthermore he stated that most people carry around a set of already made contingent decisions, just waiting for the right conditions or opportunities to arise. Time, energy, price, availability, opportunity, encouragement, all these factors can figure into the necessary conditions that need to be met before we can act on our decision. Harris (1998) went further to state that a critical factor that decision theorists sometimes neglect to emphasize is that in spite of the way a process is presented, decision-making is a nonlinear and recursive process. That is, most decisions are made by moving back and forth between a choice of criteria (the characteristics we want our choice to meet) and the identification of alternatives (the possibilities we can choose from among). The alternatives available influence the criteria we apply to them, and similarly the criteria we establish influence the alternatives we will consider. Harris (1998) used this as an example to clarify this is.

"Suppose someone wants to decide, Should I get married? Notice that this is a "Decision whether". A linear approach to decision-making would be to decide this question by weighing the reasons that is, the pros and cons (what are the benefits and drawbacks of getting married) and then to move to the next part of the process, the identification of criteria (supportive, easy going, competent, affectionate, etc.). Next, we would identify alternatives likely to have these criteria (Jennifer, Kathy, Michelle, Julie, etc.)."

Applying Harris (1998) decision-making process outlined above to a real life outsourcing scenario: For example, suppose an organization wants to decide, whether it should outsource a service? Notice that this is a "Decision whether". A linear approach to decision-making would be to decide this question by weighing the reasons pros and cons (what are the benefits and drawbacks of outsourcing) and then to move to the next part of the process, the identification of criteria (cost reduction, labour issues, competitive pressures, maintenance of product and service quality, maintenance of competitive position by reducing cost and labour expense, improved knowledge , enhanced technology, risk sharing and multi clientele opportunity, etc.).

Next, we identify alternatives likely to have these criteria (carrying out services in-house, using internal task force choosing between service providers etc.). He further explained that each alternative should be evaluated according to the criteria and the one that best meets such criteria should be chosen. According to Harris (1998), the scheme would appear like this:

"Decisions whether ... select criteria ... identify alternatives ... make choice"

However, the fact is that our decision whether to outsource may really be a contingent decision. "We will outsource if we can find the right service provider." It will thus be influenced by the identification of alternatives, which we usually think of as a later step in the process.
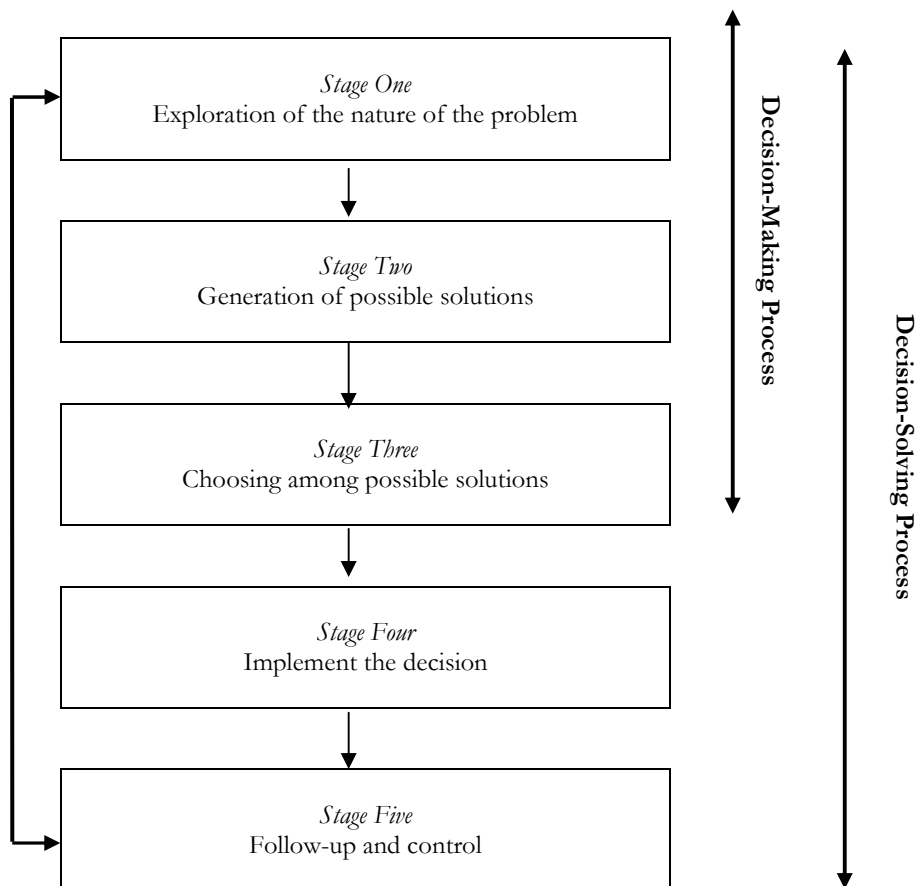
Chart 5   The basic model of the problem-solving process
Source: Barrett and Baldy (2003) Page 230

Similarly, suppose we have arrived at the "identify alternatives" stage of the process when we discover that a service provider, identified as an alternative, can provide the required services differently, but that we now really want to outsource this service. We immediately add this new criterion to our list of criteria. Thus, the decision-making process continues to move back and forth, around and around as it progresses in what will eventually be a linear direction but which, in its actual workings, is highly recursive.

Stage One: **Exploration of the nature of the problem**

Step One
Sense the problem

Step Two
Set initial objectives

Step Three
Identify problem

Step Four
Establish decision-making body

Step Five
Establish decision-making process

Strategic decision

Operational decision

Stage Two
Generation of possible solutions

Stage Three
Choosing among possible solutions

Chart 6: Exploration of the nature of the problem stage

Source: Barrett and Baldy (2003) Page 232

Barrett and Baldy (2003) indicated that in developing structured approaches to decision-making process, the relationship between a decision-making process and a

problem-solving process should be appreciated. Furthermore, a decision-making process should begin with the exploration of the nature of the problems and continue through the generation and evaluation of possible solutions, and culminate in a choice of an option. Chart 5 shows the stages of a problem solving process and the sub-process of decision-making. He also considered that in using a decision making model, managers could easily enter the decision-making process at whatever stage for a given problem situation.

A problem detected from these sources can be viewed as falling along a continuum: At one end are opportunity problems whose solution is initiated on a voluntary basis to improve an already secure situation. At the other end are crises problems, where a situation arises which require immediate attention.
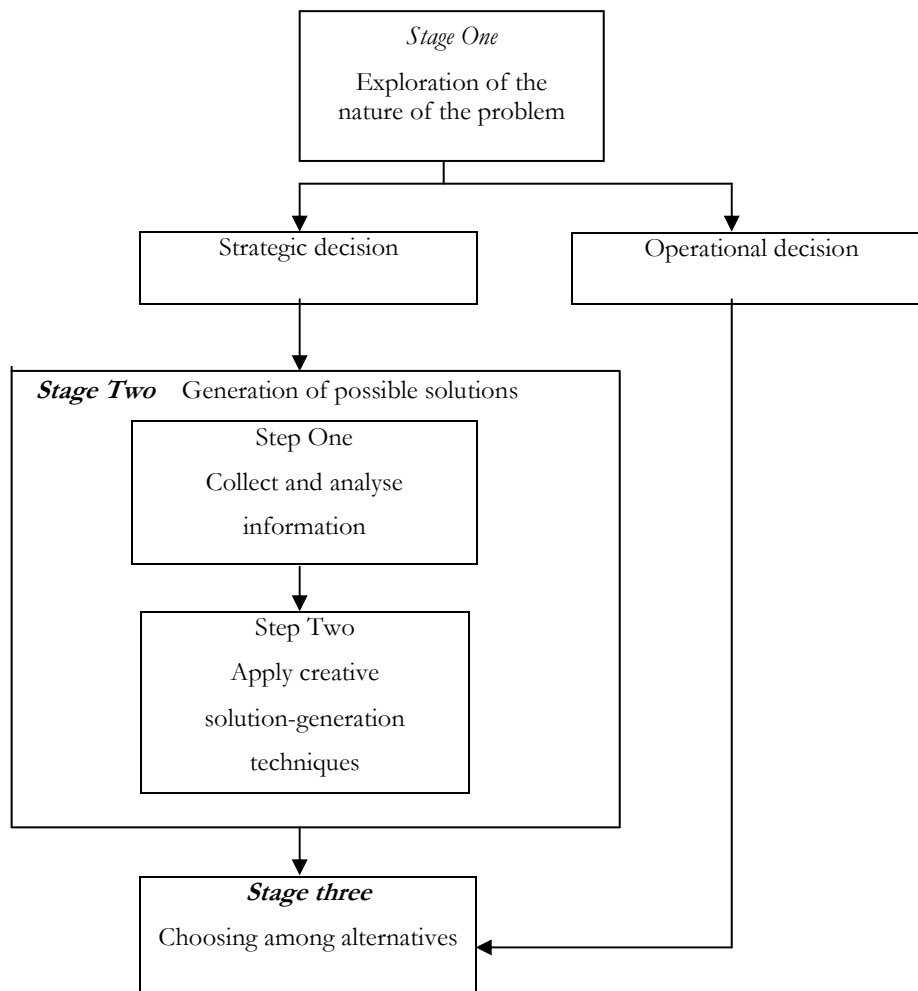
Chart 7: Generation of possible solution stage

Source: Ballett and Baldry (2003), Page 246

The objective of stage one (exploration of the nature of the problem) is to provide the remainder of the decision making process with a sound foundation, reduce the risk generation of any inappropriate solutions and /or excessive use of organizational resources. This stage (Chart 6) gives overall direction and builds in the potential for added value where the benefits for the outcome of a decision-making process exceed the required input of organizational resources.
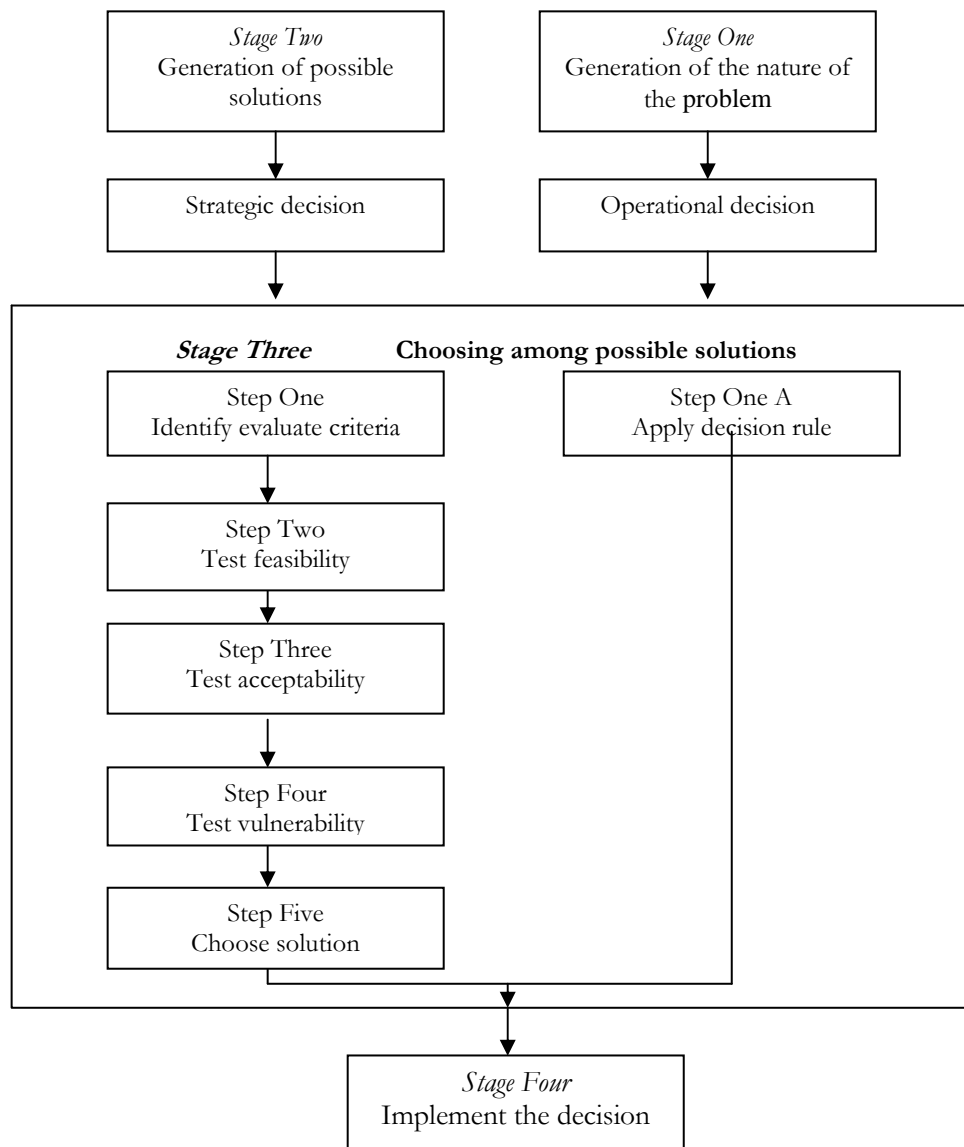

Chart 8: The choosing-among-possible-solution stage
Source: Ballett and Baldry (2003), Page 254

In explanation Barrett and Baldy (2003) mentioned that with the rapid change being experienced by organizations, there is an increasing tendency for problems to be detected only towards the crises problem-sensing mechanisms which will enable him to detect problems early so that the problem is nearer the opportunity end of the continuum giving the provider time to come up with quality solutions. Furthermore, according to Barrett and Baldry (2003) the objective of this next stage (generation-of-possible-solution stage) is to search for information which can be processed into a range of possible solution with emphasis on effective and efficient information collection, on creative and idea generating techniques. Chart 7 shows the steps in the generation-of-possible-alternative stage. The next stage is the (choosing-among-possible-solution stage).
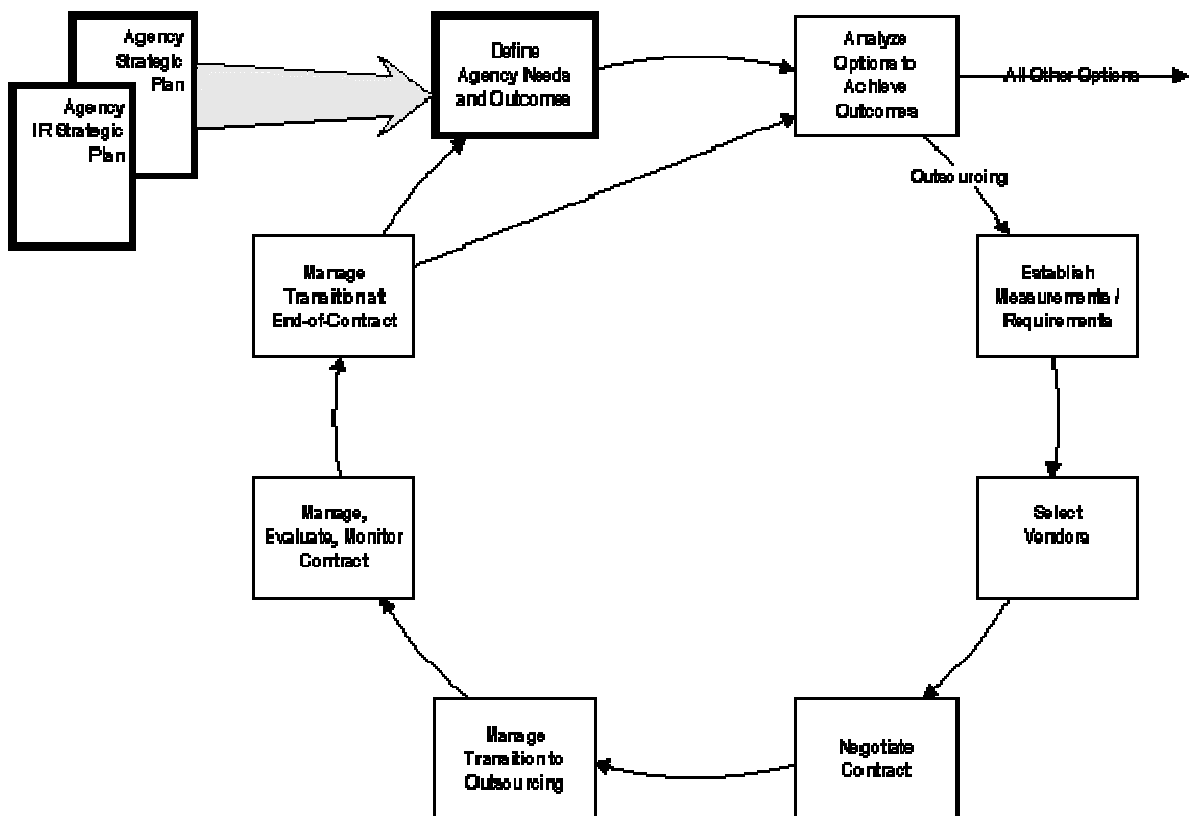

Chart 9:   Outsourcing Process

Source: State of Texas, Department of Information Resources, (1998). Page 19

The purpose of choosing-among-possible-solution stage is to evaluate possible solutions against predetermined criteria in order to arrive at an optimal solution, which entails firstly identifying the evaluation criteria and comparing the alternatives using the selected criteria (Chart 8). At stage three in Chart 8, the solutions should have been chosen and should be ready for implementation, follow up and control stages. The implementation stage involves the required planning and carrying out of activities so that the chosen solutions actually solve the problem. Insufficient managerial care is a primary reason for failure at the implementation stage.

According to Barrett and Baldry (2003), to avoid employee resistance to the decision, employees impacted by the decision should not be involved or used at the implementation stage. Furthermore, many implementation phases are not as successful as they should have been due to the provision of inappropriate resources. The last stage, the (follow-up and control), ensures that what actually happens is what was intended to happen. To enable smooth running of this phase, necessary infrastructure should be set up in advance for the collection of necessary information to monitor the implementation programme (Barrett and Baldy, 2003).

Most outsourcing decisions begin with an assessment of the role that the function in question plays in advancing an organization's core competencies, functions, or mission. The underlying logic is simple, any function an organization performs that is not essential to its mission, can, in theory, be outsourced. However, assessing an organization's core competencies is often an ambiguous and difficult task. Therefore, according to the State of Texas, Department of Information Resources, (1998), when an organization chooses outsourcing as the best option to meet identified needs, implementing and managing the arrangement is the next step. Outsourcing can best be viewed as a cycle, beginning with a decision-making process and ending with a re-examination of an outsourcing contract, where you select again from available alternatives. Once an organization has selected an outsourcing option, it has the corresponding responsibility to follow through all the steps of the process, constantly managing the contract and evaluating the results. Chart 9 illustrates the steps in the outsourcing process.

The decision-making process is further explained by The State of Texas, Department of Information Resources (1998) in Chart 10 which illustrates an analysis process that helps to ascertain if outsourcing is an option, or if in-house staff represent the best use of agency resources. To identify whether or not outsourcing is appropriate, several background questions outlined in the chart must be answered.

In response to that challenge, a document by the Department of Information resources at University of Texas at Austin, (1998) recommended that: "Organizations simultaneously consider the functions that they may benefit from outsourcing in conjunction with the core competencies of third parties that could potentially provide outsourced services". Again, the logic is simple unless a qualified provider can be identified for a specific function, there may be no value added in considering an outsourcing plan for that function. According to Goldsmith (1989), the first question any organization should answer in this regard is:

- What are the company's most significant considerations: Competitive position? Profit? Inventory control?
- Do we have adequate manpower for these functions? Do we have a knowledgeable staff, enough support, and Third Party Logistic Provider help?

Using this sort of analysis, the initial task for any management in assessing outsourcing needs is to identify areas where the organization can match its needs with the essential competencies of potential service providers.

Copacino (1994) presents a similar framework to help managers assess the impact outsourcing may have on operations at the strategic, structural, functional, and implementation levels. According to his framework, an outsourcing plan must include:

- An accurate definition of customer service;
- Some knowledge on competitors; and
- Institutional flexibility to incorporate a speedy response to future needs of existing or new customers
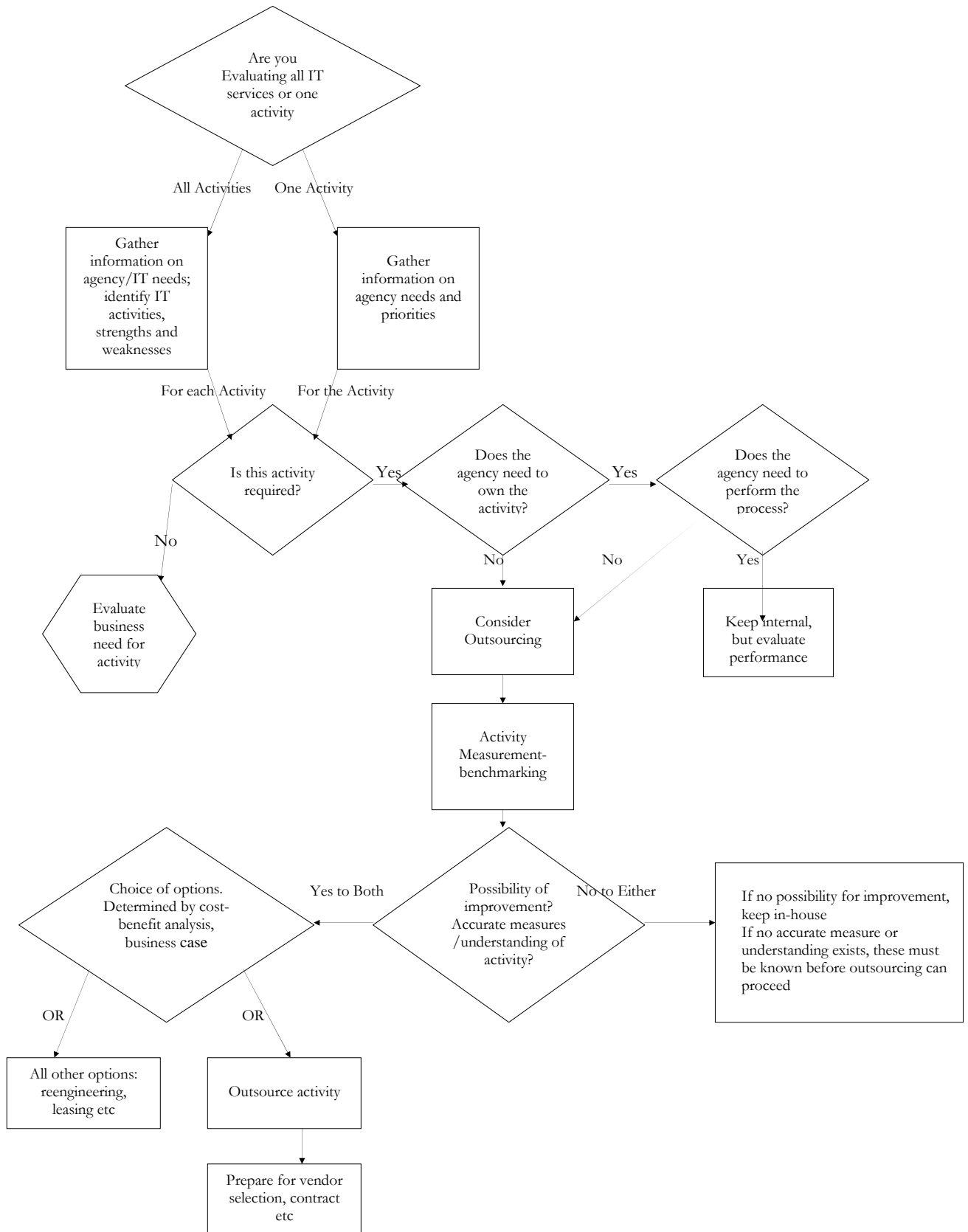
Chart 10:   Outsourcing Decision Flowchart

Source: State of Texas, Department of Information Resources, (1998), Page 9

Thus, works of this sort clearly indicate the importance of identifying and connecting core competencies when making a decision to outsource. According to Eger, *et al*, (2002), core competency assessment in the public sector is more ambiguous and as a result, more difficult to execute. However, attempts have been made to provide managers with a model for this sort of analysis. Siegel (2000) in addressing outsourcing of public personnel functions provided a model (Table 5) for assessing public organization core competencies.

This model outlines a total of nine potential modes, each incorporating a different mix of centralization and competition between in-house, private sector, and intergovernmental service providers. Once modes of delivery are agreed upon, organizations should consider the availability of private sector or intergovernmental service providers, restraints on service supply, contractor reputations, regulatory legislation, and other factors as part of the decision to outsource.

The model then calls for a procedural analysis of the service(s) to be outsourced in order to seek and assign an appropriate service provider for the service(s). Table 5 illustrates some logical alternatives (traditionally and competitive) to service supply (Siegel, 2000). Also critical are evaluation and monitoring concerns. Since private organizations are driven by a profit motive, and often by a clear business plan or mission statement, the incentive to outsource flows directly from the efficiency gains and increased profits that occur as a result of task specialization, economies of scale, refined scope of mission, and other advantages realized through an outsourcing plan.

However, in the absence of a profit as an incentive in the UN and non-profit making organizations, a number of other motives substitute for efficiency and cost-savings. According to Prager (1994), outsourcing government services, will neither reduce government spending nor increase government efficiency unless the decision makes economic sense. He further elaborated that firstly, a governmental establishment may decide that downsizing is a political, not financial or economic imperative. Secondly, it may use outsourcing to serve as a threat to weaken the power of an entrenched bureaucracy or labour union.

Table 5: Traditional and Competitive HR Service Delivery Modes
Source: Siegel (2000), Page 6

Competitive Alternatives	Traditional Alternatives
1. **CPA markets services:** Departments purchase all or selected services from CPA and pay by inter-departmental service charge or other transfer; Units of other governments purchase services from CPA under contract or fee for service arrangements.	1. **All centralized mode:** Central personnel agency (CPA) provides most services to departments on a centralized basis.
2. **Departmental units market services:** Some market services to other departments in jurisdiction, to CPA, or outside governments	2. **Semi-decentralized mode:** Some authority is delegated to departmental HR units for some functions, or there is shared responsibility (e.g., both recruit and test).
3. **CPA and/or Departmental units procure services:** All or selected services procured from private sector or other governments by contract or fee for service.	3. **Mainly decentralized mode:** Most HR operations are decentralized to line departments, sub units, and line management; CPA retains coordinating, evaluation/audit, and general policy areas of authority.
4. **Intergovernmental compact:** Intergovernmental consortium markets services to CPAs and departments.	4. **Mix mode:** Variations on these themes in line departments and their subordinate units.
5. **Mix mode:** All potential suppliers compete to supply services; mixture of traditional and competitive service supply alternatives in same jurisdiction.	

Thirdly, it may use outsourcing to improve the short-term budget picture. Nevertheless, a government establishment and other organizations, especially the UN, have a professional responsibility for addressing situations in the long term. It is my opinion that outsourcing of support functions in peacekeeping and peace-building operations should not be used to appease politicians and /or local economies of host nations in the name of nation building or mandated for short-term gains, since this is against the principles of peace-building. In spite of the best efforts of these and other researchers, the ambiguity surrounding public organization missions often creates a potential for misuse of outsourcing (Prager, 1994).

Certain barriers can impede a decision to outsource. Outsourcing barriers usually provide an insight into an institutional setting in which outsourcing is or would be occurring. These barriers to outsourcing are an important aspect for the development of an outsourcing decision-makings scorecard. According to a study by Eger *et al* (2002), the primary barriers to outsourcing of public sector functions are labour agreements followed by government regulations. These are important institutional barriers that seem to impede or influence outsourcing decisions in the public sector. He indicated that in the manufacturing sector internal organizational issues are usually identified as barriers to outsourcing. However, due to the nature of service(s) they offer and their geographic locations, legal and political considerations as well as labour union and unavailability of skilled labour may pose as barriers to outsourcing for the UN. To circumvent failure, serious consideration must be given to barriers to outsourcing during decision-making.

It is also equally important to identify all risks of outsourcing during decision-making. Eger *et al.* (2002) identified quality, cost, product control, contract performance, and response to situational problems as the risks of outsourcing. While risks associated with cost containment are usually seen as one of the top three risks to outsourcing regardless of whether it is the private or public sector, these risks have to be identified and mitigated to ensure successful outsourcing.

Most decisions for large private and public sector organizations are usually handed down from their respective headquarters. The situation is not different in the UN,

whereby decisions regarding outsourcing for a peacekeeping operation are handed down from the headquarters of DPKO. However to ensure a more efficient and effective decision-making process that is realistic, some of the decisions should be carried out at the local peacekeeping operation level. A local peacekeeping operation should form part of or be included in any decision-making process, because they are physically present and on-site and thus have a better insight and understanding of the geopolitical situation. However, strategic aspects of decision-making can be initiated and drafted at headquarter level but most of the input should come from the local peace operation.

Decisions may also be shared between headquarters and the local peacekeeping operation. To ensure that the mandate of a peacekeeping operation is achievable as well as to encourage peace building on the one hand and for political reasons on the other hand, any outsourcing decision should have local input. When decisions are made far away from where they would be implemented, there is always a tendency that such decisions would not be sensitive to the local environment. Decisions on outsourcing made at a local level would tend to encourage outsourcing to local service providers, while headquarter level made decisions would recommend contracting larger and international service providers. The decision reached invariably determines the choice of service providers. Local service providers, though smaller, tend to enrich, empower and support the local economy. Headquarter level made decisions to outsource to larger service providers should be reserved for only highly technical and sensitive services that cannot be provided locally. Examples include supply of medical and communication equipment.

Until recently most outsourcing relationships with successful outcomes originated from a variety of consultants and experts aided decision process. However, until the 1990's, there was no other pool from which to draw expertise necessary to craft a highly successful outsourcing engagement. Presently a growing pool of in-house managers with prior experience has facilitated the growth of this new trend in outsourcing decision-making (Goolsby, 2003).

As outlined above, though the use of experts to assist in the analysis of an outsourcing decision may provide external validity to the decision and decrease any risks associated with outsourcing, however, peacekeeping operations as part of the UN and being non-profit would tend to use less experts, compared to the manufacturing sector, to assist in any outsourcing decision. The probable reason is the institutional settings of the organization.

A key finding of a study on decision-making processes revealed that outsourcing organizations with experienced in-house managers are not only cost effective replacements of external consultants and experts but also of similar value in achieving successful outcomes. Goolsby (2003), used an example to buttress the point, a commander would not put an entire nation and economy at risk solely on the advice of an experienced commander, in one or even several conflicts. An outsourcing organization's top management must consider whether experienced in-house managers' knowledge is relevant and comprehensive for the outsourcing decisions at hand and the relevance of this knowledge has to be well defined. Though there may be similarities, each outsourcing initiative is a unique business case of its own and thus requires a different set of knowledge. Moreover, unlike outside experts and consultants, experienced in-house managers and experts are not exposed to the market on a daily basis.

Furthermore, Eger *et al* (2002) indicated in his study that manufacturing firms and public sector firms are similar with respect to making any outsourcing decision without the assistance of experts. However, the use of outside experts is advisable because it brings in new and unadulterated ideas into any organization. While Goolsby (2003) was of the view that experienced in-house managers' and experts' knowledge are highly valued and can be blended with those of outside experts and consultants to ensure the outsourcing organization gets the best of both worlds. Therefore any decision to use in-house manager and experts should be based on whether the expert is able to structure an outsourcing engagement that produces the desired objectives and also reduce the high error rates.

The UN uses experts for assessments or advice on reforms. A typical example was in 2001, the Panel on United Nations Peace Operations called "the Brahimi Panel," composed of individuals experienced in various aspects of conflict prevention, peacekeeping and peace-building, which was requested by the UN Secretary-General to assess the shortcomings of the existing system and to make frank, specific and realistic recommendations for change. The Brahimi Report Panel is an example of the use of experts to advice on reforms.

Though the UN does not use experts to advice on outsourcing requirements and engagements, however, it is assumed that in its peacekeeping operations it would use fewer or no experts than the manufacturing sectors to assist in the outsourcing decision-making. The question arises with respect to how benchmarks are used to establish outsourcing goals. Benchmarks used by the UN are based more on laid down policies and procedures than on past experiences. Moreover, the benchmark used most often by the groups in the study by Eger *et al* (2002) is previous history with outsourcing experiences, which is an indication that institutional history plays a critical role in the decision-making process for public sector organization. However, Eger el al (2002) indicated that caution should be taken not to translate lessons learnt from private sector outsourcing lessons to the public sector.

Goolsby (2003) went further to highlight criteria to guide outsourcing organizations towards the use of experts in outsourcing;

- The consultants or expert must have a very good knowledge of the outsourcing organization's industry, best practices in the functions to be outsourced, including an insight into the providers market as well as comprehensive experience and skills;

- The services of an external expert or consultant should compliment the outsourcing organization's existing decision making-process;

- The outsourcing consultants or experts should challenge the outsourcing organization's existing assumptions;

- There should be a holistic evaluation of the proposed initiative within several alternative scenarios;

- Outside consultants or experts should revolve around a methodology that includes an executable project plan for structuring the work and yet be flexible for the outsourcing organization's unique situations.

Goolsby (2003) recommended that where outsourcing organization objectives are easily achievable and outsourcing is a foregone conclusion, in-house managers or experts and external experts are supposed to be of similar value. Furthermore, in situations where outsourcing organization objectives are more strategic and complex, there is a higher incidence of using external experts in the decision-making process. Therefore, external consultants or experts are recommended based on their robust knowledge, comprehensive experience and insight and also because they ensure that outsourcing objectives are achieved.

Though the general advantages of outsourcing have been recognised, however, it has failed to address a number of uniquely public sector concerns. These fears may altogether eliminate outsourcing's advantages or in some cases even put organizations at risk. Therefore, care should be taken when considering outsourcing projects, as well as attention to accountability, economies of scale, and competition. A recurring argument in many works on the subject is the need for accountability and oversight. This is due, critics claim, to the potential for outsourced private sector service providers to fall back in the provision of services to sub-optimal levels of service in pursuit of profit (Eger *et al.*, 2002).

A solution recommended by the private sector to address this issue is performance contracting. However, the UN may not have such an option available. Usually, outsourcing practices by the UN and most non-profit making organizations recommend a strong monitoring mechanism, perhaps even through a third party or an oversight committee (Wallin, 1997). In the UN the Office of Internal Oversight Services (OIOS) is used.

However, despite a global interest in incentive payments for performance, so far very little effort has been devoted to evaluating their effectiveness in the public sector. The limited evidence suggests that incentive payment has not had the kind of motivational

impact its proponents were seeking. While incentive payment is theoretically an ideal way to reward merit in the public sector, its implementation is often riddled with difficulties. In addition, the experience of some Organization of Economic Cooperation and Development (OECD) countries with incentive payment in the public sector has not been altogether satisfactory, particularly because policymakers often do not adequately understand the complexities involved in administering such a system. Public sector organization would neither offer incentive payments in-house nor use them to induce performance of service providers in public sector outsourcing (Klareskov and Helgason, 2005)

According to a study by Klareskov and Helgason (2005), outsourcing is said to bring improvements in service delivery, as a properly managed contract requires a systematic approach to monitoring and quality assurance. It also takes advantage of skills and technology available in the private sector and is increasingly adopted to provide back-office operations. However, numerous examples demonstrate that outsourcing should be undertaken with great care. A recent experience in the municipality of Copenhagen in Denmark illustrates this point. In 2003, the municipality outsourced pay roll management of 50,000 employees to a private consulting company, envisioning cost savings for the municipality of around $7 million over six years. Yet the outsourcing is now expected to increase costs by $6 million in 2005 alone.

Another study carried out by Johnston and Romzek (1999) describes a number of concerns about the management of outsourced Medicaid contracts in Kansas, USA It was argued that the costs of monitoring outsourced service contracts removes any gains derived from the reform. According to their analysis, the same possibility exists in all outsourcing contract, especially in situations where performance measures are absent. A similar effect has been observed in several outsourcing projects in which a lack of available third party providers magnified existing inefficiencies (Herbst, 1999). In short, when outsourcing happens for political reasons or other short-term gains, it may have the opposite effect. This is the situation when outsourcing engagements are used to appease politicians and /or local economies of peacekeeping host nations in the name of nation building. To make matters worse there is an observed tendency for public organizations to amend their policy goals and expectations in order to appease an outsourcing cause or to match a service offered by a service provider. Johnston

and Romzek (1999) considered this phenomenon as being contrary to outsourcing expected result.

Successes associated with outsourcing are sometimes attributed to wrong causes. The origins of observed savings are often credited to the private sector being able to reorganise work activities and production units, take advantage of economies of scale, and substitute between inputs toward more capital. Savings may be due to either poorer quality in service delivery or the least qualified being employed instead of public sector employees. Therefore to successfully contract out work, public sector managers need to be realistic about the trade-off between complexities (risks) and gains in terms of savings. Therefore when contracting out functions and activities managers should move towards an equilibrium where realistic ideas are nurtured about the potential for savings while at the same time abstaining from outsourcing exceptionally complicated tasks because they have an inherent risk of failure. Therefore, organizations should consider addressing risk assessment and risk transfer as part of the process for procuring services. This will mean that risk assessment forms part of the policy and procedures for outsourcing (Atkin and Brooks, 2005). The foremost lesson learned through this type of experience is that sometimes keeping functions in-house makes sense. Outsourcing is not a magic wand that will fix all the perceived ills of the public sector. Instead, it poses great demands on the capacity and expertise of staff to perform credible assessments of outsourcing opportunities. In addition, the transaction costs of preparing for competitive tendering and subsequent monitoring costs sometimes simply outstrip the benefits of contracting out. (Klareskov and Helgason, 2005)

In conclusion Klareskov and Helgason (2005) explained that the case for public sector outsourcing is that management and information systems necessary for effective outsourcing can be equally valuable in improving performance and cutting costs for services already provided by public organizations. In other words, if the same amount of attention and resources used in assessing the potential to outsource, selecting the right outsourcing partner, and ensuring effective implementation and monitoring would instead be spent on improving existing systems, positive results are equally probable.

The next section outlines why it is essential to have a clear understanding of outsourcing opportunities and expected results before entering into an outsourcing engagement

2.3.2 **Why Outsource**

There are several reasons why organizations choose to outsource. According to the State of Texas, Department of Information Resources (1998), the IT industry being one of the most heavily outsourced industries has various reasons for outsourcing; however, there are several decisive reasons which are applicable to most organizations, whether profit or non-profit making, and these include:

- Cut costs;
- Increase profitability and productivity;
- Faster start up and development;
- Provide better services at lowers rates;
- Increase share holders value;
- Increase security and reliability;
- Concentrate on core competencies;
- Stay on top of competitors;
- A cost-effective use of equipment and materials;
- Access to expertise;
- Better price/performance ratios may also be achieved through outsourcing parts of the data centre operation rather than outsourcing the management entirely;
- Cost savings through service provider economies of scale for buying and managing equipment;
- Data centre consolidation can lead to clear cost savings through economies of scale and efficient use of equipment;
- Economies of scale for provision of connectivity and hardware;
- Eliminates infrastructure costs and infrastructure management costs;

- Equipment and staff necessary to develop a complex site (e.g., involving database connectivity, on-the-fly updates, and multiple information formats) can be expensive;

- Greater levels of scalability;

- Industry sites with high levels of usage, or which expect occasional significant spikes in visitors, will often benefit from outsourcing;

- Internal resources freed to work on development projects;

- Maintenance of licenses and version upgrades;

- Standards are easily developed;

- Outside service provider may be able to free internal resources for more effective tasks;

- Outsourcing can address the need for technology refreshment and solve difficulties with staff retention;

- Resources can be reassigned to new applications development and other strategic functions, although staff reductions can also result from these deals in order to reduce operating costs;

- Staff time and effort required to maintain services;

- To encourage business process change and culture changes in an organization that is unable to create change from within;

- To ensure a standard of expertise for off-the-shelf software used by the organization;

- To ensure particular levels of support for end users;

- To meet strict time lines for a short-term project;

- To take advantage of area expertise; and

- Service provider economies of scale

In the early days, costs of headcount reduction were one of the common reasons for outsourcing but in today's world, the reasons are more strategic and focus on carrying out value-adding activities in-house and where an organization can best utilise their core competencies. Despite these advantages however, such arrangements must be managed carefully, with special attention paid to delivery schedules, the rate of progress and end-user satisfaction. In the IT industry for example, care must be taken

to ensure that responsibilities of a contractor are clearly delineated according to the end user needs and end results desired. Clearly defined outcome success standards are crucial to the success of these contracts, as is a service provider's relationship with the organization (State of Texas, Department of Information Resources, 1998 and Cloete, 2002).

Alexander (1996) was of the view that factors other than costs are of significance in any decision to outsource. Accordingly, achieving lower cost is of little significance if the principal goals are not attained. Getting value through the application of incentives, quality management through partnership outsourcing should be the main goal. Furthermore, he emphasised that to make any sensible decision about outsourcing, the following reasons should be considered:

- Skill shortages;
- Manpower shortages;
- Inflexibility;
- Lack of specialist knowledge; and
- Lower cost

On partnership, Grossman and Helpman (2003) considered three essential features of a modern outsourcing strategy. First, firms must search for partners with the expertise that allows them to perform the particular activities that are required. Second, they must convince the potential suppliers to customize products for their own specific needs. Finally, they must induce the necessary relationship-specific investments in an environment with incomplete contracting. Additionally, once a final producer has identified the supplier whose expertise is most suitable to its needs, the two firms can begin to explore a bilateral relationship in the light of the local legal environment (Grossman and Helpman, 2003).

On cost, Alexander (1996) was also of the view that where there is limited external market in the provision of services and an organization can accommodate the cost through appropriate salary structure, in-house provision would be the preferred route, while in other circumstances outsourcing would be ideal. Though external market

costs can tend to be lower for providers that specialize in a given service, internal management and procurement costs of an outsourcing organization would apply. For non-core functions, outsourcing would be a financially preferable option provided an appropriate management structure exists internally, the costs of which still have to be considered.

Klareskov and Helgason (2005) suggested that the potential for cost savings when contracting out is proportionate to the complexity of service needs in the public sector. The dilemma is that the greater the complexity of the tasks to be outsourced and potential cost savings is involved, the larger the risk of failure because of the high transaction costs involved. Managers sometimes underestimate the risk of outsourcing due to an insufficient understanding of the complexity of the services needed.

Outsourcing is designed to address these risks but unfortunately it can cause greater risks than those it is supposed to control. Cost savings gained from outsourcing sometimes do not compensate for the benefits lost from not maintaining an in-house function. The secret of successful outsourcing is thus two-fold: Organizations must ensure that they gain from the intended benefits, but they must also avoid being impacted by inherent risks. Therefore, the focus on a decision to outsource must ensure that core objectives of outsourcing organizations are met through the use of appropriate risk analysis technique and the most suitable contract strategy can be identified. Given these realities, internal auditors should be used to examine risk exposures in three areas of outsourcing, namely the contract, the decision-making process for determining whether to embrace or continue outsourcing, and the general outsourcing strategy (Leithhead, 1999).

Alexander (1996) further outlined that in developing outsourcing contract strategy, three issues must be addressed: Firstly how are the current services provided; secondly what are the optimum service structure(s); and thirdly how to move between the two points. These, he considered as the fundamental elements of an outsourcing strategy which should be in place before outsourcing is considered as an option.

Internal auditors are usually not expected or required to audit management's decisions, per se, however, they can assist top management by evaluating the process used to

determine whether or not a function should be outsourced. In particular, auditors should review the decision criteria and the relevance and quality of information on which decisions are based. Organizations often risk making poor decisions because they employ wrong strategies. Therefore, an essential component of managing decision-making risks involves developing appropriate outsourcing strategies which are designed to position an organization favourably in relation to dynamic contexts, such as the market and other forces that shape an organization's business environment. On a practical level, an organization develops an outsourcing strategy to build its resources through strategic alliances, rather than just to abandon an activity it finds difficult to manage. When the strategy is well thought out, the decisions and contracts that apply to the strategy are more likely to be successful. Outsourcing strategies are placed at risk when management's objectives, perspectives, and expectations are incorrect (Leithhead, 1999).

Since risk analysis provide the foundation for risk management throughout the life of an outsourcing engagement, it is essential to consider how to eliminate or reduce risks, while considering costs of risk management over the life of an outsourcing engagement. This would give an indication of whether risks change the feasibility of outsourcing.

To analyze risks in an outsourcing engagement or any other management judgments, internal auditors must be in the right place at the right time that is they must know what is going on in the organization, possess the capability to contribute, and have that capability recognized and accepted by management. It is for this reason that internal auditors must begin their analysis of outsourcing exposures with contracts, and then earn the right to be involved with decisions, and move on to corporate strategy (Leithhead, 1999).

Despite several UN resolutions on outsourcing, the UN has made limited attempts at outsourcing its non-core function. Examples include the UN General Assembly resolution, A/59/289, which requested the Secretary-General, inter-alia, to continue to consider outsourcing actively in accordance with the guidance and goals contained in paragraphs 1 to 3 of Assembly resolution A/55/232, and according to "The challenge of outsourcing for the United Nations system" (A/52/338) and (A/52/813) of the

office of internal Oversight Services on review of UN procurement reforms. According to one of these reports, A/53/818 of 1999, "Outsourcing Practices" which was submitted by the UN Secretary-General to the General Assembly, four basic reasons were identified and these should be considered when embarking on outsourcing (United Nations General Assembly, 1999):

a.   The Secretary-General should continue to ensure that programme managers are guided by the following four basic reasons for outsourcing:

  ▪   To acquire technical skills not readily available within the Organization, including accessing state-of-the-art technologies and expertise or acquiring needed flexibility to meet quickly changing circumstances;
  ▪   To achieve cost savings;
  ▪   To provide a source more effectively, efficiently or expeditiously; and
  ▪   To provide an activity or service not needed on a long-term basis;

b.   At least the following three significant goals must be considered with regard to the use of outsourcing by the United Nations:

  ▪   To respect the international character of the Organization;
  ▪   To avoid a possible negative impact on staff; and
  ▪   To ensure appropriate management and/or control over the activities or services that have been outsourced;

The UN outsourcing policy is designed to ensure consideration of outsourcing as part of the organization's regular management decision-making process which should be based on transparent procedures and with due regard for the respect of it staff members. The policy has five main features:

•   It is limited to the provision of non-core support activities and services;
•   It provides criteria for deciding when a services/activity/function should be outsourced;

- It requires a thorough pre-contract bidding process before making an outsourcing decision; and

- It requires a thorough contract administration by ensuring that contractors' performance is properly monitored and evaluated

Though the UN considered it important to outsource for almost the same reason as most organizations, it however did not consider it as a complete solution to cost effectiveness. Present outsourcing applications are limited to few outsourced functions such as cleaning and catering services and presently IT in some peacekeeping operations.

There are many reasons why organizations outsource various jobs, but the most prominent advantage is the fact that it often saves money. Many of the organizations that provide outsourcing services are able to do the work for considerably less money, as they do not have to provide benefit to the workers and have fewer overhead expenses to worry about. Successful outsourcing has been demonstrated to provide organizations with a number of benefits, most of which result from improved efficiency. Outsourcing also allows organizations to focus on other business issues while having all details taken care of by outside experts. Through the emphasis of essential or core functions, an organization is able to rationalize its operations by maintaining only those resources considered essential to its mission or business model. This means that a large amount of resources and attention that might fall on the shoulders of management professionals can be used for more important broader issues within the organization. Undoubtedly, intra-organizational or non-core functions such as information technology, equipment maintenance, custodial services, and others are critical to effective and consistent operations.

But to date, the private sector experience has shown that specialized service providers are typically able to deliver such services with comparable or better quality, and often at lower costs, than in-house providers. Specialised service providers that handle outsourced work are often streamlined and often have world-class capabilities and access to new technologies that some organizations may not able to afford to buy on their own. When organizations streamline their facilities, effective outsourcing also

allows them to expand their market share, pursue new strategic directions, and improve overall competitive advantage. As a result, organizations in both the private and public sectors have several incentives to explore their outsourcing options (Eger *et al*, 2002)

In an article on outsourcing advantages by bizrim.com, an information portal on the Word Wide Web, regarding outsourcing to third world developing nations such as India, China, Philippines, Mexico, Ireland etc organizations can exploit the cheap labour and infrastructure facilities available in those lands and in-turn cut back on manpower costs, reduce operational cost and capital expenditure. While outsourcing may prove highly beneficial for many organizations, it also has many drawbacks. One of these is that outsourcing often eliminates direct communication between an organization and its clients. This prevents a company from building a solid relationship with their customers, leading to dissatisfaction on one or both sides. There is also the danger of not being able to control some aspect of the organization, as outsourcing may lead to delayed communication and project implementation. Sensitive information becomes more vulnerable and an organization may become very dependent upon its service provider, which could lead to problems, should the service provider back out on their contract suddenly.

Wisegeek.com another information portal on the World Wide Web, stressed the importance of each individual company accurately assessing their needs to determine if outsourcing is a viable option. To date, public sector outsourcing has earned a mixed record of success, failure, praise and criticism. Although outsourcing began with small-scale, easily monitored services such as cleaning and catering services, UN have recently attempted to outsource more stylized services such as job training, humanitarian and logistics support through non-governmental organizations (NGO's), UN agencies and service providers. However, most outsourcing engagements are not with private sector service providers but rather with other UN bodies, agencies and affiliates.

According to Cloete (2002), a typical outsourcing objective statement would be: "To attain major savings in the provision of non-core services and associated cost by

partnering with the most completive supplier while maintaining current service levels and limiting the exposure to risk."

Although the concept of making UN on the whole and peacekeeping in particular, more cost-effective and effective started in the late 90s with various reform proposals and resolutions including the "Brahimi report" to the UN Secretary-General, however, the thesis will go a step further by recommending ways to making peacekeeping operations and therefore, the organization as a whole, more cost-effective and efficient. These recommendations will highlight the importance of using appropriate decision-making criteria in developing an outsourcing scorecard, to gain all the advantages of an outsourcing engagement with the aim of making the UN, more result oriented while maintaining a higher level of efficiency.

A vital reason for advocating the outsourcing of peacekeeping operations is because being non-profit making, they therefore fall into the categories of offices that require rigorous improvement in order to be more result oriented and more efficient in the use of allotted funds. For example, peacekeeping operations approved budgets for the period from 1 July 2004 to 30 June 2005 was $4.47 billion. Consequently it has become necessary to identify solutions to be employed to reduce the high cost of peacekeeping which has become an inevitable part of peace and security worldwide. The thesis has recognised outsourcing as one of the cost effective solutions in reducing the high cost of peacekeeping. However this requires that most of the functions and activities of peacekeeping, especially all the support services/activities presently being carried at headquarter level and on the field will have be to be outsourced to enable the peacekeeping operations focus on its core functions of maintaining peace and security worldwide.

Should the UN accept to outsource a peacekeeping operation in its entirety, the decision to outsource would be the sole prerogative of a relevant committee of the GA.? However, in the field, the Special Representative of the Secretary-General (SRSG), his Director of Administration (DOA), the Chief of Administration (CAS) and the Chief Integrated Support Services (CISS) as the heads of the administrative and support components of the peacekeeping operations respectively can make recommendations backed by practical field situations on the cost-effectiveness of

outsourcing some or all the non-core functions of the organization. The field situations are usually dictated by actions on the ground. Once the GA agrees in principle that peacekeeping operations have to be outsourced, DPKO would set the ball rolling by asking their field manager, the SRSG, at the peacekeeping operation to identify or confirm the services that can be outsourced.

Barrett and Baldry (2003) explained that a final decision on an outsourcing strategy that is expected to be adopted will directly impact upon the overall performance of the outsourcing organization. Critical aspects of a decision-making process would include the appropriate specification of service levels, the vetting and section of service providers, the terms of the outsourcing relationship and monitoring of service quality. Therefore, it is important that all issues are considered before outsourcing is embarked on. This assessment should take into account all factors, both local and generic.

Outsourcing like globalization is a phenomena or rather an evolution that was waiting to happen. There may be oppositions and speculations about outsourcing but the success stories by far outweigh the others. However, it is the ultimate decision of the organization to decide what is appropriate. Having a vision, better planning and good outsourcing knowledge would result in an outsourcing success story.

The thesis aims at presenting the advantages of applying right decisions criteria to create a decision-making scorecard that would ensure the application of outsourcing advantages to all facets of UN peacekeeping operation in order to gain the real and complete rewards of outsourcing.

2.3.3 **What to Outsource**

When outsourcing first entered the management arena in the 1980s, it was all about saving money on essentially manual tasks; premises cleaning was a typical and early example The focus is now on access to skills, with outsourcing expanding to include areas closer and closer to the centre of business; companies are now looking to buy in outside expertise so that they can concentrate on their own core activities, and contract with external suppliers to provide many or most of the tactical elements (Booty, 2009).

What can be outsourced are usually support services. Traditionally in-house staffs were employed to carry out these support service but that changed as pressure grew on business and on direct employment practices and they began to be eroded, slowly at first by new external services providers.

Providing support services is a complex and evolving business especially in a market that is constantly changing. However, how they are provided is often based on an organization's historical growth pattern. Accordingly, older organizations with decades of in-fighting and personal growth behind them, often display peculiar and seemingly illogical grouping of support services, whereas for others it depends on an the organization has evolved in its allocation of managerial responsibilities and whether this was done in a strategically planned manner or as simply a historical legacy (Alexander, 1996).

Therefore support services should be provided according to two major drivers, namely total quality and incentive based performance standards. They may be provided by in-house resources, by external service providers or by a combination of the two. Due to increased complexity of relationships between outsourcing organizations and providers as they evolve to meet demands of dynamic businesses, the provision of support services will continue to grow and become broader. Furthermore, this provision has to be based on the worth that the service brings to organizations in terms of increased satisfaction, productivity and motivation (Alexander, 1996).

However, according to Manring (2001) as outsourcing become both more all-encompassing and very important, the burning question is no longer whether an organization should outsource but rather what should be outsourced. Furthermore, Tracey (1998) indicated that the decision-to outsource involves the identification of the services that have the potential for successful outsourcing through a review of the current support services. Therefore, when identifying and evaluating business functions and services that are appropriate candidates for outsourcing, Bendor-Samuel (2001b) pointed out that it should be borne in mind that outsourcing is composed of two elements: Value creation; and Value capture. The first section determines if

organizations can actually divest from a specific business process whereby a provider can handle the supply chain management function or would it be more cost effective to let a provider take over payroll. If the answer is affirmative then the next process should focus on business process outsourcing provider and whether value would be created if a provider takes control of the process.
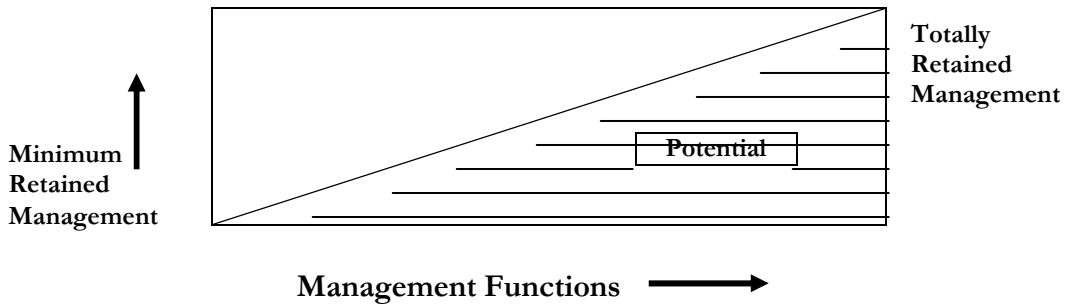

Chart 11   Potential for outsourcing
Source: Barrett and Baldry (2003). Page 154

Barrett and Baldry (2003) agreed with Tracey (1998) and indicated that the potential for outsourcing relates to the optimum balanced between retained services and those outsourced. Therefore, the larger the in-house resources, the greater the potential for successful outsourcing, provided all other considerations are satisfied (Chart 11).
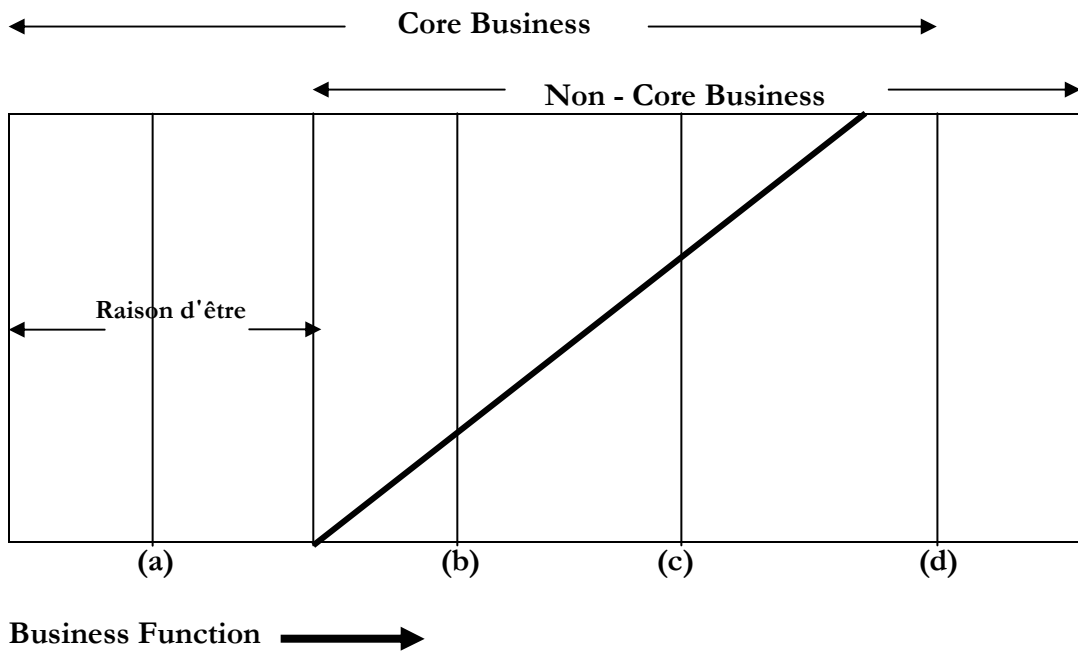
Chart 12:   The core/non-core business continuum
Source: Barret and Baldry (2003). Page 156

In Chart 12, Barret and Baldry (2003) used an arbitrary interface between core and non-core business. The key point is that the interface is not shown as a vertical divide which accommodates the notion that the business can be:

- Wholly core business;
- Wholly non-core business; and
- Part core, part non-core.

The diagram depicts that wholly core business can be thought of as raison d'être or core functions of a given organization. Therefore, the potential for outsourcing, according to this model, is the ability to encompass more than pure support services (or non-core business activities) such that the potential is enlarged and so is the flexibility to enable these services to be revenue earning. Furthermore, adherence to a strict core versus non-core split can be a barrier to developing the full potential of a service considered for outsourcing or for the outsourcing of services to make an added-value contribution to the organizations. It is therefore a barrier to effective outsourcing resource decision-making (Barret and Baldry, 2003).

On value creation, Bendor-Samuel (2001c) was of the opinion that once there is an understanding of where the value is, a solution can be shaped to maximise the benefits. However, if an organization does not know what to protect in an outsourcing engagement, they may create outsourcing agreements that would actually dilute the benefits that could have been accrued from the relationship. Petrick (1996) agreed that an outsourcing process should begin with recognition of a need. The project or process to be outsourced should be defined in a statement of assignment. If views on the subject are not clear, the point should be highlighted in initial discussions with providers. Final parameters of an outsourcing engagement must be clearly articulated and mutually agreed upon. The appropriate volume of outsourcing of an organization depends on in-house capabilities, current capacity, near-future workload, the focus necessary, time lines, specific expertise needed to achieve the desired outcome, and of course, the budget. Furthermore, he agreed with the vital importance

of carrying out initial assessments of potential projects to determine whether they can be outsourced:

The assessment should provide answers the following questions.

- Can the outsourcing organization do a better job than could be done in-house, given current staffing and workload?
- Does the outsourcing organization have better equipment and/or technology?
- Can the outsourcing organization do it faster?
- Would it lead to a better focus on core-issues of the organization? and
- Is it cost effective?

Petrick (1996) was of view that if answers to these questions are positive, the project is a good candidate for outsourcing. Furthermore, Bendor-Samuel (2001c) considered generating value as one of the most attractive aspects of outsourcing. This involves handing over an important but non-core process to an expert which provides a host of benefits that includes:

- Economies of scale;
- The ability to use lower cost employees located elsewhere;
- Access to capital; and
- Process expertise

Bendor-Samuel (2001c) recommended that an outsourcing organization should not ignore the value outsourcing generates and therefore, no other considerations should override their efforts to capture the value inherent in outsourcing relationships. Therefore, if a service is not expected to generate value, it should not be considered for outsourcing. Furthermore, these common mistakes should be avoided to capture the value outsourcing brings to an outsourcing relationship.

- Focusing on costs only, to the detriment of other values a provider could brings to the table;
- Using the wrong method to attain goals;
- Not providing any penalty and reward system in the contract;

- Unclear definition of the scope of accountability;

- Eliminating the opportunity for aggressive provider prices;

- Writing a one-sided contract;

- Telling the provider how to execute the contract; and

- Failing to understand our limitations.

Accordingly, if the value to be derived from the outsourcing engagements is not known from the onset then outsourcing contracts can dilute the possible benefits that could be derived from them (Bendor-Samuel (2001b). Therefore, it is very essential to first identify where the value lies before starting an outsourcing engagement to ensure that all benefits are fully reaped. Thus, it is recommended that more than one process be assessed when studying value creation. The reason is that since all business process interlock, scrutinizing them all at once helps organizations in appreciating any potential synergies available and the challenges that have to be faced, especially when IT is involved.

After values have been assessed and scrutinized, subsequently back office operations that are highly tedious and require specialised attention should be outsourced to reduce costs and ensure effective use of resources. These operations are usually critical for an organizations' progress. By outsourcing these businesses, organizations can better concentrate on their core competences while their back office operations are run by specialised third party organizations.

The shift from those early manual tasks has seen us move through other administrative and infrastructure areas, towards innovation: how can the company move further ahead faster than the competition? Outsourcing today and the expertise that comes with the specialist contractors has now embraced research and development (Rand), design, product management, marketing, communications, even personnel supply and management. That development has not finished. Already into strategic functions, it is not unlikely that outsourcing of core business areas, and even the strategic direction of the company, could follow (Booty, 2009). According to a report, A/53/818 (1999) of the UN Secretary-General on outsourcing practices, outsourcing is contracting with a third party to provide non-core activities and services, including related goods which can also be provided by United Nations staff.

The report refers to these non-core activities and services as support functions which can be outsourced as, but not limited to:

- Accounting;
- Payroll;
- Internal Auditing;
- Building maintenance;
- Bookshop/gift shop;
- Cleaning services;
- Catering;
- Grounds/gardens maintenance;
- IT;
- Postal services;
- Medical services;
- Printing and publishing;
- Recruitment; staff counselling;
- Security;
- Training;
- Warehousing;
- Transportation (ground, sea and air); and
- Travel services.

The report ended with the conclusion that these and other similar services may be outsourced however it does not include the procurement of goods and excludes the replacement or supplementation of staff by non-regular staff. The outsourcing engagement has its limitations, in that it does not cover contractual relationships with individuals, labour contracts or one-time service assignments given to corporate or institutional contractors. Eger *et al.* (2002), in their work on evaluation of transport organization outsourcing, identified information technology, asset management, material distribution, warehousing, fleet management, facilities management, security, medical services, engineering services, aviation and supply as commonly outsourced services in the manufacturing industry, US Department of Transport and Third Party

Logistics Service Providers in the United States. It is my opinion that these services are also common non-core tasks in the UN that should be outsourced. Presently some peacekeeping operations have begun to outsource more functions such as aviation and heavy duty maintenance, security and medical service, while the UN secretariat presently outsource payroll and travel services. While in the IT industry, the State of Texas, Department of Information Resources, (1998) identified the following services as the most commonly outsourced services.

Web Site Development and Maintenance

The growth of the Internet has led to an explosion of interest in Web sites and Web traffic. Planning out the requirements of an organization site and the use of new technologies or service provision methods will benefit a staffing decision process. Web site management is still relatively new, meaning that standards are still underdeveloped.

WANs

Wide area networks (WANs) are often primary candidates for outsourcing cost comparisons because economies of scale and service provider efficiencies are significant. Outside service providers may be better able to offer repair, maintenance, and added resources to handle peak request loads. If, however, the communications provide "front-line" services, such as representing an organization to clients, the communication is so critical to the organization that the loss of control is too high of a risk to take. Equipment costs and service charges can be compared to other service providers to ensure a fair price is set.

LANs

Local area network (LAN) services are increasingly popular as candidates for outsourcing, but can also entail higher risks because of the importance of

network connectivity and speed to the enterprise. Many of the same standards that are applicable to WAN also apply to LAN.

Desktop Management

According to the State of Texas, Department of Information Resources, (1998), a service provider must clearly understand its responsibilities and how payment for services is determined. Determining cost savings can be difficult, as hidden support costs are now made explicit by the service provider. Thus, costs may seem higher for outsourcing; Outsourcing benefits can be lost if end users are charged for support, compelling them to rely on non-IT resources for assistance. The quality of service/service level standards is crucial. The goal is to measure end user satisfaction, performance improvements, and cost reductions in the total cost of ownership for the IT architecture. Benchmarking service provider performance against other service providers can also be useful. Current service levels should be used as a primary benchmarking tool before outsourcing areas such as help desk management

Applications Maintenance

Time line measurements such as problem resolution time will be useful. Quantitative standards measuring business case improvements (i.e., faster caseload processing) must also be included. Stating the opportunity costs of staff time will be useful for identifying best uses of existing resources.

Applications Development

Despite the outsourcing advantages, such deals must be managed carefully, with special attention paid to delivery schedules, the rate of progress and end-user satisfaction. Care should be taken to ensure that the responsibilities of a contractor are clearly delineated according to the end user needs and end results desired. Security considerations are also important. Clearly defined outcome success standards are crucial to the success of these contracts, as is a

service provider's relationship with an organization. It is vital to focus on the development of deliverables, measuring business improvements in customer service or other value-added activities. There should be an actual measurement process for business improvements, rather than simply stating that a service improvement will be shown.

Data Centres

Mainframe/data centre operations were among the first IT items to be outsourced, as the emphasis was on consolidation of services to achieve greater economies of scale. Outsourcing all or parts of the data centre require an understanding of the role of the mainframe and other resources of an organization. If a development of new applications development remains important for the mainframe, then it is a strategic asset and outsourcing may not be the best option. If mainframe services are to be transitioned to client/server or simply kept as an "essential utility," then outsourcing those services may provide cost savings and business advantages.

Disaster Recovery

Disaster recovery services are important to any outsourcing contract. In any outsourcing effort, the organization must ensure that a service provider can continue to provide essential services in case of a disaster or other business interruption(s). Resources responsible for outsourcing management should also be aware of who disaster recovery planners are within an organization. Care should be taken to ensure that any completed contract that comes back in-house for operation and maintenance is brought to the attention of the disaster recovery planners so that it is covered in the internal disaster recovery plan. Two useful standards in disaster recovery agreements are a map of estimated capacity increases against service provider charges for increases and a standard for processor capacity evaluation. The satisfaction of end users and increased operating efficiencies are generally desired IT outcomes.

Table 6: Salary Scale for UN Staff in the Professional and higher Categories showing Annual Gross Salaries and Net Equivalent after Tax Deductions (United States Dollars)[7]

Source: UN Secretariat Information Circular, ST/IC/2004/599, 31 December 2004

D = Rate applicable to staff members with a dependent spouse or child

S = Rate applicable to staff member with no dependent spouse or child

								STEPS								
Level		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	VV
USG	Gross	189952														
	Net D	127970														
	Net S	115166														
ASG	Gross	172860														
	Net D	117373														
	Net S	106285														
D-2	Gross	141974	145065	148156	515248	154340	157431									
	Net D	98224	100140	102057	103974	105891	107807									
	Net S	90236	91854	93466	95072	96674	98269									
D1	Gross	129405	132119	134832	137547	140261	142974	145689	148403	151116						
	Net D	90431	92114	93796	95479	97162	98844	100527	102210	103892						
	Net S	83587	85050	86509	87965	89418	90867	92312	93755	95194						
P-5	Gross	106368	108679	110987	113295	115605	117913	120223	122532	124842	127150	129458	131768	134077		
	Net D	76148	77581	79012	80443	81875	83306	84738	86170	87602	89033	90464	91896	93328		
	Net S	70742	72014	73282	74550	75815	77077	78338	79755	80852	82106	83358	84607	85855		
P-4	Gross	86211	88303	90423	92650	94879	97106	99335	101563	103792	106108	108247	110474	112703	114931	117160
	Net D	63499	64880	66262	67643	69025	70406	71788	73169	74551	75931	77313	78694	80076	81457	82839
	Net S	59132	60390	61647	62901	64155	65407	66659	67909	69157	70405	71651	72896	74140	75383	76625
P-3	Gross	69779	71715	73656	75589	77530	79467	81402	83342	85280	87217	89156	91161	93226	95287	97350
	Net D	52654	53932	55213	56489	57770	59048	60325	61606	62885	64163	65443	66720	68000	69278	70557
	Net S	49149	50325	51213	52678	53856	55030	56206	57383	58558	59734	60906	62079	63250	64422	65594
P-2	Gross	56465	58056	59643	61344	63077	64809	66542	68273	70008	71742	73473	75209			
	Net D	43655	44800	45943	47087	48231	49374	50518	51660	52805	53950	55092	56238			
	Net S	40947	41985	51503	44057	45092	46130	47184	48234	49298	50341	51392	52447			
P-1	Gross	43831	45358	46883	48413	49938	51464	52992	53519	56043	57571					
	Net D	34558	35658	36756	37857	38955	40054	41154	42254	43351	44451					
	Net S	32599	33612	34625	35638	36650	37662	38676	39676	40672	41668					

[7] Effective 1 January 2005

As outlined earlier, the core function of most typical peacekeeping operations is purely political. However, there are other peripheral activities carried out in peacekeeping operations which should not be performed in-house. However, these non-core functions sustain and support peacekeeping operations. In identifying what is to be outsourced it is observed that outsourcing most of these activities that are non-core in nature would create value for an organization and lead to a better business focus on the organization's core function. Outsourcing of these services may also lower the high cost of social benefits (medical and pension subsidies) paid to staff member compared to what would be paid to service providers. In addition the outsourcing of peacekeeping operation support operations may also result in a reduction of staff at peacekeeping operations world wide and at the UN Secretariat and DPKO headquarters staff at New York. This reduction would free much needed resources that are tied up in providing remunerations for its staffs (Table 5).

In my opinion, the essence of advocating outsourcing for the UN is based on the fact that an organizations' objective in outsourcing its non-core function may be achieved should it lead to a significant reduction or control of fixed and variable costs while still remaining efficient and effective in providing support services required in accomplishing the organization's mandate and lower costs due to economies of scale and better control of its budget. It is important to outsource what we are familiar with. Often areas that are poorly understood or projects that use unfamiliar technologies are targeted for outsourcing. This puts an added burden on staff to manage a contract and a service provider dealing with technologies that they do not understand. Outsourcing should not be seen as just a money-saving management device or tactic, but considered in terms of the potential value it can bring to a business. It may cost more to outsource, but the job may be better performed, the company image may be enhanced, and it may release expensive management time for core activities (Booty, 2009). Lastly if an activity is not understood, an outsourcing organization cannot establish appropriate success measures for the service provider, verify service provider results, or even take over after implementation? It may be worthwhile to spend time and money to train staff on new technologies, so that familiar, well-understood, and well-measured activities can be outsourced thereby making contract management much easier.

2.4   **THIRD PARTY LOGISTICS SERVICE PROVIDERS**

The view point of third party logistics service providers or simply service providers, in relation to outsourcing concerns and practices as identified by the manufacturing sector are examined in this section. Both small and large providers are discussed with private and public sector organizations chosen to contrast their outsourcing practices.

According to Tracey *et al* (1998) outsourcing developed initially with a single service being contracted out such as cleaning, catering and security. These were later followed by maintenance, gardening/landscaping, mailroom and space planning which were controlled by in-house managers. This development continued with multi-tiered services and multi-skilled operators into more strategic services that markets presently offer. This move into a total business support service made it very difficult to adequately describe and articulate what organizations wanted from an outsourcing provider. However, the most important aspect of outsourcing services to providers is the ability to maintain the flexibility to grow in the outsourcing industry. To ensure that organizations will thrive satisfactorily until they get the next contract requires that businesses are managed with an eye towards the future. It is then very important to know the next contract over the horizon.

Presently there are six issues facing outsourcing service providers. The question of whether an outsourcing agreement affords the service provider involved with flexibility to change their technology platform overtime is perhaps the No. 1 issue. Every service provider should ensure that they are able to change their technology as their business grows, otherwise, a customer could require one type of technology though a different type if provided to other customers. This however does not mean that a firm has to disappoint customers' requirements regarding service levels and technology refresh over time. Instead, customer's requirements should be met in a flexible fashion. Issue No. 2 is whether a service provider has the freedom to move services offshore or use subcontractors of choice as a cost-savings approach? To reduce costs, outsourcing contracts should provide for relocation of services and working with subcontractors of choice. Organizations will be required, by customers, to negotiate appropriate confidentiality provisions and may attempt to assert other

limitations on these rights. The key to securing this right is to guarantee clients seamless, high-quality service.

The third issue is what other measures does a service provider have to undertake to keep costs under control? If a "cost-plus" contract is not an option, other alternatives may include per-service fee increases. In this event, a contract should allow the processing of change order requests through an orderly change-control procedure. When unforeseen events lead to cost increases, a provider should have the right to come to an agreement with a customer on additional charges. In addition, attempts should be made to reach an agreement with a customer to shoulder some of the burden of unanticipated cost hikes caused by customers that are not following agreed-upon procedures. Appropriate cost-containment provisions should be put in the agreement to ensure that a delay by a customer does not require a firm to sideline valuable resources. For example, if a customer delay forces a provider's personnel to work overtime, any increased wages should be paid for by the outsourcing organization. In addition, a contract can allow for cost-of-living increases if appropriate.

The fourth issue to consider is whether a service provider owns the work they develop during a customer engagement? An outsourcing contract should clarify which party owns work performed rather than leave this matter open to question or later negotiation. Vagueness could lead to conflict later on, therefore, a provider and client should clearly define ownership of the contracted work, whether it's software, business processes or other intellectual property developed over the course of the contract. An additional issue is whether a service provider is protected from the customer hiring the formers best employees away? Since good talent is always in demand, an outsourcing contract should reduce the likelihood that a customer will try to recruit the provider's employees by having an appropriate non solicitation and non hire clause enshrined in the contract.

The last issue is whether a service provider's outsourcing contract provided to the customer modular is enough? A master document that references concepts or attachments is appropriate to the ever-changing reality of any outsourcing. For

example, the term of a contract should state the number of years or months after any transition period is completed rather than specific begin and end dates. If your transition effort runs late, the length of time for service delivery is effectively pushed back so that a provider will not find that the delivery date is reduced. Contrast this with a more limited, specific date-driven contract that is not flexible enough to recognize the manner in which project plans may change. The flexibility to grow in an outsourcing business is worth considering in every step of the way to ensure maximum growth potential.

Service providers usually provide services on a small or large scale. Those providing limited services are referred to as small sized service providers while their bigger counterparts are referred to as large size providers.

2.4.1 Small Sized Providers

The main object of outsourcing between service providers are performance improvement and cost reduction, whereby small service providers, offer regular services similar to those of big service providers, but on a smaller scale.

Good providers should carry out initial an assessment of an outsourcing organization's operations prior to embarking on the outsourcing process. This assessment typically involves an evaluation of electronic information capabilities and quality measurement program. Expectations are typically defined by a core programme, policies and procedures, and through the contract language. Policies and procedures should be established to reflect the outsourcing organization's interest based on provider standards. Organizations show that a limited number of a client's existing facilities were retained once a provider was fully transitioned in to the new service delivery process.

Manufacturing organizations' providers usually do not use outside experts in any decision to outsource but rather use in-house expertise which is based on experience (Eger *et al*, 2002). This demonstrates that historical knowledge plays a vital part for service providers in an outsourcing engagement. By targeting clients on the basis of

geography and commodity, service providers consider a client's core competence, size and location when deciding to participate in a Request for Proposal.

2.4.2 Large Sized Providers

According to Howe (1998), most large service providers like Kellogg Brown and Root (KBR) and DynCorp, employ over 30,000 employees globally and provide full service logistics solutions featuring multimodal transportation services, facilities management, freight bill payment, warehousing, freight consolidation and security services. Larger service providers offer services and operations with competitive advantage based on situations, experience, and industry standards and provide common benchmarks for establishing goals. There is common agreement regarding cost reduction and performance improvement between small and large providers that cost reduction is considered the most typical goals for outsourcing.

Eger *et al* (2002) on a study of the US Department of Transportation Outsourcing indicated that for most of the large service providers, the primary barriers impeding the decision to outsource are technological limitations and a lack of a mature international network. Also organizations with the most influential factors of debt management, strength and physical equipment and capabilities indicated that they selected and reviewed providers by looking for the best in class and by considering those who are in the best position to deliver. Contrary to a manufacturing company, providers as outside experts are often involved in the client's decision to outsource. Providers' expectations are usually defined through a negotiated scope of work, within the contract language and with the use of key performance indicators, while their policies and procedures are established by integrating customer and provider minimum standards. It is important for providers to carry out an initial assessment of the outsourcing organizations' operations by two different SWOT (Strengths, Weaknesses, Opportunities and Threats) teams, who learn as much as possible about a client's company and notes should be compared. On the implementation of a new process, providers should attempt to maintain uninterrupted services and, therefore, a unified solution is achieved with respect to retaining a client's existing subcontractors and carriers.

Furthermore, according to Eger *et al* (2002), costs, timeliness of services, information accuracy and speed of feedback are key outsourcing performance measures that should be identified and should be measured through contract terms, gain and pain sharing, and specific key performance indicators. A provider's performance should be reviewed weekly and monthly depending on event basis and supply chain complexity. In addition, though unplanned, exceptions to normal organization's practices should be managed with realistic solutions. In selecting service providers, empowerment is not only vital at the shop floor but throughout an organization which is a major objective for outsourcing by the UN.   Meanwhile, UN's operations in developing nations use empowerment to enrich local economies these nations (United Nations, 2005). The process enriches skills and improves performance. When eventually an operation of the UN winds down, empowered nations are in a better situation to run their new country. Therefore, the providers who are able to impact knowledge on a local population are those with the right credentials for selection.

Lastly, though many organizations consider outsourcing a function or services because of anticipated cost savings, there is a need for better skills and management as well as handling of overflow situations. However they will be more willing to outsource should there be multiple reasons for doing so, for example, the need for reducing cost as well as selling off assets to a provider. Furthermore, due to financial and human resources implications, top management involvement is essential when making a final decision to outsource because moving a function to a provider may impact negatively on an outsourcing organization if the contract is not properly implemented.   Therefore, an outsourcing organization should have adequate knowledge of the *modus operandi* and objectives of the provider before entering into a contract. It should also be noted that providers have cost advantage in only a portion of a function, which usually does not include customized work which is difficult to standardize. Therefore, there are many activities within a functional area that the provider cannot provide at a lower cost and which would cost an outsourcing organization more should they decide to outsource it (Bragg, 2006).

Therefore, when making a provider selection decision, an outsourcing organization must know the providers' expectations for making money from an outsourcing contract, whether the provider would offer cost savings and how will savings be

generated. Another important issue is how a provider will behave when competing with other providers and how this would impact on the relationship with the outsourcing organization. Additionally, how to treat the selected provider is essential to ensure a good outsourcing engagement and the level of integration required to retain the selected provider. An outsourcing organization must realise that providers would require access to a lot of information that the outsourcing organization are willing to reveal. They should also envision further stages in the outsourcing relationship with the provider, which may include partnering. Therefore an organization should not enter into an outsourcing engagement where a relationship does not exist; otherwise an outsourcing relationship should be restricted to low-level functional areas. A good partnership would lead to strengthening of their relationship and financial support from each other. Another factor to consider is that there is an important caveat to think about when envisioning a close relationship with a provider. A provider may be more interested in earning a profit at the expense of forming a closer relationship. Therefore, an outsourcing organization must be able to differentiate between providers who want a long term relationship and those interested in short term profit only (Bragg, 2006)

2.5 THE TRANSITION TO OUTSOURCING

It is important to establish a post-outsourcing decision plan for moving forward on an outsourcing decision after agreement to outsource has been reached. This is because a number of issues arise regarding transition toward outsourcing. According to a study by Boyson *et al,* (1999), which was developed from a survey of managers in transportation and distribution across the United States many of the prevalent issues regarding the transition toward outsourcing were addressed. Based on the survey results, he suggested a strategic approach to outsourcing which involved identifying long-term goals and separating supply chain activities from core competencies, rather than focusing on outsourcing single functions to correct production deficiencies. According to the study, this approach to outsourcing should evaluate costs and potential process improvements that can be gained from obtaining a service provider. Eger *et al* (2002) added that these tasks are most effectively accomplished through the use of internal knowledge capabilities.

2.5.1 Planning and Managing Transitions with Third Party Service Providers

In outsourcing engagements, organizations turn over ownership of a non-core, important function or activity to a provider in order to get maximum benefit of a provider's expertise, economies of scale and access to resources. To ensure success there should be a carefully drawn out transition plan. Often overlooked, a transition plan and related costs are critical to a successful outsourcing engagement. Several types of transitions occur in any type of outsourcing contract, and all must be handled properly if the contract is to succeed.

(Bragg, 2006) described transition as the process of moving an organization's function to a provider that has many common elements regardless of the type of function being moved. The transition to a provider should follow a predetermined sequence of actions. The simpler the function or activity outsourced, the fewer the steps or actions to be taken or vice versa. Critical functions may fail during transition which may impact on the ability to operate. In addition, fast transitions do not give providers enough time to review an outsourcing organization and may result in an incorrect bid price that would require renegotiation to make it more equitable. To ensure success both parties would be required to formally sign-off on steps completed before moving onto the next step. However if a party is not willing to cooperate, then more time would be required until the particular step is accepted by both sides.

According to Goolsby (2001b), a transition plan should be from the outsourcing organization to the service provider management and should also detail costs involved in the transition process, and at the same time map the process by which the service provider becomes involved in the organization's activities and/or projects. Potential impacts on internal staff and end users should also be identified. An outsourcing organization could determine the result but would not be in a position to dictate how the process should be performed. Determining appropriate service level specification is a crucial foundation for successful outsourcing because it is the only way to ensure a comfort level for an outsourcing organization to set required service level specifications and then regularly measure a provider's performance to determine whether those levels are achieved.

Bragg (2006) further stressed that outsourcing organizations should create measurements that track a provider's day-to day performance as well as measurements that can be used to pay a provider more or less money based on how the process improves an outsourcing organizations' revenues or reduces its costs. Therefore, a baseline set of measurements should be calculated prior to transition to a provider to enable the outsourcing organization to have a measurement to compare the provider's performance with its own. Once a function is outsourced, measurements should be stored in trend lines so that sudden changes in measurement can be investigated to see if problems are occurring. An outsourcing organization should use its own staff to collect measurements information and perform calculations in order to obtain measurements that are not skewed by providers who want to achieve the best possible results.

Goolsby (2001b) further emphasized that service level specifications play two vital roles in an outsourcing engagement, they ensure accountability on the part of a provider and they determine the price of a service. However, Hamer (1988) mentioned that a service level or performance specification should be developed outlining desired response times, personnel and equipment resources as well as training results. Furthermore, since specifications would impact the price a provider will charge for services provided, the cost of such services would rise because they are setting very service level specification. Accordingly, the outsourcing organization's desired results as specified in the service level specifications would determine the price

Therefore, outsourcing organizations must clearly determine the scope and boundaries of an outsourced process before results can objectively measured, by ensuring that service level specifications are not ambiguous and are tied to desired results. Service level specifications can actually drive down price (Goolsby, 2001b). However, the most important focus for outsourcing organizations when writing contractual agreements for outsourcing is to eliminate risks. This is best accomplished through a clear, effective description of the process to be outsourced together with clear, effective and objective service level specifications.

In addition, to achieve a win-win relationship, Goolsby (2001b) advised that both parties must rely on the service level specification to determine where a provider's

focus should be because such a specification identifies the outsourcing organization's goals and the provider's guarantees, together with continuous improvement in the outsourced process. However, defining vital components of a contractual relationship is tedious and time consuming, unavoidably it is the only way outsourcing organizations can achieve results.

There should also be a plan for changes in workflow that results from service changes in outsourcing contracts. End users must be kept informed of goals and progress of an engagement and their input must be included in outsourcing plans. End users will have expectations regarding how the change in services will affect them. These expectations must be managed to achieve user buy-in and sign-off on outsourced activities. Educating employees and customers about new work methods must be part of an outsourcing plan.

Although many potential friction points as possible may be identified in advance, however, these friction points will not resolve themselves when they do arise. To ensure effective management, Lynch (2000) recommended that outsourcing organizations must have in place an effective structure and process for an outsourcing relationship, not only to resolve conflicts but also to manage any ongoing activity. Ideally, a logistics manager of outsourced functions from an outsourcing organization who chaired a transition team during the implementation of an outsourcing engagement would be the ideal relationship manager. Yet this may not be the right choice. An outsourcing organization must be sensitive to the principle that managing relationships requires quite a different set of skills from those applied in managing logistics activities. Although managers may be good logistics problem solvers, they may lack necessary managerial and leadership capabilities. An ideal relationship manager should be a problem solver, innovator, facilitator, and negotiator who has exceptional people skills and ability to get things done. A relationship manager must then strike a fine balance between being a logistics problem solver, willing to listen, a good communicator, with a high sense of integrity and a leader who can motivate and facilitate superior performance by a provider. The manager must be available to the provider when assistance is needed. (Lynch, 2000).

Bragg (2006) referred to this ideal person as a coordinator. However, regardless of the name, this key experienced staff should ensure that the provider takes over and operates the function effectively, which calls for an active provider performance measurement system. The person should also have excellent social skills to handle people oriented tasks, including passing of complaints to provider(s), negotiating contract changes and leading periodic relationship and milestone management meetings. Since the job entails building trust with providers, he or she should have management skills in negotiation, oversight and teamwork and should be in a top management position to enable him/her operate effectively (Bragg, 2006).

Therefore, a relationship manager must be honest and forthright in dealing with issues and be able to assign responsibilities. Frequently, major relationship challenges will not be with a provider but with outsourcing organizations. A manager then must be able to negotiate and influence internally as well as externally. An outsourcing manager must have the position and standing within an organization to combat these negative forces.

In view of the fact that in a logistics relationship, a provider will be the last contact with a product before it is shipped to a customer and therefore, service providers should treat them as extensions of a business and as one of the most important representatives of the outsourcing organization. Relationship managers must ensure that process changes are reviewed by a provider prior to implementation and the impact of such changes must be understood and communicated. Outsourced operations should also be treated in precisely the same manner as in-house operations because they are an integral part of the company.

Furthermore, poor communication is second only to poor planning as a major cause of outsourcing relationship failure. Consequently, communication in all aspects of an outsourcing engagement must be frequent and two-way. If a provider is to be truly integrated into an outsourcing organization, they must be kept fully informed of every aspect of the business that will affect them or influence their operations. Therefore, providers should not be left to operate in an information vacuum as this could cause outsourcing engagements to fail. Similarly, a provider must be encouraged to keep outsourcing organizations fully informed about their operations and plans. Since

unanticipated scheduling problems, work and equipment shortages may jeopardise an outsourcing engagement. An outsourcing organization's relationship manager must be sure that a relationship is mutual, open and honest as well as ensuring that prompt communication is encouraged, expected, and accepted (Lynch, 2000).

In addition, certain basic rules should be followed in dealing with any issues, regardless of whether they are provoked by outsourcing organizations' or providers'. This action can make even unpleasant communications somewhat more tolerable. However, the most important of these rules is to maintain open communication at all levels at all times. Communicating should not be reserved for only when there is a problem and there is no one best schedule for the frequency communications between outsourcing organizations and providers. Hence the most appropriate methods of communication will depend on the nature of the specific relationship. Regardless of the means used, both parties should rather over-communicate than not communicate enough.

Since the usual reason for outsourcing in the private sector, are generally to reduce costs and increase revenues, therefore, customer service capabilities and the cost of services are primary factors in selecting service providers. The study by Boyson *et al* (1999), also addressed the issue of selecting an outside service provider for outsourcing. According to the survey results, gathering information on available providers has been most effectively accomplished through in-house research and professional networks. Furthermore, after a provider had been chosen and contracted, the relationship between the organization and the provider was most effectively managed through centralised systems that rely on office of internal over-sight to audit and monitor the outsourcing agreement. Although public sector organizations do not necessarily have the goal of maximizing revenue, it is still essential to consider reducing costs and maintaining high quality customer service when choosing an outside service provider. This ensures a good outsourcing relationship with providers (Eger *et al*, 2002).

A contractual agreement is central to a provider relationship. In general, organizations are risk-averse toward outsourcing relationships. Boyson *et al* (1999), found that most contractual agreements include preventative measures, which are often reflected

through contractual clauses that unambiguously outline the relationship with a service provider including costs for services, provider responsibilities and provider performance monitoring (Boyson *et al.*, 1999)

A plan for transition from one service provider to another or from a service provider back to an outsourcing organization at the end of a contract should be in place. Transition periods can be painful for internal staff, service provider staff, and end users, and expensive for an organization, if a transition plan is not available to guide these efforts. Once a planning phase is completed, the next phase deals with the process of selecting a service provider. This process is covered in the next section.

2.5.2 Selecting the Third Party Service Provider

In the last 5 years, the business environment has developed at a rapid pace, such that senior executives that seek to keep their business competitive and fully optimised relative to the people-process-tools balance can no longer afford to ignore globalisation, offshore sourcing or full scope outsourcing (Fersht, 2006).

With more service providers in every outsourcing category, coupled with the rapid pace of change in technology, selecting service providers seems more complex than ever. Effective solutions should go beyond addressing current business function, but must be constructed to evolve as new IT and business objectives develop over time. Therefore, outsourcing organizations should not select a service provider based on only sales presentations but on substance (Goolsby, 2001a). However, effective solutions to complex business problem always involve more than tools. They include people and processes. Since work performed by a provider would have enterprise-wide business impact, providers must be able to ensure business continuity. It is also imperative to choose a provider that can put all pieces together, no matter how complicated tools and processes become. Nevertheless it is rare to find a single provider that can effectively deliver a comprehensive, fully integrated solution (Goolsby, 2001a).

According to Lynch (2000), the basic premise of outsourcing is that a company is selecting a logistics provider that is well qualified to perform logistics functions and

who will do so it in a satisfactory manner acting on their own initiative. Therefore an outsourcing organization's selection of a most appropriate service provider is critical to the outsourcing return on an investment because in outsourcing, a provider delivers services to an outsourcing organization using resources owned and managed by the provider. Additionally, the provider's capabilities and partnering approach provide a key component to delivering value (Fersht, 2006). Furthermore, the selection of service providers is a task which demands close and careful attention particularly if a contract is to be offered as a partnership agreement for a broad range of services over a long term by a single provider. Therefore, to ensure that the most appropriate provider is selected, certain principles must be observed if the selection process is to be conducted efficiently and a long term relationship be formed. Thus, a selection process should start with a bidding process and a specification of service levels as well as the commercial terms (Barrett and Baldry, 2003).

Cloete (2002) provided these additional selection criteria:

- Assess the suitability of the provider;
- Investigate the provider's financial stability and track record;
- Evaluate the relevant industry sector and international experience;
- Assess the provider's capability;
- Follow up on references;
- Determine the cultural 'fit;'
- Decide if you can work with the provider; and
- Assess the provider's commitment to the outsourcing organization's approach.

Menon *et al* (1998) described several other criteria that have been developed for choosing service providers in the United States. This includes three major selection criteria identified for choosing providers from a survey of Third Party Service users in the United States. The perceived performance of suppliers was identified as the first selection criterion. Perceived performance includes the perception of on-time performance, ability to meet promises, availability of top management, and excellent error rates. Perceived capability was considered as the second criterion and it comprises of the perception of creative management and financial stability of the

provider. The last criterion identified was the role of prices; though, the study suggested that performance and quality requirements outweigh price considerations. Based on survey results in a third study, Lieb (1992) identified an almost even division between cost and service considerations as most important for selecting a service provider. Prior experience with a provider, management capability, company reputation, and financial stability were other considerations identified for selecting a provider in the study.

Tracey *et al* (1998) indicated that though price is an important factor it is not completely relevant since selecting a provider with the lowest bid often created more problems because key elements that support a business may not be included. It is also important to weigh all risks and to recognise that any damage resulting from a poor selection of a low-cost bidder is likely to totally outweigh the difference in cost to the next lowest bidder or the alternative of in-house provision. It follows that total expenditure must be a principal feature in any selection process (Alexander, 1996).

Bragg (2006) advised that a provider may make a bid too low in order to win a contract, which he attributed to incorrect evaluation of specifications for the outsourcing contract. However, providers should not be held to the quoted price since an outsourcing organization's main objective for outsourcing is to select a provider that can provide quality services and also reduce amount of management time needed to run a function. Therefore, providers should not be made to lose money because it would inevitably lead to cost cutting and consequently a reduction in service level. Accordingly, it is better to notify a provider about a pricing problem with the bid and request for a revised bid that would reflects actual costs and profit margin (Bragg, 2006). The reason is that pricing issues are usually identified as the most common point of contention in an outsourcing engagement and should be avoided at all costs using appropriate mechanism to ensure a successful outsourcing relationship (Eger *et al*, 2002).

In my opinion, understanding the emphasis of a service provider's business, or what drives a service provider, is essential in choosing an appropriate service provider to meet specific needs. For example, large organizations are usually looking for extremely large contracts. Smaller contracts negotiated with large organizations might

not have as much impact on a company's profit and are not likely to receive the same quality of treatment as larger contracts. Often, if large organizations accept smaller contracts, they use the experience, contacts and revenues from several of these smaller contracts to better prepare them for the bigger contracts.

Several other factors influence the choice of a provider. However, the most important influences are quality, financial stability, physical equipment and capabilities, operational excellence. Quality program factors are also used to select and review subcontractors Eger *et al* (2002).

In selecting a provider, Rondeau *et al* (2006) advised that a provider's past experience and depth of experience are important considerations. Interviewing a provider's past and present clients, and inspecting facilities or services being managed by them can give a good indication of a provider's management experience, level of service, effectiveness, method and style, after a review of a provider's management style and experience. They further suggested that an additional visit to each provider under consideration should be scheduled to compare services, costs, firm size, structure and operations to ensure that the selected provider is capable of performing services using an appropriate level of resources for successful management of the activities

A more proactive strategy for service delivery is required in order to ensure that providers meet the challenge of delivering time and consistent high quality support. Therefore a provider with a proactive integrated management approach that can dramatically reduce operating costs and downtime, enhance performance and create opportunity for increased revenue would be the appropriate choice (Goolsby, 2001a).

Fersht (2006) added that effectively changing an outsourcing engagement to an outsourcing model requires applying best practices throughout all phases of provider selection process and further provided a comprehensive account of the phases of building an outsourcing relationship. He started by explaining that decisions relating to activities and functions that will outsourced and the development of the outsourcing strategy usually takes place before a provider is selected. The best practices at this phase can be segmented into four primary steps:

- Designation of a team of key individual to weigh all aspects of an outsourcing decision;

- The use of external experts to make unbiased, educated and objective decisions for an outsourcing engagement. This ensures that any unproductive analysis and internal disputes are avoided;

- Approaching the selection of service providers in a fact based and knowledgeable manner ensure that filters are applied against a multitude of outsourcing offerings in the market such as the alignment of provider's strategies and cultures; and

- Entering into a multi-tiered contract of integrated human resources, finance and accounting and procurement from a single provider.

Furthermore, Manring (2001) added that in the provider selection decision-making, the following ten critical questions should be put to potential service providers:

- Does the provider have a track record of service commitment?

- Does the provider have a clearly defined account management plan where, at least, an individual maybe designated to handle the account on a daily basis;

- Are the provider's current and past customers satisfied with the level of service?

- What is the quality of the provider's infrastructure and the personnel charged with managing it?

- What security measures are provided by the provider to guide sensitive information and protect outside intrusion?

- Has an adaptable and proven methodology that would ensure smooth transition been developed to govern the migration of operational responsibility?

- Are pricing of services flexible with price breaks and without hidden costs?

- Does the provider offer competitive advantage in the provision of services?

- How much flexibility does the provider offer in accommodating specific requirements? and

- How financially stable is the provider?

Fersht (2006) continued by explaining that outsourcing engagements are long term relationships that come with binding agreements, hence, organizations must ensure that the best available outsourcing partners are selected. For that reason, a RFP should be sent to each provider after a selection process. However it is usually better to meet personally with respective providers and develop a relationship early rather than relying on impersonal RFP.

In explaining the importance of price negotiation, terms and conditions, Fersht (2006) outlined the best practices approach as:

- Desiring a long-term, mutually beneficial relationship rather than trying to obtain the lowest price;
- Creating option-value for the outsourcing organization such as changing outsourcing direction, should business outcome change; and
- Ensuring that organizations understand that in most outsourcing engagements, outsourced services may be carried out differently as before the outsourcing engagement.

In the last phase, Fersht (2006) elaborated that outsourcing organizations must ensure that outsourcing relationships are two way and should one party fail, both may fail. Furthermore, parties involved must ensure that the relationship is adaptable to change and outsourcing organizations must continually analyse the relationship to ensure it is healthy. Furthermore, Goolsby (2001a) was of the opinion that organizations spend a considerable amount of time researching tools and service providers. Therefore, when these tools are purchased, they should be integrated into the enterprise environment. Furthermore, many interfaces and touch points must be addressed in order to make it as seamless as possible, unfortunately, implementing a tool is not enough to enable a tool to satisfy a requirement. To achieve desired results, people and processes associated with these tools should be linked to the rest of the organization's business process and service delivery. Unfortunately this is not usually the case as lack of integration is the primary weakness of service providers. Therefore a best-of-breed service provider would ensure that all the provider's tools are truly

integrated and that an outsourcing organization has a single point of contact. As a result, an end-user does not have to go from one system to another and/or one provider to another to find a solution to a problem. To accomplish this in a cost-effective and timely manner requires that all systems are fully accessible and updated seamlessly. Therefore, it is better to select a best-of-breed service provider.

Costs of support services are also greatly reduced when providers that use a fully integrated set of tools, people and functions are selected. Furthermore, unless providers have functions and activities integrated into the system, a customer will not get value. Moreover, providers with an integrated delivery system can anticipate problems and head them off, rather than waiting for problems to occur. There were also further indications that the number of applications and systems a person has to touch in order to accomplish a task is a cost factor that is usually overlooked by most outsourcing organizations. Accordingly a best approach to maximise use, benefits and productivity is to minimise the human-to-computer interfaces by ensuring that an end user does not have to touch more than three different tools in a typical call, thus maximising effectiveness and timeliness of services. Accordingly an outsourcing organization would have to rely on provider's experience and tools to achieve faster, more efficient services at predictable cost. Therefore, to achieve word-class delivery model, outsourcing organizations should select service providers that incorporate tools, processes and people (Goolsby, 2001a).

Additionally, before selecting a service provider or negotiating a contract, an organization should inform its personnel on the scope of an outsourcing agreement, what should result from it, how it will be measured, and what the reporting requirements are? Much of the preliminary work done in a cost-benefit analysis will pay off in the contract negotiation and management stages. Also once it has been decided that outsourcing is the answer and a provider should be selected, then performance specifications can be defined, and a RFP developed and forwarded to qualified service providers. A RFP may be as simple as asking providers to submit their standard proposal of product, function, terms and conditions as well as warranties or it may be complex (Hamer, 1988).

However, Morse (2001) indicated that requirements can be clearly communicated to the service providers in a RFP, so the initial responses will provide a full and clear picture of a service provider's ability to meet the needs of an organization. A RFP must reflect the type of service provider necessary to complete the outsourcing proposal successfully. Furthermore, one of the challenges in a RFP is to ensure that bidders responding to a RFP are actually capable of providing the service requested by an outsourcing organization. To ensure that a provider are fully capable of providing the services, outsourcing organizations should include reference checking as an integral part of a RFP process because there is not a more powerful or effective way to measure a provider's ability to provide services than to ask the provider's customers. Providers would be required to provide names and contact information of other firms or organizations where similar or related services have been executed. This would be followed by an interview to determine the level of customer satisfaction with the provider's services. The result of the interview would be used as one of the major evaluation factors in choosing a provider.

According to Morse (2001), a reference interview should be conducted within a reasonable time not exceeding one hour and should be carried out by an outsourcing organization using outsourcing experts (in-house or outside consultants using the following steps:

- Determining what makes a good candidate;
- Starting early, which involves initiating a methodology that allows for the performance of a reference check interview as early as in the RFP process as possible without having to wait until the bids are received;
- Using customer reference information. This involves using a specialised form for collecting reference information from the provider(s) ;
- Rejecting all incomplete forms. This is important since the questions are required to design interview questions in order to ask the right questions; contacting the reference by telephone. This is required to gain the cooperation of the provider and to build rapport as well as verifying the name, position and relationship between the reference and the service provider;

- Asking the right questions. This is one of the most important parts of the process because asking the wrong questions would get the wrong answers; and

- Summarising and scoring. Once the interview is complete, the interview team should score the categories based on their mutual impressions of the interview. The results can then be transferred to an overall scoring spreadsheet so the results of the reference interviews become part of the overall evaluation.

According to Jones (2001) reference checks should be carried out early in the RFP process to ensure that the right provider is identified recording all impressions as well as facts. He also warned that in selecting providers, it is necessary to develop a detailed analysis to assist in determining the current costs for the planned outsourcing function, which should be followed by an analysis of involved risks, and consequently a RFP can be prepared.

Inadequate time is another factor that may lead to the selection of an inappropriate group of initial providers which may in-turn lead to the creation of an insufficiently detailed RFP and prevent proper reference checks. Other factors include a wrong SOW that is too vague which may lead to incorrect bids being made on services that are not required. Bidding on services that are not required would lead to a renegotiation of a contract even when a selected provider has started work. There may also be insufficient definition of costs of services in a provider's bid such that bid prices become too vague (Bragg, 2006).

Jones (2001) further advised that clear outsourcing objectives are necessary for setting parameters, collecting appropriate information for analysis, formulating a RFP, evaluating proposal responses, analyzing and resolving trade-off issues, and negotiating a sound contract. This usually involves estimating benefits by performing a risk analysis, which identifies, analyzes, and prioritizes risks. After a risks analysis has been performed, a RFP can be developed by gathering provider information. This should be followed by an evaluation of provider responses and trade-off in deciding whether outsourcing is a viable option. Provider competition should be encouraged throughout the process through negotiations to ensure that regular

communication channels are strictly adhered to by the providers and that none of the providers goes directly to top management. Jones (2001) agrees with Morse (2001) on the importance of reference checking the provider. In addition, Jones (2001) highlighted the importance of relationship building by defining the relationship management process because it is a determinant of the success of an outsourcing engagement.

Also a service provider selection team should be developed that recognizes all business areas impacted by the project. Key staff to include on the team should comprise of the following categories:

- Senior management;
- Legal staff with contract expertise;
- Technical staff and information systems analysts;
- End users; and
- Financial staff.

In selecting a service provider the organization personnel should be sure that any agreement is entered into in accordance with applicable procurement laws. Another scenario exists where an organization is convinced that outsourcing a non-core activity, function or business process will enable the organization to compete favourably in the market. For example, an organization may have specific requirements for a provider but cannot find a suitable provider. According to Bendor-Samuel (2001e), an outsourcing organization that cannot find the right provider, has a lot of choices besides abandoning the outsourcing efforts. The four choices available are:

- Creating a privately owned service provider firm and have the advantage of being the first to market with a new process. Providers who believe they have an advantage can capitalize on this opportunity especially where they believe a larger market will develop in future by creating an outsourcing company with 100% ownership;

- Going into partnership with a firm that will provide the required capital needed to create the leverage necessary for outsourcing. The partner should have the equity necessary to ensure that outside capital flows into the outsourcing arrangement;

- Forming a joint venture with existing provider(s). However, joint ventures may have a problem sustaining capital formation unless the partners have agreed in advance to continuing expenditure for process improvement. It should be noted that joint ventures only work when a strong governance programme exists in the outsourcing contract; and

- Gain-sharing with a provider that will bear the risk and share the rewards. In this situation a provider is not interested in owning a firm but only wants to own a portion of the success the outsourcing provider earns by bringing in something new to the market. Outsourcing organizations simply want to be compensated for risks they bear in going into a new venture.

A chain of wrong decisions may lead to the wrong provider being selected. Bragg (2006) indicated that inadequate time may also lead to the selection of the inappropriate group of initial providers, which turning-turn would lead to the creation of insufficiently detailed RFP and prevent proper reference checks. He outlined that an organization considering outsource should find an appropriate provider through an outsourcing clearing house, that is organizations with the sole task of providing information on outsourcing services who also conduct seminar on the subject. It usually offers a directory of providers. An industry trade journal is also another source, including internet search engines such as Google and Yahoo. Consultants such as Deloitte, Everest Group may also be used. It is also important to know how providers compete against each other in order to differentiate between the bids received as this assists in the selection process. This they do by:

- Keeping their initial contract price as low as possible to win the contract and later build various clauses into the contract which permit price increases. They provide the lowest initial bid to obtain the business but allow it to earn profit on a deferred basis. According to Cloete (2002) it is important to select a provider that knows how to cost services and who are less likely to ramp up

the service charges as soon as an outsourcing agreement is signed. Therefore the outsourcing organization knows what to expect and the provider knows what to provide during pricing;

- Holding-on onto an outsourcing organizations for as long as a contract is possible, while at the same time locking out competitors;

- By offering free consulting services not only in advance but during the period of the outsourcing engagement. The services are targeted at recommending the services of the provider on a continual basis to the outsourcing organization

In conclusion Lynch (2000) pointed out that although successful outsourcing begins with selecting the right provider, it should not end there. The long-term success of outsourcing efforts depends squarely on how well relationships with providers are managed. However, Bendor-Samuel (2001e) added that if a suitable provider cannot be found, firms may create a service provider firm or go into a partnership when they believe that the gains from outsourcing far outweighs not outsourcing. Lastly, Bragg (2006) was of the view that providers can be found easily for all services unless the outsourcing organization is located in an isolated area like most UN peacekeeping operations or if the service is so difficult to find.

2.5.3 **Negotiating Outsourcing Contracts**

The organization's selection team should work through the evaluation of RFP's to select the most qualified service providers for a planned outsourcing activity. To conduct negotiations with service providers, a smaller negotiating team comprising of:

- Procurement staff expert in dealing with service providers;
- Legal staff with contract expertise;
- Outsourcing project manager; and
- Senior management.

According to Tracey *et al* (1998), once a reliable outsourcing partner or provider has been selected, negotiations and strategic works should begin towards reaching an

agreement on a clear definition of the services to be performed. Agreements on time, costs and resources should be reached so that an outsourcing engagement would proceed. Audit and progress reviews should be carried out at regular intervals and leading to a formalisation of the outsourcing engagement.

Subject area experts should be brought in to advise a core team as needed (budget staff, technical staff, and end users). Although the actual contract negotiation with potential service providers should begin after transition plans are made and the negotiation team has concurred on negotiation strategies, contract negotiation occurs whenever anyone in an organization is in contact with a potential service provider. Service providers obtain a great deal of access to organizational information during the negotiation of outsourcing contracts. This access must be recognized in order for an organization to conduct other business agreements, do strategic planning, and work with other service providers. A service provider who is awarded an outsourcing contract is in a unique position to identify organization strengths/weaknesses and use these observations to benefit an organization in future negotiations. Service providers will also have many contacts with organization staff. For negotiations to be as successful as possible, all organization staff should be aware of the service provider selection process, and be diligent in directing all questions and inquiries from potential service providers to the negotiation team. These precautions discourage covert information gathering by service providers. Some questions posed by service providers may appear unrelated to current negotiations but are, in fact, attempts to gather valuable information about a pending contract. Some examples of these questions are:

How many new or ongoing large projects are occurring within the organization?

An answer to this question could give the service provider insight into organization staffing loads and anxiety toward meeting deadlines.

Has the organization outsourced any other functions?

Furthermore, an answer to this question may also give service providers information about organization's negotiation skills and assessment techniques.

Groundwork done on internal services evaluation and measurements, positions an organization to successfully negotiate and establish an outsourcing agreement. The negotiation team can now focus on detailing the scope of the contract, identifying each party's roles and responsibilities, and ensuring accurate and appropriate measures for tracking adherence to responsibilities.

In negotiating outsourcing contracts, it is important to know that service provider business goals are and always will be different from those of an organization. While service providers can be valued partners with organizations, it has to be recognised that an organization's priorities and needs will differ. Preparation should be made to identify and resolve the differences that will arise. It is vital that management and responsibility always remain with an organization doing the outsourcing. Additionally, it should be accepted and recognised that external service providers will make money on an outsourcing agreement somewhere; otherwise they would not be willing to sign any contract. As outlined earlier, signing an extremely reduced-price contract in haste may lead to having to work with a service provider who is not responsive to organization needs and who sticks precisely to the letter of the contract, charging an organization for any additional services needed. In situations like this, the better the service requirements, specifications and the statement of work are, the better the relationship between organization and service provider.

Lastly Tracey *et al* (1998) established that there are huge benefits and business advantages to be gained by partnering with a provider. However, it requires a lot of effort and understanding and if an outsourcing partnership cannot be developed, a binding contract should not be reached.

2.5.4 Managing and Evaluating the Outsourced Contract with Service Providers

Outsourcing requires giving up control of a business function and trusting others to handle that function for you. Outsourced functions should be managed in the most effective manner possible and may require changing of a firm's organizational structure so that outsourced functions can be well managed (Bragg, 2006).

Rather than just a business tool, outsourcing is a new way to think about business. Therefore, a relationship between a company and a provider of outsourcing services is not the same as a relationship between a supplier and a customer (Tompkins *et al*, 2006). Furthermore, in any outsourcing relationship, it is important to start well with mutual understanding and agreement as to objectives, service level specifications as well as responsibilities and fair pricing. However, long term relationships inevitably will be affected by external situations that may cause an outsourcing party's interest in an outsourcing contract to differ thereby placing pressure on their attitudes towards each other (Goolsby, 2002b).

Jones (2001) also highlighted the importance of carefully defined service level requirements with sufficient depth to ensure that they are measurable. These requirements should be as detailed and measurable as possible. A provider's objective can be aligned with that of an outsourcing organization by stating the organization's requirements in terms of the performance of the organization and tying provider compensation to the business performance (Jones, 2001).

Thereafter, Tracey *et al* (1998) identified partnership with service providers as a natural, long term way of managing outsourcing relationships to the advantage of both outsourcing parties and described the process to follow. This includes an identification of services that have a potential for successful outsourcing through a review of the current support services. Explaining and selling the idea to top management and departments, followed by convincing the rest of the organization to participate willingly. The next step would be to choose a service provider, which can be done through market research, a review of the provider's performance as well as the quality and financial status checks. Furthermore, Rondeau *et al* (2006) describes partnering as the recognition that every contract includes as an implied covenant of good faith and not purely as a contract. Accordingly, partnering is the way people use to do business when a person's word was his or her bond and everyone accepted responsibility. A partnering process attempts to establish working relationships among the parties to an outsourcing contract through a mutual commitment for communication with trust and teamwork as the primary elements, while disputes are resolved through a recognised and agreed upon process.

Barrett and Baldry (2003) added that incentives for developing outsourcing relationships such as partnerships are based on dimensions of quality service. However they differentiated regular outsourcing contracts from partnering, where a strategic alliance is formed between outsourcing organizations and service providers based on sharing of responsibilities for the delivery and performance of services, including sharing of benefits arising from any efficient gains and cost saving.

According to Lynch (2000), Bendor-Samuel of Everest Group drew an interesting distinction between partnerships and alliances by suggesting that most contemporary outsourcing engagements are alliances rather than partnerships. Such an arrangement by its very nature will produce cultural differences, and this is particularly true with logistics outsourcing. While the objective of the two parties may be the same, their methods of achieving those goals may be quite different. Rondeau *et al* (2006) also advised that partnering can save time and money and has tremendous benefits when efficiently applied, while Tracey *et al* (1998) indicated that the full benefits of partnering results only when outsourcing organizations, consultants and service providers agree about their mutual objectives. He then went further to recommend that a partnering arrangement should be based on equality rather than being a one-sided paternalistic relationship. This requirement, argued Tracey *et al* (1998), is an agreement of mutual objectives which ensures that parties have a real chance of achieving greater individual success by working for a project's overall success than concentrating on their own narrow advantages.

Consequently, once the best service provider has been selected for an outsourcing engagement, plans including deadlines and final products should also be in place with the outsourcing organization focusing mainly on the core functions would then have to move forward in the outsourcing engagement. Care should be taken at this stage because successes and failures in outsourcing engagements are often attributable to the relationships developed between a client and an outsourcing provider rather than business issues. The reason is that after selecting a provider, there is a tendency to devote a lot of time to defining the outsourcing process and thereby spending less time communicating and understanding their partnership relationship. This should not be the case because the relationship between them is critical to the success of the outsourcing engagement and should not be taken lightly (Tompkins *et al*, 2006).

Accordingly, the main goal should be to effectively develop on what was understood in the selection process into a working relationship that would take the parties involved in an outsourcing engagement through a contracting process to implementation. Good, open, honest and unbiased communication is essential throughout this process. This would prevent the outsourcing parties from being left with false perceptions, unrealistic goals, lowered exceptions, and a weak relationship that may jeopardize the entire outsourcing engagement. Goolsby (2002a) agreed that once a service or process has been outsourced, an organization is not absolved of responsibility for the service/process and its success. Therefore where there are third-party contracts involved in an outsourcing engagement, cost savings can be achieved by giving an outsourcing organization the responsibility for managing the contract. In some outsourcing organizations, an outsourcing department or unit (contract management) within the organization or an expert firm(s) is hired for the outsourcing engagement. An outsourcing organization should also take precautions to ensure that processes, including knowledge and database are accurate as possible before turning over of responsibility to the outsourcer. Outsourcing that occurs because a process is not understood or in order to focus all resources on other processes will fail. Many organizations experiencing outsourcing complications have not paid enough attention to managing the contract.

Contract management requires the ongoing participation of internal staff in the outsourced activity. Bragg (2006) also acknowledged that only knowledgeable internal staff should be retained to exercise proper control over outsourced functions. Areas of involvement include strategic planning, quality assurance, phase containment, change management, and defining and monitoring the measurements. Contract evaluation activities are ongoing from the start, as internal staff work next to service provider staff and gauge service provider effectiveness in meeting established measures and/or deliverables. Tompkins *et al* (2006) recommended that steps should be taken to ensure that an ideal working relationship exists during the creation of an outsourcing relationship. In getting a relationship started, it should be remembered that many outsourcing relationships start poorly, because outsourcing brings together at least two organizations with different points of view, internal structures, information capabilities, and operating methods. Therefore, a poor start leads to an

ineffective relationship, which in-turn leads to a failed relationship as well as complicated and costly legal battles.

Therefore, as soon as practical, an implementation team comprising of members from the outsourcing organization and the provider should be formed to begin the process of creating the new relationship. The implementation team should be tasked with establishing multiple touch points between all parties which must go beyond a provider's sales department and the outsourcing team, and should involve staff with project management and implementation experience who will execute the work. This team should also have broad knowledge of the RFP, the solution, and the negotiation terms and contract. Additionally, it is recommended that industry standard contracts be used to formalise legal relationships between the client organization and service providers (Atkin and Brooks, 2005). Accordingly, the implementation team would then be tasked with getting the relationship started through:

- Setting initial expectations;
- Identifying resources upfront;
- Setting out goals and how to reached them; and
- Planning for resistance.

Lynch (2000) added that managing an outsourced relationship is not a straightforward task. Therefore, prior to implementation, contracts, procedures, and personnel should all be in place. Also the parties' expectations and possible friction points should be identified earlier, however over time, interests and goals may begin to differ and inevitably lead to a dysfunctional relationship.

Lynch (2000) attributed the causes of dysfunctional outsourcing relationships to these factors:

- Pricing and service levels agreements established at the start of the contract usually contain no meaningful mechanism for continuous improvement;
- Even if the cultures are compatible, there are still some fundamental differences in the goals and objectives of the parties to the outsourcing engagement that are frequently difficult to harmonize;

- All outsourcing contracts are based on key assumptions regarding technologies, business conditions, personnel, and other relevant issues. As soon as the contract is signed, these assumptions begin to change. However detailed a contract is or how favourable the terms are, most contracts cannot anticipate changes in an evolving environment. This phenomenon tends to ensure that one, if not both, of parties will become disenchanted with the relationship. Longer-term contracts that lack flexibility tend to increase the likelihood of dissatisfaction;

- Once a contract is in progress, there could be a tendency for both parties to try to maximise their gains at the expense of their relationship;

- Outsourcing organizations frequently underestimate the time and attention required to manage an outsourcing relationship. On occasions outsourcing organizations are known to have handed over management responsibilities to service providers leading to lowered quality because a provider's agenda is not in accordance with the outsourcing organization's business objectives. A probable reason is that the team that negotiated the contract often does not stay engaged in contract management and or a new team that may or may not understand the contract's intentions is given responsibility for managing the relationship. Also staff members who understood the pre-outsourced environment may have been transferred to the service provider's team. This disruption in continuity can have significant adverse effects on the outsourcing relationship.

Furthermore, in-house logistics managers may see a provider as a threat to their control or job security and may not totally embrace the relationship and therefore would not be completely committed to the success of the operation. Additionally a common source of difficulty is leaving providers to operate on their own, with little or no direction from the outsourcing organization. Though desirable, advice and counsel must be made readily available to providers. Tompkins *et al* (2006) describes relationships between outsourcing organizations and providers as failures when one party does not do what the other party expects. Most often, this is a result of mistakes providers and outsourcing organizations make early in an outsourcing process. Setting initial expectations early is the best measure for avoiding these mistakes.

In many instances, service providers may not know the real cost of providing their services until well into the implementation process. This is compounded when the costs of providing the service is not known. Therefore, as part of getting an outsourcing relationship started, both parties to an outsourcing engagement should work together identifying resources needed to perform the outsourcing functions. Once resources have been jointly identified and roles and responsibilities assigned, the outsourcing organization and the selected providers would need to determine how to achieve and measure success. According to Tompkins e*t al* (2006), the key questions to guide this process are:

- What is the essence of the outsourcing engagement to the parties?
- How will outsourcing success be achieved?
- What skills are required for the outsourcing engagement?
- What values will the parties practice? and
- How will outsourcing success be measured?

Moreover, when an organization announces its outsourcing plans, the usual internal reaction is an opposition to the project. This reaction is unfortunately inevitable, and therefore, plans must be put in place toward easing staff members concerns which are typically centred on such issues as fear of the unknown, job security and job loss. The use of open, honest, and frequent communication helps to ease these concerns. It is also vital to explain the outsourcing time table and what the outsourcing engagement would entail. Alternative job arrangements should be made for staff members who will not be part of the future or do not wish to be. The importance of a close relationship and partnering aspect of outsourcing should not be forgotten. Additionally, there are essential issues that should be considered in the course of managing and evaluating an outsourcing contract.

- *In-house Resources to Manage the Contract*

  Regardless of how large or small the outsourcing effort is, internal resources must always be assigned to manage a contract. Outsourcing a particular task requires fewer in-house resources to manage the contract. For example, help desk services have model standards and are usually well understood by current

IT service providers, so fewer staff are required to oversee a contractor's performance.

A larger, more inclusive contract, such as one for outsourcing development projects or overall IT management, requires more in-house oversight because of specialized measures involved and the importance of strategic planning to the success of these efforts. Management of an outsourcing contract requires a combination of in-house expertise. An outsourcing project team should be experienced in finance, organization processes, and IT activities. Specific technical knowledge may be required to oversee a project implementing new technologies or business processes, while legal counsel should always be an available resource. Oversight staff lacking these diverse strengths will not always be able to identify emerging problems and ensure a successful outcome.

Oversight of an outsourcing contract requires that adequate controls and consistent lines of communication be established to check and resolve problem performance issues. An outsourcing project team must have the resources and flexibility to deal with unforeseen issues that come up during the course of a contract. The outsourcing project team is responsible for evaluating the success and performance of the outsourcing contract.

- *Communication*

In managing outsourcing relationships, communication with the service provider is of utmost importance during the life of a contract. Knowledgeable internal staff must be available to identify problems and work with the service provider to resolve them. Service provider selection should have provided a service provider whose business/functional culture aligns with that of the organization, so that communication is fostered and developed to support the effort. Outsourcing parties would be required to collaborate and communicate so that the outsourcing organization fully understands the value that outsourcing can bring to their business, how the provider proposes to

deliver that value and how the relationship can be managed to benefit the outsourcing engagement (Goolsby, 2007)

Although benefits in overseeing staffing and utilising resources can be achieved from outsourcing, a service provider relationship will be one of give and take. An organization may not have to worry about staffing issues, but a service provider could experience turnover and other problems. Selecting and working with service providers that are flexible and are committed to organization improvement will create a beneficial atmosphere rather than one that degenerates into mistrust, rigidity, and strict adherence to the letter of the contract.

An outsourcing organization should remain aware of service provider communication with other organization employees in order to identify requests for additional work from the service provider that may be outside of the scope of the contract. Serious efforts have to be made to ensure opening communication lines between an organization's staff and customers throughout the project. Ongoing service provider/ staff communication facilitates outsourced work activities. However, if the work is done without the organization's input, the end results will not enhance the ability of the organization to accomplish its goals.

Usually since most failed relationships are usually due to missed expectations than service failure, proper communication ensures that expectations are properly set for the new relationship. This communication structure should be open and non- judgemental because it would ensure that protocols are created for regular discussions about the outsourcing engagement, staffing, progress and other issues (Goolsby, 2007).

- *Control and Accountability*

Parties to an outsourcing engagement should build multiple levels of accountability and feedback into the relationship using not only performance

measures but executive and operational checkpoints on the health of the relationship.

In peacekeeping operations, funds from the GA used for outsourcing engagements are subject to audit by internal and external auditors. The head of the peacekeeping operations would have to defend the budget before the GA Advisory Committee on Administration and Budgetary Questions (ACABQ). ACABQ is a subsidiary organ of the GA that consists of 16 members that are appointed by the Assembly in their individual capacity. The major functions of the Advisory Committee include examining and reporting on budgets submitted by the Secretary-General to the GA, advice the GA on administrative and budgetary matters referred to it, and consider and report to the GA on auditor's reports on the accounts of the UN and specialised agencies. However, in the private sector, private organizations seek to keep much more information about their business processes and solutions confidential, so the balance between the two must be maintained.

- *Documentation*

All correspondence and communications with a service provider regarding problems, change orders and all proposed changes, or the implementation of the outsourcing efforts should be kept in order, to resolve disputes or identify areas of strengths and weaknesses.

- *An Ongoing Review Process*

According to Bragg (2006), outsourcing parties should create a formal review process to ensure that probable areas of conflicts are quickly identified and resolved before they become severe. This ensures that the outsourcing relationship has a good chance of succeeding. Reviews of an outsourcing engagement should take place on a regularly scheduled basis to ensure that monitoring is taking place, and to identify potential problems or issues early. A schedule may be driven by event, date, product, or issue, depending on the

needs of the engagement. It is essential to incorporate input from end users or staff into the reviews. Attention should not be focused on service provider, IT, or financial problems to the exclusion of the needs of end users.

The performance review process should be kept separate from operational meetings. Performance reviews must focus specifically on success and performance issues, rather than on ongoing operational considerations that will otherwise tend to become the main topic of conversation.

- *Manage Project Requirements*

Scope creep can occur during a project if a service provider, while using outsourcing organizations resources, identifies additional requirements not included in the original scope of works to build a case for increasing project scope. In the same way, internal resources can add requirements not identified in the contract and cause price increases.

- *Plan for an Exit Strategy*

To reduce loss of negotiation power, since most outsourcing contracts will come to an end at some point, and the better prepared an organization is to talk to other service providers or to take the project back in-house, the better off the organization will be. The outsourcing service provider will also be involved in the organization's operations at the end of a contract. Recognition of where the service provider's involvement lies and a plan prepared on how to separate the organization's operations from the service provider as quickly and easily as possible is vital. A plan should also be drawn up for unscheduled contract termination which is equally as important as managing the scheduled end of an outsourcing engagement.

Goolsby (2002c) observed that all thriving firms occupying topmost positions in their business arenas share one characteristic that keeps their market share positions secure and shareholder value growing which is, their decision to join forces with outsourcing

service providers. Nevertheless instead of using outsourcing just as a tactical means of driving costs and inefficiencies out of business processes or functions, they use outsourcing relationships to strategically enable their capability of doing business to be better than their competitors. Considering the value that can be achieved through such a strategic impact, outsourcing is now an essential element in leading organization's business models (Goolsby 2002c). Tompkins *et al* (2006) stressed the importance of provider-client relationship describing it as unique with no absolutes. In essence, the structure of the relationship between outsourcing organizations and service provider is based on how they react to each other on a daily basis. The outsourcing organization and the selected provider should determine the basis of the relationship early in the process by identifying how all parties will interact and the structure of the relationship.

Structure of an outsourcing relationship is also important. Therefore, outsourcing organizations are more likely to have a successful relationship with providers if they focus on the structure of their relationship. To this regard, the first step in structuring a relationship is to define jointly what they mean by a good relationship. After that, parameters would have to be put in place to assist in realising this good relationship. The methodology should be kept simple but complete. It is important to use personnel from both organizations with the decision-making authority. Once basic parameters have been set, a structure that works best for both parties can be determined. With the proper relationship structure in place and steps taken to ensure that the relationship is based on trust, the next step would be to establish the fee structure for the outsourcing engagement.

The fee structure for an outsourcing engagement serves as the basis for the service agreement between outsourcing organizations and service providers. The best fee structures are developed mutually after the parties have explored all of the possibilities. A fee structure should not be too rigid or one that would not allow for changes inherent in a long-term outsourcing relationship, but should be as flexible as the relationships that create them. It is important that parties explore each option before deciding on which one will apply to the outsourcing engagement. Their goal should be to develop a structure that works best for them. Once the right fee structures are determined, discussions on how to build in improvement factors should

begin. It is essential that the parties discuss their joint expectations of the potential for continuous improvement and fee structure. A realistic and detailed timeline is equally important for the outsourcing engagement. This should be developed before the parties get involved in legal issues necessary for cementing the relationship. Furthermore, Goolsby (2002c) explained that these initiatives that strategically affect an organization's competitive advantages in differentiating itself in the marketplace produce the highest value in an outsourcing solution, much more than reducing costs or streamlining processes. In an example, she explained that manufacturing firms, warehousing, distribution and other supply chain functions are essential components of success, however, the infrastructure required for such functions is a costly investment for a manufacturer and is best handled through leveraging economies of scale and expertise of a provider. This is because outsourcing enables firms to maintain agility as it grows, especially through mergers, acquisitions and divestitures. However, the most important aspect is being able to identify the existence of such opportunities and making the right decision. Therefore, the ability to meet unique customer requirements and tight delivery windows is what differentiates an organization from others.

In another government outsourcing study with emphasis on the development of a contractual relationship with a service provider, a distinction between regulatory contracting and performance contracting was made (Behn and Kant, 1999). In the study regulatory contracting focused on the activities of the contractor. The rationale behind regulatory contracting is that there is one best way to fulfil a contract, that is, the government is the best way. The government is able to specify in contract language all details of the best way, a service provider will attempt to cheat the government, and the government will collude with service providers for personal gain if given the opportunity. Regulatory contracts are also not viewed as an effective outsourcing approach because they create few incentives for contractors to achieve the public purpose of the contract. With a regulatory contract, neither the outsourcing organization nor the provider is held accountable if the contract fails to produce the desired outcome.

Though, performance contract is a regulatory contract, however in the few services outsourced in peacekeeping operation, performance has always being specified in the

SOW and contract. However, implementation has always been haphazardly carried out. At the peacekeeping operation in Liberia (UNMIL), the procurement section inserted a clause regarding the withholding of performance bond as one of the conditions that must be fulfilled by service providers. This involves holding onto 10% of a service provider's funds as guarantee against default. The service provider on the other hand goes to a bank to get this performance bond. However, before issuing the bond, the bank holds onto a fee equivalent to the same amount covered by the bond. Meanwhile the peacekeeping operation pays the service providers services executed as follows:

- 30% - first certificate
- 30% - second certificate
- 30% - third certificate
- 10% - Retention

A service provider has to execute at least 40% of the work before the first certificate of 30% is issued. When this is combined with the 10% withheld for retention, and the performance guarantee of another 10%, i.e. a total of 40% (work done) + 10% (retention) +10% (performance bond) = 60 (total amount withheld). Therefore a total of 30% of the service provider's fee is tied down. This causes serious cash flow problems and prevents a service provider from performing at the desired result. Also service providers have on various occasions been requested by some peacekeeping operations to give discounts after their quotes have been accepted and this when combined with the fact that the UN does not give incentives for performance, only exasperates situations. However, performance contracting is a more effective approach to outsourcing because it creates incentives for a contractor to achieve the desired result of the contract. Performance contracting specifies expected results, allows the service provider to decide how to produce the desired results and only pays the contractor when the results have been achieved. The rationale behind performance contracting is that there are many acceptable ways to fulfil a contract, and the best way to motivate contractors who will implement that solution is to let them design it themselves. However, there are a number of potential problems associated with performance contracting. According to Eger *et al* (2002), performance

contracting might inhibit experimentation, encourage innovation in cost cutting but not service delivery, stifle overachievement, not provide for start-up costs, inhibit symbiotic relationships, reward promises but not performance, rely on outputs but not outcomes, use measures that distort behaviours, and undermine equity and fairness.

However, there are a number of strategies however, that organizations can use to overcome these potential problems. Paying service providers for significant progress and not just for the final outcome is vital because it encourages performance. Performance contracting must involve relationships that are linked to the mission of the organization, are easy to measure, understand and reproduce, and that facilitate benchmarking. Eger *et al.* (2002) in their work on US DOT outsourcing suggested that it is necessary to frequently monitor many performance indicators in addition to those specified in the contract. Being non-profit making, UN do not venture into performance contracting, although it is very cost-effective. The reasons are that these organizations do not have the managerial and technical skill to manage performance contract. Why? The UN, especially peacekeeping operations do not have suitably qualified staff. A reason for the unavailability of qualified staff is because the present recruitment method in the UN is based on quota or is dependent on the whims and caprices of project sponsoring nations whose citizens are selected because their countries are financing the project. Based on these reasons, one of the first areas that should be outsourced is recruitment. The Brahimi report and many other reports have recommended the recruitment of suitably qualified personnel from the private sector however the UN has failed to move forward in that direction. Even when this is done, it is still based on donor nations and on quota. The UN, at present should not undertake performance contract since they do not have the expertise.

Organizations must give consideration to a number of probable concerns arising from the changing organizational climate apart from transitional decisions regarding service provider selection and the development of a contractual relationship that occurs with transition to outsourcing. According to a study by Lieb (1992) that was based on a survey of chief executives in 500 largest manufacturing organizations in the US, some relevant issues that organizations should consider were identified. They are the two most common concerns regarding outsourcing which are a potential loss of direct

control over activities being outsourced and uncertainty about the level of services to be provided by the outside company. Other concerns include estimating the true cost of third party services and the potential internal problems that might result from a shift to outsourcing. Also noted in the study was that organizations mostly moved personnel around while some other positions were terminated. However, service providers absorbed some of the personnel. This may also be included in the terms of the contract.

An article by McIvor and McHugh (2000) on organizational changes resulting from transition to a service provider suggested a multifunctional organizational change strategy that supports cultural issues and has support and commitment from top management. The strategy requires collaboration across multiple levels in an organization. Middle managers should be involved in helping people understand new priorities and ways of operating. In addition, employees at lower levels are involved and allowed to participate in the transition so that they will understand the new values and systems that affect their own work. Furthermore, perspectives and responses from employees at all levels within the organization have a significant impact on whether the transition is successful. Accordingly, there is a requirement for changes in the cultural climate of the organization combined with a new focus on quality and customer relationships, if the transition to the third party provider is to succeed. Therefore attention must be given to these changes because performance is heavily dependent on attitudes and commitments of employees within the organization (Eger *et al.,* 2002). Regardless of the outcome, managing change is fundamental to the success of an outsourcing engagement. Assessing stake holder's requirement is the first phase of this process and having an open channel of communication is vital. An outsourcing objective must be initiated by top management and the process must be communicated down.

Lastly, the relationship between the contractor and the client organization's representative is crucial to ensuring that the service is provided as expected. Moreover, the client will want to improve the level of performance over time, so sound working relationships are important. Problems that might sour the relationship should be foreseen and avoided. For example, the person occupying the role of client representative might also be the person who prepared the unsuccessful in-house

tender. Organizations should, therefore, be prepared to make changes to their management, if necessary, to ensure that poor working relationships do not arise as a consequence of earlier decisions (Atkin and Brooks, 2005).

2.5.5 **Implementing the Outsourcing Contract Successfully**

Once a contract is in place, the next step would be auditing the outsourcing organization's performance which would highlight how well the advantages of outsourcing are being achieved. Risk analysis supplements this audit by revealing threats to achieving a contract' s expected benefits, as well as opportunities that a service provider may be missing vis-à-vis providing assurance, contributing to improvements, and developing understanding about the dynamic contexts, risks, and control issues involved in the outsourcing contract (Leithhead, 1999). Therefore during implementation stage, ideas and intentions are developed into a formal, planned outsourcing programmes leading to the transition to outsourced services.

Implementation issues must be addressed after a decision to outsource has been made and all costs and benefits included. It is important to recognise the complexity of an outsourcing engagement because it provides a better understanding of costs involved and enables the organization to develop a more successful contract.

There may be a need for independent verification and validation. External sources may be considered to assist an organization in managing the complexity of an outsourcing engagement. Organizations are available to help with defining statements of work, evaluating internal needs, evaluating service provider performance, and providing quality assurance. While these services represent additional outsourcing costs, they can enable the organization to reduce outsourcing risks and accomplish organizations' goals.

In determining what should be measured, it should be noted that several areas of measurement provide accurate and meaningful measurement. Lynch (2000) recognised the most common areas of measurement as warehouse operations, sanitation, productivity, order-cycle time, on-time performance, order fill, and

inventory variations. Therefore, depending on an organization's requirements the importance should be ranked differently.

Measurements are the primary means to determine the success or failure of an outsourcing process. Measurements ensure that a service provider is held accountable, and they determine the success of an outsourcing effort. If good measurements are not in place when the program begins, the contract cannot be managed effectively. Measurements identified early in the cost-benefit analysis should be used because they describe critical success factors where improvement should be seen. Measurements must reflect specific objectives of the outsourcing effort and must be readily obtainable through business processes and procedures. The standards are from three different areas and include;

- Outcome and performance based standards;
- Quality assurance standards; and
- Work and operational standards

The objective is to measure the success of a service provider in meeting the business needs of an organization. These measurements will be the tracking mechanisms for contract management, so contracts should include specifics about what will happen if standards do not meet agreed-upon expectations. It should be kept in mind that the type of contract signed will affect the standards used. For example, outsourcing contracts for consultants and applications will require more outcome-based measures, while technical support contracts may use a number of performance or work-based standards. Measuring the success of a project in relation to its goals is essential for outsourced application development projects.

Though forecasting the future is always difficult and often inaccurate, it is however, necessary. Accordingly the biggest challenge is to develop both costs (including hidden costs) and service requirements in light of expected technological and business change (which may be interrelated) over the expected life of the outsourcing engagement. The relevant requirements in outsourcing represent future costs. Without a good idea of future needs and the costs of meeting those needs, it is

difficult to outsource effectively and efficiently. In determining costs, it is important to first estimate administrative costs because it may cost more to administer an outsourcing engagement than it may cost to administer the same function internally. The reason is that these costs may vary with the size and complexity of a function to be outsourced and with the nature of the governance arrangements necessary to manage the outsourcing relationship. Once all costs have been estimated, this should be followed by a determination of whether the provider or the outsourcing organization should bear which cost (Leithhead, 1999).

An understanding of what is being measured is essential to ensure that appropriate business needs are being met and that analysis can be performed on standards selected. For example, tracking total costs does not allow for a breakdown of why costs increased. It will be important to know whether an increase was due to non-performance or to an increase in functionality that improved operating efficiency. Expectations should be well defined in a contract. Standards should establish what is expected and what happens if expectations are not met. It is advisable to use standards that support business goals. If cost-effectiveness is a major decision driver, contract provisions should include it to encourage the service provider to reduce costs for the organization. Contracts can also use incentives to encourage service providers to exceed performance requirements. Cost increases due to an addition of other services or additional work from the service provider are avoided if expectations are well defined so the scope of work is clear and explicit from the beginning.

Measurement should be tracked on a consistent and regular basis using different types of software that are presently available on the market that assist in tracking end-user performance-based standards. Standards and the pricing structure should be well described in the contract. Anything not specifically addressed in a signed contract is simply not in the contract. Revisions and changes to a contract can be made later as modifications or additional work with a corresponding expense charge. It should also be determined early in the scope of work how the contractor is to be evaluated. The scope of works should include whether the organization prefers a time-and-materials contract, labour-only, labour and material or a deliverables-based contract. Regardless of the type of contract preferred, there are important issues to consider on each side. A time and materials contract can lead to scope creep and a lack of service

provider accountability for the final ability of the project to deliver the needed service. A deliverables-based contract requires that the organization have criteria to evaluate deliverables on how well they meet defined expectations. Labour-only means that the organization must provide materials on a timely basis, less delay penalties would accrue to the service provider.

In measuring performance, Lynch (2000) stated that these four axioms apply across all industries and all providers:

- You cannot manage what you cannot measure;
- Performance standards must be measurable and achievable;
- Measure only what is important; and
- Performance measurement must be balanced.

Thus if an outsourcing organization does not know how well the provider is performing against agreed-upon standards and benchmarks, it will be impossible to evaluate not only the provider's efficiency but the outsourcing organization's own customer-service performance as well. On the other hand, performance standards must be measurable and achievable. As the relationship evolves, standards should be identified and agreed upon. As the operation comes online, however, it is important to initiate and conform to a regular measurement program. Realistic, measurable standards should be set and performance accurately evaluated against them. A common mistake is to establish standards that are so vague as to be absolutely meaningless which creates additional work for both parties. As a result, a measurement that does not have an impact on the operation, costs or customer service is not worth measuring. Therefore, only what is important should be measured. Too many measurements create too many details and lead to friction between the parties. Too few or too general evaluations make the performance difficult to manage. Measurement as well as the timing must be balanced (Lynch, 2000). .

The method of measurement depends on the type of operation or service. Warehouse operations and sanitation usually are evaluated on a monthly basis, with

more comprehensive inspections performed annually depending on the manufacturing activity or end product. For a food manufacturer, the sanitation performance will be a more serious evaluation of the two and harsher penalties should be enforced for non-compliance. Sanitation audits can be conducted by outsourcing organization quality assurance personnel or by outside agencies. Whatever productivity items are measured, they should be evaluated against realistic and mutually agreed upon standards which can be derived from either historical data developed from experience or through pre-engineered handling standards.

On the other hand inventory performance is usually determined by balancing the physical inventory (cycle or total) against the book inventory of a provider as well as that of an outsourcing organization. The contract should contain provisions outlining how discrepancies will be dealt with, but consistent unfavourable variations can be an indicator of other problems, such as orders shipped incorrectly or receipts not counted accurately. Often these errors will manifest themselves in other measurement calculations but whether they do or not, underlying causes should be investigated thoroughly. Additionally, in measuring compliance with standards, the performance of each service provider can be compared with that of others, thus facilitating ongoing measurement and benchmarking within the entire system.

Since measurement determines performance levels, Lynch (2000) pointed out that exemplary performance should be rewarded and not be taken for granted. However, there is the tendency for organizations to forget that approval and recognition are basic human needs. To this end, he advised that two of the most important aspects of managing an outsourcing relationship are motivation and reward. Therefore, a number of organizations have come to recognise that compliments and acknowledgments of effort are proven motivators, and have established formal programs for doing so. Whatever method for motivating and rewarding is selected, it is important to remember that recognitions must be ongoing and frequent and should be properly directed. A well-placed, complimentary letter sometimes can be a better motivator than an increase in salary.

On a successful outsourcing relationship Murphy and Poist (2000) advised that the most important factors for successful third party relationships between user and

provider are customer orientation and dependability. Customer orientation refers to being responsive to customer needs. Dependability refers to services provided in a consistent and reliable manner. The third most important factor for successful relationships from a provider perspective is change orientation, which refers to a provider's ability to adapt to a changing business environment and develop contingencies to minimize system breakdowns. Finally, the third most important factor for a customer, and fourth most important for a provider are timeliness, services and information provided promptly.

However, in order to ensure successful partnerships with third party providers, an organization should ask several essential questions before outsourcing.   In particular, it is important to ask whether an outsourcing relationship will reduce costs and improve efficiency in the organization. When looking for a service provider, an organization should consider hiring an outsourcing consultant or at least acquiring reliable legal assistance to negotiate the contract. However, an employee of an outsourcing organization should always remain an internal point person for searching for a provider. Once a provider is chosen, it is essential to clearly outline a complete scope of services being turned over to a service provider that understand the specifications of the contract. It may be necessary to include a dispute resolution clause. It is also essential to consider the length of the outsourcing agreement. For first time agreements, it may be beneficial to keep the contract short with a renewal clause at specific points. It is very important to have a clear set of objectives for the outsourcer, and that the outsourcer has a strategic plan to achieve the objectives. It may be necessary to consider penalties for not meeting and/or achieving objectives and incentives for exceeding them (Garr, 2001).

According to Petrick, (1996), several further strategies can be adopted by outsourcing organizations to develop and maintain a successful relationship. The requirements of all parties must be clearly defined and satisfaction criteria properly set to ensure that there is a common idea of expected results and terms of payment. Potential and existing problems must be fully disclosed and a culture suitable adopted. Finally, in-house project costs should be compared to outsourcing costs. Furthermore, it has also been observed that organizations are establishing relationships that allow them to turn to the provider repeatedly for various types of projects. High-powered outsourced

executive can be used frequently or seldom without layoffs. They are there when needed and not on the payroll when not required. This type of executive-level outsourcing has also been gaining momentum (Petrick, 1996).

Petrick (1996) added that an organization of the future must cultivate a knowledge base of the profession or industry it represents. Organizations should ensure that internal resources are focused on sustaining and advancing that knowledge base. Organization can select and negotiate the right long term relationships to perform functions that are peripheral to the maintenance of their knowledge base. The job of top management would be to oversee and manage the relationships. Accordingly, the most effective outsourcing arrangement is an ongoing relationship in which the outsourcing organization continually learns more about the client organization and its culture and can therefore serve it more fully.

However as outsourcing continues to evolve as the most effective strategic tool to achieve enterprise-wide value and completive advantage, a contractual arrangement must be carefully structured to ensure deep relationships that endure over time. Accordingly a key element is establishing a strong governance module as part of the agreement (Goolsby, 2002b). On the other hand, Bendor-Samuel (2001d) considered outsourcing success as a product of enlightened governance. Thus, both sides of the outsourcing industry are making tremendous progress in understanding how to structure outsourcing transactions. In-house managers of outsourced services from the outsourcing organizations have studied outsourcing process, learned from others' mistakes and therefore know how to capture the value outsourcing brings to their organizations by structuring deals appropriately. Their resulting sophistication has removed historical inequality in outsourcing negotiations, where the provider had all the natural advantages. This phenomenon is called outsourcing governance, which he added, was crucial to outsourcing success because someone has to direct the work, oversee the output and nurture an outsourcing relationship. He also considered that an absence of outsourcing governance would cause a fundamental philosophical problem for outsourcing organizations.

Goolsby (2002b) agreed that building a governance agreement into an outsourcing engagement is a crucial component of ensuring successful relationship over the long

term. Accordingly such an agreement must reflect the mechanism of how parties must interact and communicate at various levels of both organizations. This would involve handling changing business needs and new objectives, including planning for the future and continuous improvement of the value they wish to achieve through their relationship. Furthermore, Goolsby (2007) was of the opinion that a long-term value proposition and a focus on building a mutually beneficial relationship are very important criteria that should be considered by all parties at the onset of an outsourcing process. This relationship should be strong enough to collaboratively work through issues that arise. In addition, Bendor-Samuel (2001d) identified these five rules as being very essential for successful governance:

- Though their function is to direct work and oversee the output of an outsourcing engagement, a governance team consisting of managers of the services being outsourced, with good business judgement skills should be assembled early in an outsourcing process;
- Managers from failed or previous outsourcing engagements should be replaced with a new team to prevent meddling instead of governance;
- Apart from the providers, a governance team should also be rewarded for the success of the outsourcing engagement; and
- As outlined above, to ensure that a governance team succeeds, they must be placed at a corporate level where they can fully perform their duties.

Goolsby (2002b) further stated that without an effective governance element in the agreement establishing how the outsourcing parties will work together on a continuous basis and at the required service level, long term success would be unpredictable. Therefore, a governance element in a contract would prevent misaligned attitudes and reaction from governing the relationship. Useem and Harder (2000) indicated that there are four very important capabilities managers responsible for outsourcing arrangements must posses are strategic thinking, deal making, partnership governance and change management. Strategic thinking involves an understanding of whether to outsource and how outsourcing services that improve an organization's competitive advantage can be accomplished. The second refers to the ability of managers to broker deals that secure services from external providers and

ensure their use by internal managers. The third capability refers to the ability to effectively oversee an outsourcing relationship after a contract has been established. Ultimately, it is essential for managers to be able to manage change because organizations transitioning to outsourcing are likely to encounter employee resistance.

Tompkins *et al* (2006) added that it is also important to remember that addressing internal staff concerns is not a one-off situation. Though not permanent, resistance is inevitable and would last for a while in the life of the outsourcing engagement but would eventually recede. Therefore, the process of easing concerns should be used to strengthen the relationship with a provider as the organization strives to structure the outsourcing relationship. Also considered important is the relationship between the provider and the outsourcing organization as unique and unconditional. Essentially, the structure of the relationship between an outsourcing organization and a provider is based on how they react to each other on a daily basis. The outsourcing organization and the selected provider must clearly define the basis of their relationship, by identifying how all parties will interact and the structure of their relationship. Another aspect that ensures successful outsourcing is rewarding deserving providers, this Bendor-Samuel (2001a) indicated can be done by:

- Assisting providers win more contracts in the organization and in the market place;
- Extending provider's contracts;
- Relaxing service level agreements that are important to providers but insignificant to outsourcing organizations; and
- Encouraging providers to do more by reinforcing their value which will reduce the likelihood of failure in relationships.

Similarly, exceeding the levels may be seen as a potential trigger for bonus payments or other incentives, payable when a quantifiable benefit to the client can be seen. It is important for the contractor to know that they will be properly rewarded for success. If the supplier can add real value to the client's business, clients should be willing to share the value gained as a result of superior performance, in this way, service level objectives become highlighted as a critical parameter for both patties (Booty, 2009).

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Lynch (2000) advocated that it not be necessary to manage operations of providers, but rather an outsourcing relationship should be managed by knowledgeable, thoughtful outsourcing organization's relationship managers. Providers must be communicated with, monitored, evaluated, motivated, and rewarded. This will be a measure of success in the outsourcing relationship. As outlined earlier, the importance of communication cannot be over emphasized in successful outsourcing relationships. Using informal and formal communication methods employed by 63 highly successfully outsourcing relationships, Goolsby (2002b) selected the following 12 best practices in influencing attitudes for managing outsourcing relationships in respect of the communication component of an outsourcing governance agreement:

- The appointment of an employee from an outsourcing organizations with decision-making powers as relationship manager for outsourcing engagement;

- The development of peer friendship and deep understanding among counterparts from outsourcing and provider organizations;

- Structuring outsourcing relationships around a strategy that ensures frequent informal communication on an ongoing basis such that service provider employees are treated as part of the outsourcing organization;

- The establishment of a special board or committee that discusses problems, new ideas and reviews service level performance data on a regular basis;

- The appointment of an additional manager when implementing new objectives;

- The prioritization of action items on the outsourcing engagement;

- The use of planning sections to review effectiveness and strategic impact of relationship with service providers;

- The establishment of more frequent formal review meetings especially in the manufacturing industry or IT application development;

- The logistic of the meeting venue must be included in decisions to convene a formal meeting to discuss strategic goals and review performance;

- Top management level steering committee should be formed when the strategic objectives of a party's agreement dictates facilitating each others growth;

- The involvement of outsourcing organizations in the selection of key service providers staffs for day to day interaction between the parties; and

- The use of corporate weekly bulletins or newsletter for disseminating information to staffs especially during implementation and transition phases of a relationship.

Tompkins *et al* (2006) concluded that a strong relationship established at inception and carried throughout, will prevent outsourcing setbacks later and that communicating and interacting with the selected provider as a true partner will help ensure a successful relationship and therefore successful outsourcing. It is also crucial that continuity of service is maintained at all times especially during handover of these services to ensure that there is no deterioration in the quality of service delivery and timelines and deadlines are not compromised. Also a governance agreement should also form part of any outsourcing contract. A governance agreement is more than a statement of how the parties in an outsourcing engagement desire to manage their relationship on an ongoing basis and designation of individuals empowered to solve problems but also ensures an enduring relationship (Goolsby, 2002b).

2.5.6 Managing the Re-negotiation or End of the Outsourcing Contract

Today's managers are looking ahead and recognizing that the responsibility for ensuring the success of an outsourcing engagement does not stop once a contract is signed. A combination of uncertainty with a lack of attention to critical detail has created a present day scenario where outsourcing contracts are renegotiated or cancelled shortly after they are signed. To circumvent this, ongoing management of a relationship is required which should be done through meetings to ensure that problems are resolved and changes are agreed on thereby ensuring continued satisfaction.

According to Booty (2009), a key area, often overlooked at the outset of any contractual relationship, is what happens when the contract comes to an end; and it will, eventually. Few companies can afford to go 'on hold' while they sort themselves out; competitors are waiting to swoop in and take advantage of the gap in the market.

Bragg, (2006) was of the view that a manager must be able to make an informed decision when an outsourcing arrangement is no longer a viable option. Termination becomes inevitable when providers can no longer meet minimum service level and contractual obligations. Unfortunately many contracts specify termination in terms of the contract to avoid misunderstanding and ensure a hitch free end of contract relationship. Cloete (2002) also agreed that it is essential to include various measures that can be implemented in an escalating fashion when a service provider is not performing their obligations in the outsourcing agreement.

Contract renegotiation is an element that is often ignored or played down. It should be recognised at the beginning that the contract may change, or that a contract will end. According to Booty (2009), the end-of-contract options are to:

- Sign a new contract with the same service provider;
- Sign a new contract with a new service provider; and
- Move to internal resource management or bring the function back-in-house.

Any of these options involves significant organization time, money, and difficulty. The reason for signing a new contract with new service providers maybe due to several reasons, either because the first contract failed to live up to the service provider's or outsourcing organization's expectations. Signing a new contract with the same service provider may lead to higher contract costs as the organization becomes tied down with working with one service provider. Selecting a separate service provider will entail transition costs as one service provider moves out and another move in. There will be a learning curve for the new service provider, along with additional management and resource costs to the organization. There are also new contract and negotiation costs since another contract needs to be signed and managed. Switching to internal resources require that knowledge about the project exists in-house, and that adequate staff resources (time and personnel) exist to support it. Transition costs will again occur in this situation.

Many companies stay with existing providers through inertia, and fear of change. They may be unsatisfied with the existing arrangement, but they suspect that it would be easier to obtain improved contract terms, and tighter SLAs, from a new contractor, than by renegotiating the existing arrangement. This has dubious logic. The possibility, necessity, even, for change and continuous improvement should have been built in from the start. Changing contractors can take a year or more to organise, and is an exercise that is fraught with hazards, including the possibility of delaying tactics from the outgoing contractor, removal of key staff and run-down of efficiency, and possible confusion over ownership issues of dedicated equipment. Many of the same reservations apply if attempts are made to bring operations back in-house, since key assets, in terms of people, knowledge and equipment, have been relinquished, and you should also ask why you chose to outsource in the first place (Booty, 2009).

A common trait among failed relationships is that outsourcing parties fail to start off with a trusting working relationship where there is an understanding of each other's expectation and motivation which would result in good dialogue. Trivial costs, inadequate staffing and inflexibility on the part of the provider and the outsourcing organization were identified as additional areas of problem characterising failed relationships. Therefore, to ensure the success of a new outsourcing relationship, parties should enter into an outsourcing contract that allows for growth (Goolsby, 2007).

Furthermore, Bragg (2006) indicated that backing out of an outsourcing engagement may be due to incompetence or high prices of the provider but however it can be prearranged to ensure that the termination is as smooth as possible. Once a termination decision is made, an outsourcing organization must decide whether to move the function back in-house or shift to a new provider, which is usually driven by the presence of another provider that is considered capable of performing the task at a fair price. Returning a service in-house means that previous outsourcing experience was extremely negative in term of costs, poor service or bad relationship. Otherwise top management may feel that another provider may do a better job, therefore, the function should be moved to another provider. Though termination comes in various contractual terminologies, however the easiest to manage occur in transitional

outsourcing, where a provider is brought in to see the end of a system and usher in a new one (Bragg, 2006).

In most instances organizations that experience a failed outsourcing relationship would usually want to treat only the symptom of the bad relationship with the previous service provider. This practice is usually not the answer, unless what caused the original relationship to fail is first determined, or else new problems would be created in a relationship by over-treating the symptoms. It is recommended that the outsourcing organization informs new provider(s) that it has just come out from a failed relationship and advise him for the cause of the failure and ask for the provider's advice towards avoiding a repetition of the same in failure in future. Therefore, after a failed relationship, communication is vital, hence end-users should be informed early in a negotiation process of the need to take on a new service provider and why a new outsourcing engagement would be valuable to the organization and how it would benefit them (Goolsby, 2007).

To circumvent failure Bendor-Samuel (2001a) highlighted common mistakes made by providers in an outsourcing engagement that should be avoided:

- Ignoring the customer's unique needs;
- Ignoring the importance of leverage;
- Avoiding accountability; and
- Sending another team to manage the account

Bendor-Samuel (2001a) further expatiated that providers have the tendency not to listen closely to what their customers want but rather to tell them to do things their way which results in higher prices. Providers should rather focus on what creates value for their customers. He also underlined the importance of using leverage in an outsourcing engagement since it creates benefits for outsourcing organizations. Furthermore, providers try to shun responsibilities because of risks attached to it, however, maximising an outsourcing relationship, requires providers to align their interest with that of outsourcing organizations. Moreover, considering how much effort providers have to put in each day to make an outsourcing relationship work, it

would be foolhardy on their part to allow customer dissatisfaction and inflexibility in service provision. Therefore, a balance scorecard should be created when determining performance bonuses.

Since not all failed relationships are caused by the provider, Bendor-Samuel (2001a) further identified common mistakes made by an outsourcing organization that may lead to failed relationships. These mistakes should be prevented from reoccurring in the life of an outsourcing engagement. The mistakes are:

- Relying too much on executive contracts;
- Letting the provider lead the process;
- Paying by problem resolution;
- Interfering with the process;
- Signing a contract with too long a term;
- Evading accountability; and
- Forgetting the provider is a business asset.

Since an outsourcing organization would divest a process they currently own including the transfer of human and material assets, therefore they must involve not only top management but also in-house and/or external experts to ensure that the outsourcing engagement does not fail. Furthermore, although a provider is the expert and any attempt to dictate how the provider should perform the services may lead to increased costs and lower quality services. However, an outsourcing organization should know precisely its requirements before delving into an outsourcing engagement. Therefore, providers should not just be paid for fixing problem buts rather for correcting underlying causes of a problem and also they should do things their way and not in such as way that allows an outsourcing organization to enjoy leverage. Additionally, contract durations should be appropriate thereby ensuring long term relationships and short term contracts. Moreover, the right people from the outsourcing organization should be assigned to manage the process, which would guarantee proper accountability. It should also be noted that providers are an essential element in an outsourcing engagement, hence must be rewarded according (Bendor-Samuel, 2001a).

For contract negotiation to work effectively and efficiently, groundwork must be laid during the contract management process. Successful management of an outsourcing engagement means that ongoing relationships are maintained with service providers during the course of the project. An outsourcing agreement should enable outsourcing parties to share risks which would create incentives in making the right decision and the relationship should be give-and-take that is sound from top to down. Time should also be spent jointly defining the detailed service levels agreements which would drive the outsourcing organizations' business. These agreements should be less punitive and more productive in nature. This is more so in situations where the outsourcing organization was involved in a past bad relationship with a provider. Furthermore, an outsourcing organization has to position itself for renegotiations where it can cater for specific areas of concern, recommend useful contract changes, and still offer the possibility of ending the relationship with the original provider(s) as a viable alternative. It is therefore essential to understand that renegotiations will occur in even the best planned outsourcing contract due to unforeseen changes in technology or business needs. Therefore there is a need to ensure preparedness for renegotiation and understandings on what types of leverages are available to the organization.

It should also be noted that transition from a current provider can be very difficult. Therefore, outsourcing organizations would need to recognize that current providers often need incentives to fully cooperate in the transition (Goolsby, 2007). In the need to ensure a successful conclusion to outsourcing partnerships, Petrick (1996) recommended the following essential strategies for seeking and maintaining relationship with providers:

- An outsourcing organization should clearly define and specify their requirements in specific terms and ensure that both parties fully understand the parameters of the outsourcing engagement. Expected outcomes, results, time frames, and terms of payment should be mutually agreed on;

- Satisfaction criteria must be set making sure that both parties live up to their agreement. The reason is that in a successful strategic partnership, each party has a responsibility to the other;
- There should be honest open communications between the parties;
- Projects should be strategically chosen and consideration given to the merits and demerits to avoid unanticipated consequences before outsourcing;
- Outsourcing partners should be cautiously selected ensuring that a full reference scan is carried out;
- The cultures of the outsourcing organization and the provider should be compatible;
- The end results of outsourcing relationships are considered to be more important than the process;
- Reporting criteria should be established and progress monitored and tracked on a regular basis and highlighting important milestones which provides helpful parameters to the outsourcing organization;
- A realistic analysis (considering all known costs) should be conducted on cost of executing the project in-house as a benchmark in evaluating the cost to outsourcing;
- Price and performance standards for responsibilities, expertise, and risks involved should be negotiated without compromising on quality and expected results;
- A realistic time frame should be established to judge results with the aim of creating an ongoing, renewable relationship; and
- Ensure that staff of the outsourcing organization interacts with the service provider staff to provide interaction on the project.

Though not advisable, outsourcing organizations may decide that termination is not an option. Therefore, to avoid terminating contracts, the best way forward is to pay a higher fee in exchange for month-to-month services so that the outsourcing organization can observe service levels and the outsourcing relationship thereby ensuring that it is comfortable with the provider before entering into a longer-term contract. However this is only suitable for minor contracts that do not required commitment from both parties and cannot be handled on a transitory basis (Bragg,

2006). Lastly, emphasis should not be attached only to the winner of the renegotiated outsourcing contract but rather on negotiating a reasonable contract built on consensus and issue resolution for the outsourcing parties.

The next section deals with identifying and choosing alternatives based on the values and preferences of the decision maker and developing criteria to choose the best approach.

2.6   DECISION-MAKING CRITERIA

Making a decision implies that there are alternative choices to be considered, and in such a case we do not only want to identify as many of these alternatives as possible but to choose the one that best adapts to our goals, desires, lifestyle, values, and so on (Harris, 1998).

Decision-making is an informed selection of a solution for a problem. Important elements of this process include considering a range of alternatives and developing a criterion to choose the best approach. On the other hand, criteria are the characteristics we want our choice to meet. The alternatives available influence the criteria we apply to them, and similarly the criteria we establish influence the alternatives we will consider. Decisions are always necessary when there is need for change. This change may be in the form of improving performance. There should always be some standards determining optimal allocation. A study carried out by the Robotics Research Group at the University of Texas at Austin, titled "RRG Research Decision-making and Performance Criteria," referred to these standards as performance criteria. Performance criteria are vital when trying to improve performance. This is usually reached by defining the right criteria. Numerous performance criteria are usually developed and refined. However, due to mathematical complexity of performance criteria, there are some issues usually dealt with before they are applied to a decision-making process. These issues include sub-framed dependency, scaling, normalisation, task dependency, level of redundancy resolution etc. In the centre of this is normalisation, which, if not done properly could render the decision-making scheme ineffective.

Accordingly, every decision we make or do not make shapes our future. However it is easy to overlook an important factor, miss a desirable option or base the decision on unreliable information. In addition, fear of making a wrong decision may delay decisions leading to missed opportunities. A structured decision-making process ensures that important decisions are made on time and are based on fact, research, and analysis. The most important aspect of structured decision-making is to recognise and analyse components of a decision which involves these steps; context, objectives, options and criteria. Effective decision-making processes ensure that all four components are analysed. The first step determines the importance and context of the decision. In the second step, desired outcomes are highlighted and outcomes that are to be avoided are indicated. The third step, ensure that all methods are identified. To encourage creativity all options should be listed without criticism. The objectives should be reviewed as the criteria that will be used to rate the options developed. These criteria are clear conditions which must be met in order to have a useful decision or soft criteria that require subjective or qualitative analysis. Important rating should be assigned to each criterion. According to Sorach Inc (2000) an information portal on the World Wide Web, once these options have been established, they should be evaluated against the criteria.

Furthermore, in the measurement of validity and reliability, a criterion, is the standard by which a measure will be judged or evaluated (Kelly, 1998). The most promising options are then analysed to determine how they may be applied and what result they will produce. The options are analysed to gain a clear understanding of their implications before applying the decision- making criteria. This ensures that options are not discarded prematurely and that an accurate analysis takes place. It is also important to consider how many project decisions are made without formally evaluating potential consequences. The application of formalised risk management can improve a decision-making process within projects and help organizations to reduce risk exposure (Patterson, 2005). The economist magazine report (January 2nd 2003 Issue) stated that chief executive officers (CEO's) should implement a reliable risk management solution throughout their organization. Such a solution not only analyses risks, but also alerts top management of potential problems at early stages (Garten, 2003). The elements of risk should always be considered in all decision-making. Force Field Analysis may also be used to uncover risks or difficulties which

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need to be overcome when implementing the options. These are future outcomes that are influenced by unexpected factors that are not under the control of a decision maker. Thereafter strategies can then be developed to manage those risks.

Table 7:   Criteria development Problems and Solutions

Source: State of Texas, Department of Information Resources, (1998), Page 10

Criteria Development Problems	**Solutions**
Expectations regarding the project are unclear	Do the planning at the start to identify the purpose of the project, the organization's resources available for the project and the specific type of outsourcing that would match the project.
A lack of understanding of the project makes it difficult to identify and weight the costs and benefits of internal and external resources.	Allow sufficient time to research the project fully, contacting any internal or external experts available to the organization. Some resources readily available include other organizations and universities
Failure to compare the costs and benefits of internal and external resources on an equal basis leads to inaccurate analysis. A comparison of Full Time Equivalent (FTE) Costs to the contract total does not account for the soft costs included in the contract. Costs to the organization for in-house resources will be higher than a simple FTE count when soft costs are considered.	Evaluate the project on a matrix or weighted average list, providing consistent examination of the same options when discussing both internal and external options. Ensure that costs are clearly documented and all formulas for deriving costs are identified. This enables costs to be identified.
An accurate analysis of costs and benefits is difficult to make because there are not priorities in place to help identify and measure the needs of the organizations	Plan to identify priorities and establish weights for each criterion. Involve stakeholders and ask top management for inputs
The hard-to-quantify nature of some of the soft costs and benefits, such as "business advantage" or "access to expertise: make these costs difficult to identify.	Identify priorities and weights will help when including qualitative cost and benefits in the analysis. Establishing success measures that examine projects outcomes in light of organization's goals will add needed substance to the qualitative costs and benefits

In identifying outsourcing decision-making criteria, it is necessary to first recognize whether or not outsourcing is appropriate. To achieve this, several background questions must be answered. Table 6, illustrates the analysis process that helps to ascertain if outsourcing is an option, or if in-house staff represent the best use of organization resources. Once it has been determined that the use of external resources may be an option that would meet business needs, a cost-benefit analysis should be

used to compare what should be outsourced. However, according to Deloitte and Touché, (1996), a major problem with an outsourcing staffing decision happens when such a decision is based on a lack of understanding of expected benefits. A survey found that actual outsourcing contracts did not meet user expectations in any of the following five areas surveyed:

- Service provider expertise;
- Better focus on core competencies;
- Improved quality/delivery of IT services;
- Reduced costs; and
- Improved transition to new technologies

Table 8: Sample list of Cost-Benefit Criteria - Quantitative Direct Costs
Source: State of Texas, Department of Information Resources, (1998), Page 12

Quantitative Direct Costs	In-sourcing Considerations?	Outsourcing Consideration?
Personnel costs	YES	YES
Fringe benefits	YES	YES – embedded in contract
Materials/supplies	**YES**	YES
Maintenance/licences	**YES**	YES
Training	YES	**YES**
Contract (e.g., if some maintenance/ other peripheral services will still be performed by other service providers)	YES	YES
Telecommunication charges	YES	YES
New equipment costs	YES	YES
New software costs	YES	YES
Rent	YES	YES
Utilities	YES	YES
Travel	YES	YES – may be embedded in contract

Cost-benefits analysis enables decision makers to account for the full cost and benefits of outsourcing options. The analysis helps to prove or disprove whether a project supports an organization's goals and outcomes in the most effective manner. Its value stems from its inclusion of both qualitative and quantitative measures. A simple cost comparison will not show all true benefits or costs of a staffing decision. An outsourced solution may prove to be more costly or require more time, but may still be the best solution to meet the needs of an organization. Such decisions, however, must be fully documented with a comprehensive cost-benefit analysis in order to be justifiable (State of Texas, Department of Information Resources, 1998).

Other methods include, decision-making using multiple criteria. This method is used based on the assumption that in the real world, decision-making problems rarely collapse in to a neat single objective diagram. In addition according to classification of real world examples, spatial decision-making problems mostly fall in the bottom right cell, where world problems are inherently multi-objective in nature and consensus rarely exists concerning the relationship between the various objectives. Decision-making using multiple criteria is more appropriate to identify and maintain the multiple criteria nature of world problems for analysis and decision-making. Furthermore, decision makers are frequently interested in the trade-off relationship between various criteria which allows them to make the final decision in a political environment. This method entails choosing criteria and assigning weights to each criterion to identify its importance (Balcomb and Curtner, 2000).

Table 9: Sample list of Cost-Benefit Criteria - Quantitative Direct Benefits

Source: State of Texas, Department of Information Resources, (1998). Page 12

Quantitative Direct Benefits	In-sourcing Considerations?	Outsourcing Consideration?
Monetary value of staff time saved	YES	YES
Monetary value of new operating efficiencies (e.g., number of additional licences to be processed)	YES	YES – maybe evaluated on the basis of different technical solutions proposed by internal or external resources

In common complex task completion, multiple criteria are needed. To linearly combine these criteria popular method for dealing with multi-criteria optimisation, they must be properly normalised so that magnitudes are comparable and their weights correctly represent their relative importance. Linear mathematical formulation of fuzzy multiple criteria objective decision-making methods can be applied in organising activities. In this respect, fuzzy parameters of linear programming are modelled by preference based membership functions (Petrovic-Lazarevic, *et al*, 2003).

To ensure that a decision-making process is streamlined, it is necessary to make it more efficient and more accessible to users by developing decision-making strategies. According to the State of Texas, Department of Information Resources (1998), knowing and comparing organizations costs and benefits at the start enables them make the best decisions and act efficiently upon these decisions. It is important to compare costs as equally as possible, although confusion can arise for several reasons. Some of the problems and solutions are detailed in Table 6. Furthermore, Tables 7 to 11 provide examples of costs and benefits to consider when attempting to isolate specific costs and benefits important to the project. According to State of Texas, Department of Information Resources (1998), the list is not intended to be exhaustive; instead, it should serve as a beginning point for determining appropriate criteria. Some of these costs may be the same for both options, for example, if external resources are working on-site, they will have the same utilities cost as the in-house resources would have. In the same way, benefits may also be similar.

Table 10:   Sample list of Cost-Benefit Criteria - Quantitative Indirect Costs
Source: State of Texas, Department of Information Resources, (1998). Page 12

Quantitative Indirect Costs	In-sourcing Considerations?	Outsourcing Consideration?
Administrative overhead	YES	YES – embedded in contract
Divisional overhead	YES	YES – in some cases
Costs to other organizations or citizens	YES	YES – this is a project cost
Contract administrative costs	NO	YES – this will include internal resources and time

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Table 11:   Sample list of Cost-Benefit Criteria - Quantitative Indirect Benefits

Source: State of Texas, Department of Information Resources, (1998). Page 12

Quantitative Indirect Benefits	In-sourcing Considerations?	Outsourcing Consideration?
Service improvement to citizens	YES	NO
Flexibility of solutions	YES	YES

A final consideration regarding analysing of an outsourcing decision is the importance of recognizing the full costs of external service providers. On many occasions costs are not explicitly seen, but are accounted for in the fees charged by a service provider. The recognition of these embedded costs is necessary in order to make a consistent comparison between options.

Table 12:   Sample list of Cost-Benefit Criteria

Source: State of Texas, Department of Information Resources, (1998). Page 12

Quantitative Direct Benefits	Insourcing Considerations?	Outsourcing Consideration?
Availability	YES	YES
Quality of service	YES	YES
Impact on staff, other organizations and citizens	YES	YES
Legal environment	YES	YES
Security	YES	YES
Sensitivity	YES	YES
Planning time	YES	YES
Project time	YES	YES
Operational risk	YES	YES
Technology risk	YES	YES
Relationship risk	YES	YES

In identifying outsourcing decision-making criteria, Eger *et al.* (2002), compared US DOT and the manufacturing sector and agreed that they both rated business qualifications of provider as the most important factor influencing an outsourcing

decision. In addition, cost was considered as an important influencing factor for the US DOT which is inline with most public sectors ranking of cost information high on the list of informational needs to begin outsourcing.

Other criteria that may influence an outsourcing decision are usually quality, reputation, and operational excellence. For most manufacturing organizations, financial stability, operational excellence, cost, and quality are equivocally some of the most important factors in selecting a provider (Eger *et al.* (2002). In the past, although a provider with the lowest cost is usually the justifiable choice, however, presently that notion has changed. Instead, outsourcing organizations have recognised that selecting the right outsourcing partner is a key to maximising the effectiveness and value of the relationship, hence outsourcing success.

An organization must therefore, carefully assess the capabilities of potential outsourcing partners (Manring, 2001). In my opinion, non-profit making organizations do not usually consider financial gains (profit) a factor as a reason for outsourcing, however low priced providers are considered provided that other selection criteria are met.

Decision-making regarding outsourcing of non-core activities of UN peacekeeping operations are presently being handed down from the headquarters and this is not about to change. However to ensure a more efficient and effective decision-making process that is realistic, some of the decision-making should be carried out at the local peacekeeping operation level. Local operations of the UN should form part of or be included in the decision-making process. The reason is that being physically present and on-site they would have a better insight and understanding of the geopolitical situation and they fully understand the requirement and know the required criteria. However, strategic aspects of decision-making can be initiated and drafted at headquarter level but most of the input should come from the local operation. Decisions may also be shared between headquarters and the local operation.

In essence, criteria used to reach a decision invariably determine the choice of selection of service providers. Local service providers, though smaller, tend to enrich, empower and support the local economy. Decisions made at headquarters level to

outsource to larger service providers should be reserved for only highly technical and sensitive services that cannot be provided locally. Examples include supply of medical and communication equipment. Therefore the decision-making criteria should be flexible, realistic and applied on a case by case basis.

In my opinion the following important criteria should be considered in decision-making by the UN; legal, economic, and political considerations as well as the empowerment of the local population. Political consideration for example, involves outsourcing to less qualified local service providers to empower the local populace and encourage capacity building. On the other hand, political factors sometimes influence decision-making in profit making organization also but generally this occurs where it is seen as advancing enterprise profitability (Schwartz, 2004).

There are different criteria to consider when applying these lessons to the public sector. An example of typical criteria to consider in selecting a project delivery approach includes the following; initial project cost, final project cost, budget certainty, budget risk, potential for savings returned to the owner, early price commitment. Ability to manage owner scope changes, preconstruction services provided, speed of project design and construction schedule, schedule certainty, quality control, design liability, risk of claims are criteria which form keys to successful project delivery (Schwartz, 2004). Other essential components for an outsourcing decision-making process include establishing policies and procedures and performance incentives. A provider's (client's) policies and procedures are not used for defining policies and procedures for outsourcing (Eger *et al.,* 2002). However the manufacturing industry and service providers developed their own unique policies and procedures to meet the needs of the particular outsourcing venture unlike public sector organizations. These criteria form the basis of the decision-making scorecard. (*Eger et al,* 2002). It is my opinion that only on rare occasions are unique policies developed for specific projects which would be considered as an indication of the value history plays in decision-making in the UN.

However, organizations need to recognise that successful outsourcing of estate-related services comes from a process in which policies are clearly defined and procedures are progressive and transparent. All of this takes time and so organizations must plan well

ahead before embarking on an outsourcing route. If followed carefully, procedures that lead to outsourcing can provide a firm basis for the subsequent management and administration of contracts (Atkin and Brooks, 2005).

Performance incentives apply to all outsourcing projects. The differences between the public sector and the manufacturing sector appear to be a function of the institutional setting, including limitations placed on them as non profit organizations with respect to monetary rewards. Therefore, when addressing performance incentives, it is assumed that the manufacturing sector would regularly offer providers gain sharing or at least sometimes, while non-profit organizations would never offer monetary awards as a form of incentive due to the nature of their operation. Therefore rewards and incentives may be considered as performance enhancement criteria for private sector organizations but not non-profit making organizations such as the UN. It is also important to consider specific cost-benefit criteria. In doing this, the analysis should begin with a statement regarding the type of outsourcing under consideration (i.e. transitional or sectional) and the main project objectives. Costs and benefits will follow from the analysis because each item is identified and weighed in the light of these statements It is also important to provide a simple criteria template for an outsourcing versus in-sourcing cost-benefit analysis. In doing this, criteria, priorities and weights must be determined for each project depending on its individual circumstance.

Furthermore, a document by the department of Information resources at University of Texas at Austin, 1998, titled "Guidelines for Evaluating Internal and External Resources of Major Information Technology" *Outsourcing Strategies*, highlighted these rules as important cost-benefit analysis rules: "Benefits are as important as cost. Even if an option may be quantifiable more expensive, it may still be the most effective choice for meeting an organizations needs. Also a project will be difficult to justify or support if the project lacks specific, measurable goals and consistent, reliable information about the real costs and benefits of the project."

The document went further to state that cost savings remain a primary criteria and driver for management interest in outsourcing. The document also noted that cost savings are not always seen in outsourcing engagements, depending on the reasons

behind outsourcing and the type of outsourcing used. However, cost avoidance is also a consideration. Cost avoidance should not be used as a justification for making an outsourcing decision but can be considered as a potential benefit that may result from the decision.

In defining cost criteria, three general types of fiscal costs should be considered, project, management, and ongoing. A further criterion that is crucial to the success of an outsourcing project is measurement. Measures quantify the ability of both internal and external resources to meet end-user needs, analysis for strengths and weaknesses and evaluate alternative option for making changes. The right measurements are essential for evaluating options available for an organization (Eger *et al.* (2002). Therefore measurements are important criteria in outsourcing decision-making.

In addition qualitative criteria should also be considered such as time, risks, staffing and business value. The time available to complete a project is an essential factor in the decision about what type of resources to employ. Risk identification is an essential part of the analysis process since risks affect priorities and cost and benefits because of their impact on outsourcing project success. For example, using internal personnel who are knowledgeable of applicable goals, objectives and strategies of an organization's project helps to assure that the project will meet the need of the organization.

The need to avoid already overburdened resources may be an important consideration in the decision process. Understandably key staffing questions will enable an organization to identify previously unconsidered cost or benefit such as staffing issues (internal/ external resources, contingency planning and access to expertise) and their significance. Organizations should examine costs and benefits of using internal or external resources to determine the best possible application of their limited resources. Deciding that outsourcing is a viable option is usually because of one of two business value reasons such as, a determination of whether an external service provider can meet all business requirements at a cost lower than that provided by internal resources. Beneficial gains that otherwise cannot be achieved could be another reason (University of Texas at Austin, 1998).

Various organizations have a different range of criteria that are considered when evaluating alternatives to ensure that decisions are reached. A sport authority may consider the following items as their criteria for assessing options (Katrichis, 2002);

- Consistency with the Sports Authority mission statement;

- Short and long term profitability of the alternatives;

- Financial ability to execute alternatives (current resources);

- Effect on market share;

- Effect on sales; and

- Impact on existing customers

In his presentation on marketplace trend in Internet Protocol acceptance, Mr. McGrath, CEO Toshiba USA, drew on the trends and experiences of their authorised Toshiba Dealers at more than 800 locations through out United States and stated that: "From their experience, we have identified trends in decision-making criteria, real-life usage and how enterprises are making the transition to IP telephony." Thanks in part to CEO's effort, Toshiba Voice/Data Mobility offerings has gained market share year after year and has improved efficiencies for enterprises worldwide (McGrath, 2005).

Applying the right decision criteria determines the success or failure of a project. Deuser (1996) also agrees that before developing a control programme there are several criteria that must be addressed to assist in a decision-making process. Most programmes/project would not be feasible without the use of applicable decision tools or criteria. Proper decision criteria aid in prioritizing and developing successful programmes/ projects.

Apart from the usual considerations such as costs, investments, flexibility and return on investments utilised by managers in making product decisions, other criteria to be considered include:

- Manageability; and

- Time to market

When these other criteria are considered sound product decision may be reached to deliver quality services. However, in making technical decisions, various decision criteria must be synthesized and the relative value of each alternative assessed. The challenge is to integrate such diverse criteria to arrive at the best decision. A hierarchical framework can be used to collectively assess a variety of criteria that constrain technical decisions. This framework can then be adapted to help structure any problem where conventional process optimization techniques do not directly apply, regardless of the complexity of the problems since it addresses objective and subjective criteria (Reid and Christensen, 1994).

Developing criteria for decision-making is equally essential in the building industry. As vital decisions are made during building design, the process and accompanying tools assist the design team in prioritizing their goals, setting performance targets and evaluation design options to ensure that the most important issues affecting building sustainability are considered. A process called Multiple-Criteria Decision-making which is designed to guide design teams through stages in a way that makes sustainable building design easy and inexpensive. This process facilitates the communication of team priorities, the setting of performance goals and the evaluation of proposed building designs with the context of the conventional building design process to ensure ultimate building sustainability (Balcomb and Curtner, 2000).

Applying the right decision criteria determines the success or failure of a project. Therefore, before embarking on an outsourcing engagement several criteria must be addressed to assist in a decision-making process. These various criteria, derived from several sources and commonalities, provide important indicators, categories, attributes, and standards for the development of an outsourcing decision-making scorecard (Eger *et al*, 2002). The derived scorecard must define clear objectives allowing for common terminology and application. The goal of the next section is the development of an outsourcing decision-making scorecard.

2.7   DECISION-MAKING SCORECARD

The concept of performance criteria is not a new concept for most organizations. In various facets of support services of the UN, performance measurements are based on established performance criteria. Typical areas include engineering, IT, facility management and supply services. However, a traditional focus of a scorecard would be insufficient as a decision-making tool for UN in making decisions on whether or not to outsource because they are non-profit making.

In developing a contract performance scorecard, the main focus should be the definition of contract performance criteria. In the sporting world, a scorecard could be a card for recording the score of a game, match etc as in golf, or a card printed with names, positions etc of the players of competing teams. In the financial world, a scorecard is the profit and loss statement and the balance sheet, while in marketing, explains the performance of market shares. However, the scorecard referred to in the thesis is used as a standard for evaluating whether the service/function under consideration can be outsourced successfully.

In most organizations, measuring systems amount to preparing a financial-performance scorecard at the expense of more qualitative measures. However, using a market based scorecard analysis, organizations are better prepared with two market-based scorecards that reflect performance and provide possible early warning signals (Kotler, 2003). A customer-performance scorecard records how well a company is doing year after year, while the second measure called the stakeholder-performance scorecard is used to track the satisfaction of various constituencies who have critical interests in, and impact on organizational performance such as staff members, service providers and host nations. Standards should be set for each group and top management should take action when one or more groups register increased level of dissatisfaction.

The UN in considering outsourcing should develop an outsourcing decision-making scorecard. In developing an outsourcing scorecard for the UN, the measuring systems should reflect the various constituencies that they have to deal with to efficiently and costs effectively execute the outsourcing contract. Therefore, the mission and

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strategic direction of the provider must complement that of the UN to ensure that the relationship between the two groups is conducive to the outsourcing objectives.

According to BetterManagement.com, an information portal on the World Wide Web, before an organization can develop a scorecard; they must consider alterations to characteristics of a model that fits their particular circumstances. An outsourcing decision-making team would have to be constituted to manage any outsourcing engagement before an organization could successful carry out an outsourcing contract.

Another important aspect is the relationship between the UN and the service providers. This is viewed by both manufacturers and service providers as much more complex than a contracting relationship. According to Eger *et al.* (2002), when using the continuum in Figure 1, as the contractual relationship moves from a market relationship toward privatization, the complexity of the relationship increases. As a result, the importance of building a long-term mutual relationship becomes increasingly crucial. Thus, moving from a performance contract relationship to outsourcing requires that the focus of the relationship shifts from a set of contractual arrangements toward a mutual and trustful relationship that is continually managed by both parties. Successful outsourcing must be treated as much more than a specified contract and also as a relationship.

| Market | Performance | Outsourcing | Privatization |
| Relationship | Contracts | | |
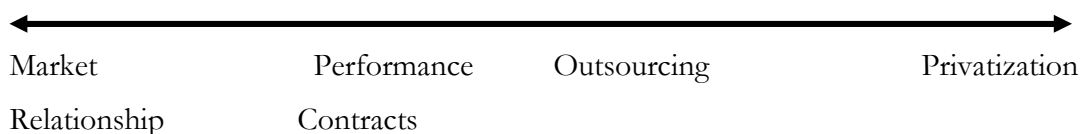
Chart 13:   Contractual Relationship Continuum
Source: Eger *et al.* (2002), Page 51

Furthermore, a strong relationship is seen as providing further necessary opportunities for refining outsourced services in order to achieve the goals and objectives of a contract. Therefore, there should be a need for the UN and service providers to focus on relationship-building beyond the prescribed relationship in the scope of works. The reason is that relationship-building is a critical aspect in the

decision-making process, regardless of whether the working relationship is not fully dependable.

The UN in considering outsourcing must first identify its core competencies. By so doing, nonessential services that they are currently providing but that can be outsourced can be evaluated. However, relationship-building which is an essential aspect for an outsourcing contract must be established between the UN and service providers. Non-core services comprises of activities and tasks that an organizations would consider essential to be provided on a continual basis, but not necessarily needed to be provided by the organization itself. These types of services can be successfully outsourced because of their long-term focus and less substantial impact on the operation of the organization as a whole. With a long range outlook and no project-specific focus, organization will have the ability to begin the process of relationship-building that is required for successful outsourcing (Eger *et a*l, 2002).

The scorecard will consist of questions that are intended to assist decision makers in determining if a potential for relationship-building exists. When this does not exist, the service under consideration should probably not be outsourced. If however, a potential for relationship-building does exist, the scorecard will assist decision makers in identifying specific issues that need to be addressed before outsourcing begins or that may prove to be barriers affecting the success of outsourcing the service. The scorecard that will be developed from at the end of the research is new but rather a modification of an existing model from private and public sector firms. The fundamental assumptions and postulates of the existing model used by private and public sector firms would not be altered. The scorecard developed for the UN and its peacekeeping operations from criteria identified in the research is based on the unique nature the UN and feed-back received from questionnaires and interviews.

In conclusion, based on the private sector experience, a management tool, called a scorecard, is the only means to ensure that the UN achieves desired outsourcing results. This scorecard should be designed and put in place early in the outsourcing decision-making process before a service is provided and should serve as a benchmark for objective measurement of performance for both providers and outsourcing organizations. As outlined earlier outsourcing criteria required for the scorecard are

then derived by evaluating common challenges and objective measures between the UN and the private sector. Thereafter through the use of these appropriate decision-making criteria an outsourcing scorecard could be developed. The scorecards developed in the thesis will serve as decision-making tool for the UN considering outsourcing for a specific service. The tool is designed to first provide an indication of the institutional setting of the organization. The institutional setting will include identification of whether the service under consideration for outsourcing is a core competency and has a long term focus.

2.8   SUMMARY

This review started by defining the functions and operations of the UN as a whole and its peacekeeping operations in particular. It went further to accentuate the need for privatisation of various aspect of the UN through outsourcing. It also compared outsourcing of services in the private and public sector and highlighted theirs advantages. It discussed how the advantages of outsourcing can be applied to the UN to make them more cost-effective and efficient. It also described the outsourcing decision-making process and addressed the initial step involved in an outsourcing process as well as highlighted reasons why the UN should outsource their non-core activities. The decision to outsource was also discussed. Outsourcing best practices of the private sector were compared with legal, economic, and political considerations that must be made when applying these lessons to the UN.

The functions of a service provider were also highlighted and the type that should be employed in an outsourcing engagement described. According to most of the work reviewed, strategic direction is seen as an important factor that influences the selection of providers for these outsourcing tasks. The review also identified other important objective criteria for assessing provider selection which included financial stability, reputation, physical equipment and capability, operational excellence, information technology, cost, quality, and compatibility. Transition to outsourcing was also examined, with special emphasis on the process of choosing a service provider once an organization has decided to outsource. Methods by which both private and public sector organizations conduct analysis and evaluation of existing outsourcing agreements were highlighted.

The process of establishing decision-making criteria is discussed together with the goals and objectives as well as the development of strategy and programmes are critically analysed since they determine criteria to be utilised in a decision-making process. Furthermore, methods by which both private and public sector organizations develop decision-making criteria and scorecard necessary for a successful outsourcing decision are highlighted. It is also established that having a goal that is carefully defined with measurable deliverables is essential, however, open mindedness, accuracy and thoroughness in the development of an outsourcing relationship will provide critical trust, necessary to assure the desired outcome, and this should be incorporated into the decision-making scorecard. Finally, the objective of the thesis is the employment of appropriate decision-making criteria derived from collected data in developing a decision-making scorecard which would serve as a decision-making tool for the UN in identifying services that can be outsourced successfully.

CHAPTER III

DATA COLLECTION AND METHODOLOGY

3.0   **INTRODUCTION**

The objective of the thesis is to translate the private sector's extensive outsourcing experience into a scorecard that would serve as a decision-making tool for the UN in identifying services that have a potential for successful outsourcing. To achieve this, the thesis identifies outsourcing criteria applicable to the UN which is used as the basis for development of the decision-making scorecard. Being non-profit making and due to the nature of services they offer, the goals and objectives would differ from those of profit making firms. Therefore the traditional focus of a scorecard would be insufficient as a decision-making tool for UN managers in making decisions relating to whether or not to outsource. The traditional scorecard will be modified to suite the unique needs of the UN. This effort supplements and ensures completeness of the scorecard for the purpose of the UN.

In order to attain the objective of this research and ensure that the model outsourcing decision-making scorecard is suitable to the United Nations' outsourcing needs, there was a requirement to examine the outsourcing practices of the UN and the private sector firms (manufacturers and service providers) and establish whether a relationship exists between the groups. It was also necessary to review some decision-making criteria utilized by the groups and to determine whether a correlation exists between them and the scope of these relationships to gain a better understanding of outsourcing and how it can be successfully applied to the UN (Leedy and Ormrod 2001). These important criteria include risks, establishment of goals and objective, barriers to outsourcing, the use of experts, provider selection, benchmarks, establishment of appropriate policies and procedures and the evaluation of a service provider's performance. A correlational study examines the extent to which differences in one characteristics or variable are related to differences in or more other characteristics or variable (Leedy and Ormrod 2001).

Hence it was necessary to use the quantitative research method for the statistical investigation of the relationship (Leedy and Ormrod 2001). A quantitative study was adopted as the appropriate research method because of the need to fully analyse all outsourcing trends, associations and relationships between the UN, manufacturing firms and service providers (Leedy and Ormrod 2001). Additionally, to ensure the research study is accomplished in a very clear and direct way, since it will define a population more clearly and to develop the instrumentation more specifically (Buys, 2005). The intent is to establish, confirm and validate relationships to develop generalizations that contribute to theory (Leedy and Ormrod 2001).

The chapter starts with a general introduction into the methodology of the research and followed by a detailed description of the samples and data collection method. The firms and organizations surveyed are:

- Fifteen service providers;
- Fifteen privates sector manufacturing firms; and
- Ten UN peacekeeping operations

3.1 METHODOLOGY

Since the research required a statistical investigation of the relationship between the UN, manufacturing firms and service providers, a correlational research was deemed appropriate (Leedy and Ormrod 2001).

These consideration where considered before quantitative research method was adopted for the thesis (Leedy and Ormrod 2001).

- There is an objective reality that can be measure

- My audiences is familiar with quantitative studies

- The research question is confirmatory

- The literature available for the study is relatively large

- The research focus covers a wide area

- The time available is relatively short

- A high desire for structure

- Skills in deductive reasoning and statistics

- Strong technical and writing skills

3.2 INSTRUMENTATION

The survey instrument was constructed from current industry literature, annual financial and management reports of service providers and manufacturing firms. Others include the financial performance reports of peacekeeping operations and the report of the Secretary-General on the financing of peacekeeping operations.

The manufacturing firms and service providers are used as very good examples of private sector outsourcing because of their extensive outsourcing experience. Information about each individual firm was collected through telephone interviews, the internet, periodicals, executive summaries, research sites and industry trade data. However, most financial and management information was gathered from online annual and management reports of the respective firms.

For the UN, the financial and management information was abstracted from United Nations General Assembly documents on the financing of United Nations peacekeeping forces for the period 01 July 2005 to 30 June 2006. All other information was from the survey responses and personal interviews.

The annual financial report and statement of account which normally gives a fair representation of the affairs of firms were the main source of the financial and management data used in abstracting financial information from the group. Others were from individual financial records of the groups.

3.3 DATA COLLECTION

The quantitative research was carried out through telephone interviews, written questionnaires. The interviews were structured in such a way as to ensure that the same questions were always asked, however, semi structured interviews were also

employed when clarifications were needed (Klopper, 2003). The surveys and interviews were developed to recognise the unique issues facing each of the organizations as they face outsourcing decision and implementation. Three separate questionnaires were developed and used for the surveys for the groups: 34, 62 and 39 questions respectively for the UN, manufacturing firms and service providers respectively.

A variety of question formats were used which included multiple choices, rating scale and important scale including close-ended and also open-ended questions (Klopper, 2003). They were designed to be broad enough to be applicable to all the UN peacekeeping operations, service providers and manufacturing firms. Several modifications were made to the questionnaires depending on earlier responses received to ensure that all questions are simplified and explained. Emphasis was placed on outsourcing goals and objectives because they form the basis of the thesis which addresses outsourcing decisions and implementation. Furthermore, services presently being outsourced by the groups, and their outsourcing policies and procedures were used to confirm the outsourcing history of the UN, service providers and manufacturing firms. The type of outsourced activities, barriers and risks associated with outsourcing, together with the use of outside experts were used to confirm whether a relationship exists among the groups and if there is a reliance on institutional history to guide benchmarks between the UN, the private sectors and service providers. Outsourcing of services to local vendors as a peace-building measure was also included in the questionnaire to highlight the extent that outsourcing has been able to enhance the local economy, encourage capacity building and empower the local populace.

One would have imagined that gathering information from United Nations would be simple and easy, but on the contrary, it was apparent that the service providers and manufacturing firms were more used to dealing with other firms, universities and research institutions in sharing and exchange of information. The UN, especially the peacekeeping branch, on the other hand indicated that authorisation had to be sought from their headquarters due to the sensitive nature of the questions in the survey. This was an indication that institutional settings had a part to play with regards to open door policy of the organization regarding sharing of information and that all the

reforms have failed to be translated into action. However, most of the sensitive information referred to was found on the organization's website.

For the same reason most of the top management could not be interviewed directly. However a good number of responses were later received from these peacekeeping operations once it was explained to them that it would be of benefit to them. Staff members in procurement, engineering, logistics, transport and communication and information technology were approached and they provided most of the data. The procurement staffs were most useful because of their outsourcing expertise; their response was complete in all forms providing information on what was presently being outsourced, the reward system in place, the risks, barriers, benchmarks/models used. Other information provided included the aim and objectives of their organizations for considering outsourcing and the use of experts, polices and procedures and performance incentives and the scorecard used. The engineering, communication and transport department provided information on measurements and how results were achieved in outsourcing projects. Also the staff strength of each department in each peacekeeping operation was adapted from online telephone directory based staffing list in organizations' website while other management information was extracted from staff members. It was much easier gathering information from manufacturing firms and service providers.

All the financial and management information was abstracted from the annual financial reports and statements of accounts of the firms (manufacturing firms and service providers) because it is not subject to a lot of manipulation, especially since the firms were not given prior notice of this study. The survey covered large and medium sized firms that account for 90% of the market share of both manufacturing firms and service providers industries in South Africa. Since the survey covered a reasonable proportion of both markets, it would be assumed to represent the two types of industries in South Africa. Also data abstracted from 10 (ten) peacekeeping operations surveyed/interviewed was considered adequate representation of the organizations.

3.4 SAMPLE

Considering the large number of manufacturing firms and service providers in the various industries, only a small sample of these firms (50 manufacturing firms and 40 service providers) will be used to make a generalisation of the various industries. Sampling size is critical because it provides basis for the estimation of sampling error (Hair, Anderson, Tatham and Black 1995). However, only 15 respondents were returned for each of the groups. The fifteen returned surveys were considered sufficient because they completely cover the target groups and all the main areas of service provision, i.e. small, medium, and large manufacturing firms and service providers and therefore formed a good representative sample of manufacturing firms and service providers.

Due to their spread and remote location of the UN peacekeeping operations around the globe and the need to reduce the number of organizations to a manageable size, purposive sampling a non-probability sampling method was use. Additionally, since the manufacturing firms and service providers were also chosen for a purpose, purposive sampling was used to ensure that each segment, service or product is represented in the sample. This method guarantees that each segment, service or product of the group or firms have a chance of being selected (Leedy and Ormrod 2001).

Multi-national manufacturing firms were targeted because of their similarity (i.e. size, capacity, assets and overhead) to the UN peacekeeping Operations. Also large sized service providers in South Africa were approached because of their size, capacity and overhead which compares well with the UN peacekeeping operations that were used in the thesis. The aim was to determine whether a correlation exists between the groups and the scope of these relationships. In addition, the UN peacekeeping operations are chosen for a particular purpose because of their resemblance to large multi-national firms. The geographical spread of the current peacekeeping operation is Africa, Middle East, Europe and the Americas.

There was an agreement that the names of the firms (manufacturers and service providers) should not be disclosed in the study although they can be used for comparison.

3.4.1 Sample from Third Party Service Providers

Forty surveys were sent out to the service providers in South Africa. A very small sample could lead to acceptance of a model which is not necessarily a fit, simple because there was not enough statistical power to reject the model. On the other hand, if the sample size is too large, the model may be rejected due to sensitivity in detecting small differences (Hair *et al,* 1995). Fifteen surveys were returned for a total response rate of 37.5%. Information received from the fifteen respondents was effectively complete and was found to be useful, although only information received from 13 of these firms was complete in all respects. However, the fifteen returned surveys were considered because they completely cover the target groups, i.e. small and large service providers. They also formed a good representative sample of service providers as they cover all the main areas of service provision i.e. logistics, transportation and warehousing; facility management; logistics, transportation, clearing and forwarding, freight and terminal operations, global logistics, express mail services; construction, civil, structural engineering and management consultancy. In terms of capacity, operating volume, number of employers, net assets, overheads and profit, the large, medium and small providers were covered.

To ensure a fair representation of the services provider because of their large number in South Africa, purposive sampling was identified as the best tool to guarantee equal representation of all the firms (Leedy and Ormrod 2001). The samples were also divided according to the services they offer, including turnover, capacity/net assets, and size of profit/turnover and scope of operation.

3.4.1.1 *Third Party Service Providers*

The small service providers were mainly locally based facility management firms and small sized locally based firms that provide services similar to those of big service providers but on a small scale. Such services include, facilities management, property

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management, customs clearing shipping and forwarding and agents clearing services. The larger ones were mainly leading global logistics multi-nationals providers with offices located all over the world, and firms that provide some of the best possible logistic solutions to satisfy today's customer needs.

The larger service providers offered services and operations with competitive advantage based on situations, experience, and industry standards and provided common benchmarks for establishing goals. They were mainly leading global logistics firms that provide some of the best possible logistic solutions to satisfy today's customer needs.

The fifteen service providers' respondents are grouped into the following services:

- Logistics, transportation and warehousing;
- Facility management;
- Transportation, clearing/forwarding, freight and terminal operations
- Global logistics, express mail services;
- Supplier, automobile and building control systems;
- Construction and management consultancy; and
- Civil and structural engineering consultancy

They comprise of two logistics, transportation and warehousing firms; six facility management firms; three logistics, transportation, clearing/forwarding firms, one freight and terminal operations firm, one global logistics express mail services firm; one construction and civil firm and one structural engineering and management consultancy firm. In terms of capacity, operating volume, number of employers, assets and overhead/profit, the large, medium and small providers are covered.

- *Logistics, Transportation and Warehousing*

Provider No. 1

This firm started business in 1985 and has grown to become a force in its three chosen areas of business: transportation and warehousing, logistics, garage repairs both commercial and non-commercial, including private and executive transport hire. Since these three areas of operation are complimentary, and often overlap, it allows them to manage overheads better, and provide a more competitive package to clients.

It is a complete warehousing and transportation company that is privately owned and provides the following services; warehousing, which includes, storage, Pick and Pack, Just-in-time freight holding and freight forwarding. It is also involved in small transportation, which includes taxi, and mini bus services with a range of vehicles from standard taxis, to executive Mini buses and small van haulage and rental services. Among the services offered by the firms are limousine and executive chauffeur driven vehicles services, which includes airport and seaport collections.

Provider No. 2

This firm offers a variety of storage handling and storage options, which includes the provision of a full range of depot and storage facilities that are strategically located within their area of operation. The firm's infrastructure is ideally suited for project staging operations with various handling equipment dedicated to container handling. The container depot handles stores and washes containers for various shipping companies. In addition to the depot operations, they provide shipping principals relating to container storage and repair facilities. The warehousing department is ISO 9001:2000 accredited and provides bonded and bulk storage facilities and containerised cargo. Other third party services provided included packing, unpacking, packaging and delivery.

It also provides warehousing facilities in Namibia and in 2004, the Namibia operation received a compliance certificate for affirmative Action Plan (AA) and shared a 3rd place with another firm for meeting the requirements of the Act.

- *Facility Management*

Provider No. 3

This service provider is a facility management firm that recently secured the contract to provide a full facilities management service to Microsoft in Sunninghill, Johannesburg, which includes the management of all technical and software services for Microsoft, incorporating everything from air conditioning, fire detection, waste management and security, to pest control, catering, carpeting and landscaping. They were also contracted to establish a helpdesk and toll-free line that is linked to a computerised facilities management system that is Web-enabled and fully networked. A full-time facilities manager and handyman were employed on site at the software company to manage all building services and maintenance work.

In addition to this, it was also given the task of managing Microsoft's utilities accounts that involves conducting full analyses of tariffs, time of usage, unit rates and maximum demand charges relating to electricity and water.

Provider No. 4

This service provider is also a facility management firm but more into consulting and specializing in the wine industry in South Africa. The head office is based in America. One of the firm's facilities management venture is something completely different from the usual and in other ways it is the next step in a career that has included over 30 years of assisting individual organizations to maximize value and cut costs through maintenance and facility planning. Their other specialities include assisting facility owners,

commercial real estate developers, brokers, lenders and managers with master planning, site planning and programming for the: production facility, wine tasting room, emergency preparedness and recovery planning.

The firm has grown from $7 million to $40 million over an eight-year period. In one landmark incident, the firm's work improved an entire industry. Using a unique ability to assess all aspects of the challenges facing a facility, it developed a maintenance program for a renowned laboratory that is today the national model for ensuring that safety equipment is maintained in readiness status at nuclear power plants. With career experience in facility management and planning for Fortune companies and the military, the firm has used their expertise in the wine industry to assist wineries in saving money through the planning of effective injury reducing production areas, hospitality rooms designed to increase sales and efficient administrative offices.

Provider No. 5

This facility management firm is based in South Africa and provides cost-effective, high quality support services. It focuses on organizations that need to increase their overall performance by outsourcing all non-core and support services through a service provider that provide integrated facilities management services by integrating both local and international best practices.

Provider No. 6

Based in South Africa, this service provider offers property, facilities, assets and project management services and other services which include shopping centre leasing and commercial management among other services. In 2004, it signed a R1 billion lease agreement and was recently nominated as BEE finalist. This firm has also expanded its services into Namibia.

Provider No. 7

An acknowledged leader in South Africa, this facility management firm provides cost-effective, high quality support third party services, managed and delivered through a unique approach to ensure seamless service integration. It was specifically established to focus on those organizations wanting to raise their overall performance output by outsourcing all non-core and support services through one reliable source.

The management of all support services is undertaken by the management of the firm and delivered by directly employed personnel or carefully procured service providers. In providing integrated facilities management it tries to ensure that effective management is based on integrating local and international best practice, supply chain evaluation and recommendations, optimising of business systems and processes developed through the management and benchmarking of several millions of square metres of space, buying power and economies of scale, selectively screened and qualified service providers and effective logistics and procurement management. The benefit of this supports the firm's approach in best practices to support service by ensuring highest quality and value for money.

Provider No. 8

This is a leading European facility management firm specializing in the provision of a complete range of facility management services to a variety of clients ranging from automobile manufacturers and banks to hospitals, aviation retail and mining. In 1998, it commenced operation in South Africa. Their first major breakthrough into South Africa's facilities management market was a contract awarded by South African Airways. The operation started officially in April 2000, when 298 staff was taken over as part of an outsourcing contract on a going concern basis without any loss of their rights or obligations. The contract was awarded for an initial period of ten years with an option of further ten years.

Their second last contract with South African Bureau of Standards was awarded in March 2001 where 120 staff was taken over on the same basis as at South African Airways. The services provided for both these clients go far beyond normal total integrated facilities management. They include service such as fleet and vehicle maintenance, aircraft movements, security, catering, manufacturing and project managements.

The firm provides a full range of facilities management services including technical, as well as, non-technical services. These non-technical services are provided by a black empowered subsidiary. Currently the firm generates an annual turnover in excess of R140 million and is employing a total of 498 staff permanently in the local parent company in South Africa and a further 120 in a local subsidiary firm.

Internationally it is one of the largest financial muscles in the facilities management industry. With a gross turnover of €480 million it is the perfect choice of many blue chip clients worldwide.

- *Transportation, Clearing/Forwarding, Freight and Terminal Operations*

Provider No. 9

This small sized service provider is also based in South Africa and provides third party support services in customs clearing, shipping and forwarding, agents clearing, forwarding, customs clearing, shipping and forwarding services.

Provider No. 10

This firm provides one of the best possible logistic solutions to satisfy today's customers' logistical needs which are becoming more complicated in proportion as the business process of sourcing, manufacturing, and marketing expands further in a global context. It is also recognized internationally and in South Africa as a logistics provider.

Its logistics' purpose is to serve customers by designing, building and operating innovative logistics solutions which are measurable, to improve quality, cost and customer services. It delivers fully integrated logistics solutions tailored to the needs of its customers and is now recognized as one of the leading logistics providers in the market. Our diverse range of logistics services include warehousing and distribution, freight forwarding, international network solutions, supply chain consulting, and IT solutions.

The group has a perfect line-up of logistics business units inside every field of transportation i.e. (sea, land and air), forwarding, warehousing, distribution and other logistics services. Each unit is a specialist with a long and rich experience of supporting the customer, taking the leading position in sea, land and air transportation. This firm which forms part of a larger group was founded in 1885. Since its founding, it has grown to become one of the world's leading shipping companies. The group has more than 30,000 employees around the world and offers various transportation services: Container Transport, RORO, Bulk and Energy resource transport, Terminal, and Cruises. When it started logistics solution business such as warehousing and distribution in the 1980's, revenues from this new business field were only US $80 million. Today, as part of the US$10 billion group, its logistics' revenues have grown to more than US$3.3 billion including the contribution of another sister company.

Provider No. 11

Trading since 1849 it was instrumental in developing a fledgling shipping industry of South Africa in the early days and throughout the 1900's, pioneering shipping cargoes and moving people into and out of South Africa as the economy blossomed.

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Listed on the Johannesburg, Sydney and Luxembourg Stock Exchanges, it provides secure financial support as well as backing from the largest freight group in Africa. The group's activities span a full range of related services including terminal operations, stevedoring, travel, clearing and forwarding,

surveying, logistics and road haulage services. Other logistics services provided include, dry bulk carriers, port operations, P and I consultancy, container logistics, crude, product, gas and chemical tankers, passenger operations, documentation services, specialised vessels, crew operations, stevedoring, claims handling, heavy lift vessels, sea and airfreight forwarding, trade and project studies, crew movements, container depots, container logistics, dry bulk terminals, tanker container operations, NEO bulk terminals and road haulage.

- *Global Logistics, Express Mail Services*

Provider No. 12

A global provider of express mail and logistics services, it designs, implements and operates complex supply chain solutions on a national, regional or global scale for medium to large enterprises. This service provider is a leading global logistics company, operating in 28 countries. Established in 1946, it is now a global integrator and offers a range of unique international express delivery services between more than two hundred countries.

This service provider employs more than 40,000 people worldwide who manage over 7 million square meters of warehouse space and operate complex transportation networks. It has a fleet of 43 jet freighter aircraft together with 20,000 road vehicles organised by a worldwide network of nearly 1,000 company owned depots. Their extensive resources also include numerous state of the art sorting centres and all these efficient facilities enable them to provide the fastest and most reliable door to door transit times in the industry.

Being the leading provider of business to business express delivery services, this service provider has been one of the principal mail providers in Europe for more than 200 years and is a market leader in international business mail and operates worldwide delivery services, including unique integrated pan-European and domestic express delivery.

In 2005 the firm's revenue totalled €3.5 billion. Its holding company is also a global leader in express, logistics and mail and employs over 160,000 people in 63 countries and serves over 200 countries in total. It reported sales of €10.1 billion in 2005.

- *Supplier, Automobile and Building Control Systems*

<u>*Provider No. 13*</u>

This firm which was founded in 1885 has expanded remarkably from manufacturing electric room thermostat and has grown into a multi-billion dollar corporation, with worldwide leadership in two businesses: automotive systems and building controls.

Founded in 1885, this is the world's largest independent supplier of automotive interior systems such as seating systems, electronics, instrument panels, overhead systems, floor consoles, door systems and cargo management systems. Customers include: BMW, DaimlerChrysler, Ford, General Motors, Honda, Mazda, Mitsubishi, Nissan, Renault, Rover, Toyota and Volkswagen. It is also the largest replacement and original equipment automotive battery manufacturer in the Americas. Customers include: Advance Auto, AutoZone, Carport, Costco, DaimlerChrysler, Diamond-Star, Ford, Honda, Interstate Battery System of America, John Deere, Mazda, Nissan, Toyota and Wal-Mart.

The automotive branch is the global leader serving automakers around the world this is because most automakers outsource their interior system requirements to the firm in order to maximize quality and reduce costs. This firm does not only manufacture automotive interior systems but are also involved with the design, the engineering and integration as well as ensuring that it is distributed at all corners of the globe. This firm is also a leading worldwide supplier of building control systems, services and building management systems for schools, health care, offices, government, retails and

the telecommunication sectors. Customers include SBC, GlaxoSmithKline, JC Penney and Novartis as well as 7,000 U.S. school districts, more than 2,000 hospitals and tens of thousands of other non-residential and government.

With more than 500 branches worldwide and employing about 136,000 staff worldwide, its 2005 sales stands at a staggering $27.9 billion.

- *Construction and Management Consultancy*

Provider No. 14

A quality driven, international construction and management consultancy firm recognized for the value and innovation it brings to every project it under takes. From a global network of 50 strategically located offices, it provide a full range of consultancy services designed to deliver effective solutions for clients in any sphere of private and public sector activity, anywhere in the world.

It opened its first Africa office in Johannesburg in 1982. The firm has now established itself as a leading construction and management consultancy in Southern Africa with 12 strategically located offices across the region, employing 250 staff in six countries.

Its special expertise in the region has traditionally been in the mining and process sector and with blue chip clients as Anglo Platinum, De Beers, BHP Billiton, Lonmin, Potgietersrust Platinum and Rustenburg Platinum Mines. Other blue chip clients include Old Mutual, Nissan, Vodacom, ABSA, Consol and Southern Suns.

It has a wealth of experience on projects such as office developments, education, health, transport, housing, infrastructure, hotels, leisure as well as oil and gas. Recently completed projects include the domestic terminal at Johannesburg international airport, Cape Town international convention

centre, asset management, consultancy for government buildings and programme management for the department of water affairs and forestry.

Current projects include the K4 project for Lonmin, comprising the main and ventilation shafts at the platinum mine near Rustenburg; Sasol's Project Turbo; development of 300 staff houses in Burgersfort for Anglo Platinum; development of an infrastructure planning module for use by provincial government for National Treasury; roll-out programme for Nissan SA; acting as technical advisor for Kwa-Zulu Natal Department of Health's PPP; and providing legal services to Ticor SA on their R1.28 billion Heavy Mineral Sands Project in Empangeni, Kwazulu-Natal, South Africa.

It has also been involved in projects in other African countries such as Namibia, Ivory Coast, Mali, Algeria, Democratic Republic Congo, Lesotho, Swaziland, Ethiopia, Uganda, Nigeria, Egypt, Burundi and Libya.

- *Civil and Structural Engineering Consultancy*

Provider No. 15

Firmly rooted in South Africa, the company was founded in 1951. This firm was established more than half-a-century ago as a conventional civil and structural consulting engineering company and later as a facility management out fit that provides third party services. According to Engineering News-Records 2004 Global Construction Sourcebook, the firm has become a dynamic, leading-edge consultancy ranked amongst the world's top 200 international design firms, and also according to Top 500, South Africa's best managed companies. It is amongst South Africa's top 5 (five) companies in the consulting engineering sector. The firm is today a multidisciplinary consultancy, offering professional solutions across a wide range of sectors and throughout the full life cycle of projects of virtually any magnitude.

The past five decades have, however, not only witnessed it spreading its wings in terms of scope of work but geographically, the company has branched out

into all corners of South Africa as well as internationally, where it is today involved in more than 50 countries worldwide. The firm's skills base comprises a professional and technical staff complement of more than 850 engineering and other professionals. The firm's showcase Projects include the following; Erongo Regional Electricity Distributor Company (Erongo RED), Gautrain Rapid Rail Link, Madinat Jumeirah Leisure Resort, MTN Campus Development, N3 toll road, Olifantsvlei Wastewater Treatment Works, South African Reserve Bank and the Nova Vida Housing Development.

3.4.2   Sample from Public Sector Manufacturing Firms

The initial intention was to survey a wide variety of manufacturing firms; however, the sampling size was reduced because it was observed that the collection and analyses of data of such magnitude would go beyond the scope of the thesis. Due to the low sample size, attention was focused on using purposive sampling because it has the advantage of guaranteeing equal representation of each of the identified services and products (Leedy and Ormrod 2001).

After receiving responses from the manufacturers, a further survey was developed to ensure that the perspective of service providers is fully explored relative to outsourcing issues and practices identified by the manufacturers sector. This survey explored their opinions including doing business with the UN.

The manufacturing sector was then grouped into these services and products.

- Vehicle manufacturers;
- Truck manufacturers;
- Rubber and Tyre making firms;
- Lift and escalator manufacturers;
- Chemical manufactures;
- Cosmetics manufacturers;
- Glass making manufacturers;
- Beverage manufacturers;

- Aggregate and ready-mix firms; and

- Packaging firms.

The sample size was reduced to thirty and survey questions were sent to thirty manufacturing firms in South Africa. The thirty questionnaires were sent to the manufacturing firms according to the service/products they offer i.e. three to each service/product. Fifteen surveys were returned with a total response rate of 50%. Information from respondents from the fifteen returned surveys was found to be completely useful. The fifteen firms are a good representative sample of international and South African manufacturing industry. They cover the major manufacturing areas, in diversity, including the size and method of operation from very large to medium and small, especially in size of assets and overheads/profits

3.4.2.1 *Private Sector Manufacturing Firms*

The manufacturing firm cover the major manufacturing areas, in diversity, including the size and method of operation from very large to medium and small, especially in size of assets and overheads/profits.

- *Vehicle Manufacturers*

Vehicle Manufacturer No.1

The first vehicle manufacturing firm is the world's largest automaker and has been the global industry sales leader for 75 years. Founded in 1908, it today employs about 327,000 people around the world, with its global headquarters in Detroit. It manufactures its cars and trucks in 33 countries. In 2005, 9.17 million of its cars and trucks were sold globally. It is also a majority shareholder in other vehicle manufacturing companies in South Korea, Japan and Germany, including vehicle manufacturing ventures with several automakers around the world, like China, Russia and France.

As the world's largest automaker it has its largest national market in the United States, followed by China, Canada, the United Kingdom and Germany.

Its total net sales and revenue in 2005 was $192.604 million and worldwide production was 9,051,000. It however suffered a loss in net income in 2005.

Vehicle Manufacturer No.2

The second vehicle manufacturer has industrial and commercial presence in 118 countries. It designs, develops, manufactures and sells innovative, safe and environmentally-friendly vehicles worldwide. It currently has 126,584 employees, is Europe's leading brand and the only vehicle manufacturer to have eight cars with the maximum five-star Euro NCAP rating, and the winner of the Formula 1 world championship for constructors and drivers. The group's activities are organized in two main divisions: In 2005, the automobile division; which designs, develops and markets passenger cars and light commercial vehicles, accounted for 95.5% of total revenues. In the same year, the sales and financing division reported revenues of more than €1.9 billion, 4.5% of total group revenues.

The total revenues for 2005 were €40,715 million and €41,338 million in 2005. The group's worldwide production [Cars + Light Commercial Vehicles (LCVs)] for 2004 and 2005 was €2,471 billion and € 2,510 billion respectively. While the group's sales worldwide (Cars + LCVs) were € 2,490 billion and €2,533 billion respectively. The total group's workforce increased from 124,277 personnel in 2004 to 126, 584 in 2005.

Vehicle Manufacturer No.3

This firm is Europe's largest car maker and was established in 1946. This firm's South African subsidiary is located in an industrial town some 35 km from Port Elizabeth in the Eastern Cape in South Africa. Since its first vehicle rolled off the assembly line on 31 August 1951, this firm has become one of the major passenger car manufacturers in South Africa. Today, their market share has more than doubled since the mid-80's; increasing to such an extent that now more than one in five cars sold may come from their assembly line. From the very first car that rolled off their production line in 1951, through to

the high-tech, high performance vehicles, on to the launch of the other brands in 2000 and 2002, the firms' era spans six decades of South Africans building cars for South Africans.

As one of the largest foreign employers in South Africa, it employs 5100 people, whilst the group company encompasses over 1000 suppliers and a national network of over 122 franchised dealerships. The firms 100 000th export car was celebrated during its 50th anniversary and it achieved passenger market leadership in 2005. It is one of the biggest private sector employers in the Eastern Cape in South Africa with more than 6000 workers in the factory and thousands of allied jobs at suppliers. It spends approximately R18 million annually on Corporate Social Investment initiatives. It also contributed R1.1 Million Uitenhage Despatch Development Initiative (UDDI) project in 2005. It also established a community in 1989 with the intention of helping communities to help themselves and provided R7 million toward the project and has further donated an average of R2 million to the trust each year. In 2005, R2.2 million was donated towards community upgrades, education and youth development in Port Elizabeth, Uitenhage and Gauteng. Its South African employees also contribute R600 000 every year to a programme which assists vulnerable children and orphans across the country.

Vehicle Manufacturer No.4

This trucks and buses manufacturer started commercial production in 1915. In 1924 the company pioneered the world's first truck powered with a direct injection diesel engine.

This firm has its head headquarters in Europe and is the largest company of the group as well as one of the leading international commercial vehicle manufacturers. Its trucks, intercity buses; overland coaches as well as diesel and natural gas engines are manufactured in a worldwide production network. Additional production sites can be found in several other countries including, Poland with two Austrian subsidiaries,

It also produces overland coaches and city buses for the domestic market in Turkey as well as for export especially to the Middle East. In a joint venture with a large Chinese omnibus manufacturer group it makes bus chassis for city and overland buses as well as coaches.

In Germany, sales and service are transacted in over 22 branches with 160 and 45 service and sales offices respectively and 220 authorised dealers. The local company in South Africa is a wholly-owned subsidiary of the main group and is a leading manufacturer of medium, heavy and extra-heavy trucks, as well as commuter buses and luxury coaches.

The product has been represented in South Africa since the early 1960's. The company currently holds second position in the heavy truck market and is the leading supplier of passenger buses in the country, both as assembler and manufacturer. The product is not only designed for the South African market but for the rest of Africa as well where its trucks and buses are currently responsible for 14 other countries. The firm's truck and bus growth in 2002 reflected a massive increase of 19.7%, exceeding the overall South African commercial vehicle market growth and upping volumes from 1 322 units in 2001 to 1 585 trucks and buses in 2002. During 2002, and for the 8th year in a row, its trucks and buses have seen a growth of their share of the heavy truck and bus market especially for vehicles that are over 7.5 tons. The real impetus for its success has taken place due to an increase of market share from 7.7% in 1997 to a more than double 19.7% share in 2002, for all new heavy trucks and buses sold within the Customs Union of Southern Africa.

The South African heavy truck and bus market has shown minimal growth since 996. Despite this, its annual volumes increased from 700 units in 1996 to 1 585 units in 2002, a growth in market share of 52.9%. The South African assembly plant is responsible for engineering, production and technical service. The facility has 300 employees. In 2002, 1 233 were produced with the emphasis on 6x4 configuration vehicles demanded by the local market. On the other hand the bus and coach manufacturing plant is the only manufacturer in South Africa able to supply complete bus and coach products

(chassis and body) or, alternatively, to supply chassis only to approved body builders of the customers' choice. The plant has 67 employees and in 2002, 414 units were produced. The parts warehouse has a staff of 53 and a stockholding of R93-million and supplies 31 617 line items to a network of 34 parts dealers. A total of 693 people are employed at the firm's facilities throughout South Africa, which include an assembly plant, a bus manufacturing facility, as well as parts operations, a head office and the dealer network.

The firm has investments in excess of R100 million in South Africa since the beginning of 1999. The fiscal year 2004 was a very successful one for the firm's group. With an operative result of €342 million it surpassed the previous year's figure by € 139 million and thus took a further step towards sustained profitability. In terms of production, vehicles sold and turnover, the group is one of the leading commercial vehicle manufacturers in Europe and the world. Its order intake for 2005 was €9,434 million and the rest of the world accounted for € 6,708 million of these orders. Sales were € 7,805 million. It earns an after tax profit of € 266 million in 2005.

- *Tyre and Rubber Manufacturers*

Tyre and Rubber Maker No.1

The tyre and rubber Company was founded in 1898 and in Aug. 29, 1898, it was incorporated with a capital stock of $100,000. It presently operates more than 100 plants in 29 countries.

It is one of the world's leading tyre firms and the number one tyre maker in North and Latin America. It is Europe's second largest tyre maker and has more than 80,000 associates around the world. Its net sales were $ 19,723 million in 2005 and $ 18,353 in 2004. The total assets were $ 16,101 in 2004 and $ 15,627 in 2005.

Tyre and Rubber Maker No.2

The second tyre and rubber maker is one of the world's leading automotive industry suppliers offering comprehensive know-how in tyre and brake technology, vehicle dynamics control, electronics and sensor systems.

It employs approximately 80,000 personnel at more than 100 locations (manufacturing facilities, research centres and test tracks) in Austria, Belgium, Brazil, Chile, China, the Czech Republic, France, Germany, Greece, Hungary, India, Japan, Korea, Malaysia, Mexico, the Philippines, Portugal, Romania, Russia, Slovakia, South Africa, Spain, Sweden, Taiwan, Turkey, the UK and the USA. One of its division's manufactures products for machine engineering and mining and for the furniture and print industries.
Its sales in 2004 was €12,597.4 million and in 2005 it increased to €13,837.2

- *Chemical and Cosmetics Manufacturers*

Chemical and Cosmetics Manufacturer No.1

This chemical and cosmetics manufacturer is the largest chemical and polymer distributor in Africa and trades with all of the sub-Saharan countries on a regular and increasing scale. It operates from 13 sites and is situated in all of the major business centres throughout Southern Africa. This firm's trading influence is extended across the entire range of industries, especially in South Africa and Zimbabwe where the group is competitive in most spheres of its activity, especially in mining, water care, the engineering trades including metal treatment, the petroleum industry, chemical formulating, food and beverage, fish canning, textiles and surface coatings. Their main areas of specialisation are chemicals/speciality chemicals, animal feeds and mining. At present the firm has more than 100 major suppliers and 6500 customers.

Chemical and Cosmetics Manufacturer No.2

The firm was established in South Africa as recently as 1990. It is a medium-sized specialist chemical distributor to mainly the institutional and industrial chemical formulating cosmetic and toiletry industry. It is also a medium sized supplier of speciality raw materials and ingredients to the cosmetic, nutrition, pharmaceutical and food industries, representing market leading international agencies offering technical services and innovative new products.

Chemical and Cosmetics Manufacturer No.3

Established in 1970, it is one of the oldest direct selling cosmetics companies in South Africa. Its cosmetics cater for skin care, ladies fragrances, men's range, hand care, lipsticks, family products, make-up, inner naturals, and foot care. The company offers a contract manufacturing service comprising of development, manufacturing and packaging of all cosmetic products.

- *Lifts and Escalators Manufacturer*

This firm is the world's leading manufacturer of escalators and the world's second largest manufacturer of elevators world wide with more than 100 national companies and over 1,000 local branches worldwide. It employs around 40,000 employees and has operations spanning all five continents. It is the pioneer manufacturers of lifts in Southern Africa

Internationally, the firm was founded 1874. It designs, manufactures, installs, maintains and modernizes internal transport systems for every type of building requirements worldwide. Globally, its equipment moves more than 700 million people per day.

Significant contracts in South Africa include, among others, the Melrose Arch, Menlyn Park, Brooklyn and Gateway shopping centres, the Johannesburg International Airport and the new corporate head offices of Rand Merchant Bank and Coopers and Lybrand. The company also has a significant share of the refurbishment and maintenance markets and components are being

exported to parts of Africa and Israel. Globally, the orders received by the firm in 2004 were CHF8428 million and 2005 CHF9445 million. The operating revenue in 2004 was CHF8254 and CHF8870 in 2005. Net profit was CHF329 in 2004 million and increased to CHF401 million in 2005, while the number of employed personnel as at end of 2004 and 2005 were 39,443 and 40,385 respectively.

- *Glassware Manufacturers*

Glassware Maker No.1

A tremendous shortage of glass during the First World War encouraged the building of a small plant in South African. In 1918 the factory relocated to Dundee where it evolved but operated by South African Breweries. At the beginning of the Second World War a second glass factory, came into being. Not only did they produce glass containers but also made tumblers, fruit bowls etc. This factory gave rise to this firm. After the Second World War, this glass making firm was among the leaders in the great industrial expansion in this country and development was rapid. After a new plant was built in 1948 the firm has grown constantly ever since.

Today, it has become a significant player in the world of international glass packaging. For the fiscal year ended 31 December 2005, the firms had a volume growth of 10% and the revenue went up by 9.2% to R1.3 billion. The operating profit for the same period was R303.3 million up by 8.4%.

Glassware Maker No.2

Based in Johannesburg, this firm manufactures glassware, stemware, glass ovenware, dinnerware, tableware, bakeware, vases, stainless steel cutlery and catering equipment. It is also a leading direct importer, wholesaler and distributor to the retail, gifting and catering industries.

- *Beverage Making Firm*

  The beverage manufacturing firm was established in 1923. It however started making beverages in South Africa in 1982 and has become one of South Africa's leading beverage makers. This firm has won many beverage awards around the world.

- *Aggregates and Ready-Mix Manufacturer*

  Founded in 1833, this aggregates and ready-mix manufacturer is the world leader in building materials classified as No.1 worldwide in cement and roofing, No.2 worldwide in aggregates and concrete, and No.3 worldwide in gypsum. It is located in 76 countries including South Africa and has a workforce of 80,000 people. In 2005, the number of its shareholders was 253,200. It is listed on the stock exchange in Paris and New York and had a capital of €704,678,748 as at June 30th, 2006. Its 2005 sales stood at €16 billion with a current operating income of €2,357 million.

- *Packaging Manufacturer*

  Founded in 1998, the firm is proficient in worldwide product stewardship, packaging, batteries, electronics, other product types. Their expertise also includes take-back /recovery fee obligations, environmental design requirements (e.g. material restrictions, source reduction, and design for recycling) and environmental labelling requirements and voluntary eco-labelling.

  This is a specialist firm in global environmental packaging and product stewardship requirements. Product stewardship is a product-centred approach to environmental protection which calls on manufacturers, retailers, and users to share responsibility for reducing the environmental impacts of products throughout their life cycle. It also offers consultancy services specializing in compliance with Extended Producer Responsibility (EPR) laws for packaging, batteries, and electronics. It offers a full range of customized regulatory

tracking, research, and compliance management services. It assists many of its clients in integrating aspects of environmental compliance such as data collection, fee calculation and reporting into their supply chain management, product design process, and other business systems.

3.4.3 Sample from UN Peacekeeping Operations

The United Nations peacekeeping operations are grouped according to their geographical locations.

Africa

- MINURSO (Western Sahara)
- MONUC (Democratic Republic of the Congo)
- ONUB (Burundi)
- UNOCI (Côte d'Ivoire)
- UNMIS (Sudan)
- UNMIL (Liberia)
- UNMEE (Ethiopia and Eritrea)

Middle East

- UNDOF (Israel-Syria Disengagement)
- UNIFIL (Lebanon)
- UNTSO (Israel)

Europe

- UNOMIG (Georgia)
- UNFICYP (Cyprus)
- UNMIK (Kosovo)

Americas

- MINUSTAH (Haiti)

At the start of the survey, the sampling size for the UN peacekeeping operations was (19) nineteen, because there were 19 peacekeeping and peace-building operations as at 2006. Therefore, 19 separate questionnaires were sent to all the peacekeeping and peace-building operations. However, at the end of the survey the number of operations had reduced by 1 (one), less ONUB (Burundi), making only 18 current operations. Later it was realised that data from peace-building operations would be inadequate for analysis due to the nature of their operations and geopolitics, hence, they would not give a fair representation of a proper outsourcing practice.

These locations included UNMISET/UNOTIL (Timor-Leste), UNAMSIL/ UNIOSIL (Sierra Leone), UNAMI (Iraq) and UNAMA (Afghanistan). Also, UNAMI (Iraq) and UNAMA (Afghanistan) which were originally included in the survey because they were designed to evolve into peacekeeping operations, however, due to the continued heavy resistance to coalition forces in Iraq and Afghanistan they have remained a support operation to the peace-building efforts. Furthermore, UNMISET/UNOTIL (Timor-Leste) and UNAMSIL/UNIOSIL (Sierra Leone) have down-sized considerably leaving only a skeletal staff and therefore, most of the information contained in the survey would no longer be valid, especially historical information. Consequently no responses were required from these peace-building operations. It was then decided to concentrate on the current 14 (fourteen peacekeeping operations. However, responses were not received from four peacekeeping operations, i.e. MINURSO (Western Sahara), MINUSTAH (Haiti), UNTSO (Israel) and UNMOGIP (India and Pakistan).

3.4.3.1 *UN Peacekeeping Operations*

Since the aim of this research was to identify outsourcing criteria and develop an outsourcing decision-making scorecard for the UN, the survey questions concentrated on four main areas of an organization vis-à-vis size, scope, goals, information, plans and programmes. Ten out of the fourteen current peacekeeping operations surveyed

were returned with a total response rate of 71 %. The 10 surveys returned are a very good representative sample of UN peacekeeping operations especially in size and spread because it covers big, medium and small operations. Though it did not include the Americas, it however, did cover the major geographic areas of operations of UN peacekeeping operations namely Asia, Africa and the Middle East. Responses were returned from the following 10 peacekeeping operations.

- United Nations Observer Mission in Georgia (UNOMIG);
- United Nations Interim Administration Mission in Kosovo (UNMIK);
- United Nations Peacekeeping Force in Cyprus (UNFICYP);
- United Nations Interim Force in Lebanon (UNIFIL);
- United Nations Disengagement Observer Force (UNDOF);
- United Nations Mission in the Democratic Republic of the Congo (MONUC);
- United Nations Operation in Côte d'Ivoire (UNOCI);
- United Nations Mission in Ethiopia and Eritrea (UNMEE);
- United Nations Mission in Liberia (UNMIL); and
- United Nations Mission in the Sudan (UNMIS)

However, responses were not received from four peacekeeping operations, i.e. MINURSO, MINUSTAH, UNTSO and UNMOGIP. Each of the 10 peacekeeping operations is briefly discussed below.

- *United Nations Observer Mission in Georgia (UNOMIG)*

The conflict in Abkhazia, strategically located on the Black Sea in the north-western region of the Republic of Georgia, began with social unrest and attempts by the local authorities to cede from the Republic. It escalated into a series of armed confrontations in the summer of 1992 when the Government of Georgia deployed 2,000 Georgian troops in Abkhazia. Fierce fighting ensued resulting in the leadership of Abkhaz abandoning the Abkhaz capital of Sukhumi and retreating into the town of Gudauta. A ceasefire agreement was reached on 3 September 1992 in Moscow by the Republic of Georgia, the

leadership of Abkhazia and the Russian Federation. It also set out, as the basis of the peace settlement, a ceasefire to take effect as of 5 September 1992. The agreement, however, was never fully implemented.

The United Nations sought to revive the peace process by diplomatic means, consulting with the Conference on Security and Cooperation in Europe (CSCE) [now re-designated the Organization for Security and Cooperation in Europe (OSCE)] so as to ensure effective coordination of activities. In November 1992, a United Nations office opened in the Georgian capital of Tbilisi to provide an integrated United Nations approach in the region and to assist in the peacemaking efforts of the Secretary-General. In May 1993, the Secretary-General appointed a Special Envoy for Georgia. His first mission to the region reaffirmed that all parties supported an active role of the United Nations in reaching a peaceful resolution to the conflict.

On 4 August, the Secretary-General proposed the deployment of an advance team of up to 10 United Nations military observers to help verify compliance with the ceasefire. The advance team would then become part of the observer group if the Security Council decided to establish one. The Council agreed to this proposal. On 24 August 1993, the Security Council, by resolution 858 (1993), decided to establish the United Nations Observer Mission in Georgia (UNOMIG), comprising up to 88 military observers plus minimal civilian support staff to verify compliance with the ceasefire agreement (UN DPKO, 2006).

- *United Nations Interim Administration Mission in Kosovo (UNMIK)*

UNMIK was set up on 10 June 1999 when the Security Council in resolution 1244 authorized the Secretary-General to establish an interim civilian administration led by the United Nations in the war-ravaged province of Kosovo. The United Nations took on a sweeping undertaking that was unprecedented in both its scope and structural complexity. No other mission

had ever been designed in a way such that other multilateral organizations were full partners under the auspices of United Nations (UN DPKO, 2006).

- *United Nations Peacekeeping Force in Cyprus (UNFICYP)*

The Republic of Cyprus became an independent state on 16 August 1960 and a member of the United Nations one month later. The Constitution of the Republic, which came into effect on the day of independence, was intended to balance the interests of both the Greek Cypriot and the Turkish Cypriot communities. Cyprus, Greece, Turkey and the United Kingdom entered into a treaty to guarantee the basic provisions of the Constitution and the territorial integrity and sovereignty of Cyprus.

However, the application of the provisions of the Constitution, created difficulties from the very beginning and led to a succession of constitutional crises. The accumulated tension between the two communities resulted in the outbreak of violence on the island on 21 December 1963. On 27 December, the Security Council met to consider a complaint by Cyprus charging intervention in its internal affairs and aggression by Turkey. Turkey maintained that Greek Cypriot leaders had tried for more than two years to nullify the rights of the Turkish Cypriot community and denied all charges of aggression. On 15 February 1964, after all attempts to restore peace on the island had failed, representatives of the United Kingdom and of Cyprus requested urgent action by the Security Council. On 4 March 1964, the Council unanimously adopted resolution 186 (1964), by which it recommended the establishment of the United Nations Peacekeeping Force in Cyprus (UNFICYP). The Force became operationally established on 27 March 1964 (UN DPKO, 2006).

- *United Nations Interim Force in Lebanon (UNIFIL)*

In the early 1970s, tension along the Israel-Lebanon border increased, especially after the relocation of Palestinian armed elements from Jordan to Lebanon. On 11 March 1978, a commando attack in Israel resulted in many

dead and wounded among the Israeli population, the Palestine Liberation Organization (PLO) claimed responsibility for that raid. In response, Israeli forces invaded Lebanon on the night of 14 to 15 March 1978, and in a few days occupied the entire southern part of the country except for the city of Tyre and its surrounding area. On 15 March 1978, the Lebanese Government submitted a strong protest to the Security Council against the Israeli invasion, stating that it had no connection with the Palestinian commando operation. On 19 March, the Council adopted resolutions 425 (1978) and 426 (1978), in which it called upon Israel to immediately cease military action and withdraw their forces from all Lebanese territory. It also decided on the immediate establishment of the United Nations Interim Force in Lebanon (UNIFIL). The first UNIFIL troops arrived in the area on 23 March 1978 (UN DPKO, 2006).

- *United Nations Disengagement Observer Force (UNDOF)*

On 6 October 1973 war erupted in the Middle East between Egyptian and Israeli forces in the Suez Canal area and the Sinai, and between Israeli and Syrian forces on the Golan Heights. On 24 October, as fighting between Egypt and Israel reached a critical stage, the Security Council decided to set up a second United Nations Emergency Force UNEF II. The Force was immediately moved into place between the Israeli and Egyptian armies in the Suez Canal area, and its arrival effectively stabilized the situation. In the Israel-Syria sector tension remained high, and from March 1974 the situation became increasingly unstable. Against this background, the United States undertook a diplomatic initiative, which resulted in the conclusion of an Agreement on Disengagement between Israeli and Syrian forces. The Agreement was signed on 31 May 1974 and, on the same day, the Security Council adopted resolution 350 (1974) by which it set up the United Nations Disengagement Observer Force (UNDOF). UNDOF, the Israel-Syria Disengagement Force was finally established in June 1974. (UN DPKO, 2006)

- *United Nations Mission in the Democratic Republic of the Congo (MONUC)*

On 10 July 1999 in Lusaka, Zambia, the Democratic Republic of the Congo (DRC), along with Angola, Namibia, Rwanda, Uganda and Zimbabwe signed the Ceasefire Agreement for a cessation of hostilities between all belligerent forces in DRC. The Movement for the Liberation of the Congo, one of two Congolese rebel movements, signed the Agreement on 1 August. The Agreement included provisions on the normalization of the situation along the DRC border; the control of illicit trafficking of arms and the infiltration of armed groups; the holding of a national dialogue; the need to address security concerns; and the establishment of a mechanism for disarming militias and armed groups. On 6 August, Security Council welcomed the agreement and urged the second rebel group, the Congolese Rally for Democracy (RCD) to sign as well. On the same occasion, the Council commended OAU, the Southern African Development Community (SADC) and the United Nations Secretary-General for their efforts to find a peaceful settlement to the conflict.

In a further statement, in December 1998, the Council reaffirmed the obligation to respect the territorial integrity of DRC. It also indicated that it was prepared to consider the active involvement of the United Nations, in coordination with OAU, to help implement a ceasefire and an agreed process for a political settlement. In April 1999, to further demonstrate his commitment to regional peace efforts, the Secretary-General appointed a Special Envoy for the DRC peace process, to be assisted by the Secretary-General's Representative for the Great Lakes Region. The Council welcomed the appointment of the Special Envoy in its resolution 1234 of 9 April 1999 and requested the Secretary-General to make recommendations on the role of the United Nations in the peace process. In the same resolution, the Council, among other things, deplored the presence of forces of foreign States in DRC "in a manner inconsistent with the principles of the Charter of the United Nations", and called on those States to end the presence of the uninvited forces. In June, the Council reaffirmed its commitment to preserving the territorial integrity and political independence of all States in the region and

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called upon all parties to participate with a constructive and flexible spirit in the upcoming Lusaka summit (UN DPKO, 2006).

- *United Nations Operation in Côte d'Ivoire (UNOCI)*

Action on the recommendations of the Secretary-General, the Security Council adopted resolution 1528 (2004) of 27 February 2004, establishing the United Nations Operation in Côte d'Ivoire (UNOCI) from 4 April 2004. The mandate of the small political mission, the United Nations Mission in Côte d'Ivoire (MINUCI), ended on that same date. In accordance with the Council's request, the Secretary-General transferred authority from MINUCI and ECOWAS forces to UNOCI on that date (UN DPKO, 2006).

- *United Nations Mission in Ethiopia and Eritrea (UNMEE)*

In a 30 June 2000 report to the Security Council, the Secretary-General described the 30 June 2000 agreement as the first but extremely vital step towards the restoration of peace between the two countries. He informed the Council about his intention to dispatch an "appropriate" number of liaison officers to each capital, to be followed by the deployment of a military observer group. It was envisaged that up to a total of 100 United Nations military observers would gradually be deployed to each country over the next two months, pending the establishment of a United Nations peacekeeping operation.

On 31 June, the Security Council, by its resolution 1312 (2000), decided to establish the United Nations Mission in Ethiopia and Eritrea (UNMEE) The Mission's mandate would be to undertake the following tasks: establish and maintain liaison with the parties; visit the parties' military headquarters and other units in all areas of operation of the mission deemed necessary by the Secretary-General; establish and put into operation the mechanism for verifying the cessation of hostilities and prepare for the establishment of the Military Coordination (UN DPKO, 2006) .

- *United Nations Mission in Liberia (UNMIL)*

On 8 July 2003, as fighting between Government forces and various warring factions intensified and humanitarian tragedy threatened, the Secretary-General on 29 July 2003 outlined a three-phased deployment of international troops to Liberia, leading to a multidimensional United Nations peacekeeping operation. The Council requested the Secretary-General to transfer authority to UNMIL on 1 October from forces led by ECOWAS, which it commended for its rapid and professional deployment. The Council terminated the mandate of the United Nations Office in Liberia (UNOL) and transferred the major functions performed by that Office to UNMIL. UNOL had been coordinating at UN activities prior to 2003. On 19 September, the Security Council unanimously adopted resolution 1509 (2003) welcoming the Secretary-General's report of 11 September 2003 and its recommendations. It decided that UNMIL would consist of up to 15,000 United Nations military personnel, including up to 250 military observers and 160 staff officers, and up to 1,115 civilian police officers, including formed units to assist in the maintenance of law and order throughout Liberia, and the appropriate civilian component (UN DPKO, 2006).

- *United Nations Mission in the Sudan (UNMIS)*

The United Nations Mission in the Sudan (UNMIS) was established by the Security Council on 24 March 2005, by resolution 1590, after it had determined that the situation in the country continued to constitute a threat to international peace and security. The Secretary-General, in his report dated 31 January 2005, recommended the deployment of a multidimensional peace support operation, consisting of up to 10,000 military personnel and an appropriate civilian component including more than 700 civilian police officers. Acting on the recommendation of the Secretary-General, the Council decided that the task of UNMIS would be:

- To support implementation of the Comprehensive Peace Agreement signed by the parties;

- To facilitate and coordinate, within its capabilities and in its areas of deployment, the voluntary return of refugees and internally displaced persons and humanitarian assistance;

- To assist the parties in the mine action sector; (d) to contribute towards international efforts to protect and promote human rights in Sudan , as well as to coordinate international efforts towards the protection of civilians, with particular attention to vulnerable groups including internally displaced persons, returning refugees, and women and children, within UNMIK's capabilities and in close cooperation with other United Nations agencies, related organizations, and non-governmental organizations. (UN DPKO, 2006).

3.5   **SUMMARY**

This chapter started with a general introduction into the method of data collection and this was followed by a description of firms and organizations used as samples in the survey. It further described the survey instruments used in the survey. Although the sample size for the manufacturing firms and service providers was small, they were considered sufficient because they completely cover the target groups and all the main areas of service provision, i.e. small, medium, and large manufacturing firms and service providers and therefore formed a good representative sample of manufacturing firms and service providers. The responses received from the UN, were also considered adequate and therefore a very good representative sample especially in size and spread because it covers big, medium and small operations. Regardless of the small sample size, the responses contain all necessary factors for the purpose of establishing correlations between outsourcing practices of both the UN and the private sector.

Quantitative research method was used in the collection of data for the statistical investigation of the relationship between two or more variables (Leedy and Ormrod 2001). It was necessary to examine the outsourcing practices of private sector manufacturing firms and service providers as well as the operational history of past and present peacekeeping operations.   A total of 84 service providers, private sector

manufacturing firms and UN peacekeeping operations were approached and fifteen service providers, fifteen private sector manufacturing firms and ten UN peacekeeping operations responded. The sample size for the manufacturing firms and service providers covers the target groups and all the main areas of service provision that is small, medium, and large and therefore form a good representative sample of the groups. The ten United Nations peacekeeping operations cover the major geographic areas (Middle East, Africa and Europe). The survey was carried out through telephone interviews and questionnaires. The annual financial report and statement of account of the affairs of firms were the main source of the financial and management data used for the group for the period 01 July 2005 to 30 June 2006. Purposive sampling, a non-probability sampling method, was used to ensure equal representation.

Emphasis was placed on outsourcing goals and objectives because they form the basis of the paper which addresses outsourcing decisions and implementation. Furthermore, services presently being outsourced by the groups, and their outsourcing policies and procedures were used to confirm the outsourcing history of UN peacekeeping operations, service providers and manufacturing firms. Other include, type of outsourced activities, barriers, risks together with the use of outside experts were used to confirm whether a relationship exists among the groups and if there is a reliance on institutional history to guide benchmarks between UN peacekeeping operations, private sector manufacturers and service providers. Outsourcing of services to local vendors as a peace-building measure was also included to highlight the extent that outsourcing may and empower the local populace. Other important criteria include establishment of goals and objective, barriers to outsourcing, provider selection, benchmarks, establishment of appropriate policies and procedures and the evaluation of a service provider's performance. The firms in the study adopted either a service contract or a multi-activity contract. The multi-activity contract is very similar to a service contract in that it operates on the basis of Service Level Agreements and Key Performance indicators. The UN used mainly service contracts. Lastly, this chapter concludes by highlighting that each firm or organization surveyed and interviewed were chosen for a purpose and therefore, purposive sampling, a non-probability sampling method was used to ensure that each segment, service or product is represented in the sample.

CHAPTER IV

PRESENTATION AND INTERPRETATION OF DATA

4.0   INTRODUCTION

The objective of the thesis is to translate the private sector's extensive outsourcing experience into a scorecard that would serve as a decision-making tool for the UN in identifying services that have a potential for successful outsourcing, Therefore, this chapter will employ the decision-making criteria derived from collected data to develop an outsourcing scorecard which would serve as an outsourcing decision-making tool for the UN in identifying services that can be outsourced successfully.

This chapter focuses on statistical analysis of data abstracted from UN peacekeeping operations, service providers and manufacturing firms and the evaluation of survey findings. Using consolidated data from responses received from the groups, all outsourcing trends, associations and relationships between the groups are first fully analysed. This then followed by a detailed analysis of survey responses from 15 service providers and 15 manufacturing firms as well as a detailed discussion of data received from 10 UN peacekeeping operations.   This chapter concludes with the development of a decision-making scorecard from criteria identified in the research as well as identifying functions and services that can be successfully outsourced in a typical UN peacekeeping operation. The statistical hypothesis testing is carried out at the end of the statistical analysis.

Since we need to know the relationship how two or more variable are interrelated in this study, one function of statistics is to describe or indicate the strength of such relationship. Therefore, the statistical process by which we discover the nature of the relationship among different variables is called correlation (Leedy and Ormrod 2001). Correlational study is adopted as the appropriate research method because it examines the extent to which differences in one characteristics or variable are related to differences in or more other characteristics or variable (Leedy and Ormrod 2001). Additionally, since there is a requirement to fully analyse all outsourcing trends,

associations and relationships between the UN peacekeeping operations (UN PKOs), manufacturing firms and service providers, a correlational, quantitative study is used (Leedy and Ormrod 2001). Additionally, to ensure the research study is accomplished in a very clear and direct way, since it will define a population more clearly and to develop the instrumentation more specifically (Buys, 2005).

Type	No. Approached	No. Responses	% Responses	Type
Service providers	40	15	37.5%	Logistics, transport, warehousing (2) Facilities Management (6) Transportation, clearing, forwarding freight/terminal operations (3) Global logistics, express mail (1) Supplier, automobile, building control systems (1) Construction and management consultancy (1) Civil/structural engineering consultancy (1)
Manufacturing firms	30	15	50%	Vehicles and Trucks (4) Rubber and tyre (2) Lifts and escalators (1) Chemical and Cosmetics (3) Glass (2) Beverage (1) Aggregate and ready-mix (1) Packaging
UN Peace keeping operation	14	10	75%	Africa (5) Middle East (2) Europe (3)
TOTAL	84	40	48%	

Table 13:   Breakdown of respondents

Source: Data collected

The statistical procedures used for the analysis of data are Chi-square (X^2) test and/or Fisher's exact test. The Chi-square test is used to determine how closely observed frequencies or probabilities match expected frequencies or probabilities while the Fisher's exact test is used to compare two dichotomous variables (nominal or ordinal) when the same sample size are small (Leedy and Ormrod 2001). Mehta and Patel (1983) observed that Fisher's exact treatment of the 2 x 2 contingency tables readily generalizes to an exact test of row and column independence in *r x c* contingency tables. It preferred to report the exact p value associated with the observed r x c table

especially when the entries in each cell are small. However, for sparse contingency tables, fisher exact test and Pearson's chi-square (X^2) test frequently lead to contradictory inferences concerning row and column independence. Another disadvantage of the Chi-square (X^2) test, is that though being a popular statistical method and can used to test for the independence of 2 variables, it is a long, cumbersome process to do by hand and it only determines if the variables are related and it does not indicate how they are related or how one affects the other (Mantel, 1963). Therefore, the Fisher's Exact test should be used to report for all variables for purposes of uniformity.

The analysis of data indicates the summaries of the responses by group UN PKOs/Service Providers/Manufacturing firms sorted by "Yes" frequencies for all the variables/statements within each question showing which statements are the most "popular". Additionally, it also indicated the frequency counts, that is how many companies/organizations of this type gave this response and column percentage, that is what percentage of this company/organization type gave this response

4.1 ANALYSIS OF CONSOLITDATED DATA FROM THE GROUPS

In this section, consolidated survey responses from the manufacturing firms, the service providers and the UN are analysed.

Eighty-four service providers, private sector manufacturing firms and UN peacekeeping operations were approached and fifteen service providers, fifteen private sector manufacturing firms and ten UN peacekeeping operations responded (Table 13). Forty and fifteen surveys respectively were sent out to the service providers and manufacturing firms in South Africa. The response rate was 37.5% and 50% respectively for the service providers and manufacturing firms. While ten out of the fourteen current peacekeeping operations surveyed were returned with a total response rate of 71 %.

Due to the large amount of data received from the three questionnaires (appendices, A, B and C) and to ensure proper analysis, it was necessary to consolidate or rationalize the responses within each question Therefore, only variables from 74

responses from 9 questions were considered in determining outsourcing trends, patterns and relationships between the UN, manufacturing firms and service providers. The rest of the responses were used to provide back ground information about the groups. The questions and responses were consolidated as a measure to reduce data size and make data analysis more manageable, Therefore 'Yes' and 'No' responses were identified as being the most appropriate to ensure easy identification of association between the groups. They were then sorted by 'Yes' frequencies for all the individual variables within each 9 questions to show the most frequently occurring or most common variables. When examining the relationship between two variables, it helpful to plot the number pairs on a graph to allow a visual inspection of the relationship between the two variables (Leedy and Ormrod 2001).

Having classified each firm or organizations thereafter, Chi-square and or Fishers' Exact tests were run on each of the 74 variables to test for associations between the consolidated questions' response and the group. The Chi-square results, rather than the Fisher's Exact test results was used in cases where there was a warning that some cells have expected counts of less than 5. For example when 50% of the cells have expected counts less than 5, then Chi-Square may not be a valid test. The reason is that the Fisher's Exact Test is more precise than the Chi-square method and should be used in cases where the Chi-square test signals a warning. Therefore, the Fisher's Exact result was used to report for all variables for purposes of uniformity in order to avoid having Chi-square results for some items and Fisher's Exact results for others. Fisher's Exact test results on the 74 consolidated questions are show in appendix D. Fisher's Exact result indicates that when the probability or p-value is < 0.05, there is statistically significant evidence of an association between the response and the group that the respondent belongs to. However, when the p-value>0.05, there is no statistical evidence of an association between the response and the group that the respondent belongs to.

Using the examples of Q1, what services do you presently outsource? That is, from v2-v19. Services v5, v13, v14 and v16 are currently outsourced by 100% of the UN. While v2, v3, v4, v6, v7, v8, v9 are services that none of them currently outsource. Additionally, v4 and v5 are services that are currently outsourced by 33.3% of the Manufacturing companies. While, v2, v3, v15 are services that none of them currently

outsource. Services v3, v12, v14 are currently outsourced by 26.7% of the service providers. While v6, v7, v8, v9, v11, v15, v17, v18, v19 are services that none of them currently outsource. In making a comparison between the 3 groups, it is clear from the example above that the "popularity" of services in terms of outsourcing is different in the 3 groups.

	Question	Variable	p-value
Q1.	**What services do you presently outsource?**		
	Customer Service	v2	NS
	Freight consolidation/distribution	v3	<0.05
	Selected manufacturing activities	v4	NS
	Information Technology	v5	<0.05
	Product assembly	v6	NS
	Order fulfilment	v7	NS
	Parts packaging and accessories	v8	NS
	Packaging for retail item	v9	NS
	Engineering services and maintenance	v10	<0.05
	Communication and communication maintenance	v11	<0.05
	Traffic, transportation/fleet operations and maintenance	v12	<0.05
	Assets/warehousing/property management	v13	<0.05
	Facilities /camp management /catering	v14	<0.05
	Medical services	v15	<0.05
	Heavy and specialized activities	v16	<0.05
	Security/fire safety	v17	<0.05
	Payroll	v18	NS
	Human resources	v19	<0.05

Services presently being outsourced by the groups, and their outsourcing policies and procedures were used to confirm the outsourcing history of the UN, service providers and manufacturing firms. The type of outsourced activities, barriers and risks associated with outsourcing, together with the use of outside experts were used to confirm whether a relationship exists among the groups and if there is a reliance on

institutional history to guide benchmarks between the UN, the private sectors and service providers.

The establishment of goals and objectives is the process of deciding what is to be outsourced. The two-way frequency table (Table 14) indicates 'Yes' responses from collected data for the goals and objectives of each group (UN Peacekeeping operations or UN PKOs, manufacturers and service providers) and the percentage of the firms and organizations that gave this response. Varied responses were received from the UN, manufacturing firms and service providers regarding their goals and objective for outsourcing. When the UN were asked to, comment on what was their goals and objectives for outsourcing, 80% indicated that risk avoidance is their major reason for contemplating outsourcing while 100% of them indicated that the following goals and objective were their main purpose for considering on outsourcing (Chart 14):

Table 14:   The goals and objectives of outsourcing
Source: Data collected

Goals/Objectives	UN PKOs	Manufacturers	Service Providers
Capacity building and economy enhancement	100	6.67	0.00
Cost reduction	100	60	92.86
Enhanced Technology	100	13.33	0.00
Labour issues	100	20	61.54
Performance improvement	100	13.33	71.43
Risks	80	6.67	0.00
Competitive issues	0.00	26.67	14.29
	N=10	**N=15**	**N=15**

- Capacity building and economy enhancement;

- Cost reduction;

- Enhancement of technology;

- Resolution of labour issues; and

- Performance improvement

Being non-profit making, UN did not consider the resolution of competitive issues a major concern, while the private sector firms (manufacturers and providers) considered only cost reduction, performance improvement, labour and competitive issues as their goals and objectives for outsourcing. However, across the groups, they regarded the following as their major goals and objectives for considering an outsourcing relationship:

- Capacity building/ economy enhancement;

- Cost reduction;

- Enhancement of technology;

- Resolution of labour related issues;

- Performance improvement;

- Risks avoidance; and

- Resolution of competitive issues

The manufacturing firms distinctively focused on cost reduction and competitive issues as their major objectives for outsourcing, while the service providers indicated that their major concerns are reduction of costs, labour related issues and performance improvement as their goals and objective for outsourcing. However, there was a strong correlation between the groups regarding cost reduction as being a vital criterion for outsourcing decision-making. Though the UN is non-profit making, cost reduction is necessary because of the need to maximise limited funds. However, all the UN peacekeeping operations indicated that performance improvement was their objective to ensure product quality. Furthermore, an association was found across the three groups regarding their goals and objectives for outsourcing (Chart 14), signifying that there was no difference in the outsourcing motive, regardless of whether the organizations were profit or non-profit making. However, the quality of output and performance improvement rather than profit is of major concern to the UN.
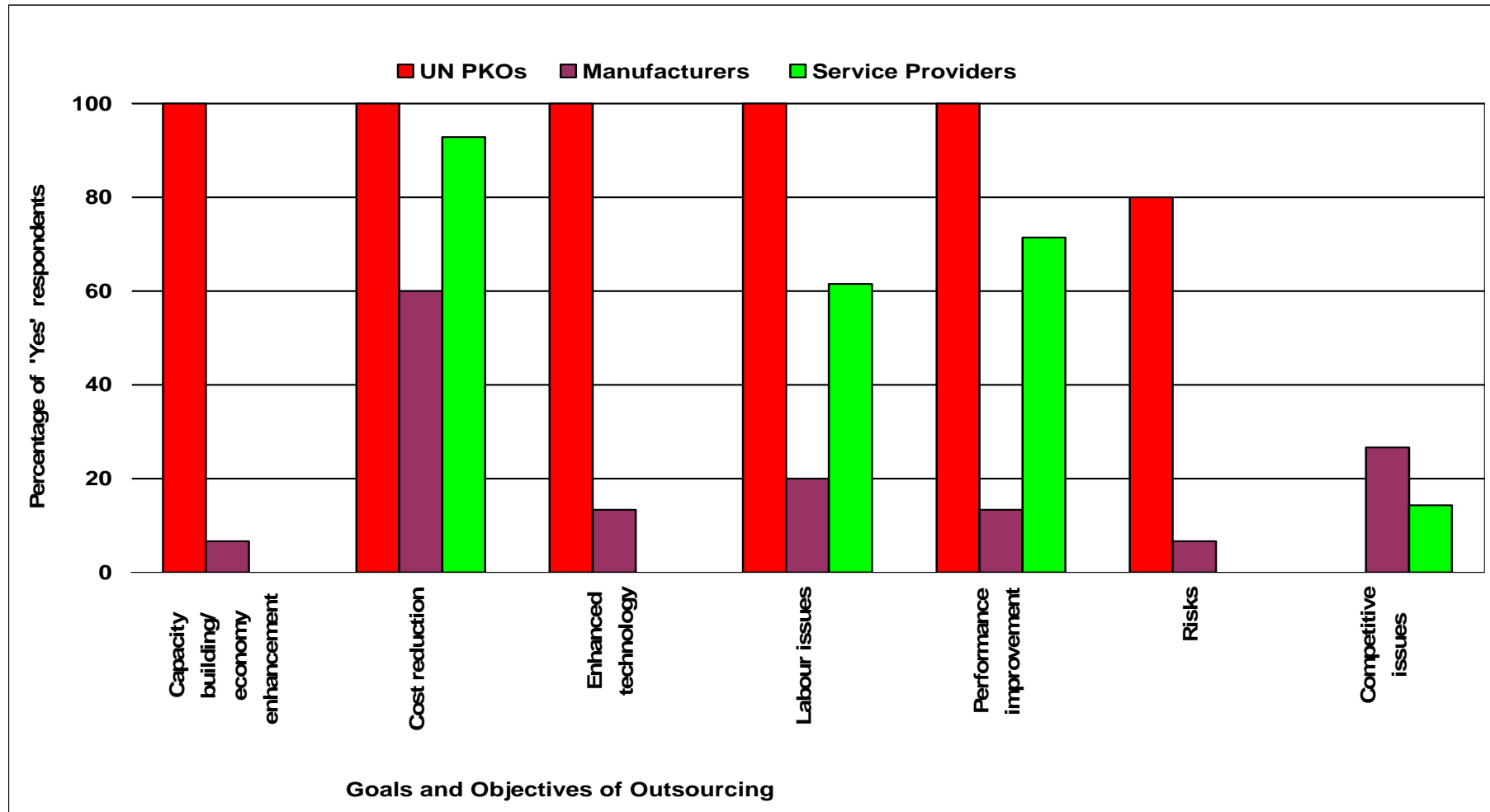
Chart 14: Goals and objectives of outsourcing by percentage of 'Yes' respondents

Source: Data collected

Services	UN PKOs	Manufacturers	Service Providers
Assets, warehousing and property management	100	13.33	6.67
Facilities, camp management and catering	100	6.67	26.67
Heavy and specialized activities	100	20	20
Information Technology	100	33.33	7.14
Engineering services and maintenance	90	13.33	6.67
Human resources	90	6.67	0.00
Medical services	90	0.00	0.00
Traffic, transportation and fleet operations and maintenance	90	20	26.67
Communication and communication maintenance	70	13.33	0.00
Security and fire safety	40	26.67	0.00
Payroll	10	20	0.00
Customer Service	0.00	0.00	6.67
Freight consolidation and distribution	0.00	0.00	26.6
Order fulfilment	0.00	6.67	0.0
Packaging for retail item	0.00	6.67	0.00
Parts packaging and accessories	0.00	13.33	0.00
Product assembly	0.00	6.67	0.00
Selected manufacturing activities	0.00	33.33	13.33
	N=10	**N=15**	**N=15**

Table 15:   Outsourced services

Source: Data collected

Since a relationship must exist for a successful outsourcing contract, it is therefore necessary to begin early in the outsourcing decision-making process to build this relationship. Most of the group indicated that it is a vital aspect of an outsourcing arrangement and an essential aspect to the development of an outsourcing scorecard. Clear outsourcing objectives are necessary for setting parameters, collecting appropriate information for analysis, formulating a RFP, evaluating proposal responses, analyzing and resolving trade-off issues, and negotiating a sound contract. Between the manufacturer and the provider, the factors influencing the decision to outsource are essential in providing the groundwork for developing an outsourcing relationship and scorecard criteria.

It was also observed that to establish the goals and objectives of outsourcing satisfactorily, it is necessary to consider these factors:

- Barriers to outsourcing;
- Risks of outsourcing;
- Involvement of outsiders in decisions to outsource; and
- Benchmarking

Prior to outsourcing, having an in-depth knowledge of these factors enables organizations to make knowledgeable outsourcing decisions and identify services that have the potential for successful outsourcing. It important to identify the barriers to outsourcing because they usually provide an insight into the institutional setting in which outsourcing is or would be occurring and are therefore important aspect for the development of an outsourcing decision making scorecard. Also important to note, is that the use of experts to assist in analysing outsourcing decision-making may decrease risks associated with outsourcing may by providing external validity to the contract. The benchmark used by an outsourcing organization is critical because it indicates what part institutional history plays in a decision making process. When considering outsourcing, the UN may need to apply the same principles as those used by private sector manufacturing firms by ensuring the existence of similarities between them and providers in many respects.
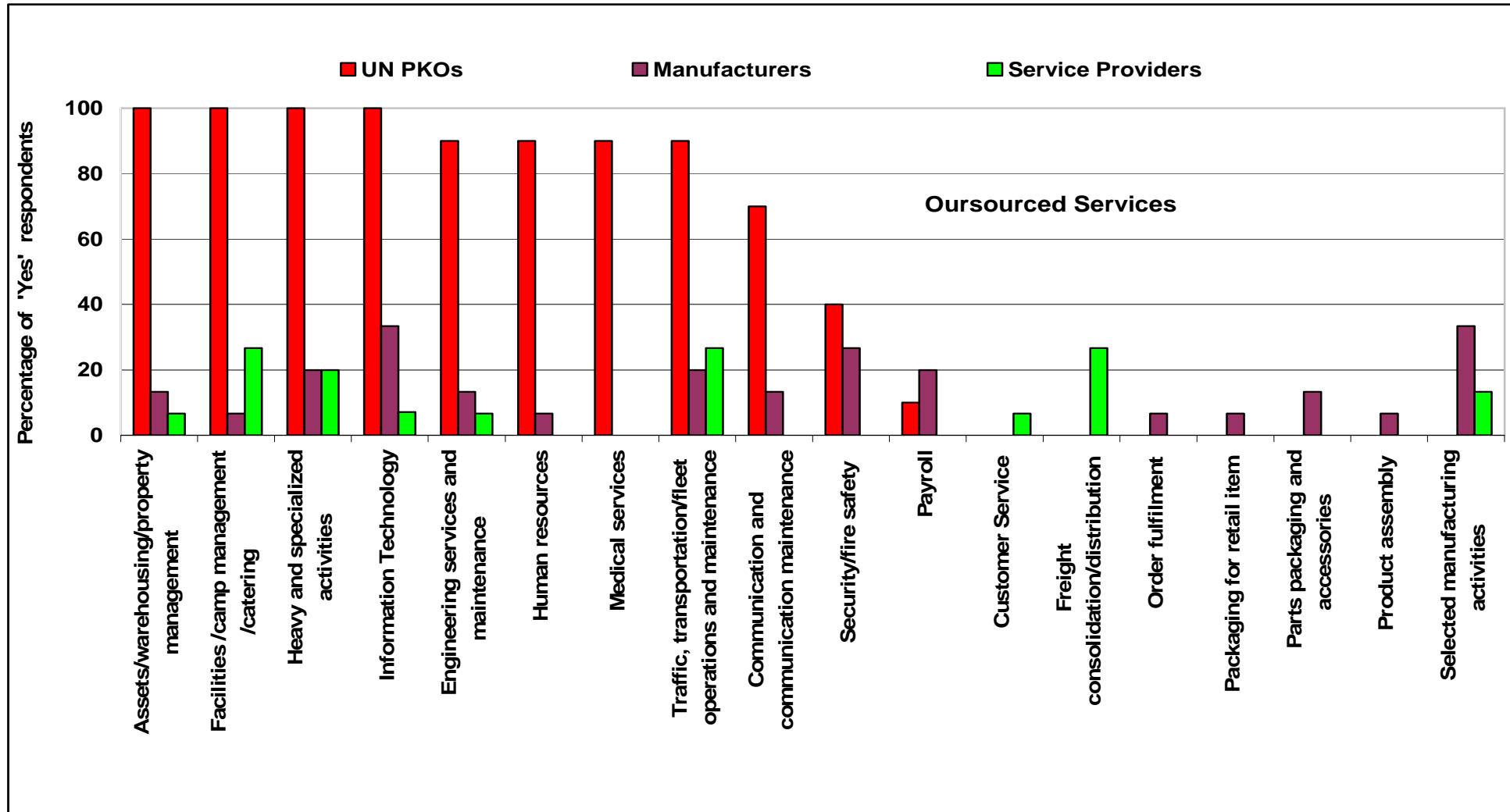
Chart 15: Outsourced services by percentage of 'Yes' respondents

Source: Data collected

These similarities should be found in current outsourcing activities, barriers, and risks associated with outsourcing. Lastly, to ensure success, the UN must ensure that similar to the manufacturing sector, they should enter into outsourcing partnership with providers whose business goals and objectives are closely aligned to theirs.

The two-way frequency table (Table 15) indicates 'Yes' responses for each group (UN, manufacturers and service providers) and the percentage of organizations or firms that responded. The services presently being outsourced by the groups were used to confirm their respective outsourcing history. In the UN, the commonly outsourced services are (Chart 15):

- Assets, warehousing and property management;
- Facilities, camp and catering;
- Heavy and specialized maintenance activities; and
- Information technology

On comparing figures among the groups (Table 15), there were also similarities in the outsourcing of the following services:

- Assets, warehousing and property management;
- Facilities, camp management and catering;
- Heavy and specialized activities;
- Information Technology;
- Engineering services and maintenance; and
- Traffic, transportation, fleet operations and maintenance

Even though the result of the survey indicates that the UN outsource more of the above services than the manufacturing firms and service providers, the value of outsourced services are limited in comparison to the rest of the groups. An example is to buttress this is even though a large number of UN peacekeeping operations outsource transportation and fleet maintenance, they cannot be compared to the scale of those of manufacturing firms and service providers outsourcing. The UN's outsourcing is marginal and is limited to specialised maintenance and body works.

Moreover, since the manufacturing firms wholly outsource transportation they would not require fleet maintenance. The UN could learn from that and lease instead of buying vehicles, to avoid high maintenance costs, insurance costs and personnel to operate the vehicles that will have to be paid in the long run. Generally it was noted that there is low participation in outsourcing in South Africa by manufacturing firms and service providers which is probably due to little understanding of the advantages of outsourcing.

Additionally, information exchanged between the groups indicates that the UN outsources more of these services than manufacturing and service providers, however, partially. An example is the outsourcing of IT. Though IT is outsourced by all the UN peacekeeping operations, it was of partial nature for example, IT training, data and call centre services. IT outsourcing by the service providers offer much wider services and include website development, maintenance and LAN's, while the manufacturers offer more extensive outsourcing (33.33%) through 5 (five) firms including application maintenance, WAN's, application development, website development and maintenance, LAN's, IT training, desktop management, disaster recovery, data and call centre. Unlike the manufacturing firms and the service providers, at least one UN peacekeeping operation provides call centre services. Medical service did not form part of services outsourced by manufacturing firms since they do not provide medical facilities and their employees take up personal medical insurance.

However, none of the following services are outsourced by the UN peacekeeping operations organizations surveyed probably because they do not have a need for such services or because they are not aware of the value it will bring to their organizations.

- Payroll;
- Customer service;
- Freight consolidation and distribution;
- Order fulfilment;
- Packaging for retail item;
- Parts packaging and accessories;

- Product assembly; and
- Selected manufacturing activities

However, some services may not be outsourced due to political considerations opposition, local labour laws and other barriers. On the other hand, the service providers outsource only services they would not normally provide to clients. It is clear from Chart 15, that the most frequent outsourced services are different in the three groups. There are also indications that the majority of the UN peacekeeping operations, manufacturers and providers interviewed do not outsource the following services.

- Customer service ;
- Payroll;
- Order fulfillment;
- Packaging for retail item;
- Parts packaging and accessories; and
- Product assembly

Although, some of these services are specific to manufacturers and services providers, however, to become more efficient and cost effective and to ensure that the UN peacekeeping operations concentrate on their core functions, it is essential that these services are outsourced completely. Therefore all barriers impeding the outsourcing of the following services would have to be overcome to ensure that they are successfully outsourced.

- Assets and property management including warehousing;
- Facilities and camp management including catering;
- Heavy and specialized activities;
- Information technology;
- Engineering services and maintenance;;
- Human resources;
- Medical services;

- Traffic, transportation, fleet operations and maintenance;

- Communication and communication maintenance;

- Security and fire safety; and

- Payroll

Major cost saving would be realized by outsourcing all heavy and specialized activities include humanitarian and relief operations and aircraft maintenance. Cost savings can also be achieved by not having equipment and fleet of vehicle to maintain.

All the UN peacekeeping operation indicated that they participate in outsourcing, though partially, and that the type of services outsourced depended on the nature and geographical location of organizations and the unavailability of facilities. The UN peacekeeping operations surveyed are categorized into three types; small, medium and large. The large organizations are based in Africa and include MONUC (Congo), UNMIL (Liberia), UNMEE (Eritrea/Ethiopia) and UNMIS (Sudan). These groups outsource humanitarian and relief services and aviation maintenance extensively due to their far flung and remote geographical location. MONUC especially, expends most of its budget on aviation maintenance which is due to the large number of aircrafts in their fleet and the unavailability of local expertise. Furthermore, amongst peacekeeping operations, MONUC spends a large portion of their budget on outsourced services. The medium sized organizations, for example, UNMIK in Europe and the smaller organizations in Western Asia, outsource all services that they are legally permitted to outsource.

Furthermore, by virtue of the nature of their businesses and in addition to the regular services that may be outsourced, the UN outsources humanitarian and relief operations to specialized agencies and NGOs. These form part of heavy and specialized activities outsourced by the UN. However, participation of local providers and host government is essential in humanitarian and relief operations because it encourages sustainability, builds capacity and empowers the local population.

Table 16:   Barriers impeding outsourcing decision-making

Source: Data collected

Type of Barrier	UN PKOs	Manufacturers	Service Providers
Outsourcing expertise	90	20	6.67
Poor project definition	90	0	13.33
Control	80	26.67	20
Human resources	80	20	0
Political considerations and labour issues	80	13.33	20
Current workload	70	0	13.33
Quality	70	26.67	26.67
Government policies and local economy	20	6.67	20
Cost	0	20	0
Internal organizational issues	0	33.33	0
Provider selection	0	13.33	0
Withholding of financial information	0	6.67	0
	N=10	**N=15**	**N=15**

Therefore, outsourcing of services to local providers as a peace-building measure is vital and highlights the extent to which the UN has supported nation building. Lastly due to lack of capacity most services are partially outsourced by the UN save for aviation maintenance and other specialised services. Another important requirement for the development of an outsourcing decision-making scorecard is the ability to define the barriers to outsourcing. The UN peacekeeping operations indicate that the following are the primary barriers that impeding their ability to outsource (Chart 16):

•   Outsourcing expertise;

- Poor project definition;

- Control;

- Human resources;

- Political considerations and labour issues;

- Current workload; and

- Quality

In remote locations lacking basic infrastructure, which is the setting of most UN field operations, it would be practically impossible to completely outsource services such as transportation and fleet maintenance to a local service provider though it may be cheaper. Considering the number of vehicles for examples 1400 in UNMIL (Liberia), a local provider would not be capable providing adequate maintenance services for such a large fleet because that the required expertise and/or capacity would not be available. Therefore, the service may have to be carried out in-house. In situations like this, international providers may become necessary in order to derive all the advantages of outsourcing.

Barriers to outsourcing provide an insight into the institutional setting under which outsourcing would be applied. As indicated in Table 16, most of these barriers to outsourcing in the UN are due to lack of expertise and capacity which impacts on their ability to execute service on a large scale. Most barriers to outsourcing experienced by the UN are due to lack of expertise and capacity which impacts on their ability to execute services on a large scale. For this reason and as outlined earlier, most services are partially outsourced by the UN save for aviation maintenance and other specialised services. Due to the nature of services offered by the UN, political constraints are also a strong impediment in their ability to outsource.

These barriers are not limited to the UN. There is also strong correlation between the UN, manufacturing firms and service providers regarding institutional barriers that impede outsourcing in which all three groups indicate that the following are the primary barriers to outsourcing that they encounter.

- Outsourcing expertise;

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- Poor project definition;
- Control;
- Human resources;
- Political considerations and labour issues;
- Current workload; and
- Quality

However, none of the factors below impedes any outsourcing decision-making by the UN peacekeeping operations surveyed. There are also similarities with respect to these factors as not posing a barrier to outsourcing decision-making by the service providers.

- Cost;
- Internal organizational issues;
- Provider selection; and
- Withholding of financial information

Some impeding factors to outsourcing decision-making are specific to the groups. However, to ensure a successful outcome factors proving barriers to outsourcing decision making by the UN should be minimized, contained or removed to ensure that the organization becomes more efficient. It is therefore, essential that the following barriers to are completely eliminated:

- Outsourcing expertise;
- Poor project definition;
- Control;
- Human resources;
- Political considerations and labour issues;
- Current workload;
- Quality; and
- Government policies and local economy
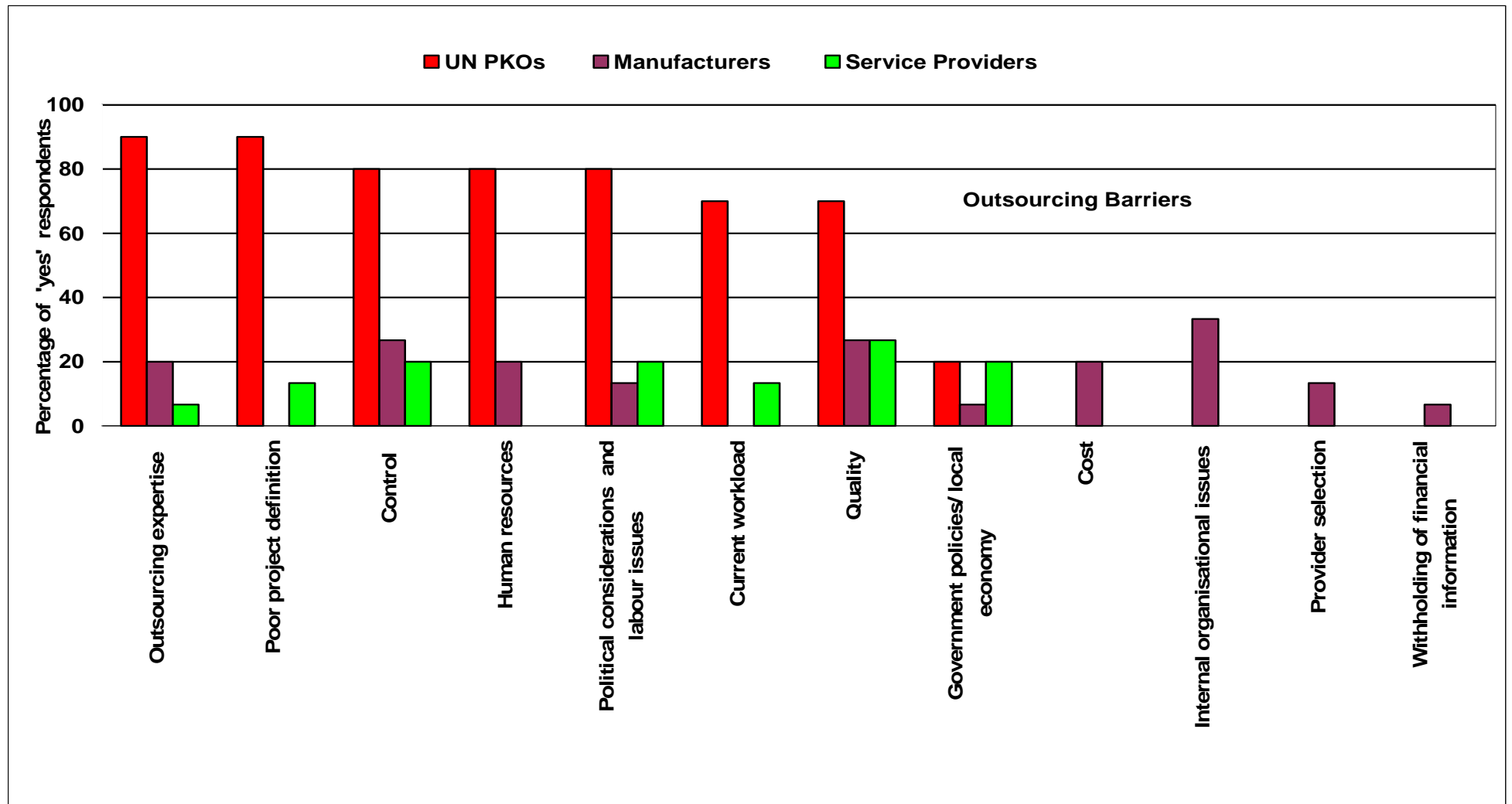
Chart 16: Barriers impeding outsourcing decision-making by percentage of 'Yes' respondents

Source: Data collected

Since the UN is non-profit making, cost is not usually a constraint in any decision to use a third party to provide services.

Furthermore, internal organizational issues and withholding of financial information are not barriers to outsourcing decision-making to the UN. On the other hand these same factors affect the way outsourcing decisions were reached by the manufacturers. For example, manufacturing firms, being profit making, cost is of primary concern in the choice of a provider or cost of providing the service by a third party. The result of the survey further indicated that project size, scope and control required in most activities were the primary barriers that impede the UN's ability to outsource services. Since the description of services to be provided by a service provider is the most important aspect of any outsourcing agreement, accordingly the definition of the level of service is regarded as one of the most difficult tasks encountered when preparing an outsourcing agreement and therefore a strong barrier to outsourcing.

Therefore, it is necessary that the service level agreement (SLA) define expected performance levels of a provider, while the development of the SLA should include extensive input from users who know what measurements targets are most importance. It should also describe procedures to be followed in the event of a provider's failure to meet SLA objectives. However, the agreement should not be so detailed that the parties will get bogged down in the bureaucracy of abiding by the contract (Bragg, 2006)). To achieve this, suitably qualified staff should be employed prior to the outsourcing arrangement and where that is not feasible external consultant should be used.

It would be necessary to outsource human resources (Chart 15) in order to ensure that suitably qualified candidates are recruited. The reason is that due to the highly political nature of the UN's recruitment and appointment procedures, particularly at the senior level, inadequately trained and inexperienced personnel by international standards, have been left in charge of, for example, such important functions as human resource management, which is the starting point of any reform initiative (Abdul Aziz, 2007). Reforming the UN should start with outsourcing the human resources department who will in turn recruit apt personnel for the job.

Employing higher cadre personnel whose experience falls far short of the requirements would dash any hopes of any reform being aggressively prosecuted for forever. Therefore individual with superb technical knowledge of the job acquired from outside the UN's archaic system, and most importantly a clear vision for the future should be hired (Abdul Aziz, 2007).

Outsourcing human resources would make salaries more competitive and strengthen the promotion systems by ensuring that only qualified personnel are rewarded which would make any reformation process more effective. Therefore, the human resources are one of the major barriers that should be eliminated or properly managed.

In the event that human resources cannot be re-engineered or properly structured, then in-house alternatives would need to be developed or specialised organizations, consultants and experts approached to assist in defining statements of work, evaluating internal needs, negotiating, evaluating service provider performance, and providing quality assurance. While these services represent additional outsourcing costs, they can enable the organization to reduce outsourcing risks and accomplish organization goals.

Furthermore, due to the nature of services offered by international organizations, political constraints are also a strong impediment in their ability to outsource especially during the peace-building phase. Political consideration may lead to the selection of a local provider in place of a more experienced international provider and local labour issues may ensure that even when international providers are used, almost all employees would be local hands.

Some barriers are positive and should not be eliminated. Examples are political consideration and labour issues. The presence of these barriers ensures that the UN contributes to nation building by empowering the population through job creation as a result of outsourcing to local contractors. When international contractors and vendors are used, provision should be made in the contract to encourage capacity building through the transfer of knowledge from them. Restrictive government policies and labour issues entrenched in local laws should also be included in the terms of a contract. Though these are barriers to outsourcing, they encourage

capacity building and empower the local economy for example by ensuring that provisions are made in outsourcing contract such that international contractors are required to register and pay taxes to a local authority. Furthermore, restricting the number of expatriates allowed to bid in a host country encourages the use of local vendors. The use of local vendors provides much needed jobs. Humanitarian and relief operations such as food and medical supplies sourcing, storage and distribution should be outsourced strictly to specialized local government agencies, NGOs and local provider which build capacity. Purchasing from local products and services ensures that the product or services are grown and or manufactured locally which encourages sustainability, builds capacity and empowers the local population. An example is the procurement of food and medical supplies by WFP, UNICEF and WHO.

Table 17:   The risks of outsourcing
Source: Data collected

Risks	UN PKOs	Manufacturers	Service Providers
Loss of control	100	60	60
Costs	90	33.33	13.33
Performance and product quality	90	60	40
Failure	0.00	13.33	60
Flexibility	0.00	6.67	13.33
Insufficient research and inaccurate data	0.00	0.00	13.33
	N=10	**N=15**	**N=15**

Therefore, barriers that encourage outsourcing of services to local vendors as a peace-building should not be eliminated but strengthened to support nation building; however, it may have an effect on the quality of output.
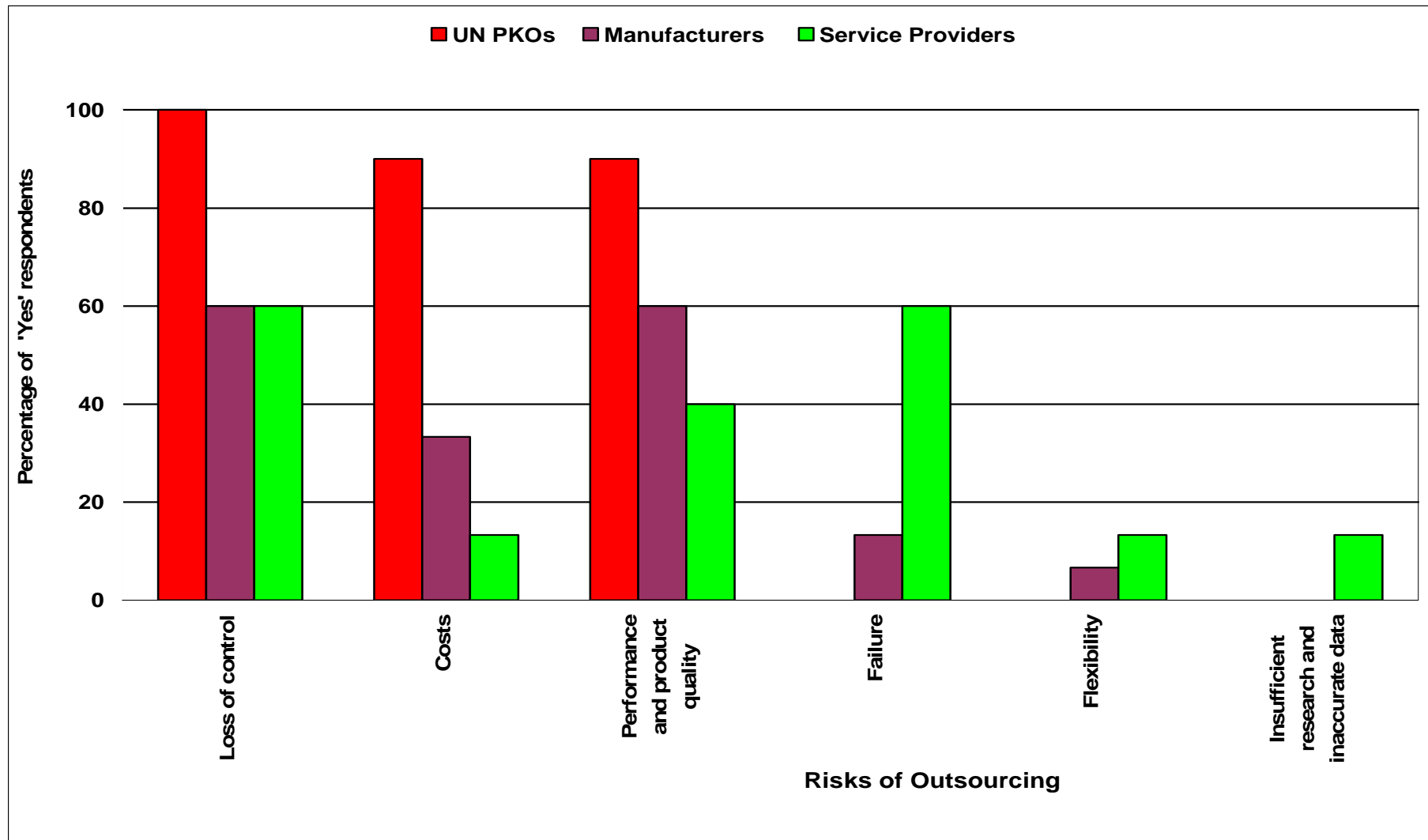
Chart 17: The risks of outsourcing by percentage of 'Yes' respondents
Source: Data collected

Therefore the UN would have to weigh what best satisfies their outsourcing objective in deciding which barriers to eliminate or manage.

In identifying the risks to outsourcing, the UN named loss of control, performance and product quality as well as cost containment as the top three risks to outsourcing. However, the manufacturers and service providers identified loss of control and performance and product quality as the main risks of outsourcing. Therefore, the risk of cost containment was seen as one of the top three risks to outsourcing regardless of whether it was in the private or public sector. Only the service providers did not indicate cost containment as one of the top three risks of outsourcing. Regardless, there is a strong correlation among the groups regarding these three risks to outsourcing.

The two-way frequency table (Table 17) indicates 'Yes' responses for each group and the percentage of the firms and organizations that gave this response. Risks associated with loss of control and cost containment were seen as two of the top three risks to outsourcing by 100% and 90% of the UN respondents respectively, while (60% and 33.33%) and (60% and 13.33%) of the manufacturers and providers respectively noted these as important risks.

Therefore, the UN and the private sector were of the same opinion on the risks of loss of control, performance and product quality as well as cost containment (Chart 17). This goes to show that objectives of non-profit making organizations and the private sector counterpart are gradually drawing closer and are more or less the same with respect to factors affecting their ability to outsource.

However, manufacturers and service providers named risks associated with fear of failure, inflexibility and insufficient research and the use of inaccurate data as the least risks to outsourcing decision-making. While none of these three risks was named by the UN. The probable reason for this is the intuitional setting of the organization.

According to the manufacturers and service providers, the decision to outsource is usually aimed at maximising profit and economies of scale; therefore, failure is not usually an option. In addition, proper research is usually carried out by experts with

accurate data before an outsourcing decision is reached. Though in the UN, the decision to outsource should be to maximise available resources, it is however not profit driven due to the nature of their business.

Table 18   Use of outside experts in outsourcing decision-making
Source: Data collected

UN PKOs	Manufacturers	Service Providers
0.00	33.33	71.43
N=10	**N=15**	**N=14**

Even when outsourcing is designed as a peace-building measure only, that is for capacity building and to empower the local economy, the risk of quality is of major concern and organizations have to properly manage what they outsourced even when they are non-profit making. Therefore failure is not an option for profit and non-profit making organizations alike. To reduce outsourcing risks, the UN should use qualified staff and when these are not available they may consider transferring the risk by using outside experts in defining statements of work, evaluating internal needs, negotiating, evaluating service provider performance, and providing quality assurance. While these services involve additional outsourcing costs, they can enable the UN to reduce outsourcing risks and to accomplish their goals. However, due to the remoteness of field operations of the UN, an internal mechanism and oversight to manage the outsourcing contract should be properly established to ensure successful outcome.
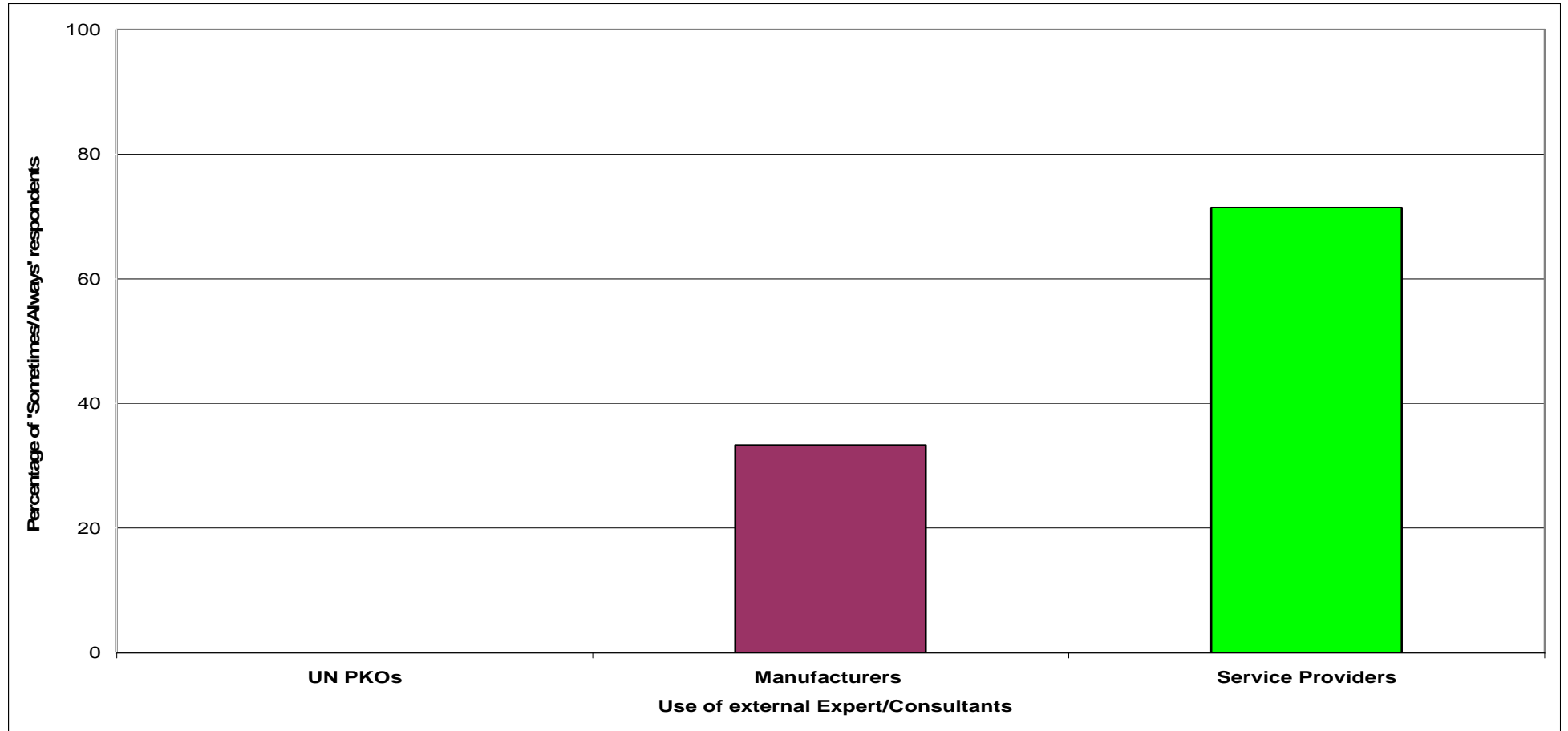
Chart 18: Use of outside experts in outsourcing decision by percentage of 'Always/Sometimes' respondents

Source: Data collected

Though many UN peacekeeping operations generally use outside consultants and experts to clearly define their goals and objectives, however as indicated in Table 18 the UN do not use experts or consultants to assist in the analysis of outsourcing decisions but rather use laid down rules, procedures, guidelines and policies. These guidelines are usually existing outsourcing policies and procedures which provide another clear indication of the value of the organization's institutional history. 33.33% of the manufacturing firm indicate that they sometimes or always use experts in decision-making involving outsourcing, while 71.43% of the service providers indicated that they sometimes or always employ the services of experts in deciding whether to outsource (Chart 18).

Although the manufacturers and service providers as private sector firms use more experts compared to the UN to assist in outsourcing decisions, however the groups are similar with respect to making decisions without the use of experts because the number of experts used was insignificant. The statistical analysis indicates that there is a statistically significant association between the use of outside experts by the manufacturing firms and service providers and the UN. In essence, the majority of the firms did not use outside experts in any outsourcing decision-making process indicating a relationship with the UN in the limited use of experts in any decision to outsource. An overall view proves that generally the UN, manufacturing firms and service providers are similar with respect to making outsourcing decisions without the assistance of experts. The UN use experts for advice on reforms and not for actual execution. According to Eger *et al,* (2002), the use of experts to assist in the analysis of an outsourcing decision may provide external validity to a decision and decrease any risks associated with outsourcing, however, the UN, being non-profit making, tend to use less experts compared to the manufacturing sector to assist in any outsourcing decision-making (Table 18).

In the absence of experts, the UN may consider using experienced in-house managers who are not only cost effective replacements of external consultants and experts but also of similar value in achieving successful outcomes (Goolsby 2003). However, the problem with this is the inability to recruit suitable qualified staff due to political motivated recruitment styles used by the UN which are based on recruiting senior staff from donor countries only or on quota basis for other organizations such as the

UN. However, UN peacekeeping operations contemplating outsourcing must consider whether experienced in-house managers' knowledge is relevant and comprehensive for the outsourcing decisions at hand and the relevance of this knowledge has to be well defined. Though there may be similarities, each outsourcing initiative is a unique business case of its own and thus requires a different set of knowledge. According to Goolsby (2003), unlike outside experts and consultants, experienced in-house managers and experts are not exposed to the market on a daily basis; therefore, care must be exercised when recruiting in-house experts. Experienced in-house managers' and experts' knowledge are highly valued and can be blended with those of outside experts and consultants to ensure the outsourcing organization gets the best of both worlds.

Table 19:   Benchmarks and models used in establishing outsourcing goals
Source: Data collected

Type of Benchmark/Model	UN PKOs	Manufacturers	Service Providers
Lessons learnt internally	100.00	20.00	60.00
Professional knowledge and experience	100.00	60.00	46.67
Industry standard	80.00	40.00	53.33
Providers' benchmarks	30.00	0.00	6.67
Research, industry and current literature	10.00	46.67	26.67
Competitive situations	0.00	26.67	13.33
Customer survey	0.00	26.67	13.33
	N=15	**N=15**	**N=10**

Therefore, any decision to use in-house manager and experts should be based on whether the expert is able to structure an outsourcing engagement that produces the desired objectives and reduces the high error rates. However, the use of outside experts is advisable because it brings in new and unadulterated ideas into any

organization and they assist in ensuring proper definition of outsourcing goals and objectives (Eger *et al*, 2003).

With the exception of the provider's benchmark which was not used by the manufacturers, Table 19 indicates that the following are the major benchmarks and models used in establishing goals by the groups.

- Lessons learnt internally
- Professional knowledge and experience
- Industry standard
- Providers' benchmarks
- Research, industry and current literature
- Competitive situations
- Customer survey

Table 19 further indicates that private industry benchmarks and key performance indicators, together with, internal driven decisions and previous contract history are the major benchmarks used in establishing goals by the group. Also the group made minimal use of outside experts which substantiates that institutional history played a key role in decision-making.

A look at Chart 19 indicates the significant similarities between lessons learnt internally and professional knowledge and experience across the groups. Similarities were also found between the benchmarks used by manufacturing firms and service providers. A strong relationship was suggested by the correlation between professional knowledge and experience; lessons learnt internally; research, industry and current literature used as benchmarks by the groups. The benchmarks and model used by the manufacturers and service providers are:

- Professional knowledge and experience;
- Research, industry and current literature;
- Competitive situations;
- Customer survey; and

- Industry standard

However, the UN makes use of the following benchmarks and models below to establish outsourcing goals and objectives.

- Lessons learnt internally;
- Professional knowledge and experience ; and
- Industry standard

Therefore, being non-profit making, the UN tended to use benchmarks and models that are non-profit driven, while the rest of the groups used benchmarks and models conducive to the profit making private industry. Though not profit making, the UN would need to consider using benchmark and models that are conducive to profit making to ensure a more effective outsourcing decision-making. However, the type of benchmark and model used to begin an outsourcing process is vital to ensure that right decisions are made and on time.

The association across the group on the use of lessons learnt internally and professional knowledge as the most common benchmarks is an indication that benchmark and models used by the groups depend on an organization's institutional setting. Furthermore, in defining how benchmarks are used to establish outsourcing goals those applied by most UN peacekeeping operations, are based more on lessons learnt internally, professional knowledge and experience rather than on industry standards (Chart 19). However, since outsourcing contracts should include a detailed specification of service level, therefore the UN should ensure that appropriate benchmarks are in place to measure providers' performance.

These appropriate benchmarks would enable the UN determine how well a provider is performing against agreed-upon standards. Without these benchmarks, it will be impossible to evaluate not only the provider's efficiency but the outsourcing organization's own customer-service performance as well.
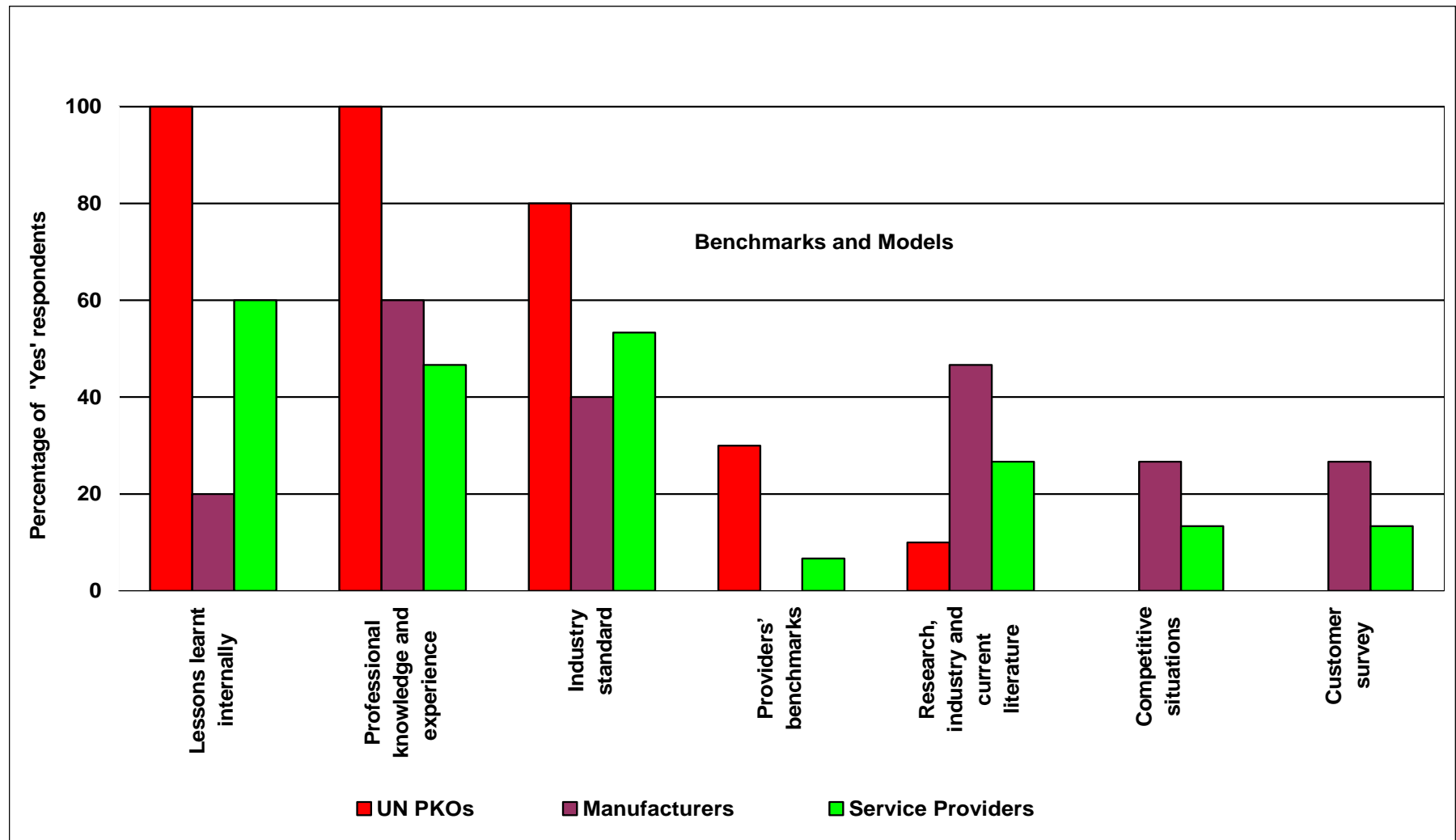
Chart 19: Benchmarks and models used in establishing outsourcing goals by percentage of 'Yes' respondents

Source: Data collected

Table 20:   Factors influencing service provider selection

Source: Data collected

Factors	UN PKOs	Manufacturers	Service Providers
Business qualifications	100	88.89	85.71
Cost	100	86.67	100
Financial stability	100	100	92.31
Operational excellence and reputation	100	100	100
Physical equipment and capabilities	100	72.73	92.86
Previous experience with provider	100	0.00	0.00
Safety record	100	0.00	0.00
Similar business experience	100	0.00	0.00
Size, strength and management style	100	87.50	92.86
Strategic direction and compatibility	100	100	100
Information technology	40	100	92.86
	N=10	**N=8**	**N=14**

According to responses received during interviews of UN peacekeeping operations, providers are selected locally or internationally from a local and international service provider databases which are usually updated regularly.   Depending on the type of project, an organization has the right to requests that a provider should be recruited internationally or locally. This usually depends on the type of specialization requirement in the project, which could also be based on lessons learnt from the use of local contractors from past projects.
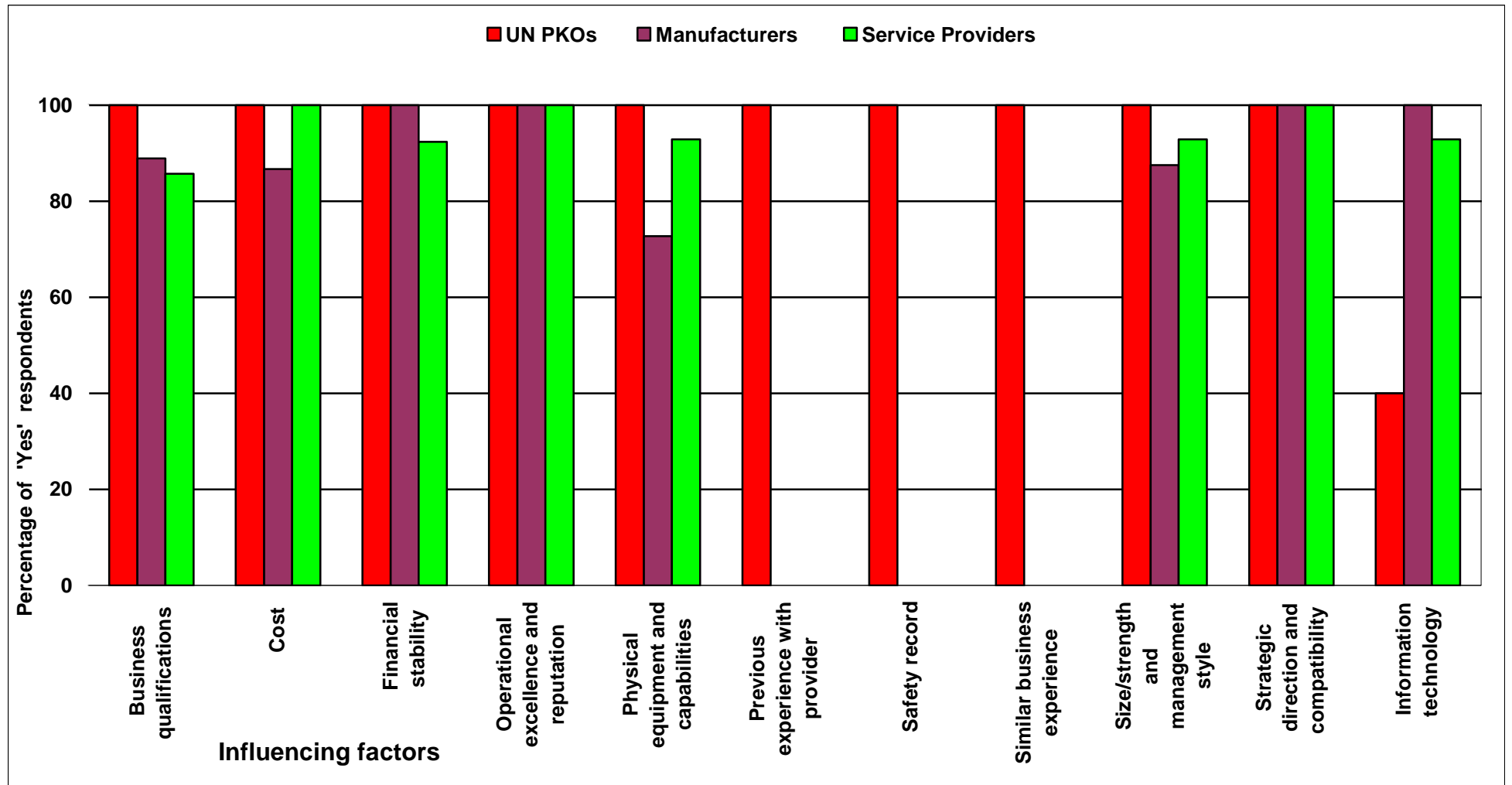
Chart 20: Factors influencing service provider selection by 'Yes' respondents

Source: Data collected

Providers may also be recruited locally as a peace-building measure. This is designed to revitalize and enhance the local economy and encourage development in host nations through the infusion of funds into the local economy. To buttress this point, the UN respondent indicated that 50% of all assets are procured locally for this peace-building reason.

As provided in Table 20, in assessing the factors influencing provider selection, an association was found among the groups regarding operational excellence, including quality and reputation; and strategic direction and compatibility as the most important factors influencing provider selection. Apart from costs, operational excellence and reputation, together with strategic directions and compatibility, the groups also considered business qualification and financial stability of a provider, physical equipment and capabilities as well as a provider's size, strength and management style as other factors influencing provider selection.

Furthermore, based on statistical analysis between the UN, manufacturing firms and service providers there was an exact similarity in choosing strategic direction and compatibility, and operational excellence and reputation as a factor, though it was one of the least important factors (Chart 21). Although across the board, the least important factor influencing provider selection was information technology, the UN were different from the other groups with respect to the factors influencing provider selection in choosing information technology as an important factor. However, in these days of rapid IT evolution, UN may need to consider outsourcing to more providers with good IT historical background. This will reduce the additional cost of hiring consultants and/ or costly upgrades. There is also the need to use expert or suitably qualified staff in the pre-contract and contract period.

Though costs were an important factor for manufacturing firms and service providers because they are profit making, its importance was diminished by operational excellence and reputations; strategic direction and compatibility as the most important influencing factors. It was the same for the other groups. This shows that regardless of the nature of business (profit or non-profit making), the objectives and goals of organizations are becoming more closely aligned. However being non-profit making, the following criteria where used by the UN in choosing service providers:

- Business qualification;

- Financial stability of provider;

- Operational excellence and reputation;

- Strategic direction and compatibility;

- Previous experience with provider;

- Safety record; and

- Similar business experience

The lower the cost of the provider, the better, however this depends on the satisfaction of other criteria mentioned earlier. As a form of managerial efficiency and cost-effectiveness, the cost of providing the services needs to be negotiated as low as possible (Eger *et al.* 2002). However, there comes a time when political consideration would have to be considered rather than economic. Is it better to use a service provider selected internationally or locally? Although international providers would most likely have the required expertise and experience, local providers would ensure that more jobs are created locally and the country's standard of living would improve by supporting the local economy through sustainable development leading to economic growth thereby building peace, which is an essential component of peacekeeping and peace-building. Therefore, political considerations and economic empowerment are also vital criteria for choosing a service provider for many UN peacekeeping operations in developing nations.

To ensure a successful outsourcing outcome, the UN should endeavour to develop a service provider selection or outsourcing team that recognizes all business areas impacted by the project. Key staff to include on the team should comprise of the following categories:

- Senior management;

- Legal staff with contract expertise;

- Technical staff and information systems analysts;

- End users; and

- Financial staff.

Staff conversant with outsourcing would ensure that right providers are matched to appropriate services. These knowledgeable staff must be capable of developing cost-benefit analysis which provides the best basic structure for approaching provider selection and implementation decisions. The UN must identify all internal and external service costs and benefits to make an effective and reasonable comparison. Therefore, an outsourcing team must know providers' expectations for making money from an outsourcing contract, whether providers would offer cost savings and how savings can be generated. This is required to ensure that providers are of good reputation and financial standing.

The selection of a most appropriate service provider by the UN is critical to the outsourcing return on an investment because in outsourcing, a provider delivers services to an outsourcing organization using resources owned and managed by the provider. For the UN, savings in outsourcing engagements are used to fund other projects that would otherwise be cancelled due to lack of funds.

The selection of service providers is a task which demands close and careful attention particularly if a contract is to be offered as a partnership agreement for a broad range of services over a long term by a single provider. Therefore, to ensure that the most appropriate provider is selected, certain principles must be observed for a selection process to be conducted efficiently and to form a long term relationship. Therefore, business qualification, capability, availability of equipment, financial stability as well as strategic direction and compatibility of providers must be unquestionable.

It is also important to weigh all risks and to recognise that damage resulting from a poor selection of a low-cost bidder is likely to outweigh any difference in cost to the next lowest bidder or the alternative of any in-house provision. It follows that total expenditure must be a principal feature in any selection process. Therefore, risks should be identified at the onset and thereafter, properly managed.

According to Bragg (2006), to ensure that a provider does not bid too low in order to win a contract, their financial stability, operational excellence and previous contract history are criteria that must be fully considered to avoid incorrect evaluation of

specifications for the outsourcing contract. However, providers should not be held to the quoted price since an outsourcing organization's main objective for outsourcing is to select a provider that can provide quality services and reduce amount of management time needed to run a function. Therefore, the UN should not necessarily choose lowest bidders because it may be due to a pricing problem with a bid but rather request for a revised bid that would reflects actual costs and profit margin, otherwise it would inevitably lead to cost cutting and consequently a reduction in service level. The reason is that pricing issues are usually identified as the most common point of contention in an outsourcing engagement and should be avoided at all costs using appropriate mechanism to ensure a successful outsourcing relationship Bragg (2006).

The result of the survey indicated that it is important to select a provider that meets the following criteria (Chart 20).

- Operational excellence and reputation;
- Physical equipment and capabilities;
- Previous experience with provider;
- Safety record;
- Similar business experience;
- Size, strength and management style; and
- Strategic direction and compatibility

There is also an association across the groups that the above are the most important criteria for provider selection. Therefore, a service provider whose business goal and organizational culture aligns with that of the UN should be selected so that communication is fostered and developed to support the outsourcing effort.

Another essential component for an outsourcing decision-making process involves establishing outsourcing policies and procedures. The establishment of policies and procedures early in an outsourcing decision-making process ensures that the right decision is made on time. As indicated in Table 21, the group used policies and procedures in conjunction with others depending on the service being outsourced,

that is, they did not use one type for each separate project but by combining with others.

Table 21: Policies and procedures used for outsourcing decision-making

Source: Data collected

Type of Policy/Procedure	UN PKOs	Manufacturers	Service Providers
By application of clients' existing policies	70	0.00	0.00
Handed down from the head office	70	0.00	0.00
Unique policies developed by client	70	20	53.33
Based on provider's standards	0.00	0.00	6.67
By integrating client and provider's standards	0.00	0.00	6.67
Through service level agreement	0.00	0.00	6.67
Very defined and mutually developed	0.00	66.57	40
	N=10	**N=15**	**N=15**

When UN peacekeeping operations were questioned on how policies and procedures were established for outsourcing decision-making, they indicated that in general it was through application of the outsourcing organizations' existing policies. These policies which were either uniquely developed to managed outsourced tasks or were handed down from the headquarters of the respective organizations. The groups confirmed that one type of policy was never used exclusively but rather in conjunction with one or others policies.
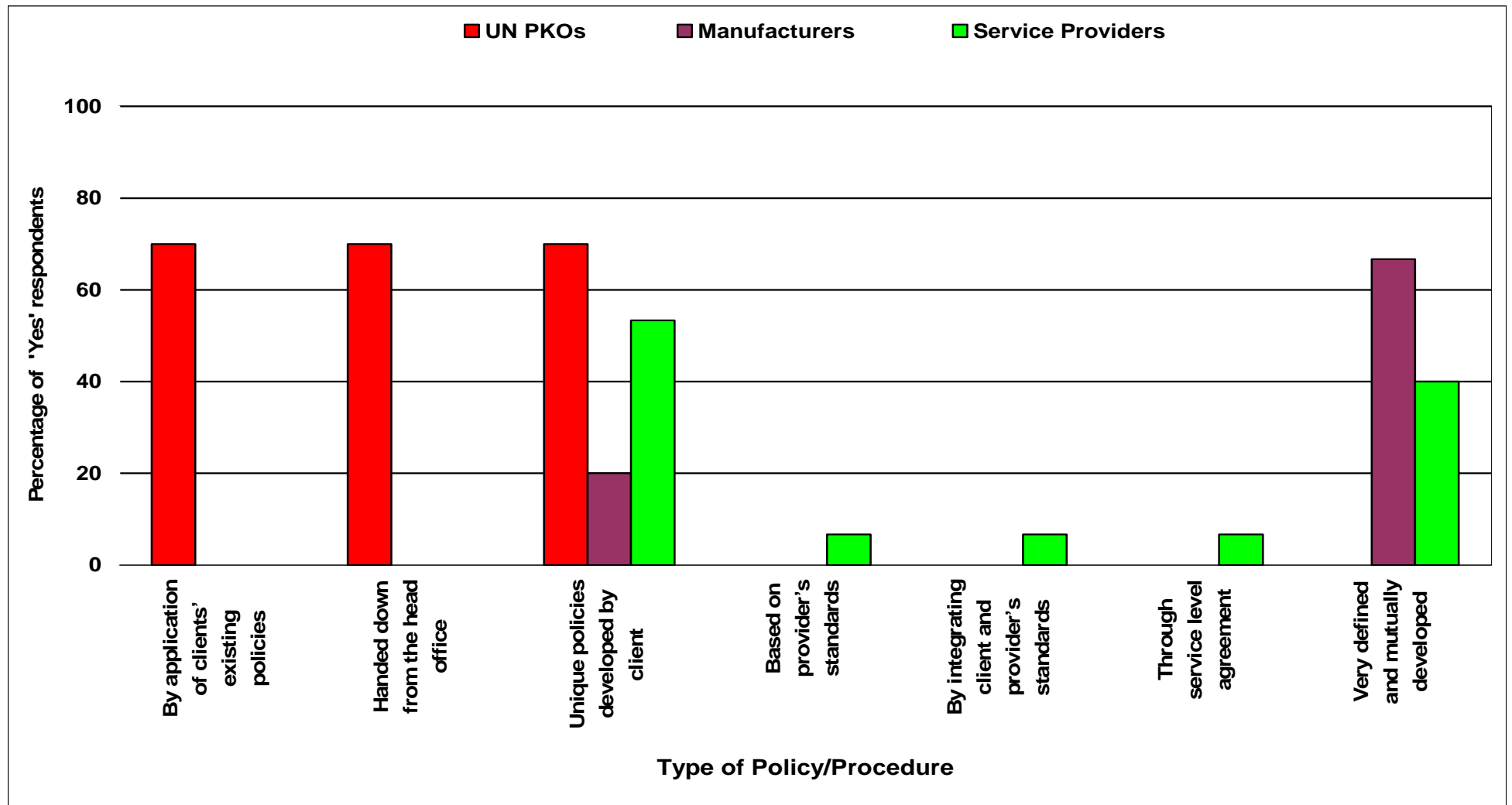
Chart 21: Policies and procedures used for outsourcing decision-making by percentage of 'Yes' respondents

Source: Data collected

There were commonalities between the UN and manufacturing firms on the type of policies and procedures employed in outsourcing decision-making. As indicated in Table 21, service providers never made use of their client's existing policies but rather those developed by the client specifically to manage outsourced tasks which the used in conjunction with policies based on their standards, which they did by integrating the client's and provider's standards. With respect to the policies and procedures used when providing services to manufacturing firms, the service providers used clear and mutually developed policies. Furthermore, the general use of unique policies developed by clients is a clear indication of the value of institutional history to the group. However, there was a correlation on the application of clients' existing policies and unique policies developed for each outsourcing task and those handed down from the head office across the groups (Chart 21). The application of unique policies and procedures for some projects shows that each outsourcing project has different requirements. This was especially the case with service providers who have to develop and apply unique policies and procedures for different outsourcing ventures. It would be inadequate for a UN peacekeeping operation to apply only their own policies and procedures for outsourcing, rather a well defined and mutually developed policies and procedures would be required. However, the manufacturing industry and service providers develop their own unique policies and procedures to meet the needs of a particular outsourcing venture unlike the UN. These criteria form the basis of the decision-making scorecard.

To ensure successful outcome like their private sector counterparts, the UN may have to consider developing unique policies and procedure to manage outsourced tasks since no outsourcing engagement is the same, regardless of similarities in outsourced services. Therefore to ensure successful partnering with service providers, unique policies and procedures should be properly developed by the UN for each outsourced task to reflect their interest based on service providers' standards.

A further criterion that is crucial to the success of an outsourcing project is measurement. Measures quantify the ability of both internal and external resources to meet end-user needs, analyse for strengths and weaknesses and evaluate alternative option for making changes. The right measurements are essential for evaluating options available for an organization. Measurements are the primary means to

determine the success or failure of an outsourcing project and to ensure that a service provider is held accountable. If good measurements are not in place when a program begins, the contract cannot be managed effectively. Therefore, the timing of performance measurement is a vital aspect of outsourcing. The survey results indicate that performance measurements of outsourcing contracts of in the UN are usually carried out as often as possible from the beginning of an outsourcing contract till the end especially for newly established operations. Therefore, a provider's performance should be measured from as often as daily till the end of an outsourcing project.

As provided in Table 22, daily, weekly and monthly and annual measurements are used as the most common performance measurement timing by the UN. However, this is not consistent with the manufacturing sector. The reason is that the manufacturing sector often use a custom tailored approach to the timeliness of performance measurements. This approach includes continuous and daily assessment in addition to weekly and monthly assessments depending on what aspect of the performance was being measured.

Table 22:   Measurement of providers' performance
Source: Data collected

Frequency of Measurement	UN PKOs	Manufacturers	Service Providers
Monthly	80	26.67	46.67
Weekly	80	26.67	0.00
Annually	40	0.00	0.00
Daily	40	13.33	13.33
Quarterly	0.00	20	13.33
	N=10	**N=15**	**N=15**
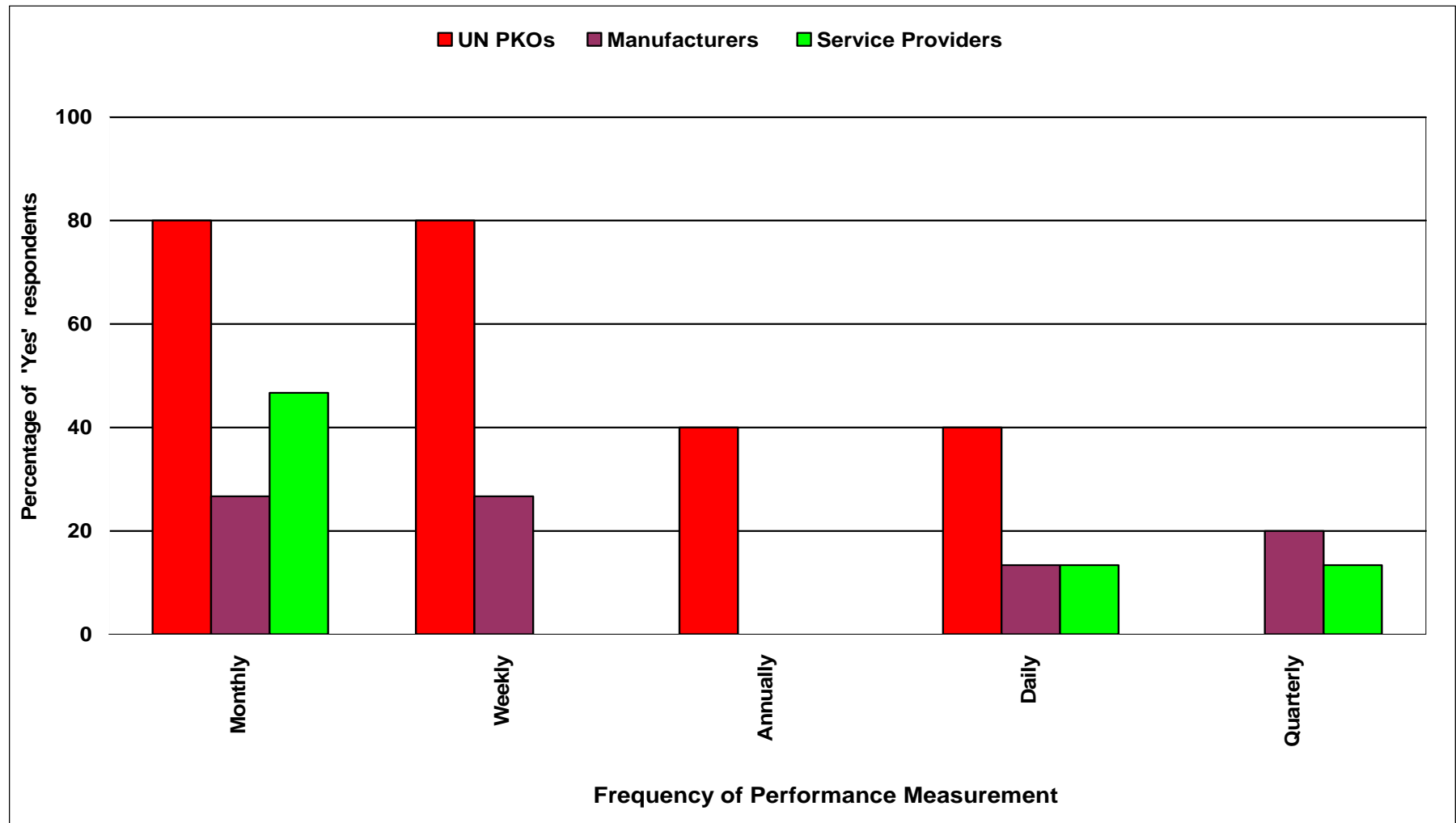
Chart 22: Measurement of service provider's performance by percentage of 'Yes' respondents
Source: Data collected

In general, manufacturing sectors emphasis lies on the necessity for continuous and consistent performance measurement, especially when faced with exceptions to standard company practice. However, service providers carry out daily and monthly measurements in addition to quarterly measurement which are specifically for control purposes and used during annual reviews. Service providers are different from the other groups in that they not only carry out weekly measurements but daily and monthly because it provides the best measure of continuous performance.

Across the groups, an association exist with respect to weekly, monthly and annual measurements. Furthermore, a correlation also exists between the measurement styles of manufacturing firms and service providers with respect to weekly measurement because of the project dependent nature of their measurements. Since they are not motivated by profit and due to the importance they place on quality, the UN carry out more measurements than both manufacturing firms and service providers (Chart 22) as follows:

- Monthly
- Weekly
- Annually
- Daily

What is not known is how extensive and thorough these measurements are. The frequency of the measurement depended on the stage of the outsourcing project. According to the UN, at inception, spot checks are more frequent and as the project progresses the process is reduced to weekly checks. Finally towards the final stages, measurements are usually made before each payment certification, with the last being made during the retention period. Since performance incentives are not included in outsourcing agreements involving the UN, it is still very essential that a provider's performance should be measured as often as required because an essential aspect of outsourcing is the timing of performance measures. Therefore, the emphasis should lie on the need for a continuous and reliable performance measurement that is tracked on a consistent and regular basis Lynch (2000). These measurements will be the

tracking mechanisms for contract management, so contracts should include specifics about what will happen if standards do not meet agreed-upon expectations.

4.2   ANALYSIS OF DATA FROM THIRD PARTY SERVICE PROVIDERS

This section examined the findings of surveys and interviews relating to third party service providers or simply service providers. Forty surveys were sent out to service providers in South Africa. Fifteen surveys were returned giving a total response rate of 37.5%. Information received from the fifteen respondents was complete and found to be useful and are discussed below. The fifteen service provider's respondents are grouped into the following services.

- Logistics, transportation and warehousing;
- Facility management;
- Transportation, clearing and forwarding, freight and terminal operations
- Global logistics, express mail services;
- Supplier, automobile and building control systems;
- Construction and management consultancy; and
- Civil and structural engineering consultancy

Survey responses for the fifteen service providers are discussed below. The survey question can be found in appendix A.

4.2.1   Service Providers Survey and Interview Findings

The fifteen service providers indicated that they provide the following outsourcing services:

- Freight consolidation and distribution;
- Selected manufacturing activities;
- Facilities and camp management;
- Inbound transportation;
- Outbound transportation;

- Management consultancy;

- Shipping agency, cargo, Building construction;

- General repairs,

- Customer services;

- Traffic management and fleet operations;

- Website development and maintenance;

- LAN's, transportation and fleet maintenance;

- Property management, Engineering and related services; and

- Heavy and specialised maintenance activities.

Freight consolidation and distribution, selected manufacturing activities, facilities and camp management, inbound and outbound transportation were the most common outsourcing services offered by the service providers. According to the service providers, the most common goals of outsourcing were performance improvement and cost reduction, which was comparable to responses of the manufacturing firms. Similar to the responses of the manufacturing firms (53.3%), the same number of service providers (53.3%) indicated that outside experts were not involved in any outsourcing decision-making process. In the same vein, the manufacturing firms also agreed with the service providers that professional knowledge and experience as well as industry standards were the most common benchmarks for establishing goals. The primary risks of outsourcing identified by the service providers were loss of control and failure, while labour agreements, quality and control have been demonstrated to be barriers impeding outsourcing decision for both the service providers and manufacturing firms.

The service provider pointed out that they targeted their clients based mainly on the nature of the commodity (46.7%) and on geographic locations (26.7%), while financial gains, core competencies and the client's size are factors they consider when they choose to participate in a Request for Proposal (RFP) or Request for Quotation (RFQ). Generally, vital factors influencing provider's selections were cost, quality, operational excellence, reputation/references, business qualification as well as chemistry and compatibility. The providers indicated that they mainly selected and reviewed carriers and subcontractors through a review process, RFP and through

references. Similar to manufacturing firms, expectations were defined through the contract (46.7%) and performance standards in the contracts (40%) and also through laid out procedures using key performance indicators. In the absence of an existing policy, mutually and well defined policies and procedures were developed for specific projects and were established through service level agreements by integrating customer and provider minimum standards using internal procedures which were based on the provider's performance. Furthermore, an assessment of a client's operations was carried out prior to embarking on an outsourcing arrangement through quality measurement programmes and sometimes client's subcontractors and carriers in the new service delivery process are used.

The provider indicated that outsourcing decision-making data was readily available; however, the greatest challenges for outsourcing were an understanding of outsourcing data which is owned and provided by customers as well as by service providers using internal processes. This data originating from multiple sources, are reconciled manually and electronically through an internal process.

The performance of carriers and subcontractors was evaluated by cross functional teams using performance measures stated in the terms and conditions of the contract. Furthermore, comparison to specific expectations, comparison of performance versus cost and comparison to industry standards are largely the method used by the service providers to evaluate performance. Key measures indicated for determining carriers and subcontractors performances were delivery performance, quality, performance and communication. Performance was project dependent and was reviewed daily and monthly; and quarterly, for control purposes. Data used in determining the performance of subcontractors and carriers were provided by suppliers, outsourced agency, the providers staff and on-site personnel as well as provider's project team through self diagnosis. Friction points occurred mainly during changes and price issues. Additionally, exceptions were handled by a crisis management team. Apart from empowering managers to deal with exceptions, quick intervention and use of service policies typically achieved required results. Lastly, the firms agreed that they would readily enter into an outsourcing arrangement with the UN and offered the following recommendations for those considering outsourcing:

- Consider your goals carefully;

- Define deliverables;

- Communication is very essential;

- Carefully defined goals with measurable deliverables are essential;

- Maintain ongoing dialogue;

- Identify key people within the organization; and

- Relationship is critical.

4.3 ANALYSIS OF DATA FROM MANUFACTURING FIRMS

This section examines the survey and interview findings of fifteen manufacturing firms that were returned resulting in a total response rate of 50%. The firms who participated in the survey included four vehicle manufacturing firms, two tyre and rubber making firms, a lift and escalator manufacturer and three chemical and cosmetics manufacturers. Others included two glass making firms, a beverage making firm, a large aggregate and ready-mix firm and a packaging firm. The survey findings are examined below, however the survey questions can be found in appendix B.

4.3.1 Manufacturing Firms Survey and Interview Findings

The fifteen manufacturing firms indicated that they outsourced the following:

- Selected manufacturing activities;

- Advertising and communications;

- Website development and maintenance, application development, application maintenance, LANs , IT training, desktop management;

- Product assembly;

- Order fulfillment;

- Parts packaging and accessories;

- Packaging for retail item;

- Engineering services and engineering maintenance;

- Communication and communication maintenance;

- Transportation and fleet maintenance;
- Information reporting,
- Assets, inventory, warehousing and property management;
- Product assembly:
- Selected manufacturing activities; and
- Security services.

Other outsourced services included payroll, purchasing, wellness programme, catering, cleaning, risk management, staffing, installing seats in public places, maintenance and accounting. Selected manufacturing activities and security services are the most commonly outsourced services by the manufacturing firms. The majority of the firms considered that outsourcing will enable them to resolve the problems associated with high labour costs, better control, large capital expenses, staffing, capacity, costly up to date technology, and lack of expertise. After confirming that their main concerns regarding outsourcing as an option for improving efficiency and effectiveness were control and effectiveness, selection of the right provider and lack of control, they also considered cost as the determining factor for outsourcing. Cost reduction, together with competitive pressures, labour issues, maintaining product and service quality, enhanced technology, risk sharing, lack of resources and specialization were the firm's main goals and objectives for outsourcing.

On the use of outside experts in the decision to outsource, only 26.7% of the firms always used outside experts, while only 6.7% of the firms agreed they sometimes used outside experts. In essence, the majority of firms did not use outside experts in the outsourcing decision-making process. The majority of the firms agreed that the risks they faced when they opted to outsource are loss of control, product quality, costs, delivery, performance, failure, flexibility and loss of clients. It is expected that different firms should expect different results from outsourcing. 33.3% of the firms are not sure that outsourcing would result in an improvement in efficiency, though 26.7% were definitely sure, another 26.7% were also not sure that outsourcing would result in improved technology. On improved process, 20% of the firms were certain it would not lead to improved results, 20% were definitely sure that outsourcing would result in improved technology, while another 20% were probably not sure it would

make a difference. Though 20% were not sure, 20% were certain it would have an effect on the information capabilities of the firms, while 26.7% were probably not sure, 26.7% were certain that it would not lead to reduced costs and only 20% were absolutely sure that outsourcing would lead to lower costs.

On improved performance, 20% of the firms confirmed with certainty that outsourcing would lead to better performance, however another 26% were not sure it would have an effect on performance. At the same time, 20% were definitely sure; another 20% could not verify whether it would lead to improved product quality. 13.3% indicated with certainty that it would provide much needed time that would be spent on improving other services, 13.3% were not sure and 20% were certain that it would not make any difference. Though 13.3% of the firms were convinced that expected result would lead to better delivery; another 20% did not expect it to make a make a difference. 13.3% of the manufacturing firms indicated that outsourcing would lead to better optimization of network, while another 13.3% doubted that it would make a difference and 20% of the firms were certain it would lead to a change.

Though the fifteen manufacturing firms identified several factors as outsourcing barriers, however, internal organizational issues, control, quality, cost, were established as the main determining factors impeding their decision to outsource. 55% of the firms agreed that outsourcing should be introduced gradually into the firms, while others stated that it is introduced by functional area through historic experience that was project specific and other firms stated that it was through areas where resources and outside skills were needed to achieve immediate result with no transition and thorough growth in business. The majority of firms indicated that they used top down (46.7%) and democratic leadership (26.7) styles to implement their outsourcing programmes. Another 80% of the firms also emphasized that they carried out an initial assessment of current operations before embarking on an outsourcing arrangement and that service providers were always (46.7%) involved in the planning process, while 33.6% of them indicated that they did not always use them. Using mainly professional knowledge and experience (60%), industry standards (40%), customer survey (33.3%) and competitive situations (26.7%) as benchmarks for establishing goals, the firms established that outsourcing was mostly evaluated by

end users based on product quality, performance, and cost using performance measures.

The firms indicated that they mainly considered cost information, a good scope of work and a good understanding of outsourcing to begin the outsourcing process. According to them this information was usually provided by vendors/supplier (40%), through internal tasks forces within the firm (26.7%), obtained from individuals within the firm (20%) and from software's and programmes (20%) through quality measurements. Outsourcing data is usually collected from suppliers (40%) and project managers (26.7%) which is usually evaluated by the project managers (60%), providers and other line managers using trend analysis (33.3%), and by comparison to specification (26.7%) and competitive bids. Other methods used include comparison to industry standards and measuring current performance against historical performance. The data collection method remained mainly unchanged throughout the outsourcing process. Some firm indicated that they could improve on data collection process by covering more review meetings (46.7%) and by more upfront planning (40%).

With the primary factors of cost, financial stability, quality, operational excellence, reputation and business qualification as the most influential in an outsourcing decision, they indicated that project managers (53.3%) and top management developed outsourcing plans and programmes including the Request for Proposal(s) (RFP) which included selection factors such as price, delivery, reputation and expertise. Providers were selected through industry reputation (40%), survey of industry trade information (33.3%) and interviews (33.3%) after reference checks and site visits. The RFP was used to review more than ten potential providers by two of the firms (13.3%) and three providers by three of the firms (20%), using interviews and the provider's cost information. The project managers and internal team were involved in defining scopes of works and contracts, while established performance standards were used to define expectations. In addition, policies and procedures were tailored to specific projects through mutually defined and developed unique policies.

In general, the normal term of an outsourcing relationship is year to year. Depending on the project scope, 60% of the firms indicated that usually a cross functional

transition team managed the transition to outsourcing which typically lasted from less than one year to a few months.

There was no hard and fast rule that could be applied to the frequency of performance measurement; which could be daily, weekly, monthly and quarterly depending on the firm and the aspects being measured, however, friction occurred during variations and during measurement on price issues. Performance data to be measured was mainly provided by project teams (46.7%) and vendors (20%). Generally, providers were managed according to contractual terms (73.3%) with contractual incentives and penalties for performance, while participation in gain sharing and exceptions were managed as a team.

Overall, the most vital changes that occurred in the outsourcing arrangement were that it allowed management to focus on their core business (66.7%) and it also brought about lower costs (46.7%). New programmes introduced by providers (46.6%) enhanced outsourcing process by reducing costs and bringing in fresh and new ideas into the firms. With positive results obtained from outsourcing, many firms (53.3%) indicated that they would consider outsourcing other functions in the future. The most significant lessons learnt from an outsourcing arrangement were that change is important (33.3%) and that setting your expectations high was vital (33.3%) to the success of an outsourcing project. They also indicated that project success was determined by relationship and team building, and that having a right attitude was a recipe. It further highlighted that providers bring essential additional skills and resources to an outsourcing project. Lastly the manufacturing firms made the following recommendations to UN peacekeeping operations considering outsourcing; communication is essential (53.3%), outsourcing goal should be carefully considered (40%) and carefully defined goals with measurable deliverables are vital ingredients to consider in the decision to outsource.

4.4   ANALYSIS OF DATA FROM UN PEACEKEEPING OPERATIONS

This section examines surveys and interviews findings of United Nations peacekeeping operations.

- United Nations Observer Mission in Georgia (UNOMIG);

- United Nations Interim Administration Mission in Kosovo (UNMIK);

- United Nations Peacekeeping Force in Cyprus (UNFICYP);

- United Nations Interim Force in Lebanon (UNIFIL);

- United Nations Disengagement Observer Force (UNDOF);

- United Nations Mission in the Democratic Republic of the Congo (MONUC);

- United Nations Operation in Côte d'Ivoire (UNOCI);

- United Nations Mission in Ethiopia and Eritrea (UNMEE);

- United Nations Mission in Liberia (UNMIL); and

- United Nations Mission in the Sudan (UNMIS)

Survey responses from each participating peacekeeping operation are discussed below, while the survey questions can be found in appendix C.

4.4.1 United Nations Observer Mission in Georgia (UNOMIG)

Survey/Interview findings

On 31 January 2006, the strength of the peacekeeping operation was 44 military observers, supported by 22 international civilian personnel and 47 local civilian personnel with an approved budget of $35.5 million for the period 1 July 2005 to 30 June 2006. The budgeted expenditure for the same period was: military and police personnel, $4.2 million; civilian personnel, $17.9 million and operational costs, $13.5 million.

According to the survey 30, 18 and 42 personnel respectively are employed in information technology, engineering and air and ground transportation including movement control respectively. The regional offices staff strength is 27 personnel supported by additional personnel from the local headquarters.

UNOMIG indicated that they currently outsource: engineering and engineering maintenance including project development and construction, IT and personnel

training, medical services, heavy and specialised maintenance services, catering, facilities and camp management. Together with performance improvement, UNOMIG ranked cost reduction and labour issues as its major reasons for outsourcing whilst outsourcing non-essential activities was an ongoing task which varied according to the activity being outsourced. UNOMIG does not use external consultants in the decision to outsource. Furthermore, activities identified as more cost-effective when operated by a third party would be outsourced in the future. The major risks of outsourcing identified were procurement time, loss of control and quality of output. Furthermore, the survey results indicated that quality constraints and project size, scope and control were the most significant barriers impacting on the decision to outsource. As is the case with other peacekeeping operations, UNOMIG took into account the following information when deciding whether or not to outsource:

- DPKO and UNOMIG capacity's to handle the work;

- Experienced staff, equipment, quality and capacity;

- Research of other Peacekeeping Operations and UN Agencies' expenditure;

- Clear specification of scope of works;

- Contractor qualification and clear scope of responsibilities;

- Previous outsourcing experience;

- Reliable analysis of human resources requirements;

- List of available and interested evaluators and assessors;

- Size of project and time for completion;

- The desired final product;

- What, who, where, when and how of the project;

- Qualified personnel that understand the Peacekeeping Operations' system;

- List of qualified and available personnel;

- Local and international vendor databases; and

- Laws of the host country, United Nations Rules and Regulation and Standard Operating Procedure;

Business qualifications, technical expertise, physical equipment, cost, quality and previous experience with the specific provider where considered as vital factors that influenced their decision in the selection of a particular provider. The survey results indicated that UNOMIG's expectations in an outsourcing arrangement were detailed through an open working relationship with end deliverable defined by budget and time, as well as through specifically documented standards that provide performance rating and calibration, and through measured performance standard which carry financial penalties. Being non-profit making, they do not give incentives for superior performance. Outsourcing policies and procedures adopted during outsourcing decision-making were determined by existing policies of the service provider and UNOMIG or policies handed down by DPKO. In other instances, UNOMIG developed and established unique policies to manage the outsourcing of special services. The provider's performance was measured weekly, monthly and annually, depending on the type and nature of the project using a performance scorecard which included factors such as the capacity and ability to perform the work, time performance, product quality, administrative and budgetary accuracy. It was also noted that conflicts arose during the execution stage of the outsourcing project with the following identified friction points identified:

- Contractor claim from different opinion and agreement on quality of finished product;
- Increased inspections;
- Increased administrative issues;
- Establishing appropriate oversight that would resolve performance disputes;
- Contract scope and specifications;
- Contract coordination between peacekeeping operations and providers;
- Quality control and cost;
- Contract schedule and program;
- Timely deliverance of service or product;
- Definition of acceptable service or product and evaluation of service or product;
- Outsourced personnel complaints and concern for their jobs;
- Workload pressure with limited staff;

- Cost containment;
- UNOMIG procurement policies and control over outsourcing; and
- Communication regarding quality control and conformance to UN standards

The survey findings also indicated that outsourcing results varied with supervision and capability of the provider whereby the quality of work performed was sometimes below that performed in-house by the peacekeeping operation. Generally the quality of output was considered to be equivalent to work performed by UNOMIG. This enabled them to concentrate on their core functions with the intention of outsourcing more of these in the future which would include activities for which the mission may not have the expertise to perform or where it would be more cost-effective and better managed by a third party service provider.

4.4.2   **United Nations Interim Administration Mission in Kosovo (UNMIK)**

Survey/Interview findings

The strength (June, 2006) of the peacekeeping operation was 38 military observers, 2,221 police observers, 797 international civilians, 2,277 local civilians, and 189 UN volunteer. The budget for the period July 2005 to June 2006 was $252.55 million while budgeted spending for 2005/2006 was $66.6 million for military and police personnel, $138.2 million for civilian personnel and $35.5 million for operations.

The survey indicated that 176, 287, and 245 personnel are employed in information technology, engineering and transportation including, aviation maintenance and movement control respectively, while the regional offices employed 17 personnel. UNMIK indicated that they presently outsource: engineering and engineering maintenance including project development and construction, transportation and fleet maintenance, IT and personnel training, medical services and heavy and specialised maintenance services. Others include, catering, facilities and camp management services.

The results of the survey indicated that when contemplating outsourcing the following details were considered:

- The capacity of DPKO and UNMIK to handle the work;
- Experienced staff, equipment quality, capacity, research of other peacekeeping operations and UN Agencies' expenditure;
- A clear specification of scope of works;
- Contractor qualification and clear scope of responsibilities;
- Previous outsourcing experience;
- Reliable analysis of human resources requirements;
- List of available and interested evaluators and assessors;
- Project size and time for completion; the desired final product;
- What, who, where, when and how of the project;
- Qualified personnel that understand peacekeeping operations' system;
- Cost of doing business and suggested contract price to outsource;
- Local and international vendor database; and
- Proof that it is more effective to outsource maintenance work than to carry it out in-house.

The peacekeeping operation indicated that its primary objective for outsourcing was to improve performance while reducing costs and enhancing the local economy. They further advised that they would outsource more functions in future and that procurement time, increased costs and loss of control were considered as the primary risks of outsourcing, while quality constrains, control of output, current workload and outsourcing expertise were considered as the most significant barriers impacting on the decision to outsource. Other major barriers included political considerations and project size, scope and control. Together with other peacekeeping operations, they indicated that the services of outside experts were not utilized in the decision to outsource.

The results of the survey further indicated that the criteria applied by the peacekeeping operation in provider selection were; financial stability, technical expertise, physical equipment and capabilities, operational excellence, cost and quality.

Previous experience with providers who have performed similar business contract(s) with them was not considered vital criteria for provider selection. UNMIK expectations were detailed through an open working relationship with end deliverables defined by budget and time as well as through measured performance standards which carry financial penalties but offered no incentive for superior performance. Similar to most peacekeeping operations, they indicated that past policies and procedures were established through the application of peacekeeping operations' existing policies or policies handed down by DPKO and that the performance of providers was measured daily through spot checks as well as on a monthly and yearly basis. As with most other peacekeeping operations surveys, the scorecard used to measure the provider performance included:

- Capacity and ability to perform the work;
- On time performance, product quality; and
- Budgetary and administrative accuracy and responsiveness.

Political and labour concerns and opposition were the major common points of friction. Other points of friction were:

- Contractor claim from different opinion and agreement on quality of finished product;
- Increased inspection and administrative issues;
- Contract scope and specifications, contract coordination between UNMIK and contractors;
- Quality control and cost and contract schedule and program;
- Timely deliverance of service or product;
- Definition of acceptable service or product;
- Evaluation of service or product;
- Outsourced personnel complaints and concern for their jobs;
- Workload pressure with limited staff;
- Cost containment, employee resistance; and
- Communication regarding quality control and conformance to UN standards.

Finally, the survey findings indicated that UNMIK outsourcing results varied with supervision and capability of the contractor or vendor. However, the quality of work performed was equivalent to that performed in-house and that in future they would consider outsourcing more essential tasks and other specialised services for which it either does not have the expertise or where it is more effective to do so than to carry it out in house.

4.4.3 United Nations Peacekeeping Force in Cyprus (UNFICYP)

Survey/Interview findings

The budgeted strength of the peacekeeping operation for 2005/2006 was 1,084: troops 860; police 69; international civilian 42; local civilian 113. The approved budget for the period July 2005 to June 2006 was $45.8 million (gross), including voluntary contributions in kind in the amount of $1.4 million. The budgeted expenditure for 2005/2006 for was $18.1 million for military and police personnel, $12.7 million for civilian personnel and $13.6 million for operations.

The survey indicated that 25, 31 and 19 personnel respectively are employed in information technology, engineering and transportation. There are no regional or county offices at this peacekeeping operation. The peacekeeping operation in Cyprus subcontracts: communication and communication maintenance, transportation and fleet maintenance and management, IT training, medical services and heavy and specialised maintenance services; catering; facilities and camp management including cleaning services. However, they indicated that only; engineering services and engineering maintenance, communication and communication maintenance, IT training, facilities and camp management including cleaning, garbage collection and janitor services, security services, heavy and specialized maintenance activities including fleet maintenance could be outsourced.

The results of the survey indicated that UNFICYP also considered it essential to outsource to local than international vendors as part of the peace-building process and to empower the local economy

The operational costs (including all assets and inventories) for running UNFICYP for 2005/2006 were $13.6m. Regarding the maintenance of its assets, less than 5% of communications and IT services, more than 10% of engineering services and more than 75% of transport services are outsourced to private firms, some are however carried out by other UN agencies and NGOs. Furthermore, more that 5% of transport, more than 50% of engineering services and more than 75% of communications and IT services are directly carried out by the peacekeeping operation.

In managing its non-expendable assets, less than 5% of the services are outsourced to private firms, NGOs and UN agencies, while more than 75% of the services are undertaken by the peacekeeping operation and less than 5% of non-expendable asset is outsourced and the rest is managed by the peacekeeping operation. More than 50% of the engineering functions are directly carried out by the peacekeeping operation, and less than 5% are outsourced to private firms, NGOs and UN agencies. However, more than 50% of the facilities are outsourced, while the rest are maintained in-house and by other UN agencies and NGOs.

Most of the medical support to the peacekeepers is directly provided by UNFICYP; however specialised medical care is outsourced to other medical institutions. Government regulations, labour agreements, quality constraints, control of output, current workload, outsourcing expertise, unavailability of skilled labour, political considerations, legal restrictions and project size, scope and control were all considered as the main barriers impacting on their ability to outsource. Capacity building and empowerment of the local economy were ranked as the most important goals of outsourcing, while, procurement time, cost of control and loss of control were ranked as the top three risks of outsourcing. UNFICYP also indicated that outside experts are never involved in the decision to outsource. It also mentioned that the quality of output from outsourced services is sometimes less than the work performed by the peacekeeping operation. UNFICYP indicated that they applied private industry benchmarks and key performance indicators, including previous contract history within DPKO as well as goals established by UN rules and regulations as models and benchmarks for establishing goals. As a non profit making organization, UNFICYP does not reward for exceptional performance.

The results of the survey further indicated that UNFICYP considered past performance and cost of public sector work, the capacity of DPKO and the peacekeeping operation to handle the work, experienced staff, and availability of equipment, quality, capacity, research of other peacekeeping operations and UN agencies' expenditure as vital information they needed to begin the outsourcing process. Others included: clear specification of scope of works, contractor qualification and clear scope of responsibilities, previous outsourcing experience, reliable analysis of human resources requirements, list of available and interested evaluators and assessors, size of project and time for completion. Lastly, the desired final product, cost comparisons and in-house capacity and ability including list of qualified and available personnel, in-house work projections are the information considered when contemplating outsourcing. Other information required when deciding whether to outsourcing are funding and proof that it's more effective to outsource maintenance work than to carry it out in-house. The peacekeeping operation (UN PKO) considered capacity and capability to perform the work, on time performance, product quality, budgetary accuracy, administrative accuracy, responsiveness as essential factors and therefore they were included in the scorecards. They measured providers' performance annually, monthly and weekly, while indicating that business qualification, expertise, physical equipment and capabilities, operational excellence, cost, quality and previous experience with providers were the most important factors that influence provider selection.

According to the peacekeeping operation, the definition of outsourcing expectation is an ongoing thing but varies with project and service and complexity and usually lasts up to a maximum of one year. Initial expectations are usually defined by an open working relationship with end deliverable defined by budget and time or by specifically documented standards that provide performance ratings and calibration, other details include: measured performance standards which carry financial penalties but no incentives.

Polices and procedures used in the outsourcing relationship are established through the application of existing and experienced service providers' policies, peacekeeping operations' existing policies and policies handed down by DPKO. They also indicated that their peacekeeping operations developed and established their own unique

policies to manage outsourced tasks and highlighted these factors as common areas of contention that may impede an outsourcing arrangement:

- Contractor claim from different opinion and agreement on quality of finished product;
- Establishing appropriate oversight and resolving disputes over performance;
- Consultant direction and detailed specifications;
- Increased inspections;
- Increased administrative issues;
- Contract coordination between mission and providers;
- Quality control and cost;
- Contract schedule and program;
- Timely deliverance of service or product;
- Definition of acceptable service or product and evaluation of service or product;
- Definition of amount of effort required to perform a service;
- Work performance and work order authorization;
- Employee resistance;
- Workload pressure with limited staff;
- Field mission's procurement policies and control over outsourcing;
- Cost containment; and
- Communication regarding quality control and conformance to UN standards.

4.4.4 United Nations Interim Force in Lebanon (UNIFIL)

Survey/Interview findings

On 31 January 2006, the strength of the peacekeeping operation was 1,980 troops, assisted by some 50 military observers of United Nations Truce Supervisory Operations (UNTSO) a nearby peacekeeping operation; and supported by 101 international civilian personnel and 300 local civilian staff. The approved budget for the period July 2005 to June 2006 was $94.3 million (gross). The budgeted

expenditure for 2005/2006 for the spending areas was; military and police personnel, $39.1 million; civilian personnel, $33.9 million and operational costs, $21.2 million.

The survey indicated that 60, 65, and 81 personnel are employed in information technology, engineering and transportation including naval, aviation and movement control respectively, while the regional offices employed 68 personnel. UNIFIL indicated that they presently outsource: engineering and engineering maintenance including project development and construction, communication and communications maintenance, transportation and fleet maintenance, IT training, aviation management/ maintenance, medical services and heavy and specialised maintenance services, catering, facilities and camp management including cleaning services.

The results of the survey also indicated that UNIFIL major goals for outsourcing were to improve performance while reducing costs. They also hinted that they would outsource more functions in future. They considered procurement time, increased costs, loss of control as the primary risks of outsourcing, while cost of control, political considerations were considered as the most significant barriers impacting on the decision to outsource. As in most other peacekeeping operations, outside expert were not involved in the decision to outsource. In order to start an outsourcing process, they indicated that the following details were vital to ensure a cost-effective and efficient outsourcing arrangement:

- DPKO and UNIFIL capacity to handle the work;
- Experienced staff, and equipment quality an capacity;
- Research of other peacekeeping operations and UN Agencies' expenditure;
- Clear specification of scope of works;
- Contractor qualification and clear scope of responsibilities;
- Previous outsourcing experience;
- Reliable analysis of human resources requirements;
- List of available and interested evaluators and assessors;
- Size of project and time for completion; the desired final product; what, who, Where, when and how of the project;

- Qualified personnel that understand the system of peacekeeping operations;

- Cost of doing business and suggested contract price to outsource;

- Local and international vendor database;

- Laws of the host country, United Nations: Rules and Regulations, Standard Operating Procedures, manuals and policies; and

- Proof that it's more effective to outsource maintenance work than to carry it out in-house

The results of the survey also indicated that the main criteria for selecting service providers were technical expertise, physical equipment and capabilities, operational excellence, cost, quality and previous experience with the provider. The provider's expectations were detailed through an open working relationship with end deliverables defined by budget and time; as well as through specifically documented standards with performance ratings and calibrations or through measured performance standards which carry financial penalties but no incentive for superior performance. UNIFIL indicated that policies and procedures used in the past were established through the application of peacekeeping operations' existing policies or handed down by DPKO. UNIFIL also indicated that their peacekeeping operation could develop and establish its own policies which would be unique depending on the nature and scope of the outsourcing project. The performance of providers was measured daily, through spot checks, and on a weekly, monthly and yearly basis.

The scorecard used in measuring performance includes the capacity and the ability to perform work, on time performance and budgetary accuracy; administrative accuracy and responsiveness. UNIFIL identified the following as common points of friction affecting outsourcing:

- Ccontractor's claims from different opinion and agreement on quality of finished product;

- Increased inspections;

- Consultant direction and detailed specifications;

- Increase in administrative issues; Contract scope and specifications;

- Contract coordination between UNIFIL and contractors,

- Quality control and cost and contract schedule and program;
- Timely deliverance of service or product;
- Definition of acceptable service or product and evaluation of service or product;
- Definition of amount of effort required to perform a service; and
- Work performance and work order authorization;

Other points of friction include outsourced personnel complaints and concern for their jobs, workload pressure with limited staff, cost containment, employee resistance, and communication regarding quality control and conformance to UN standards. Additionally, political issues were also a cause of friction. UNIFIL also revealed that outsourcing results varied with supervision and capability of the provider, such that sometimes results were either equivalent to or of superior quality to work performed in-house. Lastly, UNIFIL indicated that in future they would consider outsourcing more non-core activities and other specialised items which they do not have the expertise or where it is more effective to outsource than to carry it out in-house.

4.4.5 **United Nations Disengagement Observer Force (UNDOF)**

Survey/Interview findings

On 31 January 2006, the strength of the peacekeeping operation was 1,066 troops, assisted by some 57 military observers of UNTSO's Observer Group Golan; and supported by 37 international civilian personnel and 104 local civilian staff. The budget for the period July 2005 to June 2006 was $41.6 million, while the budgeted expenditure for the same period for the spending areas was; military and police personnel, $20.1 million; civilian personnel, $8.4 million and operational costs, $13.1 million.

UNDOF indicated that 25, 22, and 28 personnel respectively are employed in information technology, engineering and transportation, and they currently outsource the following activities: engineering and engineering maintenance including project

development and construction, communications and communications maintenance, transportation and fleet maintenance, IT and personnel training, medical services, heavy and specialised maintenance services, catering, facilities and camp management including cleaning services.

The peacekeeping operation identified financial stability, business qualification and technical expertise, physical equipment and capabilities, operational excellence, cost, quality and other similar business contracts as well as previous experience with the provider as key criteria for selecting service providers. The peacekeeping operation's outsourcing expectations were detailed through an open working relationship with end deliverable defined by budget and time as well as through measured performance standards which carry financial penalties but provide no incentive for high performance. They also indicated that policies and procedures used in the past were established through the application of peacekeeping operation existing policies or were handed down by DPKO; while on the other hand, UNDOF also developed and established their own policies depending on the nature and scope of the outsourcing project. The measurement of the performance of providers was carried out daily through spot checks, and on a weekly, monthly and yearly basis. Similar to UNIFIL, the scorecard used in measuring performance included capacity and ability to perform the work, on time performance and budgetary accuracy, administrative accuracy and responsiveness.

The results of the survey indicated that UNDOF's main goals for outsourcing were cost reduction, labour issues and performance improvement. UNDOF added that they would outsource more functions in future should the need arise. Meanwhile, they considered loss of critical core competences, loss and cost of control as risks indicated with outsourcing, while quality constraints, control of output and project size, scope and control were considered as the most significant barriers impacting on the decision to outsource. UNDOF did not use consultants or outside experts in the outsourcing decision-making, on the other hand, and like most peacekeeping operations they indicated that the following information were taken into account to ensure a cost-effective and efficient outsourcing arrangement:

- DPKO and Peacekeeping Operation's capacity's to handle the work;

- Experienced staff, and equipment quality and capacity;

- Research of other Peacekeeping Operation and UN Agencies' expenditure;

- Clear specification of scope of works;

- Contractor qualification and clear scope of responsibilities;

- Previous outsourcing experience; reliable analysis of human resources requirement;

- List of available and interested evaluators and assessors;

- Size of project and time for completion;

- The desired final product;

- Cost, cost comparisons and in-house capacity and ability

- What, who, where, when and how of the project;

- Qualified personnel that understand Peacekeeping Operations' system;

- Cost of doing business and suggested contract price to outsource; local and international vendor database; laws of the host country, United Nations:

- Workload projection;

- Local and international vendor database;

- In-house work projections and funding;

- Proof that it's more effective to outsource maintenance work than to carry it out in-house; and

- United Nations Rules and Regulation, Standard Operating Procedures, manuals and policies.

Furthermore, the results of the survey highlighted that the common point of friction affecting outsourcing were:

- Labour concern/opposition;

- Ccontractor's claim from different opinion and agreement on quality of finished product;

- Increased inspections;

- Consultant direction and detailed specifications;

- Increased administrative issues;

- Contract scope and specifications,

- Contract coordination between UNDOF and contractors;
- Quality control;
- Cost and contract schedule and program;
- Timely deliverance of service or product;
- Definition of acceptable service or product; and
- Evaluation of service or product and the definition of amount of effort required to perform a service.

UNDOF also indicted that other points of friction were outsourced personnel complaints and concern for their jobs; workload pressure with limited staff; cost containment; employee and communication regarding quality control and conformance to UN standards. As with most other peacekeeping operations, UNDOF indicated that the outsourcing results varied with supervision and capability of the provider, however most of the time results were of superior quality to work performed in-house. Furthermore, in agreement with other peacekeeping operations, they also indicated that in future they would consider it essential to outsource more non-core activities and other specialised items that the peacekeeping operation either does not have the expertise to perform the service or where it is more effective to outsource than to carry it out in house.

4.4.6 **United Nations Mission in the Democratic Republic of the Congo (MONUC)**

Survey/Interview findings

Considered as the largest UN peacekeeping operation, it has a strength (June, 2006) of 16,820 total uniformed personnel, including 15,019 troops, 729 military observers, 1,072 police supported by 856 international civilian personnel, 1,419 local civilian staff and 471 United Nations Volunteers. The budget (gross) approved by the UN General Assembly on 8 December 2005 for the period July 2005 to June 2006 was $1.2 billion. The budgeted expenditure for the same period for these spending areas was; military and police personnel, $451.4 million; civilian personnel, $185.3 million and operational costs, $510.9 million.

The survey indicated that 322 personnel are employed in communication and information technology, 384 personnel in engineering and 674 personnel in transportation including naval, aviation and movement control. The regional offices, officially employed 59 personnel, however, they are complemented by additional support personnel from the local headquarters. MONUC undertakes at least 75% of all maintenance work (IT and communications, engineering and transportation) and 100% of asset and materials management. All other services are subcontracted to private firms, especially air transportation. MONUC manages an inventory of about $500 million.

MONUC indicated that they currently outsource these functions:

- Aviation maintenance;
- Communications and communications maintenance;
- Transport and fleet maintenance;
- Engineering and engineering maintenance including project development and construction; and heavy and specialised maintenance services
- IT training;
- Medical services and heavy;
- Catering, facilities and camp management including cleaning services; and
- Security services.

Humanitarian and relief operations are outsourced to UN agencies and NGOs. MONUC also deemed it necessary to outsource as a peace-building measure to enhance the local economy. Together with performance improvement, it considered peace-building measures as one of its major goals for outsourcing. They also indicated that outsourcing non-core activities of the peacekeeping operation depended on the availability of required information, and initial expectations were either loosely structured, naming key areas of desired performance and quality or through open working relationship with end deliverables defined by budget and time.

Similar to UNMIS, MONUC indicated that the top three risks of outsourcing were cost of control, loss of control, and quality of output, and that external consultants

were not involved in the decision to outsource. In addition, they indicated that the major barriers impacting the decision to outsource were current workload, political considerations, unavailability of skilled labour and project size, scope and control.

MONUC revealed that technical expertise, business qualification, financial stability, physical equipment and capabilities, cost and quality were most influential in the selection of a provider. They further indicated that policies and procedures were established through the application of peacekeeping operation's existing policies or those handed down by DPKO. However, depending on the nature of the outsourcing project, the peacekeeping operation developed and established unique policies to manage outsourced tasks. The performance of the service provider was measured daily, weekly and monthly depending on the type and nature of the project. Furthermore, to ensure that the quality of performance is well defined, the performance scorecard used included capacity and ability to perform the work, on time performance and product quality. MONUC agreed that the most common points of friction were:

- Political and or labour concerns and opposition;
- Contractor claim from different opinion and agreement on quality of finished product; and
- Establishment of appropriate oversight that would resolve performance disputes and increased inspection.

Other friction point indicated were contract scope and specifications, contract coordination between MONUC and contractors, quality control and cost, contract schedule and program, timely deliverance of service or product, as well as the definition of acceptable service or product and evaluation of service or product, outsourced personnel complaints and concern for their jobs, workload pressure with limited staff and communication regarding quality control and conformance to UN standards. MONUC, being non-profit making organization, they did not reward providers for outstanding performance.

MONUC also indicated that the following information was necessary to begin the outsourcing process:

- DPKO and Peacekeeping Operation's capacity's to handle the work;
- Experienced staff, and equipment quality and capacity;
- Research of other Peacekeeping Operation and UN Agency's expenditure;
- Clear specification of scope of works;
- Contractor qualification and clear scope of responsibilities;
- Previous outsourcing experience;
- Reliable analysis of human resources requirements;
- List of available and interested evaluators and assessors;
- Size of project and time for completion;
- Cost, cost comparison and in-house capacity and ability
- Qualified personnel that understand Peacekeeping Operations' system;
- List of qualified and available personnel;
- Workload projection;
- Local and international vendor database; and
- Laws of host country, United Nations Rules and Regulation, Standard Operating Procedures, Manuals and Policies

Though results from presently outsourced activities were equivalent to work performed by the organization, MONUC indicated that activities identified to be more cost-effective when carried out by a third party would be outsourced in the future as necessary.

4.4.7   United Nations Operation in Côte d'Ivoire (UNOCI)

<u>Survey/Interview findings</u>

The authorized strength of the peacekeeping operation from 4 April 2004 to 23 June 2005 was 6,240 military personnel, including 200 military observers; as well as 350 police officers, some 435 international civilians and 529 local civilians, and 119 United

Nations Volunteers. The peacekeeping operation's strength as of 31 January 2006 was 7,594 total uniformed personnel, including 6,702 troops, 195 military observers; 697 police supported by 362 international civilian personnel, 424 local staff and 202 United Nations Volunteers. The budget for the period July 2005 to June 2006 was $423.1 million and for these spending areas was military and police personnel, $195.6 million; civilian personnel, $71.9 million; while the operational cost was $155.6 million.

The survey indicated that 81, 73, and 112 personnel respectively are employed in information technology, engineering and transportation including naval, aviation and movement control, while the regional offices employed 179 personnel. Similar to other peacekeeping operations in Africa, UNOCI indicated that they presently outsource the following services:

- Engineering and engineering maintenance including project development and construction,;
- Communications and communications maintenance;
- Transportation and fleet maintenance;
- IT training, Aviation management and maintenance;
- Medical services;
- Heavy and specialised maintenance services; and
- Facilities and camp management, including catering and cleaning services.

UNOCI also indicated that in order to begin the outsourcing process, certain information was vital to ensure a cost-effective and efficient outsourcing arrangement and include the following:

- DPKO and the peacekeeping operation's capacity to handle the work; experienced staff and equipment quality and capacity;
- Research of other peacekeeping operations and UN Agencies expenditure;
- Clear specification of scope of works;
- Contractor qualification and clear scope of responsibilities; and

- Previous outsourcing experience and reliable analysis of human resources requirements.

Others include, a list of available and interested evaluators and assessors; size of project and time for completion; what, who, where, when and how of the project; cost of doing business and suggested contract price to outsource; local and international vendor database; laws of host country, and United Nations: Rules and Regulation, Standard Operating Procedures, manuals and policies. They further indicated that their major goals for outsourcing were to reduce cost and improve performance and went further to state that they would outsource more activities in future when instructed to do so by DPKO, in order to reduce cost, or improve performance or as a peace-building measure. They insisted that increased costs and loss of control were the main risks of outsourcing, while outsourcing expertise and unavailability of skilled labour were the main barriers that had an impact on the decision to outsource. Together with other peacekeeping operations, they indicated that outside experts were not involved in the decision to outsource.

According to UNOCI, the main criteria applied when selecting service providers were business qualification and technical expertise, physical equipment and capabilities, operational excellence, cost and quality. They also indicated that provider's expectations were detailed through an open working relationship with end deliverables defined by budget and time only which may carry financial penalties for low performance or untimely delivery but no incentive for superior performance. The performance of providers was measured daily through spot checks, and on a monthly and yearly basis. The scorecard used in measuring performance included administrative accuracy, product quality, responsiveness, capacity and ability to perform the work, on time performance and budgetary accuracy. UNOCI also stated that policies and procedures used in the past were established through the application of peacekeeping operation's existing policies or handed down by DPKO.

Political issues were also a cause of friction. Other points of common friction identified as affecting outsourcing were:

- Political and labour concerns and opposition;
- Ccontractor's claim from different opinions and agreement on quality of finished product,
- Increased inspections;
- Contract scope and specifications;
- Contract coordination between UNOCI and contractors;
- Quality control and cost and contract schedule and program;
- Timely deliverance of service or product; and
- Definition of acceptable service or product and product or service evaluation.

Other points of friction include outsourced personnel complaints and concern for their jobs; workload pressure with limited staff; employee resistance; and communication regarding quality control and conformance to UN standards. UNOCI made it known that outsourcing results varied with supervision and capability of contractors or vendors; nevertheless, results were of superior quality to work performed in-house. Finally they indicated that in the near future, they would outsource more non-core functions and other specialised services that the peacekeeping operation either does not have the expertise to carry out or where it is more effective to outsource than to carry out in house.

4.4.8   United Nations Mission in Ethiopia and Eritrea (UNMEE)

Survey/Interview findings

The authorized maximum strength (Security Council resolutions 1320 of 15 September 2000 and 1622 of 13 September 2005) was 4,200 troops, including up to 230 military observers. On 31 January 2006, the strength was 3,359 military personnel, including 3,153 troops and 206 military observers, and 183 international civilians, 226 local civilians and 65 United Nations Volunteers. The budget for the period July 2005 to June 2006 was $176.7 million. The budgeted expenditure for 2005/2006 for the spending areas was: military and police personnel, $79.6 million; civilian personnel, $32.7 million; and the operational costs, $64.4million.

UNMEE indicated that 62, 48, and 65 personnel are employed in information technology, engineering, and transportation including air and movement control respectively. The regional offices formally employed 70 staff member complemented by additional support personnel from the headquarters. They outsourced:

- Engineering and engineering maintenance including project development and construction;
- Transportation and fleet maintenance,
- IT and personnel training;
- Medical services and heavy and specialised maintenance services; and
- Catering, facilities and camp management including cleaning services and security services.

Humanitarian and relief operations were outsourced to UN agencies and NGOs. UNMEE also considered it essential to outsource more to local vendors than to international vendors as a measure to encourage peace-building, by building capacity to empower the populace and enhance the local economy. This, they indicated was one of the peacekeeping operation's major goals for outsourcing, while hinting that they would outsource more functions in future. They however considered the loss of control, cost of control, and quality of output as the top three risks of outsourcing. Furthermore, they indicated that the major barriers impacting on the decision to outsource were outsourcing expertise, unavailability of skilled labour and political considerations. They did not consider it essential to use the service of external consultants in their decision to outsource. UNMEE emphasized that the following details where taken in account when planning an outsourcing engagement:

- DPKO and Peacekeeping Operation capacity's to handle the work;
- Experienced staff, and equipment quality and capacity;
- Research of other Peacekeeping Operations and UN Agencies' expenditure;
- UNDP country profile;
- Clear specification of scope of works;
- Contractor qualification and clear scope of responsibilities;
- Previous outsourcing experience;

- Reliable analysis of human resources requirements;
- List of available and interested evaluators and assessors;
- Size of project and time for completion;
- The desired final product;
- What, who, where, when and how of the project;
- Qualified personnel that understand Peacekeeping Operations' system;
- Cost of doing business and suggested contract price to outsource;
- List of qualified and available personnel; and
- Local and international vendor databases.

UNMEE measured the performance of providers daily, monthly and annually and through spot checks. The scorecard used in the performance measurement included such factors as capacity and ability to perform work, on time performance, budgetary accuracy; and product quality and responsiveness.

The results of the survey further indicated that operational excellence, quality, cost and financial stability were major factors influencing provider selection, while provider's expectation are detailed through an open working relationship with end deliverables defined by budget and time. However, outsourcing policies and procedures are established through the application of peacekeeping operation's existing policies or handed down by DPKO. When this was not the case, UNMEE develop and establish their own policies which would be unique but would depend on the nature and scope of the outsourcing arrangement.

As with other peacekeeping operations, political and labour concerns and opposition were a cause of friction, others included:

- Contractor claim from different opinion and agreement on quality of finished product;
- Increased inspections;
- Increased administrative issues;
- Contract scope and specifications;

- Contract coordination between mission and providers;

- Quality control and cost;

- Contract schedule and program;

- Timely deliverance of service and product;

- Definition of acceptable service or product and product or service evaluation. Employee resistance;

- Outsourced personnel complaints and concern for their jobs

- Workload pressure with limited staff; and

- Communication regarding quality control and conformance to UN standards.

Lastly, the results of the survey disclosed that outsourcing results varied with supervision and capability of the provider, but in general, results are of lower quality to work performed in-house. They also indicated that despite the above, they would consider outsourcing some non-core functions to local vendors as a peace-building measure to encourage capacity building to empower the people of Ethiopian and Eritrea and enhance the local economies of both countries. However, sspecialised services that the peacekeeping operation does not have the expertise to carry out would be outsourced to international providers.

4.4.9 United Nations Mission in Liberia (UNMIL)

Survey/Interview findings

The budgeted strength of the UNMIL peacekeeping operation for 2005/2006 was 14,785; military contingents, 215 military observers, 1,115 civilian police officers including formed units; 635 international civilian; 809 national staff, and 431 UNV's. The approved budget for the period July 2005 to June 2006 was $722,753,600, including voluntary contributions in kind in the amount of $120,000. The budgeted expenditure for 2005/2006 for the spending areas was; Military and police personnel, $372.1 million; civilian personnel, $107.9 million; and operational costs, $242.6million.

The result of the survey indicated that 151, 238, and 235 personnel are employed in information technology, engineering and transportation including naval, aviation and

movement control respectively. The regional offices formally employ only 27 officers (2006); however, they are complemented by additional support personnel from the head offices of the peacekeeping operation.

The result of the survey indicated that UNMIL outsource these functions:

- Engineering and engineering maintenance including project development and construction,
- Transportation and fleet maintenance;
- IT training, data and call centre;
- Medical services;
- Heavy and specialised maintenance service;
- Facilities and camp management including cleaning services and catering; and
- Security services,

However, humanitarian and relief operations are outsourced to UN agencies and NGOs. UNMIL considered it essential to outsource more services to local than to international providers as a measure to encourage peace-building, through building capacity and empowering the populace and thereby enhancing the local economy. This UNMIL indicated was its major goals for outsourcing. They also hinted that they would outsource more functions in future. They however, indicated that the primary risks of outsourcing were increased costs, loss of control and quality of output. Outside experts were not involved in the decision to outsource. Additionally they indicated that the most significant barriers impacting on the decision to outsource were current work load, unavailability of skilled labour and political considerations. Finally, UNMIL highlighted the following as details they take into account to begin the outsourcing process:

- DPKO and Peacekeeping Operation's capacity's to handle the work;
- Experienced staff, and equipment quality and capacity;
- Research of other Peacekeeping Operation and UN Agencies' expenditure;
- UNDP country profile;
- Clear specification of scope of works;

- Contractor qualification and clear scope of responsibilities;

- Previous outsourcing experience;

- Reliable analysis of human resources requirements;

- List of available and interested evaluators and assessors;

- Size of project and time for completion;

- The desired final product;

- What, who, where, when and how of the project;

- Qualified personnel who understand Peacekeeping Operations' system;

- Cost of doing business and suggested contract prices to outsource;

- List of qualified and available personnel;

- Local and international vendor databases; and

- Laws of host country, United Nations Rules and Regulations, Manuals and Policies.

UNMIL indicated that financial stability, technical expertise, physical equipment and capabilities, operational excellence, quality and other similar business contracts were used as criteria for selecting providers. The provider's expectations were detailed through an open working relationship with end deliverable defined by budget and time. Policies and procedures were established through the application of peacekeeping operation existing policies or handed down by DPKO. Otherwise, UNMIL developed and established their own policies which would be unique depending on the nature and scope of the outsourcing project. Performance of providers was measured daily and weekly for short term projects, daily, weekly and monthly for long term project and through spot checks. The scorecard included capacity and ability to perform the work, on time performance and budgetary accuracy. The following were identified as the common points of friction affecting outsourcing:

- Labour concern and opposition;

- Contractor's claim from different opinion and agreement on quality of finished product;

- Increased inspections;

- Increased administrative issues;

- Contract scope and specifications;

- Contract coordination between the peacekeeping operations and providers;

- Quality control and cost;

- Contract schedule and program;

- Timely deliverance of service or product;

- Definition of acceptable service or product and evaluation of service or product;

- Definition of amount of effort required to perform a service;

- Work performance and work order authorization;

- Employee resistance;

- Outsourced personnel complaints and concern for their jobs;

- Workload pressure with limited staff; and

- Communication regarding quality control and conformance to UN standards

UNMIL further disclosed that outsourcing results varied with supervision and capability of the provider, such that, sometimes results were substandard, equivalent to or of superior quality to work performed in-house. Additionally, political issues were also a cause of friction. Finally, they indicated that they would consider outsourcing some non-core functions to local providers as a peace-building measure in support of capacity building, empowerment and enhancement of the local economy. They would also outsource other specialised services that the peacekeeping operation either does not have the expertise in the field or where it is more effective to outsource than to carry it out in house.

4.4.10 United Nations Mission in the Sudan (UNMIS)

Survey/Interview findings

The authorised strength of the peacekeeping operation was: troops 10,000; police 715; while the proposed strength was: international civilian 1,053; local civilian 2,690; UN volunteer 208. The strength (June, 2006) of the peacekeeping operation was: troops 7,058; military observers 630; police 473; international civilian 622; local civilian 1,229;

UN volunteer 88. A budget of $1.02 billion for the period 1 July 2005 to 30 June 2006 was approved by the General Assembly on 8 December 2005. The budgeted expenditure for the same period for these spending areas was: military and police personnel, $270.3 million; civilian personnel, $98.3 million; and operational costs, $649.01 million.

The survey indicated that 151, 238, and 235 personnel respectively are employed in information technology, engineering and transportation including naval, aviation and movement control respectively. The regional offices officially employed only 27 officers; however, they were complemented by additional support personnel from the headquarters.

The peacekeeping operation indicated that they currently outsource; engineering and engineering maintenance including project development and construction, IT training, medical services and heavy and specialised maintenance services, catering, facilities and camp management including cleaning services and security services. Humanitarian and relief operations are outsourced to UN agencies and NGOs. UNMIS also considered it essential to outsource as a peace-building measure, which would also enhance the local economy. Together with performance improvement, it considered peace-building measures as its major goals for outsourcing. They were also indications that outsourcing of non-core activities was an ongoing project and that activities identified to be more cost-effective when carried out by a third party would be outsourced in future as necessary. They however, indicated that the primary risks of outsourcing were loss of control, quality of output and cost of control and that external consultant were never used to decide on activities to outsource. Furthermore they indicated that the most significant barriers impacting on the decision to outsource were outsourcing expertise, project size, scope, control and political considerations. As most other peacekeeping operations, they indicated that the following details are taken into consideration when deciding whether to outsource or not:

- DPKO and Peacekeeping Operation capacity's to handle the work;
- Experienced staff and equipment quality and capacity;

- Research of other Peacekeeping Operation and UN Agencies' expenditure;

- UNDP country profile;

- Clear specification of scope of works;

- Contractor qualification and clear scope of responsibilities;

- Previous outsourcing experience;

- Reliable analysis of human resources requirements;

- List of available and interested evaluators and assessors;

- Size of project and time for completion;

- The desired final product;

- What, who, where, when and how of the project;

- Qualified personnel that understand the Peacekeeping Operations' system;

- List of qualified and available personnel;

- Local and international vendor database; and

- Laws of host country, United Nations rules and regulation, standard operating procedures (SOP), manuals and policies;

UNMIS considered these as vital factors that influenced their selection decisions for service providers used in past outsourcing arrangements; technical expertise, financial stability, physical equipment and capabilities, cost and quality. The providers' expectations are either loosely structured or through an open working relationship with end deliverables defined by budget and time. Policies and procedures were either established through the application of peacekeeping operations' existing policies or handed down by DPKO. When this was not the case, UNMIS developed and established their own policies for the outsourcing arrangement. UNMIS measured provider performance daily, weekly and monthly depending on the type and nature of the project. In addition, to ensure that the quality of performance was well defined, the performance scorecard included the capacity and the ability to perform the work, on time performance, product quality and budgetary accuracy. In spite of the measures put in place to ensure smooth outsourcing arrangement, the following friction points were apparent in the projects:

- Political concern and opposition;

- Labour concern and opposition;

- Contractor claim from different opinion and agreement on quality of finished product;

- Establishing appropriate oversight that would resolve performance disputes;

- Contract scope and specifications;

- Contract coordination between mission and providers;

- Quality control and cost;

- Contract schedule and program;

- Timely deliverance of service or product;

- Definition of acceptable service or product and evaluation of service or product;

- Outsourced personnel complaints and concern for their jobs;

- Workload pressure with limited staff; and

- Communication regarding quality control and conformance to UN standards.

It is important to note that the geopolitics of the country of operation is always considered in selecting a suitable service provider. The peacekeeping operation revealed that outsourcing results varied with supervision and capability of the provider, such that, at times results were substandard, equivalent to or of superior quality to work performed in-house. However in general, they were equivalent to work performed by UNMIS. As in most large peacekeeping operation in developing African nations, UNMIS indicated that they would consider it essential to outsource some non-essential activities to local vendors as a peace-building measure, in-order to encourage capacity building, and to empower and enhance the local economy. Furthermore the following activities were considered by the peacekeeping operations as non-essential functions that they intended to outsource in future because they may not have the expertise or because it they would be more cost-effective and more efficient:

- Engineering services and engineering maintenance;
- Communications and communications maintenance;
- Transportation and fleet maintenance;

- IT, including Website development and maintenance, Application development, Application maintenance, Wide Area Networks (WANs), Local Area Networks (LANs), IT training, Desktop management, and Disaster recovery;

- Data and Call centre;

- Facilities and camp management including cleaning, garbage collection and janitory services;

- Engineering and related services including project development and construction;

- Medical Services;

- Aviation management;

- Heavy and specialized maintenance activities;

- Security Services and specialised investigations;

- Specialised services that the peacekeeping operation does not have the expertise to perform, including fire safety and deployment and disaster management; and

- Humanitarian and relief operations

To ensure that projects are properly measured and tracked, suitably qualified staff should be provided and if not available, they should be recruited. In the absence, external experts and consultants may be employed. An oversight mechanism should also be provided for the resolution of contract disputes. To minimise disputes and ensure a hitch free contracts, expectations should be well defined in the contract. Standards should establish what is expected and what happens if expectations are not met. It should be specified in the outsourcing contract that only standards that support business goals should be used.

If cost-effectiveness is a major decision driver, contract provisions should include it to encourage a service provider to reduce costs for an organization. If expectations are well defined then the scope of works is clear and explicit from the beginning, thus avoiding costs increases resulting from additional services or work by the service provider.

In addressing performance measurement, incentives may be used to encourage service providers to exceed performance requirements. However, unlike the manufacturing sector which offers gain sharing together with other incentives, the UN would never offer monetary awards as a form of incentive. However, the only incentives the UN may offer may be future business preferences but this does not really work on the ground because each new project is treated separately. The only form of incentive or reward for good performance is an inclusion and/ or maintenance of the name of the provider in the organization's provider database. However, in rare occasions, necessitated by the absence of other providers, previous contract experience of a provider may serve as enough justification for an award of contract. Therefore, the UN may wish to encourage the use of incentives to enhance performance. There may also be a need to offer providers' gain sharing together with other incentives. Offering incentives is essential to the outcome of an outsourcing engagement because the only reason why providers enter into businesses relationships is for financial rewards and the more motivated they are the better. Therefore, motivation could be in the form of performance incentives but since they are non-profit making and do not offer monetary awards, they may offer honorary awards. Therefore, differences between the UN and the manufacturing sector with respect to offering incentives appear to be a function of the institutional setting, including limitations placed on them as non-profit organizations with respect to monetary rewards.

Therefore, in order to measure a provider's performance, the UN should ensure that detailed service levels and performance standards as well as benchmarks are in place otherwise an outsourcing contract would be impossible to manage. They should also ensure that there is regular and continuous measurement of performance because it enables the provision of accurate data and facilitates cost control. Furthermore, measurements can track a provider's day-to day performance and can be used to pay a provider more or less money based on how a process improves an outsourcing organizations' revenues or reduces its costs. Therefore, a baseline set of measurements should be calculated prior to transition to a provider to enable the UN compare a provider's performance with its own. It is also vital to use qualified staff to collect measurement information and to perform calculations in order to obtain measurements that are not skewed by providers who want to achieve the best possible. These measurements are used for evaluation performance and should

include details about what will happen if standards do not meet agreed-upon expectations. This means that an active provider's performance measurement system should be in place to ensure a successful outsourcing relationship. Therefore, the issue of recruiting suitably qualified staff cannot be overemphasised otherwise external experts are advisable.

Finally, UN peacekeeping operations, manufacturers and service provider's respondents are similar in many respects when deciding on whether to outsource. They are also similar in current outsourcing activities, barriers involved, and risks associated with outsourcing. In addition, there were minimal differences in the use of expert assistance and reliance on institutional history as benchmarks between the UN, manufacturing firms and service providers.

The next session deals with the application of appropriate criteria in developing a decision-making scorecard. This scorecard is designed as a tool to assist the UN in outsourcing decision-making.

4.5   **DECISION-MAKING CRITERIA AND SCORECARD**

Performance criteria are established by organizations to ensure that the performance of service providers is accurately evaluated. It defines acceptable levels of service which are entrenched in service level agreements in contracts for evaluation of services. However, the result of the thesis establishes that the traditional focus of a scorecard would be inadequate as a decision-making tool for the UN when considering outsourcing. In developing a scorecard for the UN, the traditional scorecard was adapted and customised to create an innovative scorecard that is tailored to outsourcing needs of non-profit making organizations. Therefore, the difference between the traditional scorecard used by the private and public sector firms and the scorecard derived in the thesis are based on the analysis of survey result and interviews of manufacturers, service providers and UN peacekeeping operations.

 In this broad based scorecard for the UN, each scorecard theme was expanded to encompass additional requirements for non-profit making and peace-building organizations. Therefore, the institutional settings of the organization, risks, goals and

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objectives were expanded. Provider selection was added to the traditional theme and the evaluation criteria strengthened to include peace-building measures. This effort supplements and ensures completeness of the scorecard for the purpose of the UN. The aim of the modified scorecard is to ensure that before entering into an outsourcing arrangement with service providers, the mission and strategic direction of a provider must align with that of the organization considering outsourcing (Eger *et al,* 2002). The reason is that if there is no relationship between the groups, an outsourcing contract entered into would not be conducive to the outsourcing objectives of all parties involved. In other types of contract, a relationship may not exist between the parties apart from a formal agreement. However, in an outsourcing and/or service contract, if there are no relationships, a contract will simply fail to exist.

Furthermore, the manufacturing firms and the service providers considered relationship as being vital for an outsourcing engagement. When asked what they would recommend for UN peacekeeping operations considering outsourcing, three service providers' respondents indicated that relationship was critical for their outsourcing arrangement, while three manufacturing firms indicated that project success is determined by attitude, relationship and team building. To show the importance of relationship in outsourcing contracts, 7 manufacturers always apply provider's policies always, while 3 service providers use jointly developed policies. These manufacturers also indicate that the provider was included in the planning process and that outsourcing data was defined by the provider. While the 3 service providers indicate they used a provider's data to analyse outsourcing performance, 6 manufacturing firms use a provider's programmes to manage outsourcing data and their outsourcing information was evaluated by providers. This is a clear indication of the importance of relationship to the parties in an outsourcing contract.

There was also a strong correlation among the group that chemistry and compatibility was an important factor for provider selections. A dependency tendency was perceived among the group which surmised that relationship-building was a critical aspect in the decision-making process, regardless of whether a trusting relationship could be reached (Eger *et al* (2002). As a result, the importance of building a long-term mutual relationship becomes increasingly crucial. Thus, moving from a

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performance contract relationship to outsourcing requires a shift in the focus of the relationship from a set of contractual arrangements towards a mutual and trustful relationship that is continually managed by both parties. Therefore, successful outsourcing must be treated as a relationship (Booty, 2009 and Goolsby, 2002b). This is a further indication of the existence of a good outsourcing relationship that determines the success of an outsourcing arrangement. In addition, a well-developed relationship is seen as providing further necessary opportunities for refining the outsourced services in order to achieve goals and objectives of the contract (Eger *et al*, 2002).

In conclusion, the result of the survey indicated that successful outsourcing could provide the UN with a number of benefits, most of which are the outcome of improved efficiency and savings in costs. The private sector experience has shown that specialised service providers are typically able to deliver services with comparable or better quality and often at lower costs than in-house providers. Therefore, effective outsourcing will allow the UN to pursue new strategic directions, while concentrating on their core functions.

4.5.1 Outsourcing Decision-making Criteria

Factors that influence a decision to outsource are important for providing groundwork for developing an outsourcing relationship and scorecard themes (Eger *et al*, 2002). Other factors identified that may influence an outsourcing decision were quality, reputation, and operational excellence. Manufacturing industries usually believe that financial stability, operational excellence, cost, and quality as equivocally the second most important factors in selecting a provider. Financial gains (profit) are not usually relevant in non-profit organizations, regardless it is usually an important factor influencing provider selection.

Though the UN is non-profit making, quality, reputation, and operational excellence are obvious important criteria considered in service provider selection. The lower the cost of a provider, the better, however this depends on the satisfaction of other criteria mentioned earlier. Furthermore, the cost of providing the services needs to be negotiated as low as possible as a form of managerial efficiency and cost-effectiveness.

Other essential components for an outsourcing decision-making process include establishing proper policies and procedures. Generally, economic reasons are vital criteria for outsourcing since they save costs to an organization. Efficiency and effectiveness are also very important criteria. However, there comes a time when political considerations have priority over economic factors. An example of such a decision is whether it is better to use a service provider chosen international or locally? International providers would most likely have required expertise and experience but local providers would ensure that more jobs are created locally and the country's standard of living improves by supporting the local economy through sustainable development leading to economic growth thereby building the peace, which is an essential component of peacekeeping and peace-building. Therefore, according to the UN, a decision to outsource is not completely dependent on economic reasons. Political and strategic reasons are some of the criteria that may have to be considered. The decision-making criteria mentioned above are essential elements that have to be considered before a decision to outsource non-core functions by the UN can be made.

Most decisions are made by moving back and forth between the choice of criteria and the identification of alternatives (Harris, 1998). The alternatives available influence the criteria we apply to the decisions, and similarly the criteria we establish to influence the alternatives we will consider. Outsourcing of projects would not be feasible without the use of applicable decision tools or criteria. Proper decision-making criteria assist in prioritizing and developing successful outsourcing projects. Therefore, in developing these outsourcing decision-making criteria for the UN the following factors should be taken into considerations in order to arrive at a general set of all inclusive and measurable criteria.

Background Criteria:

According to (Reid and Christensen, 1994), in making technical decisions, various decision criteria must be synthesized and the relative value of each alternative assessed. The challenge is to integrate such diverse criteria to arrive at the best decision. A hierarchical framework is used to assess a variety of criteria that constrain technical decisions which can then be adapted to help structure any problem where

conventional process optimization techniques do not directly apply. This framework is used regardless of the problems' complexity since it addresses objective and subjective criteria. These criteria should also take into account institutional settings of the outsourcing organization to ensure that the mission and strategic goals of a provider are compatible with those of the organization (Table 23).

Table 23: Outsourcing Decision-making Criteria **-** Background criteria
Source: Data collected

Criterion	
a.	Is this a functional part of the organization's core competencies?
b.	Does this service need to be provided on a frequent basis?
c.	Does the organization have in-house expertise to provide this service?
d.	Would it be more cost-effective to carry it out in-house?
e.	Does the organization have available workload to provide this service?
f.	Does the organization require a local or an international provider for this service?
g.	Would the provider and sub-contractors, if any, provide a sufficient work force to undertake this service till completion?
h.	Would outsourcing of this service have a negative impact on employees and/or would affected employees be given the opportunity to submit their views and make alternative proposals to outsourcing?
i.	Has the organization simultaneously considered the functions that we may benefit from outsourcing in conjunction with the core competencies of the provider that could potentially carry out this service?
j.	Is it legal to outsource this service and/or in accordance the organization's policies?

Goals and Objectives Criteria:

This is the process of deciding what is to be outsourced. These are criteria considered after a decision has been made to outsource to ensure effective use of resources and to reduce costs (Table 24). Outsourcing goals and objectives criteria are vital in any outsourcing decision-making. An outsourcing relationship cannot begin without a set of measurable objective criteria which include a consideration of the question: What will be the impact of non-achievement? Furthermore, as earlier highlighted, a well-developed relationship is seen as providing further necessary opportunities for refining outsourced services in order to achieve goals and objectives of the contract.

Table 24:   Outsourcing Decision-making Criteria **-** Goals and objectives criteria

Source: Data collected

Criterion	
a.	Can the goals for this service be clearly defined?
b.	Are the goals for this service long-term?
c.	Can the achievement of the goals be objectively measured?
d.	Are objective measures currently in place for this service?
e.	Would a reduction in overall costs and an improvement in the quality of output be achieved?
f.	Would outsourcing of this service contribute to the local labour market?
g.	Would the organization's labour related issues be resolved by outsourcing this service?
h.	Are capacity building, enhancement of the local economy and empowerment of the local populace a peace-building objective? (if yes, please go the peace-building measures)
i.	Would the international character and diverse nature of the organization still be respected? And
j.	If the goals and objectives are not achieved, will this have a negative impact on the organization?

Table 25:   Outsourcing Decision-making Criteria **-** Risks criteria

Source: Data collected

Criterion	
a.	Would outsourcing result in loss of control of this service and harm the organization?
b.	Would loss of expertise have a negative impact on the organization? (E.g. would it lead to a degradation of skills and loss of expertise that might be required in future)?
c.	Is quality of service delivery a concern?
d.	Would the response to situational problems be reduced?
e.	Would current contract performance be negatively impacted?
f.	Would prolonged procurement time have a negative impact on the scheduled completion date?
g.	Does the outsourcing process comply with all political/ labour related issues and relevant local laws?
h.	Is cost of control bound to increase?
i.	Is the outsourcing of this service bound to be impacted by unavailability of local skilled labour?
j.	Is there a probability that outsourced employees' complaints and concern for their jobs security could reverse the decision to outsource and/or result in workload pressure on the limited staff?

Risks Criteria:

Qualitative criteria such as time, risks, staffing and business value should also be considered. The time available to complete a project is an essential factor in the decision about what type of resources to employ. Risk identification is an essential part of the analysis process because risk affects priorities, costs and benefits because of its impact on outsourcing project success (Table 25). For example, using internal personnel who are knowledgeable of applicable goals, objectives and strategies of a project guarantees that a project will meet the organization's need.

Provider Selection Criteria:

The primary selection criterion is usually the perceived performance of a provider. The perceived performance includes the perception of on-time performance, the ability to meet deadlines, the availability of top management, and excellent error rates or operational excellence (Eger *et al*, 2002).

Table 26:   Outsourcing Decision-making Criteria **-** Provider selection criteria
Source: Data collected

Criterion	
a.	Are there known external providers for this service?
b.	Would the financial stability of the provider impact his ability to carry out this service?
c.	Does the provider have adequate technical expertise and business qualification to carry out this service?
d.	Are the provider costs reasonable and within the organization's budget?
e.	Does the provider have adequately qualified sub-contractors, carriers to execute the service and ensure quality of work?
f.	Does the provider have suitable physical equipment and capabilities to carry out this service?
g.	Is the quality of output and operational excellence of the provider in line with that of the organization?
h.	Is this provider reputable with the right attitude that is compatible with of that of the organization?
i.	Does the provider's safety record conform to industry standards?
j.	Has the provider had prior experience in the execution of similar contracts?

The second selection criterion for service providers is perceived capability, which comprises of the perception of creative management and financial stability of a provider, while the final selection criterion is the role of prices. However, in the UN, performance and quality requirements outweigh price considerations since they are non-profit making body. Other significant factors that must be considered in selecting decision-making criteria include prior experience with a third party provider, physical equipment, management capabilities and the reputation of a service provider. Therefore, these applicable criteria must be considered to ensure that a capable provider is selected (Table 26).

Provider Evaluation Criteria:

Pertinent criteria must be in place to ensure optimum performance of a provider. Measurement is crucial to the success of outsourcing projects because it determines the quality of output of a provider. Measurements quantify the ability of both internal and external resources to meet end-user needs. Measurements provide a quick yet reliable means of verifying strengths and weaknesses which ensure that alternative options for making changes are well evaluated. The right measurements are essential for evaluating options available for organizations. Performance measurements are therefore important criteria in provider evaluation. In developing service provider's evaluation criteria, the following factors should be considered (Table 27).

Peace-building Criteria:

In the UN, further criteria include political considerations and economic empowerment respectively. A local supplier may be chosen in place of a better and more qualified international supplier because the peace agreement stipulated such conditions to sustain the peace effort. A local service provider may also be selected because his services would encourage capacity building and support the local economy by providing much needed job opportunities and capital unlike those of international providers who always tend to bring along with them their own foreign staff and bank their money abroad.

Table 27:   Outsourcing Decision-making Criteria **-** Provider evaluation criteria

Source: Data collected

Criterion
a.   Does the mission and strategic goals of the provider align with those of the organization?
b.   Is the provider known to have the capability to provide this service?
c.   Has the organization had previous relationships with the provider?
d.   Is the provider known to deliver high quality services?
e.   Has a clear definition of acceptable service (i.e. performance standards) been entrenched in the contract for the evaluation of this service?
f.   Would the provider submit a feasible work programme in conformance with the contract schedule/ program, detailing the amount of effort required and timed delivery of this service?
g.   Has necessary criteria been established to ensure that the provider's performance is well evaluated?
h.   Does the provider have the required equipment/tools?
i.   Would the provider be properly monitored (including scheduled site visits) to ensure compliance with the terms and conditions of the contract? And
j.   Have measures been set in place to resolve performance and other disputes?

Table 28:   Outsourcing Decision-making Criteria – Peacekeeping and Peace-building criteria

Source: Data collected

Criterion
a.   Would the use of an international provider result in transfer of knowledge?
b.   Would the international providers be required to recruit most staff locally?
c.   Would it encourage capacity building locally (i.e. transfer of knowledge and skills)?
d.   Does the organization have an updated local provider database?
e.   Is the required expertise available locally?
f.   Are materials available locally and would they meet all requirements?
g.   Are the right equipment available locally?
h.   Would outsourcing of this service enhance the local economy?
i.   Would the procurement of materials locally empower local businesses?
j.   If cost is not a major concern, would quality of output impact heavily on the performance/reputation of the organization?

However, the use of international service providers encourages an indirect form of capacity building as well due to the transfer of knowledge from more educated and privileged foreign workers to the less experienced and deprived locals. These are optional criteria, applicable only when it is vital to uphold the peace effort and can be

achieved through capacity building and empowerment of the local community as well as the enhancement of the local economy (Table 28).

Finally, the general set of outsourcing decision-making criteria above represents an all inclusive, general set of measurable criteria for the UN that can be used as a decision-making tool and an aid in prioritizing and developing successful outsourcing projects.

In testing the hypothesis, the distribution of data collected is compared with and ideal or hypothetical distribution (Leedy and Omrod, 2001). In the statistical analysis, the Chi-square (X^2) and or Fishers' Exact tests were run on each of the variables to test for associations between the consolidated questions' response and the group. As highlighted earlier in the analysis of data, the Chi-square results, rather than the Fisher's Exact test results was used in cases where there was a warning that some cells have expected counts of less than 5. Therefore, the Fisher's Exact result was used to report for all variables for purposes of uniformity in order to avoid having Chi-square results for some items and Fisher's Exact results for others. The Fisher's Exact result indicates that when the probability or p-value is < 0.05, there is statistically significant evidence of an association between the response and the group that the respondent belongs to. Therefore, the research hypothesis is supported which states: The outsourcing decision-making criteria identified in the research forms the basis for the development of an outsourcing scorecard for identifying services that can be outsourced successfully by the UN.

4.5.2 Developing the Decision-making Scorecard

To ensure that the scorecard meets the UN outsourcing needs, each scorecard theme was expanded to encompass additional requirements for the UN. Therefore, the institutional settings of the organization, risks, goals and objectives were expanded. Provider selection was added to the traditional theme and the evaluation criteria strengthened to include peace-building measures.

Since the objective of the score is to translate the private sector's extensive outsourcing experience into a scorecard for the UN for identifying services that can be outsourced successfully. It should be noted that a new outsourcing model is not

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being developed, but rather a modification of an existing model. The fundamental assumptions and postulates of the existing model have not been altered.

The scorecard is developed for the UN and its peacekeeping operations outsourcing needs based on the unique nature the UN and feed back received from questionnaires and interviews. However, the scorecard model has not being tested. Formal approval and adoption it would require a UN General Assembly vote. As highlighted earlier, decision-making in the UN is as cumbersome as in most large government bodies because of the composition and large size of the General Assembly (GA) and the Security Council (SC) and also due to the complexity of the UN. For example, though the SC mandates all peacekeeping operations in the world, the GA on the other hand makes most of the decisions at the UN including approval and providing of peacekeeping operations budgets, while the DPKO administers peacekeeping operations making decision-making complex and slow.

Generally the scorecards are divided into six sections dealing with background information, goals and objectives, risks, provider selection and evaluation and peace-building criteria of the organization. However, there are two types of scorecards. The first scorecard consists of 6 options and is suitable for UN peacekeeping operations with peace-building as one of their goals and objectives, while the second option is divided into five sections without the peace-building option and is ideal for other non-profit making organizations in making the decision to outsource. A significant number of these criteria must be met before an outsourcing or in-sourcing decision is made. Each of the 6 sections contains 10 criteria each. Therefore, the scorecard contains a total of 60 criteria that should be met in making a decision to outsource or in-source. In using this scorecard, if the positive answers are less than or equal to thirty, then it is better to carry out the service in-house whereas above thirty indicates that the service(s) may be outsourced. In other words, (0-30) signifies that it is better to in-source, while (31-60) positive answers shows that all outsourcing advantages would be derived by outsourcing the service.

In the second option each of the 5 sections contains 10 criteria, making a total of 50 criteria that should be met in making a decision to outsource or in-source. In using this scorecard, when positive answers are less than or equal to twenty-five, then it is

considered appropriate to in-source and above twenty-five the organization/firms should strongly consider outsourcing. Therefore, (0-25) indicates in-sourcing, while a (26-50) positive answer is a sign that a successful outsourced engagement would be possible. Lastly, it is necessary that each criterion be assigned equal weight for ease of measurement. The aim of the derived scorecard is to assist in outsourcing decision-making and therefore it should not be considered as an ideal solution to outsourcing.

The scorecard is derived from a general set of decision-making criteria and supports the research hypothesis which states: The outsourcing decision-making criteria identified in the research forms the basis for the development of an outsourcing scorecard for identifying services that can be outsourced successfully by the UN.

A sample scorecard is presented in the next section (Table 29).

Table 29:   Sample Outsourcing Decision-making Scorecard

Source: Data collected

A B C PEACEKEEPING OPERATION

☐ First Review Meeting
☐ Progress Meeting
☐ Final Meeting

DECISION-MAKING SCORECARD
STRICTLY FOR INTERNAL USE ONLY

This outsourcing scorecard is designed to serve as decision-making tools for managers considering outsourcing for specific services. It would assist in determining whether the service under consideration for outsourcing is a core competency and has a long term focus.

These questions are intended to assist organizations' decision makers in determining if the potential for relationship-building exists. If this potential does not exist, the service under consideration should probably not be outsourced. If the potential for relationship-building does exist, then the purpose of the scorecard would be to assist decision makers identify specific issues that might need to be addressed before outsourcing begins or that may prove to be barriers to outsourcing.

DATE: (dd/mm/yyyy)

SERVICE CONSIDERED FOR
OUTSOURCING:

BRIEF DESCRIPTION OF THE SERVICE:

A. BACKGROUND	True	False
1. The function/service is a functional part of the organization's core competencies.	☐	☐
2. The function/service needs to be provided on a daily/weekly/monthly basis.	☐	☐
3. The organization has sufficient demand for the function/service.	☐	☐
4. The organization has sufficient in-house expertise to provide the function/service.	☐	☐
5. The organization has simultaneously considered the functions/services and the benefits from outsourcing in conjunction with the core competencies of the potential provider.	☐	☐
6. It would <u>not</u> be more cost-effective to carry out the function/service in-house.	☐	☐
7. Outsourcing of this function/service would <u>not</u> have a negative impact on employees.	☐	☐
8. It is legal, permissible and in accordance with the organization's policies to outsource this function/service.	☐	☐
9. The organization would require a local or an international provider for the service. (*Refers only to the selection of local or international provider*)	☐	☐
10. The selected service provider/sub-contractors would provide sufficient work force to undertake the function/service till completion.	☐	☐

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B. GOALS AND OBJECTIVES	True	False
1. Outsourcing would result in a reduction in overall costs.	☐	☐
2. The goals for the function/service can be clearly defined	☐	☐
3. The goals for the function/service are long-term.	☐	☐
4. The achievement of the goals can be objectively measured.	☐	☐
5. There are objective measures currently in place for the function/service.	☐	☐
6. Failure to achieve intended goals and objectives would have a negative impact on the organization.	☐	☐
7. Capacity building, enhancement of the local economy and empowerment of the local populace is an outsourcing objective. (*if true, please complete section E*)	☐	☐
8. Outsourcing the function/service would resolve labour related issues.	☐	☐
9. Outsourcing would not have a negative effect on the international character and diverse nature of the organization.	☐	☐
10. Outsourcing the service would contribute positively to the local labour market.	☐	☐

C. RISKS	True	False
1. The outsourcing process complies with all political/ labour related issues and relevant local laws.	☐	☐
2. Outsourced employees' complaints and concern for their job security would not reverse the decision to outsource and/or result in workload pressure on the limited staff.	☐	☐
3. Outsourcing of the function/service would not be impacted by unavailability of local skilled labour.	☐	☐
4. Loss of expertise would not have a negative impact on the organization. (*E.g. would it lead to a degradation of skills and loss of expertise that might be required in future*)?	☐	☐
5. Outsourcing would not result in loss of control of the function/service and harm the organization.	☐	☐
6. Outsourcing would not increase cost of control.	☐	☐
7. Response to situational problems would be reduced.	☐	☐
8. Procurement time would not have a negative impact on the scheduled completion date.	☐	☐
9. Quality of service delivery would not be a major concern.	☐	☐
10. Current performance would not be negatively impacted.	☐	☐

D. PROVIDER SELECTION	True	False
1. There are known providers for the function/service at the required location.	☐	☐
2. The service provider is reputable with the right attitude that is compatible with of that of the organization.	☐	☐
3. The quality of expected output and operational excellence of the provider is in line with that of the organization.	☐	☐
4. The service provider has adequate technical expertise to carry out this service.	☐	☐
5. The service provider has the required business qualification to carry out this function/service.	☐	☐
6. The service provider has prior experience in the execution of similar contracts.	☐	☐
7. The service provider's safety record conforms to industry standards.	☐	☐
8. The service provider's costs are competitive and within the organization's budget.	☐	☐
9. The service provider has adequately qualified sub-contractors, carriers to execute the function/service and ensure quality of work.	☐	☐
10. The financial stability of the provider would not have any impact on the ability to carry out this function/service.	☐	☐

E. PROVIDER EVALUATION	True	False
1. The service provider has proven track record.	☐	☐
2. The service provider is known to deliver high quality services?	☐	☐
3. There has been previous relationship between the organization and the provider.	☐	☐
4. The service provider has suitable physical equipment to carry out this function/service.	☐	☐
5. The service provider's mission and strategic goals align with those of the organization.	☐	☐
6. A clear definition of acceptable service (*i.e. service level agreement*) has been entrenched in the contract for the evaluation of this service.	☐	☐
7. The provider is capable of submitting a feasible work programme in conformance with the contract schedule/ program, detailing the amount of effort required and timed delivery of the function/service.	☐	☐
8. As a means of ensuring compliance with the terms and conditions of the contract, the service provider would be properly monitored.	☐	☐
9. Necessary criteria have been established to ensure that the service provider's performance would be well evaluated.	☐	☐
10. A dispute resolution clause is in place to resolve performance and contract related disputes.	☐	☐

E. PEACE-BUILDING MEASURES (optional)	True	False
1. Since the aim of peace-building is to enhance the local economy and not profit-making, prevailing standards on an international scale should not always be applied. Regardless to say, it is important that the output quality does <u>not</u> impact negatively on the organization's performance and reputation.	☐	☐
2. Capacity building at local level would encourage transfer of knowledge and skills.	☐	☐
3. Outsourcing of the function/service would enhance the local economy.	☐	☐
4. The use of an international service provider would result in transfer of knowledge.	☐	☐
5. International service providers would be required to recruit most staff locally.	☐	☐
6. Sourcing of materials locally may empower local businesses.	☐	☐
7. The required expertise is available locally.	☐	☐
8. Required equipment are available locally.	☐	☐
9. Materials that would meet work requirements are available locally?	☐	☐
10. The organization possesses an updated database of local providers.	☐	☐

SCORING METHOD

The maximum count of positive answer is 50 or 60 (peace-building only). Positive answers should either be greater than 25 or 30 (peace-building only). Negative answers are less than 25 or 30 (peace-building only).   a. ☐ Less than or equal to 25 or 30. b. ☐ Greater than 25 or 30

COMMENTS, IF ANY:

Project Manager:

Name and Signature	Date

Comments of evaluating officials or board member, if different from those of the Project Manager:

Name and signature of evaluating officials	Date

MANAGEMENT ACTION

Reviewed by:

	Name	Signature	Date

Noted by Head of
Department of service:

	Name	Signature	Date

Final Decision
Check appropriate box

≤25 or 30 (peace-building only)	>25 or 30 (peace-building only)
a. ☐ **IN-SOURCE**	b. ☐ **OUTSOURCE**

Final action taken: Example: It would be more cost-effective to outsource

Chief, Project/Facilities Manager:	Date

Disclaimer: *The above scorecard is intended as a decision-making tool. It should in no way be considered as a means of providing the ideal decision to outsourcing.*

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4.6   **OUTSOURCING SUPPORT SERVICES AND FUNCTIONS**

In a typical UN peacekeeping operation such as UNMIL, which is used as an ideal example because of its size (budget and staff strength) for illustration purposes in this section, the core function is purely political such as negotiating the end of war or monitoring a cease-fire or a border dispute especially following the aftermath of a war (Ramsbotham *et al*, 2009). Most peacekeeping operations fall into the later two. The core political function or mandate is managed by the highest political office headed by the office of the Special Representative of the Secretary-General (SRSG), (Chart 23). Other political posts under the SRSG are his two deputies (DSRSG) and the office of the force commander (FC). However, the division of administration, headed by the Director of Administration (DAO) is the only entirely non-political office in a UN peacekeeping operation. Directly under the DAO, is the administrative services section (AS), headed by the Chief Administrative Services (CAS) and the Integrated Support Services section (ISS), and headed by the Chief Integrated Support Services (CISS). The office of the DAO manages all non-core functions that sustain and support peacekeeping operations. However, these non-core and peripheral activities carried out in peacekeeping operations are better carried out by a specialized third party provider. Non-core services comprises of activities, tasks and functions that UN peacekeeping operations would consider essential to be provided on a continual basis, but not necessarily needed to be provided by the organization itself. These types of services can be successfully outsourced because of their long-term focus and less substantial impact on the operation of the organization as a whole. The result of the survey indicated that these non-core services should be outsourced to make UN peacekeeping operation concentrate on their core services:

- Human resources;
- Engineering services and engineering maintenance;
- Communication and communication maintenance;
- Transportation and fleet maintenance (land, air and sea);
- IT, IT Development, IT maintenance, IT training and call centre;
- Information reporting (Including Archiving and Reproduction);
- Assets/inventory and property management;
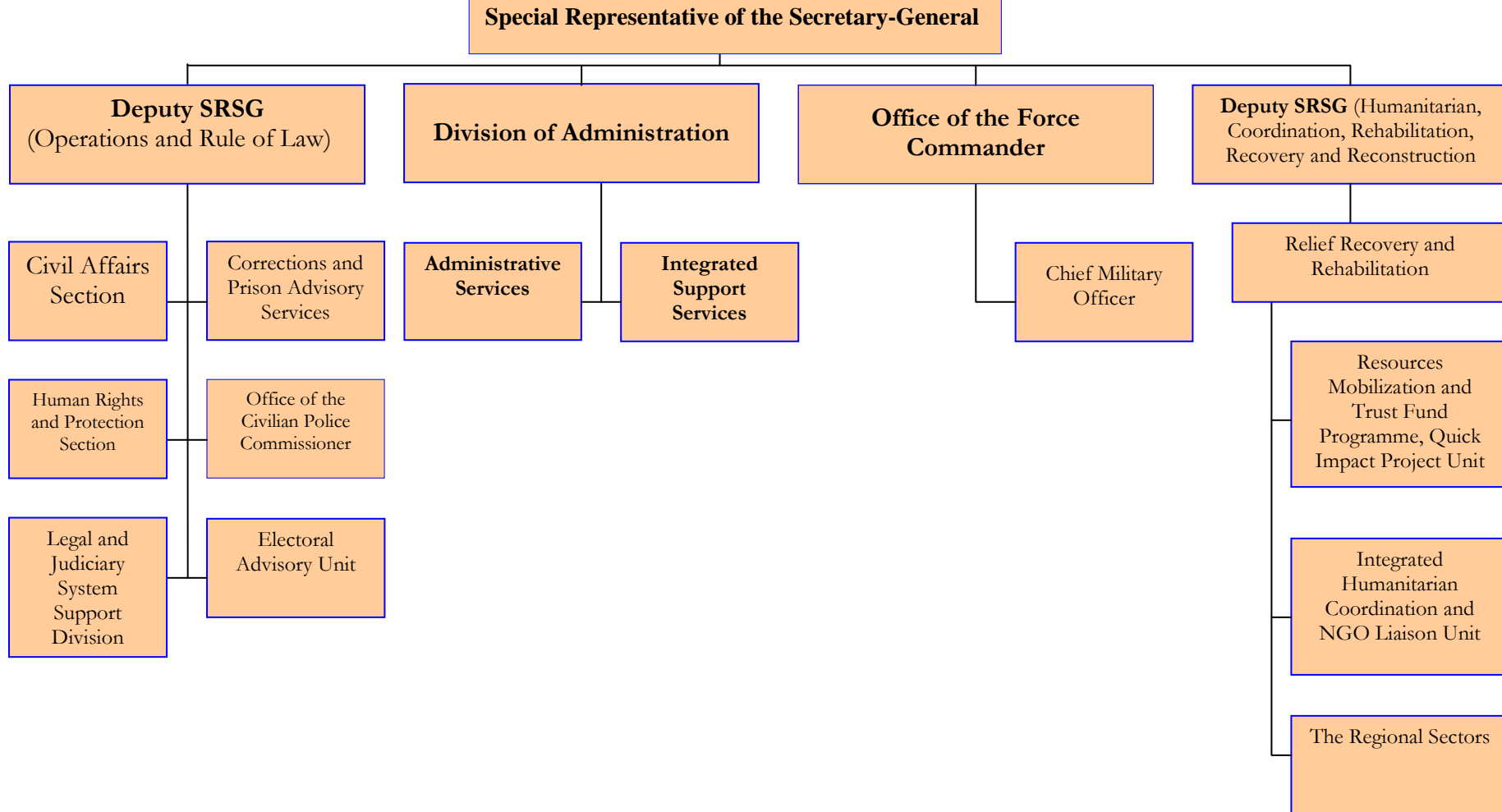
Chart 23: Typical organizational chart of a UN peacekeeping operation

Source: United Nations Mission in Liberia

- Warehousing (Supply, Engineering, IT/Communications, Transport);
- Facilities /camp management including cleaning, garbage collection and janitor services;
- Catering services;
- Transport and fleet management; (land, air and sea);
- Engineering and related services including project development and construction;
- Medical services;
- Geographic information systems;
- Heavy and specialized maintenance activities;
- Security services;
- Specialised investigations;
- Specialised item that the peacekeeping operation does not have the expertise;
- Fire safety; and
- Humanitarian and relief operation

In order to achieve outsourcing objectives, all functions and offices associated with these activities and services should be wholly outsourced. A skeletal team comprising mainly of political offices would be maintained to carry out the mandate and core functions of the organization, while a facilities management office would be created to monitor service providers and provide administrative support to political teams. The outsourcing of support operations would lead to a reduction of staff at all levels of the organizations at both the local and international offices worldwide with resultant reduction in costs. This reduction would also free much needed resources tied up in providing remunerations for its staffs (Table 6).

Additionally, in identifying what is to be outsourced from the evaluation of survey findings, it was observed that apart from the non-core activities that are carried out by the office of the DAO, other activities in the office of the Deputy SRSG (these include; humanitarian coordination, rehabilitation, economic recovery and reconstruction as well as the coordination of the counties) can be outsourced to reduce costs while maintaining quality and effectiveness (Chart 23).

Activities carried out by the office of the 1st Deputy SRSG (humanitarian coordination, rehabilitation, recovery and reconstruction) can be outsourced to specialised UN organizations (WFP, UNICEF, WHO, UNFPA, UNHABITAT etc) and non-governmental bodies (NGOs). The Resources Mobilization and Trust Fund Programme/Quick Impact Project Unit; and the Integrated Humanitarian Coordination and NGO Liaison office, including the coordination of the UN Agencies should be carried out by United Nations Development Programme (UNDP), headed by a country UNDP Resident Representative. Thereafter, the office of the Deputy SRSG (Humanitarian, Coordination, Rehabilitation, Recovery and Reconstruction) should be abolished after outsourcing (Chart 24).

All but two offices under the 2nd Deputy SRSG (Operation and Rule of Law) office would not be affected in an outsourcing project since they are political function and therefore fall within the core functions of the organizations. These are:

- Legal and Judiciary System Support; and
- Office of the Civilian Police Commissioner

The remaining offices under the 2nd Deputy SRSG (Operation and Rule of Law) should be outsourced to NGO's and monitored/ coordinated by UNDP as follows: Civil Affairs, which consist of civic education should be outsourced to NGO's, Human Rights and Protection should be moved to and managed by the United Nations Human Rights Commission and financed by UNDP, while the Electoral department should be supervised by UNDP and monitored by local and international observers. Police and troop contributing nations should be required to provide correction and prison advisers to rehabilitate and train the local police and prison services (Chart 24).

Following the outsourcing of the support functions under the DOA and the office of the 1st Deputy SRSG and the consolidation of functions, the offices of the 2nd Deputy SRSG (operations and rule of law), the Force Commander, together with the Chief Military Observer would now be under the office of the SRSG. The offices of the SRSG, the Force Commander and the Deputy the SRSG would now carry out the core-business of the organization which is peacekeeping (Chart 24).

Special Representative of the Secretary-General

Office of the Deputy SRSG

Office of the Chief Facilities Manager

Office of the Force Commander

Legal and Judiciary System Support Division

Police, Immigration, Custom and Prison Services

Administrative Services

Facility and Quality Assurance Services

Chief Military Officer
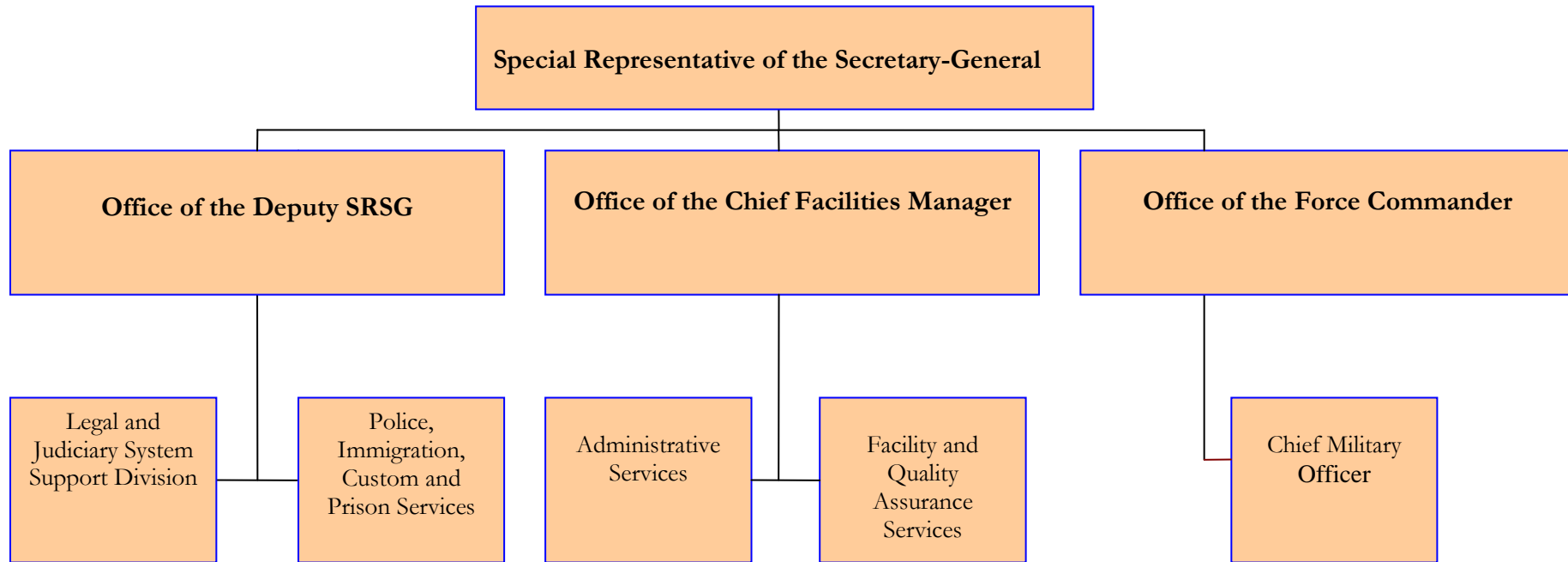
Chart 24:   Proposed organizational chart of a UN peacekeeping operation after outsourcing

Source: Data collected

Having identified that all support functions in a peacekeeping operation can be outsourced and support functions/activities and their corresponding offices are managed by the DAO. Therefore, the office of the DOA and the two offices directly under it, i.e. the administrative Services (AS) and the Integrated Support Services (ISS) can be outsourced to third party experts to ensure effective use of resources and to reduce costs. Therefore, the following functions and offices under the AS, as well as the 242 support personnel would be affected in the outsourcing engagement (Chart 25):

- Medical;
- Human resources;
- Finance/budget;
- Security; and
- General Services, comprising of:

    - Claims;
    - Property survey;
    - Facilities management;
    - Supply and warehousing;
    - Asset disposal;
    - Mail and pouch
    - Receiving and inspection;
    - Assets and property control; and
    - Reproduction

Additionally, the following offices that comprise of integrated support services together with the 758 support personnel can be outsourced (Chart 26) since their tasks and activities would be better managed by service providers.

- Aviation;
- IT and Communication;
- Transport;
- Supply;
- COE;

- Engineering, comprising of:

  - Electrical/ Mechanical;
  - Power generation;
  - Asset management and warehousing
  - HVAC;
  - Water and Sanitation;
  - Construction and maintenance including alterations and additions;
  - Projects/design unit (including planning and development;
  - Regional Support;

Furthermore, the office of the DAO, and the two offices under it i.e. the offices of the CAS and the CISS having being outsourced would be replaced by a much reduced office of the Chief Facilities Manager (CFM). This new office will be divided into two units, each providing small scale administrative and technical services. The two units will comprise of 14 and 8 personnel respectively. This new CFM office will also manage the service providers and provide administrative as well as payroll services for the political offices and the service providers. Additionally, the office of the CFM would manage operational and functional duties that include the management of the facilities of the organization. However, the management of the facilities would be under the direct supervision of service providers. The CFM with its 14 technical and 8 administrative will act as quality assurance evaluators and will be tasked with monitoring the performance of service providers. The new unit should be named Quality Assurance (QA) Coordination Unit and would be under the direct supervision of the CFM.

Prior to outsourcing 242 administrative personnel were required to manage the administrative function of a UN peacekeeping operations (Chart 25); however, with the outsourcing of services, 8 administrative personnel in HR, medical and finance/budget would be needed to provide administrative support and payroll services to the political office and the service providers. These 8 personnel will also act as administrative quality assurance evaluator to service providers (Chart 27).

```
                    CHIEF ADMINISTRATIVE SERVICES
                            (5 personnel)


  FINANCE                                              MEDICAL
  (30 personnel)                                       (40 personnel)


  SECURITY                                             BUDGET
  (40 personnel)                                       (10 personnel)


  GENERAL SERVICES                                     PERSONNEL
  (87 personnel)                                       (30 personnel)
```
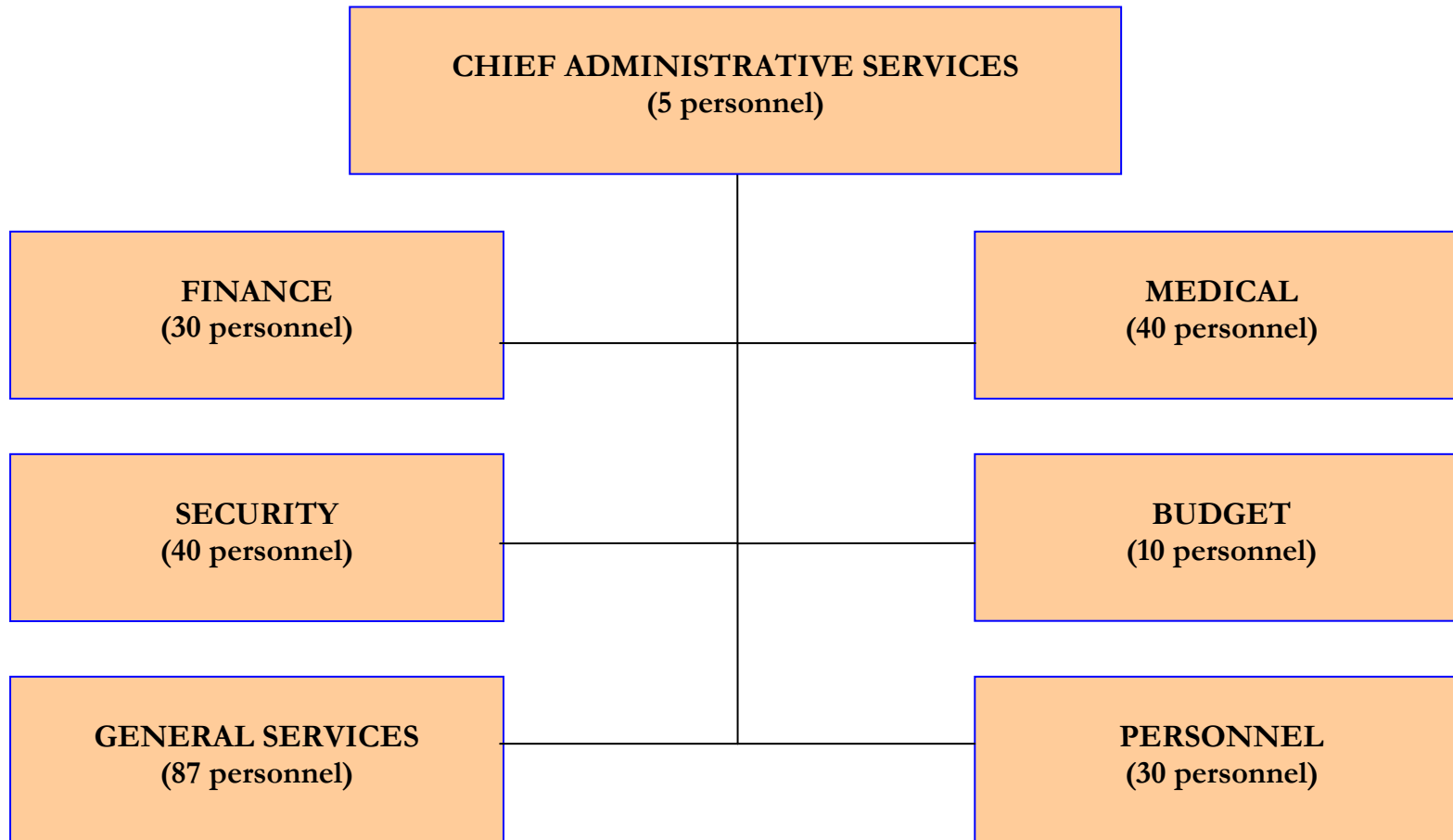
Chart 25:   Typical UN Peacekeeping Operation Administrative Services Section before Outsourcing

Source: United Nations Mission in Liberia

Chief Integrated Support Services
(10 personnel)

JMCC **(37 personnel)**	**TRANSPORT** **(163 personnel)**
AVIATION **(34personnel)**	**ENGINEERING** **(237 personnel)**
JLOG **(18 personnel)**	**COE** **(21 personnel)**
CITS **(150 personnel)**	**SUPPLY** **(70 personnel)**
ASSET DISPOSAL **(18 personnel)**	
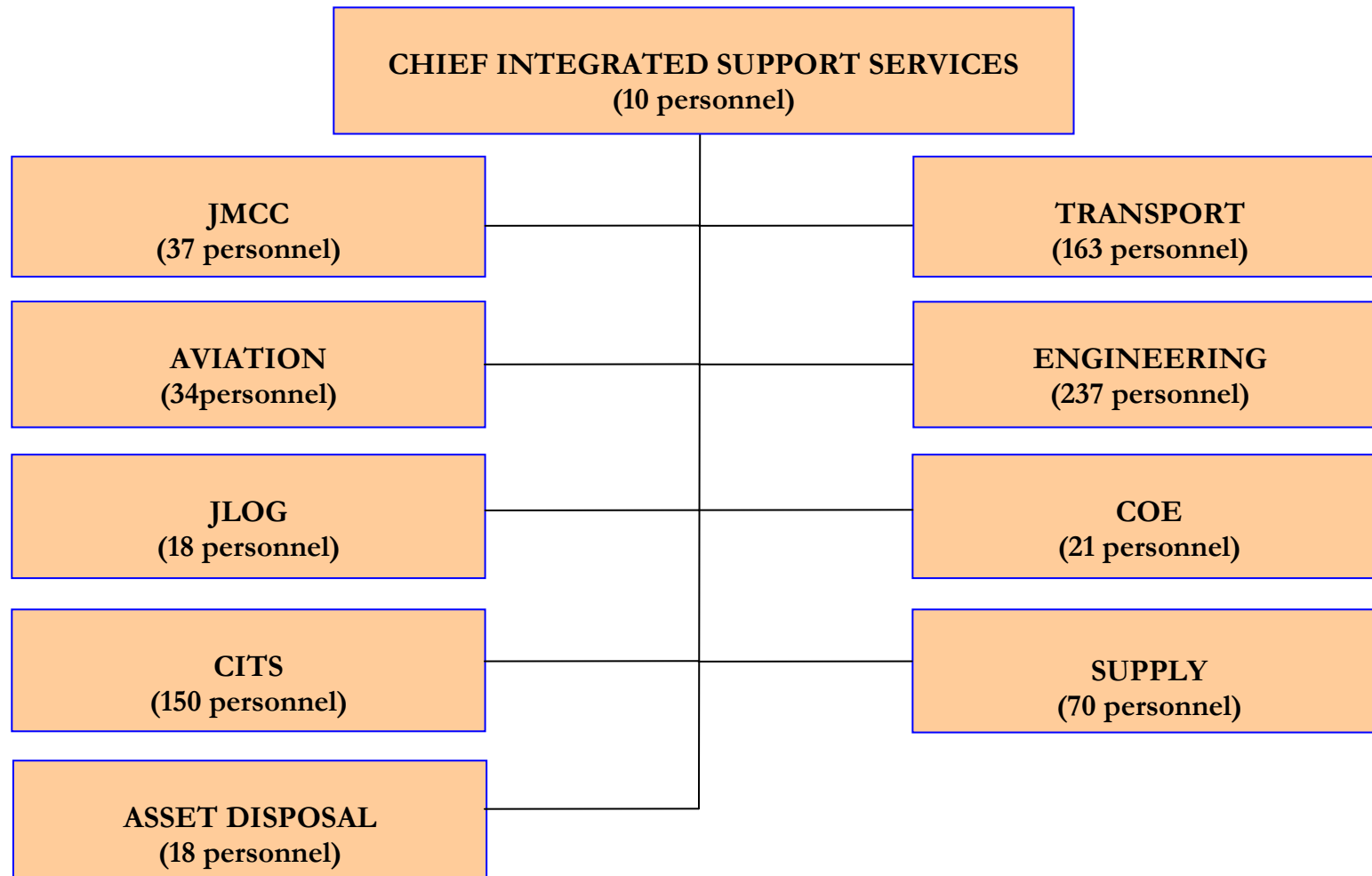
Chart 26:   Typical UN Peacekeeping Operation Integrated Support Services Section before Outsourcing

Source: United Nations Mission in Liberia

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                    ┌─────────────────────────────────────┐
                    │     ADMINISTRATIVE SERVICES           │
                    └─────────────────────────────────────┘
                                    │
         ┌──────────────────────────┼──────────────────────────┐
┌──────────────────┐    ┌──────────────────┐    ┌──────────────────┐
│  FINANCE/BUDGET   │    │     MEDICAL       │    │    PERSONNEL      │
│ (3 QA Evaluators) │    │ (2 QA Evaluators) │    │ (3 QA Evaluators) │
└──────────────────┘    └──────────────────┘    └──────────────────┘
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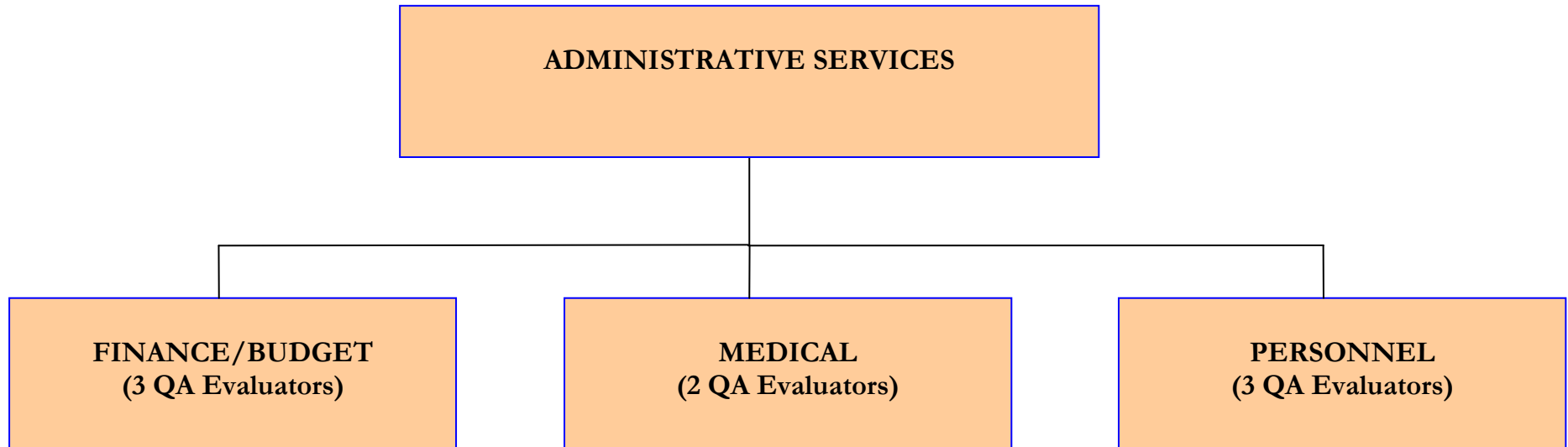
Chart 27:   Proposed UN peacekeeping operation administrative services section after outsourcing

Source: Data collected

INTEGRATED SUPPORT SERVICES

**Engineering
(4 QA Evaluators)**

**Transportation
(4 QA Evaluators)**

**CIT
(6 QA Evaluators)**
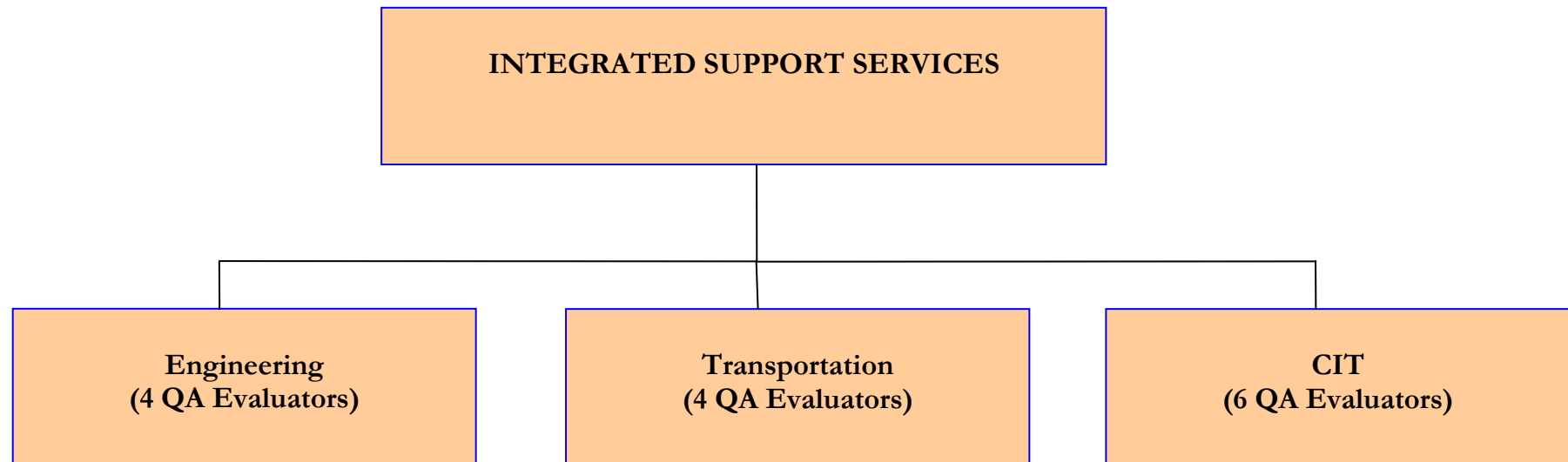
Chart 28: Proposed UN peacekeeping operation integrated support services section after outsourcing

Source: Data collected

Additionally, the number of support personnel in the integrated technical services prior to outsourcing will be reduced to 14 (Chart 28) from the original 758 support personnel (Chart 26) required to run an integrated support services in a UN peacekeeping operations. It is important to note that outsourcing has re-engineered the staff in the political offices from 200 to 30 because most functions were outsourced to NGOs, UN agencies and the local authorities as outlined earlier. Therefore, 30 staff members or personnel would run the political offices, i.e. an average of 6 persons per office would be required from each of the 4 (four) remaining political offices under the Deputy SRSG and an additional 6 from the office of the SRSG, i.e. 30 with an additional 6 personnel added from the office of the Force Commander, together with a 22 member serving as QA evaluators and the political staff. A grand total of 58 essential staff members would be adequate to carry out all the required functions. The new office of the CFM (Chart 29) would now manage all administrative and logistics function of peacekeeping operations. The CFM will report directly to the SRGS. The CFM will also be a UN staff member and will be in the same position as a DOA.

This grand total of 58 staff members comprising of 22 QAs and 36 political officers would be required to run a peacekeeping operation when all non-core function are outsourced. When this is compared to an average of 1200 personnel (700 international staff and 500 United Nations Volunteers) that are usually required to run a peacekeeping operation at full strength, a major saving in reduced overhead and administrative costs would be observed. The outsourcing of activities and functions of the integrated support section and the administrative services section would lead to a 98% reduction in staff strength or 1,142 personnel including local nationals. This represents a savings in fixed costs i.e. salaries, allowance, medical pensions subsidies and gratuities.

An additional outcome of outsourcing services it what become of UN assets? UN has such huge assets, from 1000s of vehicles to aircrafts. For example, as at 2006, UNMIL had 1400 vehicles. With respect to the assets of UN peacekeeping operations, since all support services are provided by third party providers, peacekeeping operations would no longer have assets to manage. All assets would now belong to the service providers. Therefore, offices and functions that provide asset management and

warehouse services should be abolished. This would mean that there would be also no logistics functions to be performed.

However, logistic support to peacekeepers that remain should be undertaken by troop contributing nations or by the service providers. The troop contributing nations would be paid as per the same method used for reimbursement for contingent owned equipment (COE), while, all operational functions would be handled by the office of the Force Commander. Therefore the UN central logistics centre in Brindisi, Italy that provides material and logistics support the all peacekeeping operations as well as UN agencies should be scaled down and eventually closed down as it makes no economic sense to continue to operate it (Prager, 1994).

Shutting down the logistic centre at Brindisi will be a major cost-saving achievement. Apart from remunerations, there is also the major cost of procuring material for peacekeepers as well as UN personnel. For example, the approved peacekeeping budgets for the period from 1 July 2004 to 30 June 2005 which include the logistics base at Brindisi, was about $4.47 billion. Once this logistics support base is outsourced to larger international service providers, staff remunerations, equipment maintenance and the hiring/ rental of facilities would be eliminated. The expected cost saving would be in the neighbourhood of $1.29 billion i.e. $4.47 billion less $3.18 billion (table 4), as per the approved budget for peacekeeping operation for the same period. Therefore, one of the most important costs saving aspect of outsourcing peacekeeping would be the closure of the logistic base at Brindisi, Italy

When it is considered that a total of 89,682 personnel including 5,287 International civilian personnel, 1,602 UNV's and 10,010 local civilian personnel have served in peacekeeping operations since inception, there would be a considerable cost saving as a result of reduction in staff strength. When equipment maintenance and rental of facilities are also removed, cost reduction would be very considerable. In considering pension remunerations and pension/health subsidies alone, the cost of employing service providers would be much lower to the organization than the cost of actually performing these peripheral activities in-house;
The outsourcing of peacekeeping support operations would drastically result in the reduction of staff at peacekeeping operations worldwide and at the UN Secretariat in

New York. The reason is that most of the staff member or personnel at the New York HQ and other UN locations provide administrative and logistics support to the personnel in the field. When these personnel in the field are drastically reduced, a lot of personnel at UN offices worldwide and at the UN HQ will be redundant and therefore should be downsized. A good example is DPKO which provides logistics, administrative support and monitors the activities of peacekeeping operation.

Since the UN Secretariat has a staff of about 8,900, the reduction of staff strength at peacekeeping operations would mean that DPKO, the office providing administrative and logistic support from the UN headquarter to the field peacekeeping operations worldwide would be reduced since there would be fewer logistics services to provide (Chart 3). This reduction would free much needed resources that are tied up in staff remunerations. The Logistics and Administrative Support Divisions at DPKO should be merged into a much reduced office of Mission Support. Military and Civilian Police Divisions should be moved to the Office of Operations. Mine Action should be outsourced to competent and specialised agencies. Since the function of DPKO is now highly reduced, the seniority of office providing leadership should be reduced. The Under-Secretary-General should be replaced by a lower level director. In all, large savings in staff remunerations would be re-cooped (Chart 30).

As earlier outlined earlier, the survey identified that these non-core services can be outsourced to make UN peacekeeping operation concentrate on their core services:

- Human resources;
- Engineering services and engineering maintenance;
- Communication and communication maintenance;
- Transportation and fleet maintenance (land, air and sea);
- IT, IT Development, IT maintenance, IT training and call centre;
- Information reporting (Including Archiving and Reproduction);
- Assets/inventory and property management

- Warehousing (Supply, Engineering, IT/Communications, Transport);
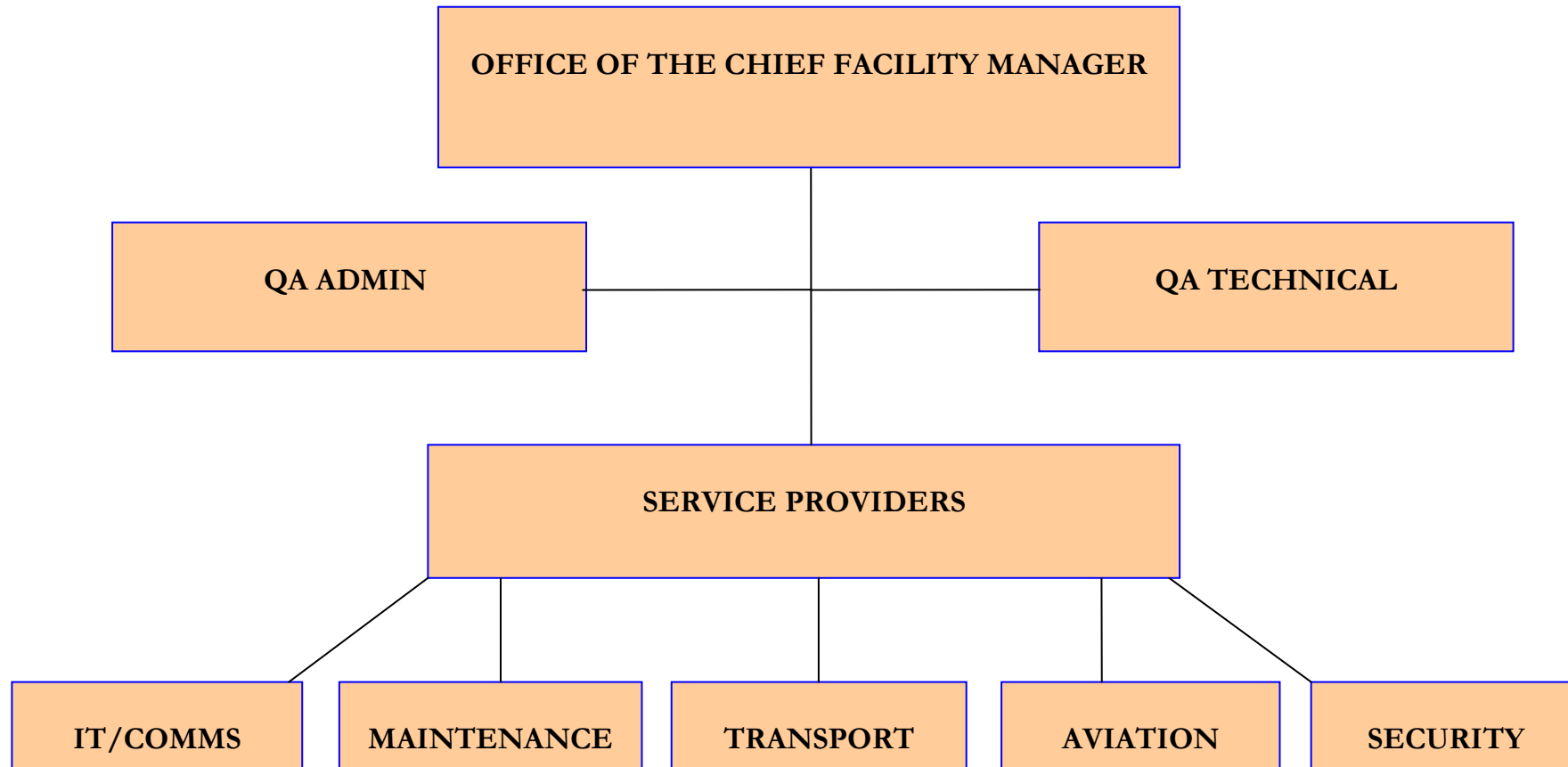
Chart 29: Office of the Chief Facilities Manager

Source: Data collected
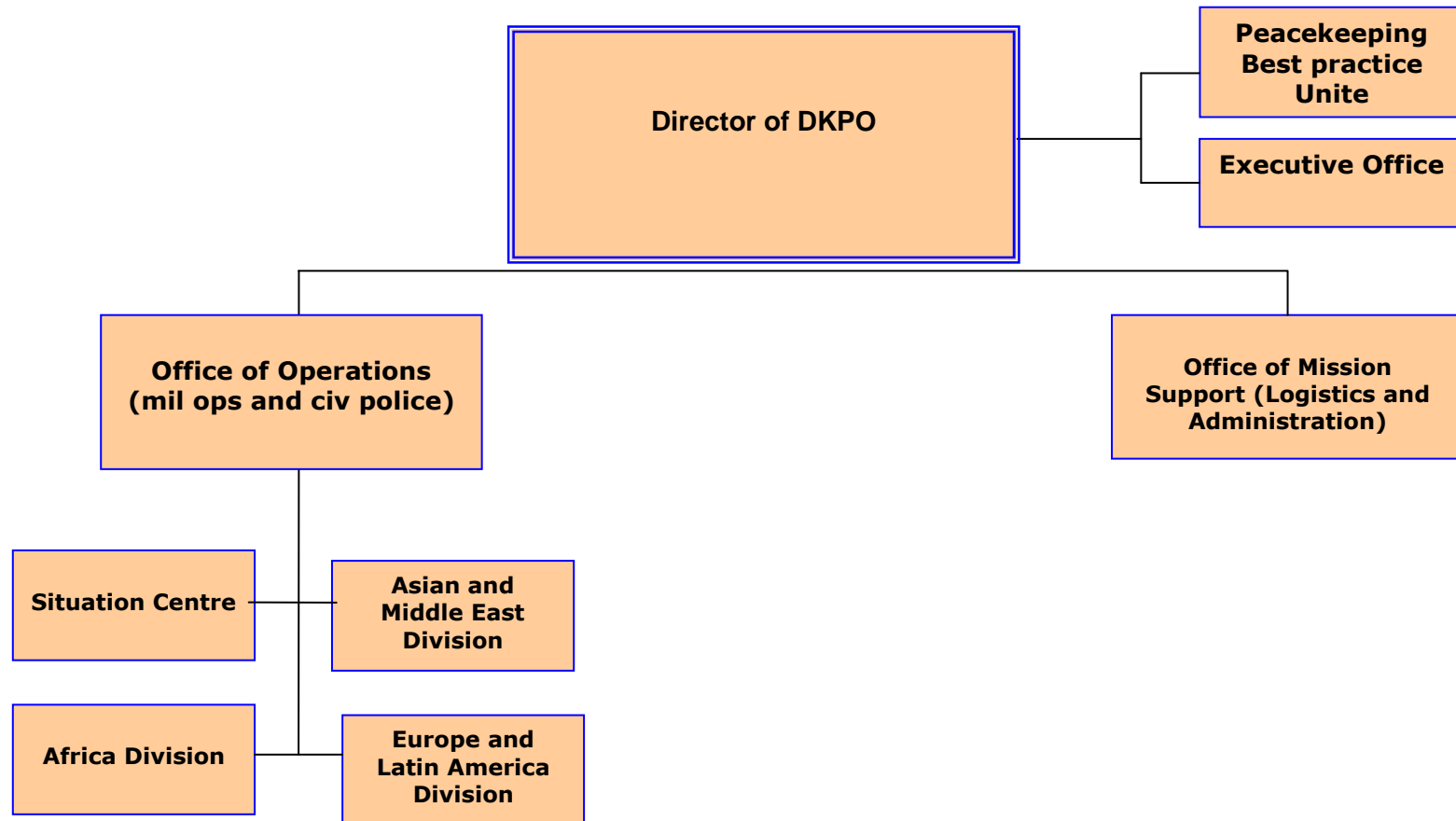
Chart 30:   Proposed UN department of peacekeeping operations after outsourcing

Source: Data collected

4.7   CONCLUSION

The evaluation of survey finding indicated that similarities in outsourced services exist between UN peacekeeping operations, manufacturing firms and service providers. Furthermore, information exchange between the groups indicated that UN peacekeeping operations outsource more services than manufacturing and service providers. However, this was marginal and was limited to specialised maintenance. Furthermore, political constraints are also a strong impediment in their ability to outsource.   Quality constraints and control of output are primary barriers to outsourcing among the groups. The majority of firms did not use outside experts in the outsourcing decision-making process, thus indicating a relationship with UN peacekeeping operation in the limited use of experts in the decision to outsource, which substantiates that institutional history played a key role in decision-making.

Though cost was an important factor for manufacturing firms and service providers because they are profit making firms, its importance was diminished by quality as the most important influencing factor. This proves that regardless of the nature of the business (profit or non-profit making), the objectives and goals of organizations are becoming more closely aligned. The information needs of UN peacekeeping operations are focused on labour, control and quality of output. The probable reason is the remote location of most field operations which makes it virtually impossible to get the required expertise for outsourcing thereby making the quality of output their major concern.

The establishment of policies and procedure early in the outsourcing decision-making process ensures that the right decisions are made on time. Service providers never made use of their contractors' policies and procedures. In addition, the general use of existing policies among the group is a clear indication of the value of institutional history to the group. The application of unique policies and procedures for some projects is an indication that each outsourcing project has different requirements.

Performance incentives are not included in outsourcing agreements involving UN peacekeeping operations because they are not motivated by profit; however, they placed more importance on quality. Therefore, they must carry out more

measurements than both manufacturing firms and service providers. Associations were identified between the measurement styles of manufacturing firms and service providers because of the project dependent nature of their measurements. Expectations should be well defined in contracts, while standards should establish what is expected and what happens if expectations are not met and only those standards that support business goals should be used. UN peacekeeping operations may need to use incentives to encourage service providers to exceed performance requirements.

The benefits of outsourcing are variable and depend on the nature and situation of an organization. During the assessment period, it is important that all issues be considered before outsourcing is embarked on. Generally, outsourcing of non-core activities of an organization should lead to a better business focus on any organization's core function. However, non-core activities should be outsourced only when it makes economic or humanitarian sense to do so. Though economic reasons are vital criteria for outsourcing since they save costs to the organization, efficiency and effectiveness are also very important criteria. However, political considerations may equally be important depending on the prevailing situation. Is it better to use a service provider chosen international or locally? The decision to outsource is in a UN peacekeeping operation is not completely dependent on economic reasons; political and strategic reasons are some of the criteria that may have to be considered. Furthermore, although, the lower the cost of the provider the better, however, the decision on who to outsource to depends on the satisfaction of other criteria. In addition, the costs of providing the services need to be negotiated as low as possible to ensure managerial efficiency and cost-effectiveness.

The survey finding also indicated that activities representing approximately 61% of a peacekeeping operation annual expenditure can be outsourced. This includes operational cost or cost of running a typical peacekeeping operations (facilities and infrastructure, transportation and fleet maintenance, IT, communications and communication maintenance, engineering services and engineering maintenance assets/ inventory and property management, warehousing, medical services, geographic information Services, aviation management , heavy and specialized maintenance activities, security services, specialised investigations, fire safety,

humanitarian and relief operation) and civilian personnel less fees paid to third party providers (Chart 23). The thesis further demonstrated that outsourcing of activities and functions in a typical UN peacekeeping operation would lead to a 98% reduction in staff strength or 1,142 personnel including local nationals. This represents a savings in fixed costs i.e. salaries, allowance, medical pensions subsidies and gratuities.

Based on the objective of the thesis, that is, translate the private sector's extensive outsourcing experience into a scorecard that would serve as a decision-making tool for the UN in identifying services that have a potential for successful outsourcing. In the broad based scorecard developed for the UN, each scorecard theme was expanded to encompass additional requirements for the UN and similar organizations. Therefore, the institutional settings of the organization, risks, goals and objectives were expanded. Provider selection was added to the traditional theme and the evaluation criteria strengthened to include peace-building measures. This effort supplements and ensures completeness of the scorecard for the purpose of the UN.

It should be noted that a new outsourcing model is not being developed, but rather a modification of an existing model. The fundamental assumptions and postulates of the existing model have not been altered. The scorecard is developed for the UN and its peacekeeping operations outsourcing needs based on the unique nature the UN and feed back received from questionnaires and interviews. However, the scorecard model has not being tested. Formal approval and adoption it would require a UN General Assembly vote. As highlighted earlier, decision-making in the UN is as cumbersome as in most large government bodies because of the composition and large size of the General Assembly (GA) and the Security Council (SC) and also due to the complexity of the UN. For example, though the SC mandates all peacekeeping operations in the world, the GA on the other hand makes most of the decisions at the UN including approval and providing of peacekeeping operations budgets, while the DPKO administers peacekeeping operations making decision-making complex and slow.

Lastly, in an outsourcing arrangement, the development of an amiable relationship between the outsourcer and the provider is essential. The study has demonstrated that successful outsourcing could provide the UN peacekeeping operations and similar

organization with a number of benefits, most of which result from improved efficiency and savings in costs. The outsourcing decision-making scorecard developed from criteria identified in the research will assist manager of UN peacekeeping operations and similar organizations considering outsourcing in identifying services that can be successfully outsourced by providing new techniques and insight from a private sector perspective.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0   SUMMARY

The study surveyed examples of outsourcing best practices in private sector companies and identified services that can be outsourced in UN peacekeeping operations. Additionally, using criteria identify in the research, developed an outsourcing decision-making scorecard for UN and its peacekeeping operations.

The scorecard developed in the research is new but rather a modification of an existing model from private and public sector firms. The fundamental assumptions and postulates of the existing model used by private and public sector firms were not altered. The scorecard was developed for the UN and its peacekeeping operations from criteria identified in the research and is based on the unique nature the UN and feed-back received from questionnaires and interviews.

The scorecard is designed to serve as a decision-making tool for identifying services that can be successful outsourced by assisting UN peacekeeping operation's managers identify what criteria to consider when evaluating outsourcing opportunities, concerns to be evaluated, and other factors that might influence outsourcing decisions, vis-à-vis, risks, quality and cost-benefits associated with outsourcing as their private sector counterparts.

There are for principle efforts that the research focused on. It started by providing a general introduction into the operation of the United Nations system as a whole and its Department of Peacekeeping in particular. This is followed by a literature review relative to outsourcing decisions-making and its application in the UN and its peacekeeping operations, choosing an outsourcing provider, and the development of decision-making criteria and scorecard. It then discusses the use of private security organizations or third party providers for traditional UN peacekeeping role as cost-effective and efficient alternative to UN peacekeepers and reviews problems associated with outsourcing the role;

Furthermore, it investigates private sector manufacturing firms and service providers to assess outsourcing activities from the perspective of these organizations in order to gain a better understanding of outsourcing and how it can be successfully applied to attain all the advantages. Additionally, it identities activities, tasks and functions that the UN peacekeeping operations would consider essential to be provided on a continual basis, but not necessarily needed to be provided by the organization itself because of their less substantial impact on the operation of the organization as a whole, and provided conclusions and recommendations.

Lastly, using appropriate criteria developed from the research, a decision-making scorecard was derived which will serve as a decision-making tool for UN peacekeeping operations when considering outsourcing for specific services. The next section provides some concluding remarks on the findings of the study.

5.1   CONCLUSIONS

Using consolidated data from responses received from the groups, all outsourcing trends, associations and relationships between the groups were first fully analysed. This then followed by a detailed analysis of survey responses from 15 service providers and 15 manufacturing firms as well as a detailed discussion of data received from 10 UN peacekeeping operations.   The thesis concludes with the development of a decision-making scorecard from criteria identified in the research as well as identifying functions and services that can be successfully outsourced in a typical UN peacekeeping operation. The statistical hypothesis testing is carried out at the end of the statistical analysis in chapter four.

The correlational study examined the extent to which differences in one characteristics or variable are related to differences in or more other characteristics or variable (Leedy and Ormrod 2001). Therefore, it was necessary to use the quantitative research method for the statistical investigation of the relationship because of the need to fully analyse all outsourcing trends, associations and relationships between the UN, manufacturing firms and service providers (Leedy and Ormrod 2001).
The statistical procedures used for the analysis of data are Chi-square (X^2) test and/or Fisher's exact test. The Chi-square test was used to determine how closely observed

frequencies or probabilities match expected frequencies or probabilities while the Fisher's exact test is used to compare two dichotomous variables (nominal or ordinal) when the same sample size are small (Leedy and Ormrod, 2001). However, the Fisher's Exact test was used to report for all variables for purposes of uniformity (Mehta and Patel, 1983) and Mantel, 1963).

The analysis of data abstracted established that the challenges facing UN peacekeeping operations with respect to outsourcing are similar to private sector challenges. One of the important observations from the study is the role that prior experience and institutional settings of organizations plays in the outsourcing decision. This may be an important issue that should be considered by UN peacekeeping operations in acknowledging that knowledge in outsourcing may be a key element to success, whether experience is internally or externally available.

The differences between the UN peacekeeping operations and the manufacturing sector appear to be a function of the institutional setting, including the limitations placed on them as non-profit organizations with respect to monetary rewards. UN peacekeeping operations also placed more emphasis on the use of existing policies and procedures which provides another clear indication of the value of the UN's institutional history. Similarities were found between benchmarks used by manufacturing firms and those by service providers. There were also commonalities of goals between the groups with regards to cost reduction, quality, and labour relations. However, it appears that the goals are very similar between UN peacekeeping operations, manufacturing firms and service providers; however the means of obtaining them differed. This shows that goals and objectives of both profit and non-profit making organizations are becoming more closely aligned.

There was also strong correlation among the group on outsourced activities. In accessing the factors influencing provider selection for these outsourced services, the groups were asked to weigh the factors influencing provider selection. There was a strong correlation among the group regarding quality as the most important factor influencing provider selection. Based on statistical analysis, UN peacekeeping operations, manufacturing firms and service providers demonstrated an exact similarity in choosing strategic direction as an important factor, though it was one of

the least important factors. The UN peacekeeping operations were different from the groups with respect to the factors influencing provider selection in choosing information technology as an important factor.

Due to the nature of services offered by UN peacekeeping operations, political constraints are also a strong impediment in their ability to outsource. Other barriers to outsourcing in UN peacekeeping operations are due to a lack of expertise and capacity which impacts on their ability to execute service on a large scale. There was also strong correlation between UN peacekeeping operations, manufacturing firms and service providers regarding institutional barriers that impede outsourcing in which all three indicated that quality constraints and control of output are primary barriers to outsourcing. These barriers to outsourcing provide an insight into the institutional setting within which the outsourcing process would be occurring.

The core competency of an organization determines what should be outsourced and what should be carried out in-house. Historical setting plays a major role here. UN peacekeeping organizations have clearly defined policies and procedures on what may be outsourced which is usually handed down to them by their headquarters and it is usually advisable to keep within this limitation. Though many UN peacekeeping operations respondents believed in peace-building, they also argued that when outsourcing is implemented for the sake of political rhetoric or other short-term gains, it may have the opposite effect. This is the situation when outsourcing engagements are used to appease politicians and /or local economies of host countries in the name of nation building.

While outsourcing may prove highly beneficial for the UN and its peacekeeping operations, it also has many drawbacks. One of these is that outsourcing often eliminates direct communication between an organization and the people it came to serve. This prevents the organization from building a solid relationship with the host country, leading to dissatisfaction on one or both sides. There is also the danger of not being able to control some aspects of the organization, as outsourcing may lead to delayed communication and project implementation. Sensitive information becomes more vulnerable and an organization may become very dependent upon its provider, which could lead to problems should the service provider back out on their contract

suddenly. However, this can be or should be eliminated by building a good relationship.

Based on the objective of the thesis, that is, translate the private sector's extensive outsourcing experience into a scorecard that would serve as a decision-making tool for the UN in identifying services that have a potential for successful outsourcing. In the broad based scorecard developed for the UN, each scorecard theme was expanded to encompass additional requirements for the UN and similar organizations Therefore, the institutional settings of the organization, risks, goals and objectives were expanded. Provider selection was added to the traditional theme and the evaluation criteria strengthened to include peace-building measures. This effort supplements and ensures completeness of the scorecard for the purpose of the UN. As mentioned earlier, a new outsourcing model is not being developed, but rather a modification of an existing model. The fundamental assumptions and postulates of the existing model have not been altered.

The scorecard is developed for the UN and its peacekeeping operations outsourcing needs based on the unique nature the UN and feed back received from questionnaires and interviews. However, the scorecard model has not being tested. Formal approval and adoption it would require a UN General Assembly vote. However due to the complexity of the UN a decision on formal approval would take some time. Individual peacekeeping operation would be approached to test the outsourcing model. However, implementation of the model would require authorisation from the GA through DPKO. The scorecard is derived from a general set of decision-making criteria and supports the research hypothesis.

Lastly, the effectiveness of UN peacekeeper was also examined with the objective of determining whether non-nation security organizations or private military organizations may be more cost-effective and efficient than UN member nation provided peacekeepers for future peacekeeping roles. There was also the question of whether the private military organizations are in a better position to perform peacekeeping roles. Additionally, whether they are cheaper and more efficient with respect to speed of deployment, ability to project enough force to subdue enemies and rebel armies and as well as costs. With respect to costs, the private organizations

are perceived as offering a more cost-effective way of providing the same number of personnel because of savings usually associated with the private sector. One cost, the discussion was in favour of outsourcing the military role.

5.2 RECOMMENDATIONS

This section provides recommendations for the development of a decision-making scorecard, which is one of the main objectives of the study. It highlights criteria to consider and concerns to look out for when evaluating outsourcing opportunities and other factors that might influence the decision to outsourcing. A sample scorecard derived from the outsourcing decision-making criteria, which combines lessons learnt in previous work in addition to information obtained in both the interviews and survey results, is used to accomplish this goal. This sample outsourcing scorecard is intended to serve as a decision-making tool for managers considering outsourcing for specific services. This sample scorecard should in no way be considered as a means of providing the ideal decision-making tool for outsourcing. Given the information gathered in the study, the following set of recommendations is proposed for UN peacekeeping operations. The recommendations are divided into two main areas:

- Lessons learnt in previous work; and
- Information obtained in both the interviews and survey results. This is further divided into five subsections:
  a.   General outsourcing;
  b.   Re-engineering;
  c.   Decision-making criteria and scorecard;
  d.   Service providers; and
  e.   Peacekeeping and peace-building

5.2.1 Recommendations Based On Lessons Learnt in Previous Work

These are recommendation from previous works and research that are relevant to the outsourcing practices of the UN and its peacekeeping operations.

- The goals and objectives of outsourcing are vital in any outsourcing decision-making. The outsourcing relationship cannot begin without a set of measurable objective criteria. This includes a consideration of the question of what the impact of non-achievement will be;

- The identification of core competencies ensures that organizations can evaluate the non-core services that are currently provided but have the potential for outsourcing. These comprise of necessary services that have to be provided on a frequent basis, but need not be provided in-house by the organization;

- Organizational changes resulting from the transition to a service provider suggested a multifunctional organizational change strategy that supports cultural issues and has support and commitment from top management. The strategy requires collaboration across multiple levels in the organization. Middle managers should be involved in helping people understand new priorities and ways of operating. In addition, employees at lower levels should be involved and allowed to participate in the transition so that they will "buy in" to the new values and systems that affect their own work;

- There may be need for independent verification and validation. External sources may be considered to assist the organization in managing the complexity of an outsourcing engagement. While these services represent additional outsourcing costs, they can enable the organization to reduce outsourcing risks and accomplish organization goals;

- There are four very important abilities managers responsible for outsourcing initiatives must possess. These are strategic thinking, deal making, partnership governing and change management;

- It should be understood at the beginning that the contract may change, or that the contract will end;

- Renegotiating a new contract with the same service provider may lead to higher contract costs as the organization becomes tied down in renegotiations with that one service provider. Selecting a new service provider on the other hand, would entail transition costs as one service provider moves out and another move in. Switching to internal resources requires that knowledge about the project exists in-house, and that adequate staff resources (time and

personnel) exist to support it. Transition costs will again occur in this situation. Therefore, the cost-benefits of each situation should be carefully assessed;

- The application of formalised risk management can improve the decision-making process within projects and help organizations to reduce risk exposure;

- Performance contracting is a more effective approach to outsourcing because it creates incentives for the contractor to achieve the desired result of the contract;

- When organizations streamline their facilities, effective outsourcing also allows them to expand their market share, pursue new strategic directions, and improve overall competitive advantage;

- It is important to note that even if outsourcing some services seems to be the wise course, it does not absolve organizations of its responsibility to manage what it outsourced;

- The key to a successful staffing decision is the cost-benefit analysis;

- The decision to outsource must incorporate a change in the treatment of the traditional performance contract relationship. This change must include the degree to which the contractual relationship flows. Simply put, successful outsourcing appears to be predicated on a relationship, and not as a contract;

5.2.2 Recommendations Based on Information Obtained in Analysis of Data

These recommendations are based on the results from both the interviews and survey results pertaining to the thesis and include:

- General outsourcing recommendations;
- Re-engineering recommendations;
- Decision-making criteria and scorecard recommendations;
- Service providers' recommendations; and
- Peacekeeping and peace-building recommendations

5.2.2.1 *General Outsourcing Recommendations*

- UN peacekeeping operations need to adopt a new perspective to outsourcing, from one of performance or supply contracting to one that considers outsourcing as a long-term relationship;

- Being non-profit making, the UN peacekeeping operations should not venture into performance contracting although it is very cost-effective and comes highly recommended because they not have the managerial and technical skill to manage it;

- There is the need for UN peacekeeping operations and service providers to focus on relationship-building beyond the prescribed relationship in the scope of works the reason is that relationship-building is a critical aspect in the decision-making process;

- UN peacekeeping operations should put emphasis on the necessity for continuous and consistent performance measurement;

- To guarantee clients seamless, high-quality service and to reduce costs, outsourcing contracts should provide for relocation of services and working with subcontractors of choice;

- Caution should be taken not to directly translate lessons learnt from private sector outsourcing lessons to the UN and its peacekeeping operations.

5.2.2.2 *Decision-making Criteria and Outsourcing Scorecard Recommendations*

Most decisions are made by moving back and forth between the choice of criteria (the characteristics we want our choice to meet) and the identification of alternatives (the possibilities we can choose from). The alternatives available influence the criteria we apply to them, and similarly the criteria we establish influence the alternatives we will consider (Harris, 1998). These recommendations highlight the importance of using appropriate decision-making criteria in outsourcing decision-making to gain all the advantages of an outsourcing engagement with the aim of making the UN more result oriented while maintaining a higher level of efficiency. These criteria are considered below:

- UN peacekeeping operations must consider alterations to the characteristics of the outsourcing model that fits their particular circumstances;

- If the potential for relationship-building does not exist in an outsourcing relationship, the service under consideration should probably not be outsourced. If however, the potential for relationship-building does exist, the outsourcing scorecard will assist decision makers in identifying specific issues that need to be addressed before outsourcing begins or that may prove to be barriers affecting the success of outsourcing the service;

- In making technical decisions, various decision criteria must be synthesized and the relative value of each alternative assessed;

- In addition, qualitative criteria such as time, risks, staffing and business value should also be considered;

- It is recommended to use proper decision tools or criteria in prioritizing and developing successful programmes and projects;

- Decision-making criteria should be flexible, realistic and applicable on a case by case basis;

- An example of typical criteria to consider in selecting a project delivery approach includes the following: initial project cost, final project cost, budget certainty, budget risk, potential for savings returned to the owner and early price commitment. Other criteria are the ability to manage owner scope changes, preconstruction services provided, speed of project design and construction schedule, schedule certainty, quality control, design liability, risk of claims.

5.2.2.3 *Re-engineering Recommendations*

The following are recommendations regarding activities and functions that should be outsourced in a UN peacekeeping operation to make them more cost-effective, maximise efficiency and ensure better use of limited resources. In identifying what is to be outsourced in peacekeeping operations, it was observed that most of the activities that are carried out by the following offices can be outsourced in a UN peacekeeping operation (Charts 23 – 30).

- The office of the 1st Deputy SRSG (these include; humanitarian coordination, rehabilitation, economic recovery and reconstruction as well as the coordination of the counties) can be outsourced to reduce costs while maintaining quality and effectiveness;

- The activities carried out by the office of the 1st Deputy SRSG should be outsourced to specialised UN organizations (WFP, UNICEF, WHO, UNFPA, UNHABITAT etc) and non-governmental bodies (NGOs). The Resources Mobilization and Trust Fund Programme/Quick Impact Project Unit; and the Integrated Humanitarian Coordination and NGO Liaison office, including the coordination of the UN Agencies should be carried out by United Nations Development Programme (UNDP), headed by a country UNDP Resident Representative. The office of the Deputy SRSG (Humanitarian, Coordination, Rehabilitation, Recovery and Reconstruction) should be abolished after outsourcing.

- All the offices under the 2nd Deputy SRSG (Operation and Rule of Law) should be outsourced except these two:

  - Legal and Judiciary System Support; and
  - Office of the Civilian Police Commissioner

- The remaining offices should be outsourced to NGO's and monitored/ coordinated by UNDP as follows: Civil Affairs, which consist of civic education should be outsourced to NGO's, Human Rights and Protection should be moved to and managed by the United Nations Human Rights Commission and financed by UNDP, while the Electoral department should be supervised by UNDP and monitored by local and international observers. Police and troop contributing nations should be required to provide correction and prison advisers to rehabilitate and train the local police and prison services.

- To ensure effective use of resources and to reduce costs, it is recommended that the two sections under the DOA together with all its offices, functions and activities should be outsourced and these are:
  - Administrative services; and

- Integrated support services section

- The logistics support base at Brindisi, Italy should be outsourced to larger international service providers, staff remunerations, equipment maintenance and the hiring/ rental of facilities would be eliminated.

- The Logistics and Administrative Support Divisions at DPKO should be merged into a much reduced office of Mission Support. Military and Civilian Police Divisions should be moved to the Office of Operations. Mine Action should be outsourced to competent and specialised agencies. Since the function of DPKO is now highly reduced, the seniority of office providing leadership should be reduced. The Under-Secretary-General should be replaced by a lower level director. In all, large savings in staff remunerations would be re-cooped;

- Logistic support to peacekeepers should now be undertaken by contributing countries, while, all operational functions would be handled by the office of the Force Commander;

- Non-core activities should not be outsourced just because they are non-core in nature but because it makes sense to do so

Outsourcing of these services would lead to a better business focus on the organization's core functions and lower the high cost of social benefits (medical and pension subsidies) paid to staff members compared to what would be paid to service providers.

5.2.2.4 *Third Party Service Providers Recommendations*

- Before selecting a service provider or negotiating a contract, an organization should inform its personnel on the scope of the outsourcing agreement, what should result from it, how it will be measured, and what the reporting requirements are?

- The lower the cost of the provider, the better, however this depends on the satisfaction of other criteria such as quality, timeliness etc. Also, the cost of

providing the services needs to be negotiated as low as possible as a form of managerial efficiency and cost-effectiveness;

- The relationship between the organization and the provider should be most effectively managed through centralised systems that rely on an internal audit unit to audit and monitor the outsourcing agreement;

- Experienced procurement and legal staff must be recruited before an outsourcing arrangement is embarked upon.

- If an outside expert is preferred, an employee of the organization should always remain an internal focal point for the purpose of searching for a provider;

- Requirements should be clearly communicated to service providers in the request for proposal (RFP) and in service level agreements (SLAs);

- A service provider selection team should be developed that recognizes all business areas impacted by the project;

- Subject area experts should be brought in to advise the core team as needed (budget staff, technical staff, and self accounting offices or end users);

- UN peacekeeping operations should continue to place more emphasis on quality as a major factor influencing provider selection;

- The service providers should be required to absorb some of the outsourced organization's personnel. This may should be included in the terms of the contract to build capacity and empower the local population;

- Service providers should be protected from outsourcing organizations hiring their best employees away;

- Measurements identified early in the cost-benefit analysis should be used because they describe critical success factors where improvement should be seen;

- Objective measures need to be mutually established with opportunities for modification as the need arises;

- Measurement should be tracked on a consistent and regular basis;

- It should also be accepted and recognised that external service providers will make money on the outsourcing agreement somewhere, or they would not be willing to sign the contract;

- When unforeseen events lead to cost increases, the service provider should have the right to come to an agreement with the outsourcing organizations on additional charges;

- Ensure that variations are properly measured;

- An outsourcing contract should clarify which party owns work performed rather than leave this matter open to question or later negotiation;

- Outsourcing organizations should not pay for work not stipulated in the scope of works;

- A plan for transition from one provider to another or from a provider back to the outsourcing organization at the end of the contract should be in place;

- A final consideration regarding analysing of outsourcing decision is the importance of recognizing the full costs of external service providers. Many times costs are not explicitly seen, but are accounted for in the fees charged by service providers. The recognition of these embedded costs is necessary in order to make a consistent comparison between options.

5.2.2.5 *Peacekeeping and Peace-building Recommendations*

Peacekeeping and peace-building operations measures are designed to save succeeding generations from the scourge of war, alleviate human suffering, and create conditions and build institutions for self-sustaining peace. These are recommended cost-effective and efficient solutions to peacekeeping and peace-building operations.

- The military's task is to re-establish order and create a level of security that allows civilian organizations to carry out their humanitarian and political functions. Once the situation is stabilised, the military should begin to reduce the size of their forces;

- The mandate of peacekeeping operations must expressly state that force should be used where necessary for them to respond effectively to such challenges and carry out their mandates successfully and responsively;

- Due to the inability of the UN to act quickly and deploy peacekeepers rapidly when crises arise, it is recommended that private security and military

organizations could be called upon and deployed much more quickly than traditional multilateral forces;

- Nations may also be called upon to provide soldiers that would be part of a rapid deployment team to respond at a short notice to trouble spots around the world. However, it has a draw-back that it would still be under a political leadership of the UN leading to slow decision-making

- To become truly very efficient and cost-effective a peacekeeping force would either have to be a private organizations and/ or military organization(s) without political interference and with a robust mandate. However there is also the moral question of control;

- In UN peacekeeping operations, other criteria such as political considerations, capacity building and economic empowerment has to be considered when engaging in outsourcing arrangements;

- To ensure that the goals and objectives of UN peacekeeping operations are achievable, outsourcing engagements should ensure local participation in outsourced services because it would lead to economic empowerment and capacity building;

- Outsourcing of support functions in peacekeeping and peace-building operations should not be used to appease politicians and /or local economies of host nations in the name of nation building or mandated for short-term gains, since this is against the principles of outsourcing.

5.3 RECOMMENDATIONS FOR FURTHER STUDIES

The scope for a better measure of the relationships between the firms was limited due to the number of manufacturing firms and service providers in the sample. The main reason for the use of a few firms in the study was that most of the firms were unwilling to disclose information about their firms and many did not understand what outsourcing was all about. Financial information from smaller firms was not forthcoming, due to this reason; the choice then fell on mostly publicly quoted firms only. Therefore, most of the data collected were from mainly publicly quoted manufacturing firms and service providers.

The number of UN peacekeeping operations was limited to ten. It is imperative that an in-depth analysis of the outsourcing practices should involve the UN as a whole as well as other international public sector and multilateral organizations such as the International Committee of the Red Cross (ICRC) and the International Federations of the National Red Cross and the Red Crescent Societies, the Organization of American States (OAS), the Economic Community of West African States (ECOWAS), the Organization of Islamic States (OIS), the African Union (AU) and the European Union (EU). It would be essential in any further study as a better measure of the correlation between international public sector /multilateral organization, manufacturing firms and service providers.

Finally, since a non-probability sampling was used in the research, it is important that in any future studies that a probability sampling method using samples from fifty or more manufacturing firms and service providers should be used. This may be necessary to determine whether a better measure of the correlations between the variables examined in the study can be obtained.

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APPENDICES

APPENDIX   **PAGE**

Appendix A

Third Party Service Provider Questionnaire

1. Financial Information: Kindly provide electronic copy of your company's?

    Annual Report for 2005

2. Select the core competences of your company. (Select all that apply)
    - a. ☐ Integrity
    - b. ☐ Professionalism
    - c. ☐ Respect for diversity
    - d. ☐ Effective communication
    - e. ☐ Teamwork
    - f. ☐ Good leadership
    - g. ☐ Monitor progress against milestone and deadlines
    - h. ☐ Clear role definition
    - i. ☐ Delegation of appropriate responsibilities
    - j. ☐ Accountability
    - k. ☐ Decision making authority
    - l. ☐ Prioritization of work
    - m. ☐ Planning and organization
    - n. ☐ Openness to share information
    - o. ☐ Development of clear goals consistent with agreed strategies
    - p. ☐ Interpersonal relationship/skills
    - q. ☐ Others, please specify_____

3. What is the total staff strength of your company (including casual and temporal staff)? _____

4. What is the number of employees?

    In Information technology   _____

    In Logistics related fields   _____

    On site at client location   _____

5. Describe your company's organizational structure? (Select all that apply)

    a. ☐ Traditional

    b. ☐ Matrix

    c. ☐ Mixed matrix

    d. ☐ Project Oriented

    e. ☐ Others, please specify_____

a. Kindly provide a Brief History of your company.

(Electronic copy of your company's profile and the annual report for 2004 and 2005 would suffice)

b. What service(s) do your presently outsource?

    a. ☐ Customer Service

    b. ☐ Freight bill payment

    c. ☐ Freight consolidation/distribution

    d. ☐ Selected manufacturing activities

    e. ☐ Advertising and communications

    f. ☐ Traffic management/fleet operations and management

    g. ☐ Website Development and Maintenance

    h. ☐ Application Development

    i. ☐ Application Maintenance

    j. ☐ WANs

    k. ☐ LANs

    l. ☐ IT training

    m. ☐ Desktop Management

    n. ☐ Disaster Recovery

    o. ☐ Data/ Call Centre

    p. ☐ Product assembly

    q. ☐ Order Fulfillment

    r. ☐ Parts Packaging and accessories

    s. ☐ Packaging for retail item

    t. ☐ Selected manufacturing activities

    u. ☐ Engineering services and engineering maintenance

    v. ☐ Communication and communication maintenance

    w. ☐ Transportation and fleet maintenance

    x. ☐ Information reporting

    y. ☐ Assets/ inventory management

z. ☐ Property management

aa. ☐ Warehousing

bb. ☐ Facilities / camp management

cc. ☐ Inbound Transportation

dd. ☐ Outbound Transportation

ee. ☐ Engineering and related services

ff. ☐ Medical Services

gg. ☐ Aviation maintenance

hh. ☐ Aviation management

ii. ☐ Heavy and specialized maintenance activities

jj. ☐ Security Services

kk. ☐ Fire safety

ll. ☐ Specialised item that your company does not have the expertise

mm. ☐ Others, please specify_____

8. How do you target clients (Select all that apply)

a. ☐ Base on internal targeted research

b. ☐ Based on geographical location

c. ☐ Based on commodity

d. ☐ Others, please specify_____

9. What factors influence your decision to participate in a Request for Proposal/Request for Quotation (Select all that apply)

a. ☐ Size

b. ☐ Core competence

c. ☐ Location

d. ☐ Complexity

e. ☐ Ability to influence change

f. ☐ Sole source issues

g. ☐ Financial gains

10. What are your goals and objectives for outsourcing? (Select all that apply)

a. ☐ Performance Improvement

b. ☐ Labour Issues

c. ☐ Cost Reduction

d. ☐ Competitive Issues

11. Are outside experts involved in your company's decision to outsource? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

12. What benchmarks/models do you use to establish goals?(select all that apply)

a. ☐ Professional knowledge and experience

b. ☐ Internal driven decision

c. ☐ Industry standard

d. ☐ Current literature

e. ☐ Technical research studies

f. ☐ Customer survey

g. ☐ Industry trade information

h. ☐ University research

i. ☐ Competitive situations

j. ☐ Company experience

k. ☐ Other internally outsourced operations

l. ☐ Others, please specify_____

13. What are your risks of outsourcing? (Select all that apply)

a. ☐ Loss of control

b. ☐ Failure

c. ☐ Product quality

d. ☐ Delivery

e. ☐ Performance

f. ☐ Inaccurate data

g. ☐ Getting it wrong

h. ☐ Insufficient research

i. ☐ Costs

j. ☐ Flexibility

k. ☐ Need for improvement

l. ☐ Others, please specify_____

14. What results do you expect from outsourcing? (Select all that apply)

a. ☐ Lower costs

b. ☐ Improved services

c. ☐ Specific key performance indicators

d. ☐ More time for other services

e. ☐ Others, please specify_____

15. What barriers impeded your outsourcing decision? (Select all that apply)

a. ☐ Government regulations

b. ☐ Labour agreements

c. ☐ Quality constraints

d. ☐ Control of output

e. ☐ Current workload

f. ☐ Outsourcing expertise

g. ☐ Insufficient volumes to operates

h. ☐ Poor economy

i. ☐ Technology limitation

j. ☐ Lack of mature international network

k. ☐ Project size/scope/control

l. ☐ Others, please specify_____

16. Would you retain your client's existing carriers and subcontractors in new processes? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

17. Do you perform an initial assessment of current operations before you embarked on the process? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

18. How is (17) above carried out? (Select all that apply)

a. ☐ Quality measurement programmes

b. ☐ Evaluated electronic information capabilities

c. ☐ Comparison of two different assessments

d. ☐ Others, please specify_____

19. How is outsourcing performance internally evaluated by your company? (Select all that apply)

a. ☐ Performance measures

b. ☐ Cross functional teams

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c. ☐ By end users- based on product quality

d. ☐ By end users- based on performance

e. ☐ By end users- based on cost

f. ☐ By end users- based on product quality, performance and cost

g. ☐ Fill rate

h. ☐ On time delivery

i. ☐ Subjective "responsiveness" measurement

j. ☐ Contract terms

k. ☐ Gain and pain sharing

l. ☐ Key performance indicators

m. ☐ Multiply internal scorecards and measures

n. ☐ Rigid metrics written into the contract

o. ☐ Others, please specify_____

20. Is outsourcing data readily available? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

21. If answer to (20) above is in the negative, how was it defined? (Select all that apply)

a. ☐ It was an intense project

b. ☐ Claims and return information were missing

c. ☐ Some unknown and left for Providers to define

d. ☐ There was continuous dialogue the implementation

e. ☐ Establish reporting standards

f. ☐ Understanding of data

g. ☐ Overlaying of source data

h. ☐ Links service providers electronically

i. ☐ New measure were introduced

j. ☐ Others, please specify_____

22. If the information comes from multiple sources how do you reconcile it? (Select all that apply)

a. ☐   Internal process

b. ☐ Electronically

c. ☐ Manually

d. ☐ Supplier

e. ☐ Vendors

f. ☐ Customers

g. ☐ Service provider feedback

h. ☐ Review session

i. ☐ Comparison of Service provider data and order entry system

j. ☐ Project managers

k. ☐ An understanding of data sources and reason for its use

l. ☐ Use of best industry practices to identify and reconcile

m. ☐ Others, please specify_____

23. How do you analyze performance? (Select all that apply)

a. ☐ Predictive

b. ☐ Exceptions

c. ☐ Tolerance

d. ☐ Trend analysis

e. ☐ Comparison to specification expectation

f. ☐ Comparison of performance versus cost

g. ☐ Comparison of performance versus time

h. ☐ Comparisons of competitive bids

i. ☐ Monitoring more than analysis

j. ☐ Independent measures

k. ☐ Comparison to industrial standards

l. ☐ Performance measured against plan/goal

m. ☐ Current performance versus history

n. ☐ Others, please specify_____

24. How is outsourcing data collected? (Select all that apply)

a. ☐ Internal process

b. ☐ Owners

c. ☐ Manager

d. ☐ Customer

e. ☐ Service providers

f. ☐ Analysts

g. ☐ Project Manager

h. ☐ Team

i. ☐ Steering committee

j. ☐ Top management of Provider

k. ☐ Top management of manufacturers

l. ☐ Others, please specify_____

25. Where did the company get the outsourcing data? (Select all that apply)
    a. ☐ Internally within the company
    b. ☐ Vendors/Suppliers
    c. ☐ Software and programmes
    d. ☐ associates familiar with the work
    e. ☐ Across internal systems
    f. ☐ Outsource Provider retains confidential information
    g. ☐ Jointly owned by owner and Provider
    h. ☐ External experts/ Consultants
    i. ☐ Internal tasks force within the company
    j. ☐ Others, please specify_____

26. How do you presently select service providers, subcontractors and carriers? (Select all that apply).
    a. ☐ Review process
    b. ☐ Asset or non asset Provider
    c. ☐ Sole source decision
    d. ☐ Survey of industry trade information
    e. ☐ Site visit
    f. ☐ Consideration given to suitable candidates
    g. ☐ Reference
    h. ☐ Industry reputation
    i. ☐ Prequalification scan
    j. ☐ Personal experience
    k. ☐ Interviews
    l. ☐ Quality programme factors
    m. ☐ Request for proposal
    n. ☐ Others, please specify_____

27. Rank the factors that influence your Provider selection? (1= lowest, 5=highest)

	1	2	3	4	5	
a.	☐	☐	☐	☐	☐	Cost
b.	☐	☐	☐	☐	☐	Financial stability
c.	☐	☐	☐	☐	☐	Quality
d.	☐	☐	☐	☐	☐	Operational excellence
e.	☐	☐	☐	☐	☐	Information technology

f. ☐ ☐ ☐ ☐ ☐ Physical equipment and capabilities (site visit?)

g. ☐ ☐ ☐ ☐ ☐ Reputation/references

h. ☐ ☐ ☐ ☐ ☐ Strategic direction

i. ☐ ☐ ☐ ☐ ☐ Business qualifications

j. ☐ ☐ ☐ ☐ ☐ Management depth and strength

k. ☐ ☐ ☐ ☐ ☐ Chemistry and Compatibility

28. How are expectations defined? (Select all that apply)

a. ☐ Through statement of expectation

b. ☐ Core Service provider programmes

c. ☐ Performance standards in contract

d. ☐ Procedures

e. ☐ Contract

f. ☐ Policies

g. ☐ By manufacturer

h. ☐ Negotiated scope of work

i. ☐ Key performance indicators

j. ☐ Others, please specify_____

29. How are policies and procedures established?

a. ☐ Uniquely

b. ☐ Very defined

c. ☐ By the manufacturer

d. ☐ Integrating customer and Provider minimum standards

e. ☐ Mutually defined policies

f. ☐ Jointly developed policies

g. ☐ Developed for specific project

h. ☐ Policies set up to reflect clients interest based on Provider standards

i. ☐ Tailored to specific project with respect to industry data and trends

j. ☐ Others, please specify_____

30. Did you use your existing policies? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

31. Were unique policies developed to manage your business? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

32. How do you measure service provider performance? (select all that apply)

   a. ☐ Delivery performance
   b. ☐ Metrics and phases
   c. ☐ Quality
   d. ☐ Minimum standards of Provider
   e. ☐ Based on five area of performance
   f. ☐ Performance
   g. ☐ Communication
   h. ☐ Detailed performance measures
   i. ☐ Reviews
   j. ☐ Electronically
   k. ☐ Cost
   l. ☐ On schedule
   m. ☐ Accurate information
   n. ☐ Report is collected by Provider
   o. ☐ Performance is measured by manufacturing company
   p. ☐ Others, please specify_____

33. How often is the Provider's/subcontractors/carrier performance measured?

   a. ☐ Daily
   b. ☐ Daily cost reviews
   c. ☐ Weekly
   d. ☐ Weekly during implementation
   e. ☐ Monthly
   f. ☐ Monthly for projects
   g. ☐ Quarterly
   h. ☐ Quarterly for control purposes
   i. ☐ Quarterly with annul review
   j. ☐ Annually
   k. ☐ Project dependent
   l. ☐ Event dependent
   m. ☐ Depends on aspects of performance being measured

n. ☐ Exception areas measured more frequently

o. ☐ Continuous monitoring

p. ☐ Non specific

q. ☐ Others, please specify_____

34. Who provides the data for measurement?

a. ☐ Suppliers

b. ☐ Vendors

c. ☐ Service providers

d. ☐ On-site personnel

e. ☐ Manufacturer

f. ☐ Project team

g. ☐ Service provider provides data and self diagnosis

h. ☐ Provider reconciles

i. ☐ Others, please specify_____

35. Are there friction points? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

36. If answer to (42) above is in the affirmative, when does the friction occur? During:(Select all that apply)

a. ☐ Changes

b. ☐ Price issues

c. ☐ New measurement

d. ☐ During performance review

e. ☐ Back order process

f. ☐ Integration of staffing and human resources

g. ☐ Others, please specify_____

37. How do you manage exceptions?

a. ☐ Cooperatively

b. ☐ Crisis management

c. ☐ As a team

d. ☐ Collaboratively

e. ☐ Daily

f. ☐ Quickly

g. ☐ Immediate identification on website

h. ☐ Shop floor empowerment

i. ☐ Through a CRM system

j. ☐ Empower managers

k. ☐ Others, please specify_____

38. Would your company consider an outsourcing arrangement with the UN?

(1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

1	2	3	4	5
☐	☐	☐	☐	☐

39. What recommendations regarding outsourcing would you have for the UN?(Select all that apply)

a. ☐ Consider you goals carefully

b. ☐ Define deliverable

c. ☐ Carefully defined goals with measurable deliverables are essential

d. ☐ Identify key people within the organization

e. ☐ Communication is essential

f. ☐ Maintain ongoing dialogue

g. ☐ Never work as originally intended

h. ☐ Relationship is critical

i. ☐ Others, please specify_____

Private Sector Manufacturing Companies Survey Questions

1. Financial Information: Kindly provide a copy of your company's?

    Annual Report for 2005

2. What is/are the core competence(s) of your firm? (Select all that apply)
    - a. ☐ Integrity
    - b. ☐ Professionalism
    - c. ☐ Respect for diversity
    - d. ☐ Effective communication
    - e. ☐ Teamwork
    - f. ☐ Good leadership
    - g. ☐ Monitor progress against milestone and deadlines
    - h. ☐ Clear role definition
    - i. ☐ Delegation of appropriate responsibilities
    - j. ☐ Accountability
    - k. ☐ Decision making authority
    - l. ☐ Prioritization of work
    - m. ☐ Planning and organization
    - n. ☐ Openness to share information
    - o. ☐ Development of clear goals consistent with agreed strategies
    - p. ☐ Interpersonal relationship/skills
    - q. ☐ Others, please specify_____

3. What is the staff strength of your firm? (including casual/temporary staff)   _____
    - a. What is the number of employees in information technology?   _____
    - b. What is the number of employees in logistics related fields?   _____

4. Describe your firm's organizational structure? (Select all that apply)
    - a. ☐ Traditional
    - b. ☐ Matrix
    - c. ☐ Mixed matrix
    - d. ☐ Project Oriented
    - e. ☐ Others, please specify_____

5. Kindly provide a Brief History of your company.

   (Electronic copy of your company's profile and the annual report for 2004 and 2005 would suffice).

6. What service(s) do you outsource presently outsource?
   a. ☐ Customer Service
   b. ☐ Freight bill payment
   c. ☐ Freight consolidation/distribution
   d. ☐ Selected manufacturing activities
   e. ☐ Advertising and communications
   f. ☐ Traffic management/fleet operations and management
   g. ☐ Website Development and Maintenance
   h. ☐ Application Development
   i. ☐ Application Maintenance
   j. ☐ WANs
   k. ☐ LANs
   l. ☐ IT training
   m. ☐ Desktop Management
   n. ☐ Disaster Recovery
   o. ☐ Data/ Call Centre
   p. ☐ Product assembly
   q. ☐ Order Fulfillment
   r. ☐ Parts Packaging and accessories
   s. ☐ Packaging for retail item
   t. ☐ Selected manufacturing activities
   u. ☐ Engineering services and engineering maintenance
   v. ☐ Communication and communication maintenance
   w. ☐ Transportation and fleet maintenance
   x. ☐ Information reporting
   y. ☐ Assets/ inventory management
   z. ☐ Property management
   aa. ☐ Warehousing
   bb. ☐ Facilities / camp management
   cc. ☐ Inbound Transportation
   dd. ☐ Outbound Transportation

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ee. ☐ Engineering and related services

ff. ☐ Medical Services

gg. ☐ Product Assembly

hh. ☐ Parts Packaging and accessories

ii. ☐ Packaging for retail items

jj. ☐ Selected manufacturing activities

kk. ☐ Advertising and communication

ll. ☐ Aviation maintenance

mm. ☐ Aviation management

nn. ☐ Heavy and specialized maintenance activities

oo. ☐ Security Services

pp. ☐ Fire safety

qq. ☐ Specialised item that your company does not have the expertise

rr. ☐ Others, please specify_____

7. What problem(s) will outsourcing resolve? (Select all that apply)

a. ☐ Large capital expense

b. ☐ High labour costs

c. ☐ Costly up to date technology

d. ☐ Better control

e. ☐ High capital expenditure and labour costs

f. ☐ Capacity

g. ☐ Performance deficiencies

h. ☐ Staffing

i. ☐ Lack of experience

j. ☐ High cost of continuous updating of technology

k. ☐ Others, please specify_____

c. What concerns do you have about outsourcing? (Select all that apply)

a. ☐ Selection of the right provider

b. ☐ Lack of control

c. ☐ Knowledge transfer

d. ☐ Process and control management

e. ☐ Exposure

f. ☐ Control and effectiveness

g. ☐ Others, please specify_____

9. What factors influence your decision to outsource? (Select all that apply)

    a. ☐ Customer perceptions

    b. ☐ Loss of internal expertise in functional area

    c. ☐ Financial issues

    d. ☐ Cost

    e. ☐ Work load

    f. ☐ Knowledge

    g. ☐ Time

    h. ☐ Equipment

    i. ☐ Expenditure

    j. ☐ Competitive threats

    k. ☐ Others, please specify_____

10. What are your goals and objectives for outsourcing? (Select all that apply).

    a. ☐ Cost reduction

    b. ☐ Labour issues

    c. ☐ Competitive pressures

    d. ☐ Maintain product and service quality

    e. ☐ Maintain competitive position by reducing cost and labour expense

    f. ☐ Improved knowledge

    g. ☐ Enhanced technology

    h. ☐ Risk sharing

    i. ☐ Multi clientele opportunity

    j. ☐ Others, please specify_____

11. Do you understand what you were outsourcing well enough to incorporate that function into your business? (Select one)

    (1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

    1   2   3   4   5

    ☐   ☐   ☐   ☐   ☐

12. Are outside experts involved in the decision to outsource? (Select one)

    (1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

    1   2   3   4   5

    ☐   ☐   ☐   ☐   ☐

13. What are the risks of outsourcing? (Select all that apply)

- b. ☐ Loss of control
- c. ☐ Failure
- d. ☐ Product quality
- e. ☐ Delivery
- f. ☐ Performance
- g. ☐ Costs
- h. ☐ Flexibility
- i. ☐ Need for improvement
- j. ☐ Others, please specify_____

14. What results do you expect from outsourcing? Select all that apply)

- a. ☐ Improved metrics
- b. ☐ Improve technology
- c. ☐ Improved process
- d. ☐ Improved control
- e. ☐ Improved information capabilities
- f. ☐ Lower cost
- g. ☐ Improved performance
- h. ☐ Improved product quality
- i. ☐ More time for other services
- j. ☐ Improved delivery
- k. ☐ Network Optimization
- l. ☐ Others, please specify_____

15. What barriers may impede your outsourcing decision? (Select all that apply)

- a. ☐ Internal organizational issues
- b. ☐ Provider's inability to share financial information
- c. ☐ Provider selection
- d. ☐ Control
- e. ☐ Quality
- f. ☐ Human resources
- g. ☐ Government regulations
- h. ☐ Labour issues/agreements
- i. ☐ Outsourcing expertise
- j. ☐ Poor economy
- k. ☐ Poor project definition

l. ☐ Others, please specify_____

16. How was outsourcing introduced in your firm? (Select all that apply)

a. ☐ Immediate with no transition

b. ☐ Gradual/transitional

c. ☐ Historic experience- Project specific

d. ☐ By functional area

e. ☐ Company wide

f. ☐ Areas where resources and outside skill were required to achieve result

g. ☐ Others, please specify_____

17. What type of leadership is required to implement the outsourcing program? (Select all that apply)

a. ☐ Top down

b. ☐ Structured approach by functional areas

c. ☐ Democratic

d. ☐ Autocratic

e. ☐ Laissez-faire

f. ☐ Senior leadership/top management

g. ☐ Reference

h. ☐ Others, please specify_____

18. Are providers included in the planning process? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

19. Do you perform an initial assessment of current operations before you embark on the process?

(Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

20. What benchmarks/models do you use to establish goals? (Select all that apply)

a. ☐ Professional knowledge and experience

b. ☐ Internal driven decisions

c. ☐ Industry standards

d. ☐ Current literature

e.   ☐   Technical research studies

f.   ☐   Customer surveys

g.   ☐   University research

h.   ☐   Competitive situations

i.   ☐   Company experience

j.   ☐   Industry trade information

k.   ☐   Other internally outsourced operations

l.   ☐   Others, please specify_____

21. How is outsourcing performance internally evaluated by your company? (Select all that apply)

a.   ☐   Performance measures

b.   ☐   Cross functional teams

c.   ☐   By end users- based on product quality

d.   ☐   By end users- based on performance

e.   ☐   By end users- based on cost

f.   ☐   By end users- based on product quality, performance and cost

g.   ☐   Fill rate

h.   ☐   On time delivery

i.   ☐   Subjective "responsiveness" measurement

j.   ☐   Contract terms

k.   ☐   Gain and pain sharing

l.   ☐   Key performance indicators

m.   ☐   Multiply internal scorecards and measures

n.   ☐   Rigid metrics written into the contract

o.   ☐   Others, please specify_____

22. What information do you need to begin the outsourcing process? (Select all that apply)

a.   ☐   Good scope of work of the process

b.   ☐   Competitive quotes

c.   ☐   Competitive bidding

d.   ☐   Good measures of performance

e.   ☐   Good understanding of the process

f.   ☐   Cost

g.   ☐   Good project definition

h.   ☐   Well defined project expectations

i.   ☐   Others, please specify_____

23. Where did the company get the outsourcing information? (Select all that apply)

a. ☐   Individual ideas within the firm the firm

b. ☐ Vendors/Suppliers

c. ☐ Software and programmes

d. ☐ Associates familiar with the work

e. ☐ Across internal systems

f. ☐ External experts/ Consultants

g. ☐ Internal tasks force within the firm

h. ☐ Others, please specify_____

24. Is outsourcing data readily available? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

25. If (23) above is in the <u>negative</u>, what was missing and how was it identified? (Select all that apply)

a. ☐ Unknown and defined by Providers

b. ☐ Through continuous dialogue during implementation Through a rigorous process

c. ☐ During manual collections

d. ☐ During reviews

e. ☐ Claims and return information were missing

f. ☐ Through the introduction of new measures

g. ☐ Others, please specify_____

26. What information system/program do you use to manage the outsourcing data? (Select all that apply)

a. ☐   Providers

b. ☐ Single programmes

c. ☐ Multiple internal programmes

d. ☐ Gap analysis

e. ☐ Gant charts

f. ☐ Six-Sigma

g. ☐ Quality measurement

h. ☐ Others, please specify_____

27. How is outsourcing data collected? (Select all that apply)

    a. ☐ By Supplier

    b. ☐ By Vendors

    c. ☐ Internally within the firm

    d. ☐ Electronically

    e. ☐ Manually

    f. ☐ By customers

    g. ☐ By Project managers

    h. ☐ Others, please specify_____

28. Who evaluates information collected? (Select all that apply)

    a. ☐ Manager

    b. ☐ Providers

    c. ☐ Internal process within the firm

    d. ☐ Owners

    e. ☐ Analysts

    f. ☐ Project Manager

    g. ☐ Team

    h. ☐ Steering committee

    i. ☐ Top management of provider

    j. ☐ Top management of manufacturers

    k. ☐ Others, please specify_____

29. How is outsourcing data analyzed? (Select all that apply)

    a. ☐ Predictive

    b. ☐ Exceptions

    c. ☐ Tolerance

    d. ☐ Trend analysis

    e. ☐ Comparison to specification

    f. ☐ Comparisons of competitive bids

    g. ☐ Monitoring more than analysis

    h. ☐ Comparison to industrial standards

    i. ☐ Performance measured against plan/goal

    j. ☐ Current performance measured against historical performance

    k. ☐ Others, please specify_____

30. Has the data collection process changed since the commencement of the outsourcing arrangement? (Select all that apply)

    a. ☐ Movement to single system
    b. ☐ Supply of data electronically
    c. ☐ Improvement in electronic collection and analysis
    d. ☐ More information and data received from vendors electronically
    e. ☐ More electronic integration
    f. ☐ No change
    g. ☐ Others, please specify_____

31. How would your company do it differently? (Select all that apply)

    a. ☐ Make outsourcing decision earlier
    b. ☐ Careful evaluation and comparison of variable cost drivers
    c. ☐ Tighter project definition
    d. ☐ More up front planning
    e. ☐ Closer working relationship with vendors
    f. ☐ Regular review meetings
    g. ☐ Streamline measurement process
    h. ☐ Define success criteria
    i. ☐ Recognition of importance of relationship building with provider(s)
    j. ☐ Others, please specify_____

32. How do you presently select providers/subcontractors/carriers? (Select all that apply).

    a. ☐ Review process
    b. ☐ Asset or non asset provider
    c. ☐ Sole source decision
    d. ☐ Survey of industry trade information
    e. ☐ Site visit
    f. ☐ Reference
    g. ☐ Industry reputation
    h. ☐ Prequalification scan
    i. ☐ Personal experience
    j. ☐ Interviews
    k. ☐ Request for proposal
    l. ☐ Others, please specify_____

33. Who participate in the development of the outsourcing plans and programmes? (Select all that apply)

a. ☐ Project manager

b. ☐ Vice president

c. ☐ Top management

d. ☐ Outside consultants

e. ☐ Internal taskforce

f. ☐ Cross functional internal team

g. ☐ Director

h. ☐ Vendor

i. ☐ Cross functional management team

j. ☐ Others, please specify_____

34. What factors are included in the Request for Proposal? (Select all that apply)

a. ☐ Size

b. ☐ Reputation

c. ☐ Price

d. ☐ Delivery

e. ☐ Schedule

f. ☐ Expertise

g. ☐ Reference

h. ☐ Project work

i. ☐ Financial history

j. ☐ Track record

k. ☐ Skill set

l. ☐ Others, please specify_____

35. Rank the factors that influence your provider selection? (1= lowest, 5=highest)

	1	2	3	4	5	
a.	☐	☐	☐	☐	☐	Cost
b.	☐	☐	☐	☐	☐	Financial stability
c.	☐	☐	☐	☐	☐	Quality
d.	☐	☐	☐	☐	☐	Operational excellence
e.	☐	☐	☐	☐	☐	Information technology
f.	☐	☐	☐	☐	☐	Physical equipment and capabilities (site visit?)
g.	☐	☐	☐	☐	☐	Reputation/references
h.	☐	☐	☐	☐	☐	Strategic direction

i.	☐	☐	☐	☐	☐	Business qualifications
j.	☐	☐	☐	☐	☐	Management depth and strength
k.	☐	☐	☐	☐	☐	Chemistry and Compatibility

36. How many providers are usually reviewed? (Select one)

a. ☐ 1

b. ☐ 2

c. ☐ 3

d. ☐ 4

e. ☐ 5

f. ☐ 6

g. ☐ 7

h. ☐ 8

i. ☐ 9

j. ☐ 10

k. ☐ More than 10

l. ☐ Others, please specify_____

37. How do you evaluate the providers and what criteria do you use? (Select all that apply)

a. ☐ Interview

b. ☐ Request for Proposal

c. ☐ Cost

d. ☐ Performance

e. ☐ Reference check

f. ☐ Multiple interviews

g. ☐ Benchmark of similar companies in the market

h. ☐ Others, please specify_____

38. Who are involved in defining the scope of the work? (Select all that apply)

a. ☐ Internal team

b. ☐ Sales

c. ☐ Director

d. ☐ Project Manager

e. ☐ Project Team

f. ☐ Procurement department

g. ☐ Cross function management team

h. ☐ Others, please specify_____

i. Kindly state how this has changed_____

39. How are expectations defined? (Select all that apply)
    a. ☐ Through statement of expectation
    b. ☐ Core Service provider programmes
    c. ☐ Performance standards in contract
    d. ☐ Procedures
    e. ☐ Contract
    f. ☐ Policies
    g. ☐ By manufacturer
    h. ☐ Negotiated scope of work
    i. ☐ Key performance indicators
    j. ☐ Others, please specify_____

40. How are policies and procedures established?
    a. ☐ Uniquely
    b. ☐ Very defined
    c. ☐ By the manufacturer
    d. ☐ Integrating customer and Provider minimum standards
    e. ☐ Mutually defined policies
    f. ☐ Jointly developed policies
    g. ☐ Developed for specific project
    h. ☐ Policies set up to reflect clients interest based on Provider standards
    i. ☐ Tailored to specific project with respect to industry data and trends
    j. ☐ Others, please specify_____

41. Did you use existing policies? (Select one)
    (1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

42. Did you use the provider's policies?
    (1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

43. Are unique policies developed to manage your business?

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

44. How do you measure the provider's/subcontractor's/carrier's performance

a. ☐ Delivery performance

b. ☐ Metrics and phases

c. ☐ Quality

d. ☐ Minimum standards of Provider

e. ☐ Based on five area of performance

f. ☐ Performance

g. ☐ Communication

h. ☐ Detailed performance measures

i. ☐ Reviews

j. ☐ Electronically

k. ☐ Cost

l. ☐ On schedule

m. ☐ Accurate information

n. ☐ Report is collected by Provider

o. ☐ Performance is measured by manufacturing company

p. ☐ Others, please specify_____

45. How often is the provider's/subcontractor's/carrier's performance measured?

a. ☐ Daily

b. ☐ Daily cost reviews

c. ☐ Weekly

d. ☐ Weekly during implementation

e. ☐ Monthly

f. ☐ Monthly for projects

g. ☐ Quarterly

h. ☐ Quarterly for control purposes

i. ☐ Quarterly with annul review

j. ☐ Annually

k. ☐ Project dependent

l. ☐ Event dependent

m. ☐ Depends on aspects of performance being measured

n. ☐ Exception areas measured more frequently

o. ☐ Continuous monitoring

p. ☐ Non specific

q. ☐ Others, please specify_____

46. Who provides the data for measurement?

e. ☐ Suppliers

f. ☐ Vendors

g. ☐ Service providers

h. ☐ On-site personnel

i. ☐ Manufacturer

j. ☐ Project team

k. ☐ Service provider provides data and self diagnosis

l. ☐ Provider reconciles

m. ☐ Others, please specify_____

47. Are there friction points?

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	
☐	☐	☐	☐	☐

48. If (47) above is in the affirmative, where do the friction occur?

a. ☐ During changes

b. ☐ During new measurement

c. ☐ During back order process

d. ☐ Price issues

e. ☐ During the integration of staffing and human resources

f. ☐ Others, please specify_____

49. Are there contractual incentives/penalties for performance? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

Others, please specify_____

50. Does your firm participate in gain sharing? (Select one)

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

Others, please specify_____

51. How do you manage exceptions?

- b. ☐ Cooperatively
- c. ☐ Crisis management
- d. ☐ As a team
- e. ☐ Collaboratively
- f. ☐ Daily
- g. ☐ Quickly
- h. ☐ Immediate identification on website
- i. ☐ Shop floor empowerment
- j. ☐ Through a CRM system
- k. ☐ Empower managers
- l. ☐ Others, please specify_____

52. What is the term of your outsourcing relationship? (Select all that apply)

- a. ☐ Year to year
- b. ☐ Multi year
- c. ☐ Evergreen
- d. ☐ 1 yrs
- e. ☐ 2 yrs
- f. ☐ 3 yrs
- g. ☐ With renewal
- h. ☐ Others, please specify_____

53. Is there always a transition team?

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

54. How is transitions managed?

- a. ☐ Formal team

b. ☐ Cross functional team

c. ☐ Dependent on project scope

d. ☐ Led by provider

e. ☐ Others, please specify_____

55. How long do transitions take?

a. ☐ Few months

b. ☐ Less than one year

c. ☐ More than one year

d. ☐ Others, please specify_____

56. Does your provider introduce new programs?

(1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

1	2	3	4	5
☐	☐	☐	☐	☐

57. How do you manage your provider?

a. ☐ Contract/ Contractually

b. ☐ Monitoring

c. ☐ Meetings

d. ☐ Regular reviews versus contract expectations

e. ☐ Statement of expectations

f. ☐ Others, please specify_____

58. What are the results of outsourcing?

a. ☐ Reduced costs

b. ☐ Fresh/new ideas

c. ☐ New/expanded skills

d. ☐ Reduced management time

e. ☐ Costumer satisfaction

f. ☐ Staff dependent on outside consultant

g. ☐ Information visibility

h. ☐ Improved cycle time

i. ☐ Others, please specify_____

59. Would you consider outsourcing other areas in the future? (Select one)

(1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

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	1	2	3	4	5
	☐	☐	☐	☐	☐

60. How has outsourcing changed your business? (Select all that apply)

    a. ☐ Lower costs

    b. ☐ Improved quality

    c. ☐ Improved visibility

    d. ☐ Better information system

    e. ☐ More responsive

    f. ☐ Allows management to focus on core business

    g. ☐ Improved efficiency

    h. ☐ Improved performance

    i. ☐ Improved competitive position in industry

    j. ☐ Others, please specify_____

61. What have you learnt in the outsourcing process?

    a. ☐ Change

    b. ☐ Attitude

    c. ☐ Expectation setting

    d. ☐ Change control process

    e. ☐ Establishment of positive relationship and trust

    f. ☐ Project success is determined by relations and team building

    g. ☐ Project is time intense

    h. ☐ Provider bring in additional skill and resources to process

    i. ☐ Others, please specify_____

62. What recommendations regarding outsourcing would you have for the UN?(Select all that apply)

    a. ☐ Consider you goals carefully

    b. ☐ Define deliverable

    c. ☐ Carefully defined goals with measurable deliverables are essential

    d. ☐ Identify key people within the organization

    e. ☐ Communication is essential

    f. ☐ Maintain ongoing dialogue

    g. ☐ Never work as originally intended

    h. ☐ Relationship is critical

    i. ☐ Others, please specify_____

Appendix C

Peacekeeping Operations Survey Questions

Name of Peacekeeping Operation (Select one)

1. ☐   MINURSO (Western Sahara)
2. ☐   MINUSTAH (Haiti)
3. ☐   UNTSO (Israel)
4. ☐   UNMOGIP (India and Pakistan)
5. ☐   UNAMA (Afghanistan)
6. ☐   MONUC (Democratic Republic of the Congo)
7. ☐   ONUB (Burundi)
8. ☐   UNAMSIL/ UNIOSIL (Sierra Leone)
9. ☐   UNOCI (Côte d'Ivoire)
10. ☐   UNDOF (Israel-Syria Disengagement)
11. ☐   UNFICYP (Cyprus)
12. ☐   UNIFIL (Lebanon)
13. ☐   UNOMIG (Georgia)
14. ☐   UNMEE (Ethiopia and Eritrea)
15. ☐   UNMIK (Kosovo)
16. ☐   UNMIL (Liberia)
17. ☐   UNMISET/ UNOTIL (Timor-Leste)
18. ☐   UNAMI (Iraq)
19. ☐   UNMIS(Sudan)

2. What is your Peacekeeping Operation Budget for the year 2005/06? Kindly state exact amount.

$_____

3. What is the budget for spending areas below for the year 2005/2006?

- Military and/or Police Personnel $_____

- Civilian Personnel $_____

- Operational costs $_____

4. Indicate the number of employees (Internationals, UNV's and Nationals) involved in maintenance:

   a. Information technology and Communication.

A	B	C	D	E
☐ 1-10	☐ 10-50	☐ 50-100	☐ 100-300	☐ >300

   b. Engineering

A	B	C	D	E
☐ 1-10	☐ 10-50	☐ 50-100	☐ 100-300	☐ >300

   c. Transportation (Ground/ Air / Sea, including Movement Control)

A	B	C	D	E
☐ 1-10	☐ 10-50	☐ 50-100	☐ 100-300	☐ >300

   d. County or Regional offices

A	B	C	D	E
☐ 1-10	☐ 10-50	☐ 50-100	☐ 100-300	☐ >300

5. What service(s) do you presently outsource? Select all that apply.

   a. ☐ Engineering services and engineering maintenance

   b. ☐ Communication and communication maintenance

   c. ☐ Transportation and fleet maintenance

   d. ☐ Website Development and Maintenance

   e. ☐ Application Development

   f. ☐ Application Maintenance

   g. ☐ WANs

   h. ☐ LANs

   i. ☐ IT training

   j. ☐ Desktop Management

   k. ☐ Disaster Recovery

   l. ☐ Data/ Call Centre

   m. ☐ Information reporting (Including Archiving and Reproduction)

   n. ☐ Assets/ inventory and property management

   o. ☐ Warehousing (Supply, Engineering, IT/Communications, Transport)

   p. ☐ Facilities / camp management including cleaning, garbage collection and janitor services

   q. ☐ Transport and Fleet management

   r. ☐ Engineering and related services including project development and construction

   s. ☐ Medical Services

   t. ☐ Geographic Information Services

u. ☐ Aviation management

v. ☐ Heavy and specialized maintenance activities

w. ☐ Security Services

x. ☐ Specialised investigations

y. ☐ Fire safety

z. ☐ Specialised item that the Peacekeeping Operation does not have the expertise

aa. ☐ Humanitarian and Relief operation

bb. ☐ Deployment and disaster management

cc. ☐ Others, please specify_____

6. Will your Peacekeeping Operation consider it essential to outsource some services to local
vendors as a peace-building measure e.g. (capacity building, empowerment and enhancement of
local economy)

(1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

1	2	3	4	5
☐	☐	☐	☐	☐

7. Does your Peacekeeping Operation consider capacity building, empowerment and enhancement of
local economy consider as essential ingredients for peace-building.

(1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

1	2	3	4	5
☐	☐	☐	☐	☐

8. If you are not presently outsourcing, does you Peacekeeping Operation plan to outsource in the
future?

(1=Definitely, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

1	2	3	4	5
☐	☐	☐	☐	☐

9. If your answer is in the affirmative, when?

a. ☐ 2006/2007

b. ☐ 2007/2008

c. ☐ 2008/2009

d. ☐ Don't Know

10. Indicate the percentage of maintenance (Engineering, IT/Communication and Transportation):

    a.   Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    b.   Outsourced to UN Agencies, NGOs or other Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    c.   Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

11. Indicate the percentage of Asset Management (non-expendables), including Receiving/Inspection, warehousing and asset disposal:

    a.   Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    b.   Outsourced to UN Agencies, NGOs or other Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    c.   Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

12. Indicate the percentage of Engineering Services:

    a.   Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    b.   Outsourced to UN Agencies, NGOs or other Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

    c.   Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

13. Indicate the percentage of materials management (expendables), including Receiving/Inspection, warehousing and asset disposal:

a. Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

b. Outsourced to UN Agencies, NGOs or other Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

c. Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

14. Indicate the percentage of facilities management/camp services (including garbage collection; waste disposal; cleaning and janitorial services; accommodations):

a. Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

b. Outsourced to UN Agencies, NGOs or other Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

c. Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

15. Indicate the percentage of medical Services:

a. Outsourced to private firms

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

b. Outsourced to UN Agencies, NGOs and others Agencies

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

c. Carried out by your Peacekeeping Operation

A	B	C	D	E
☐ 0-5%	☐ 5-10%	☐ 10-50%	☐ 50-75%	☐ 75-100%

16. Describe the inventory that you are currently managing? (Select one)

a. Facilities and infrastructures

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

b. Ground transportation

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

c. Air transportation

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

d. Naval transportation

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

e. IT/Communication

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

f. Medical

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

g. Special equipment

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

h. Other supplies, services and equipment

	A	B	C	D
Budgeted Value	☐ $0-50m	☐ $50-100m	☐ $100-500m	☐ $500-999m

17. What is the estimated expenditure for each item outsourced? (Select all that apply)

	Services	Estimated expenditure		
		A	B	C
a.	☐ Facilities, infrastructure and Camp management	☐ $0-50m	☐ $50-100m	☐ $100-500m
b.	☐ Ground transportation	☐ $0-50m	☐ $50-100m	☐ $100-500m
c.	☐ Air transportation	☐ $0-50m	☐ $50-100m	☐ $100-500m
d.	☐ Naval transportation	☐ $0-50m	☐ $50-100m	☐ $100-500m
e.	☐ IT/Communication	☐ $0-50m	☐ $50-100m	☐ $100-500m
f.	☐ Medical	☐ $0-50m	☐ $50-100m	☐ $100-500m
g.	☐ Special equipment	☐ $0-50m	☐ $50-100m	☐ $100-500m
h.	☐ Other supplies, services and equipment	☐ $0-50m	☐ $50-100m	☐ $100-500m

18. What barriers may impede your outsourcing decisions? (Select all that apply)
   - a ☐ Government regulations
   - b ☐ Labor agreements
   - c ☐ Quality
   - d ☐ Control
   - e ☐ Current workload
   - f ☐ Outsourcing expertise
   - g ☐ Unavailability of skilled labour
   - h ☐ Political considerations
   - i ☐ Legal issues/agreements
   - j ☐ Project size/scope/control
   - k ☐ Others, please specify_____

19. What are your goals and objectives for outsourcing? (Select all that apply)

 a. ☐ Cost reduction

 b. ☐ Labour issues

 c. ☐ Capacity building and empowerment

 d. ☐ Enhancement of local economy

 e. ☐ Safety/Risk

 f. ☐ Performance improvement

 g. ☐ Others, please specify_____

20. What are the risks of outsourcing? (Select all that apply)

 a. ☐ Political opposition

 b. ☐ Labour related issues

 c. ☐ Degradation of skills

 d. ☐ Increased cost

 e. ☐ Procurement time

 f. ☐ Quality of end item/ Quality control

 g. ☐ Loss of critical core competences

 h. ☐ Cost of control

 i. ☐ Loss of control

 j. ☐ Quality of output

 k. ☐ Others, please specify_____

21. Were outside experts involved in the decision to outsource? (Select one)

   (1=Always, 2=Sometimes, 3=Rarely, 4=Probably not, 5=Never)

   1   2   3   4   5

   ☐   ☐   ☐   ☐   ☐

22. Are the results achieved in outsourcing projects? (Select all that apply)

 a. ☐ Lower quality than worked performed by the Peacekeeping Operation.

 b. ☐ Equivalent to work performed by the Peacekeeping Operation.

 c. ☐ Higher quality than work performed by the Peacekeeping Operation.

 d. ☐ Others, please specify_____

23. Which of these benchmarks/models do you use to establish your goals? (Select all that apply)

 a. ☐ Benchmarks discussed in logistics studies done by Universities.

 b. ☐ Private industry benchmarks and key performance indicators.

 c. ☐ Goals and measurements discussed in trade magazines and web sites.

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d. ☐ Previous contract history within DPKO/Peacekeeping Operation framework.

e. ☐ Benchmarks suggested by Service Providers.

f. ☐ Goals established by UN rules and regulation.

g. ☐ Others, please specify_____

24. Please indicate any performance incentives or rewards you give for superior performance. (Select all that apply)

a. ☐ Monetary award

b. ☐ Honorary award

c. ☐ Contract preference in future bids

d. ☐ More business

e. ☐ None

f. ☐ Others, please specify_____

25. What information do you need to begin the outsourcing process? (Select all that apply)

a. ☐ Past Performance and cost of public sector work

b. ☐ DPKO and Peacekeeping Operation capacity's to handle the work

c. ☐ Experienced staff and equipment quality/capacity

d. ☐ Research of other Peacekeeping Operation and UN Agencies expenditure

e. ☐ UNDP country profile

f. ☐ Clear specification of scope of works

g. ☐ Contractor qualification and clear scope of responsibility

h. ☐ Previous outsourcing experience

i. ☐ Reliable analysis of human resources requirement

j. ☐ List of available and interested evaluators and assessors

k. ☐ Size of project and time for completion

l. ☐ The desire final product

m. ☐ What, who, where, when and how of project

n. ☐ Cost, cost comparisons and in-house capacity/ability

o. ☐ Qualified personnel that understand Peacekeeping Operations system

p. ☐ Cost of doing business and suggested contract price to outsource

q. ☐ Workload projections

r. ☐ List of qualified and available personnel

s. ☐ Local and international vendor database

t. ☐ In-house work projections and funding

u. ☐ Proof that it's more effective to outsource maintenance work than to carry it out in-house

v. ☐ Laws of host country, United Nations: rules and regulation, Standard Operating Procedures (SOP), Manuals and Policies

w. ☐ Others, please specify_____

26. Please describe the type of scorecard used? (Select all that apply)

	Yes	No	
a.	☐	☐	Capacity and capability to perform the work
b.	☐	☐	On time performance
c.	☐	☐	Product quality
d.	☐	☐	Budget accuracy
e.	☐	☐	Administrative accuracy
f.	☐	☐	Responsiveness
g.	☐		Others, please specify_____

27. How often is the providers/subcontractors/carriers performance measured? (Select all that apply).

	Yes	No	
a.	☐	☐	Annually
b.	☐	☐	Quarterly
c.	☐	☐	Monthly
d.	☐	☐	Weekly
e.	☐	☐	Daily
f.	☐		Others, please specify_____

28. Has your access to information improved? (Select one)

(1=Certainly, 2=Probably, 3=Not sure, 4=Probably not, 5=Definitely not)

1	2	3	4	5
☐	☐	☐	☐	☐

29. Rank the factors that influence your provider selection? [1= lowest, 5=highest (Select all that apply)].

	1	2	3	4	5	
a.	☐	☐	☐	☐	☐	Financial stability
b.	☐	☐	☐	☐	☐	Strategic direction
c.	☐	☐	☐	☐	☐	Business qualifications, technical expertise
d.	☐	☐	☐	☐	☐	Reputation/references
e.	☐	☐	☐	☐	☐	Physical equipment and capabilities (site visit?)

f.	☐	☐	☐	☐	☐	Operational excellence
g.	☐	☐	☐	☐	☐	Information technology
h.	☐	☐	☐	☐	☐	Cost
i.	☐	☐	☐	☐	☐	Quality
j.	☐	☐	☐	☐	☐	Size of firm
k.	☐	☐	☐	☐	☐	Attitude and Compatibility
l.	☐	☐	☐	☐	☐	Safety record
m.	☐	☐	☐	☐	☐	Other similar business contracts
n.	☐	☐	☐	☐	☐	Previous experience with the provider

30. How long does it take to define expectations? (Select all that apply).

a ☐ 0 – 6 months

b ☐ 6 months – 1 year

c ☐ 1 – 2 years

d ☐ 2 - 5 years

e ☐ Ongoing

f ☐ Varies with project/ service

g ☐ Varies with complexity of project

h ☐ Others, please specify_____

32. How detailed are the initial expectations? (Select all that apply)

a. ☐ Loosely structured, naming key areas of desired performance/quality

b. ☐ Open working relationship with end deliverable defined by budget and time

c. ☐ Specifically documented standards with performance ratings and calibration

d. ☐ Measured performance standards which carry financial penalties and incentives

e. ☐ Others, please specify_____

33. How are policies and procedures established? (Select all that apply).

a. ☐ Application of existing and experienced service providers policies

b. ☐ Application of Peacekeeping Operations existing policies

c. ☐ Handed down by the DPKO

d. ☐ Peacekeeping Operations developed and established their own policies

e. ☐ Unique policies developed by the Peacekeeping Operations to manage the outsourced task

f. ☐ Others, please specify_____

33. Name common points of friction affecting outsourcing. (Select all that apply)

a. ☐ Political concern/opposition

b. ☐ Labour concern/opposition

c. ☐ Contractor claim from different opinion and agreement on quality of finished product

d. ☐ Establishing appropriate oversight and resolving disputes over performance

e. ☐ Consultant direction and detailed specifications

f. ☐ Increased inspections

g. ☐ Increase administrative issues

h. ☐ Contract scope and specifications,

i. ☐ Contract coordination between mission and vendors/contractors

j. ☐ Quality control and cost

k. ☐ Contract schedule/ program

l. ☐ Timely deliverance of service/product

m. ☐ Definition of acceptable service/product and evaluation of service/product

n. ☐ Vendor selection process

o. ☐ Definition of amount of effort required to perform service/product

p. ☐ Work performance and work order authorization

q. ☐ Employee resistance

r. ☐ Outsourced personnel complaints and concern for their jobs

s. ☐ Workload pressure with limited staff

t. ☐ Field mission's procurement policies and control over outsourcing

u. ☐ Cost containment.

v. ☐ Communication regarding quality control and conformance to UN standards

k. ☐ Others, please specify_____

34. What areas in your Peacekeeping Operation do you feel should be outsourced? (Select all that apply)

a. ☐ Engineering services and engineering maintenance

b. ☐ Communication and communication maintenance

c. ☐ Transportation and fleet maintenance

d. ☐ Website Development and Maintenance

e. ☐ Application Development

f. ☐ Application Maintenance

g. ☐ WANs

h. ☐ LANs

i. ☐ IT training

j. ☐ Desktop Management

k. ☐ Disaster Recovery

l.   ☐   Data/ Call Centre

m. ☐ Information reporting (Including Archiving and Reproduction)

n.   ☐   Assets/ inventory and property management

o.   ☐   Warehousing (Supply, Engineering, IT/Communications, Transport)

p.   ☐   Facilities / camp management including cleaning, garbage collection and janitor services

q.   ☐   Transport and Fleet management

r.   ☐   Engineering and related services including project development and construction

s.   ☐ Medical Services

t.   ☐   Geographic Information Services

u.   ☐   Aviation management

v.   ☐   Heavy and specialized maintenance activities

w. ☐ Security Services

x.   ☐   Specialised investigations

y.   ☐   Fire safety

z.   ☐   Specialised item that the Peacekeeping Operation does not have the expertise

aa. ☐   Humanitarian and Relief operation

bb. ☐   Deployment and disaster management

cc. ☐   Others, please specify_____

Appendix D

Fisher's Exact Rest Results on 74 consolidated Questions

No	Question	Variable	P-value
Q1.	**What services do you presently outsource?**		
	Customer Service	v2	NS
	Freight consolidation/distribution	v3	<0.05
	Selected manufacturing activities	v4	NS
	Information Technology	v5	<0.05
	Product assembly	v6	NS
	Order fulfilment	v7	NS
	Parts packaging and accessories	v8	NS
	Packaging for retail item	v9	NS
	Engineering services and maintenance	v10	<0.05
	Communication and communication maintenance	v11	<0.05
	Traffic, transportation/fleet operations and maintenance	v12	<0.05
	Assets/warehousing/property management	v13	<0.05
	Facilities /camp management /catering	v14	<0.05
	Medical services	v15	<0.05
	Heavy and specialized activities	v16	<0.05
	Security/fire safety	v17	<0.05
	Payroll	v18	NS
	Human resources	v19	<0.05
Q2.	**What are your goals and objectives for outsourcing?**		
	Cost reduction	v20	<0.05
	Labour issues	v21	<0.05
	Performance improvement	v22	<0.05
	Risks	v23	<0.05
	Competitive issues	v24	<0.05

	Enhanced technology	v25	<0.05
	Capacity building/ economy enhancement	v26	<0.05
Q3.	**Are outside experts involved in your company's decision to outsource?**	v27	NS
Q4.	**What benchmarks/models do you use to establish goals?**		
	Professional knowledge and experience	v28	<0.05
	Industry standard	v29	NS
	Research, industry and current literature	v30	NS
	Customer survey	v31	NS
	Competitive situations	v32	NS
	Lesions learnt internally	v33	<0.05
	Providers' benchmarks	v34	NS
Q5.	**What are your risks of outsourcing?**		
	Loss of control	v35	<0.05
	Costs	v36	<0.05
	Performance and product quality	v37	<0.05
	Failure	v38	<0.05
	Flexibility	v39	NS
	Insufficient research and inaccurate data	v40	NS
Q6	**What barriers impede your decision to outsourcing?**		
	Cost	v41	NS
	Government policies/ local economy	v42	NS
	Political considerations and labour issues	v43	<0.05
	Quality	v44	<0.05
	Control	v45	<0.05
	Outsourcing expertise	v46	<0.05
	Poor project definition	v47	<0.05
	Internal organizational issues	v48	<0.05
	Withholding of financial information	v49	NS
	Provider selection	v50	NS
	Human resources	v51	<0.05
	Current workload	v52	<0.05

Q7.	**What are the factors that influence your provider selection?**		
	Cost	v53	NS
	Financial stability	v54	NS
	Operational excellence and reputation	v55	All Yes
	Information technology	v56	<0.05
	Physical equipment and capabilities	v57	NS
	Strategic direction and compatibility	v58	All Yes
	Business qualifications	v59	NS
	Size/strength and management style	v60	NS
	Safety record	v61	<0.05
	Similar business experience	v62	<0.05
	Previous experience with provider	v63	<0.05
Q8.	**How is the service provider's performance measured?**		
	Annually	v64	<0.05
	Quarterly	v65	NS
	Monthly	v66	<0.05
	Weekly	v67	<0.05
	Daily	v68	NS
Q9.	**How are policies and procedures established?**		
	Unique policies developed by client	v69	<0.05
	Mutually developed and very defined	v70	<0.05
	Integrating client and provider's standards	v71	NS
	Based on provider's standards	v72	NS
	Through service level agreement	v73	NS
	Application of clients' existing policies	v74	<0.05
	Handed down from the head office	v75	<0.05