

OUTSOURCING PRACTICES BY THE GOVERNMENT SECTOR IN SOUTH AFRICA: A PRELIMINARY STUDY

J.A. Badenhorst-Weiss and J.D. Nel*

ABSTRACT. There is currently evidence of the public's dissatisfaction with service delivery by some government institutions in South Africa. The purpose of this paper is to provide an overview of the outsourcing of public sector services to private institutions, as a possible solution to the government institutions' poor service delivery. The outsourcing decision can provide relief in capacity building in South African government institutions to deliver better service. Outsourcing can free management's time and attention to concentrate on the institution's core functions and can provide relief where the institution lacks the capacity in terms of volume and/or skills. From an exploratory, preliminary study the conclusion could be drawn that outsourcing is a tool already effectively used by government institutions that strengthen their ability to render services to the community. This should be extended to more strategic activities, but all risks and the long-term consequences should be taken into consideration.

INTRODUCTION

Outsourcing of government services to private service providers is certainly not a new phenomenon. "In the public sector, research has highlighted substantial increases in outsourcing in the UK, Australia and New Zealand" (Harland, Knight, Lamming & Walker, 2005, p. 833). In a study of public sector organisations conducted in a number of countries including the US, the UK, France, Germany, Japan and Australia it was

** J. A. Badenhorst-Weiss, Ph.D., and J. D. Nel are a Professor and Senior Lecturer, respectively, Department of Business Management, University of South Africa. Badenhorst-Weiss's research interests are in outsourcing, ethics and green procurement in public and private sectors. Nel's research interests are in supply chain modeling and integration strategies.*

found that outsourcing has become a significant and increasingly common practice. Much of the drive behind this trend has been the prevailing belief that best value is achieved through the use of competitive market solutions for service provision (McIvor, 2005, p. 16). There is reason to believe that this is also the trend in South Africa.

The pressure on government institutions for service provision in a developing country such as South Africa with a large poor population and social inequalities, is even more crucial than in a modern, First World country where people are self-contained. The reality is that there is daily evidence in the news media in South Africa of the breakdown of service provision, particularly in local governments, provision of health and social services, roads infrastructure, policing and recently electricity provision. It is generally argued in the media and in private conversations that this is the result of a skills shortage in the public sector "...There are literally thousands of vacancies in public sector, which helps explain the visible deterioration in service delivery across the economy. The government's own budget review admits that more than 60 percent of senior managers in municipalities have virtually no qualifications in finance or engineering, while most are inexperienced" (Economist Intelligence Unit briefing, 2007). Many reasons are cited for this skills shortage for example HIV-AIDS, the deterioration of educational standards (Economist Intelligence Unit briefing, 2007) and employment equity, which is difficult to meet in certain categories such as accountants, engineers and artisans. Another reason that is advanced is "... it appears that the government has an inadequate grasp of exactly what skills it requires and where". "This skills knowledge-gap extends to all three tiers of government" (Robinson, Gedye, Mabanga & Tabane, 2005). The general feeling is that the problems at Eskom is directly related to a skills shortage. In 2007 and 2008, Eskom, the government-owned national electricity generator and distributor caused havoc in the private lives of the citizens and business and industry in the country because of capacity problems which resulted in massive countrywide power failures. "Skills shortages facing the national electricity provider, Eskom, were largely responsible for the power problems faced in the country" (Savides, 2007). To overcome their problems Eskom started "looking abroad for staff, and was *also partnering with private companies to augment its skills base*" (Sapa, 2008). The purpose of this paper is not to dwell on these reasons for poor service delivery but to provide an overview of the outsourcing of public sector services to

private institutions, as a possible solution to the poor service provision by government institutions.

OUTSOURCING: THE CONCEPT

According to Mol (2004, p. 585) *outsourcing* is the process of purchasing goods or services on specification from an external supplier that were previously produced inhouse. This definition is in accordance with that of McIvor (2005, p. 7) “*Outsourcing* involves the sourcing of goods and services previously produced internally within the sourcing organisation from external suppliers.” “Outsourcing can involve the transfer of an entire business function to a supplier. Alternatively, outsourcing may lead to the transfer of some activities associated with the function whilst some are kept in-house.” Wisner, Tan and Leon (2009, p. 116) uses the term *co-sourcing* for the partially outsourcing of functions or activities. Outsourcing can also involve the transfer of both people and physical assets to the supplier. A term often used in the context of outsourcing is vertical integration or disintegration. *Vertical disintegration* is similar to the outsourcing concept in that it is concerned with the decision on whether to perform an activity internally or source it from outside. Backward (dis)integration refers to activities on the supply-side and forward (dis)integration to the distribution-side of an organisation’s supply chain. Another term that is often used in a manufacturing context is ‘*make-or-buy*’ (McIvor, 2005, p. 7). Outsourcing of the public sector to the private sector is often seen as ‘*privatization*’ or a ‘tool to privatize’ (Aulich & Hein, 2005, p. 38).

Major *characteristics of outsourcing* are (1) activities that were initially performed in-house are transferred to an external party; (2) assets - in some cases, people, go over to that external party; (3) there will be an extended relationship between the parties involved over a longer period of time and (4) in transferring the activity to the external party the buyer is exposed to both cost- and risk profile, both of which are new to the companies involved (Van Weele, 2005, p. 120).

OUTSOURCING BY GOVERNMENT INSTITUTIONS

Government institutions usually outsource some functions or activities to private institutions. The outsourcing decision can provide

relief in two areas in South African government institutions. Firstly, the outsourcing of support services (noncore activities), which often demand much of management's attention, can be outsourced and the operational responsibility for the activity becomes that of the private supplier, freeing management's time and attention to concentrate on the core functions of the institution. Secondly, the outsourcing of core functions can provide relief where the institution lacks the capacity in terms of volume and/or skills. In both cases, a contract will be concluded. However, in the first instance, the emphasis is largely on cost minimisation and the second instance a public-private partnership needs to be formed (Lysons & Farrington, 2006, p. 409). Cost efficiencies, performance improvement, focusing on core activities and access to innovation are vital benefits of outsourcing (McIvor, 2005, pp. 21-23), which could be particularly appropriate in the South African government sector's case. Telkom SA, the national telecommunications operator in which the government is the majority shareholder (Willing, 2008), has started with an outsourcing drive in which large parts of business divisions are outsourced to the private sector. The main reason advanced by Bheki Langa, Telkom's deputy chief operating officer is "... Telkom becoming a lean, efficient and profitable company". "We want to focus, and be competent, on our core-business.... It would make huge savings by outsourcing noncore businesses" (Sukazi, 2000).

EMPIRICAL STUDY: METHODS

An exploratory study, which is still ongoing, is being conducted to investigate questions such as "To what extent?", "What?", "Why?", "Who?", "How?" and "What will the outcome be?" of outsourcing in the government sector in South Africa. A two-step approach was followed. The first part of the study is quantitative of nature and consisted of survey, with a questionnaire, which was completed by respondents working in the supply chains of various government institutions in South Africa. (The population of 640 consists of government employees who enrolled for a continuing education programme in Public Procurement and Supply Chain Management after various advertisements have been placed in national media.) The data on the questionnaires were cleaned twice for possible contradictions and duplications (respondents from the same organisation) and 241 respondents (38% of population) were

ultimately included in the statistical analysis. (The demographics of the respondents are provided in annexure A.)

The second part of the study is more qualitative of nature and consists of case studies available to the author and compiled by advanced students in various government institutions in South Africa. This part of the process is still ongoing and this paper reports on a limited number of cases (completed to date). Although the compilers of the case studies were given broad guidelines on what the cases should include, they were free to emphasize issues that were particular to the case, thereby encouraging them to add to the qualitative dimension of the study.

Only six cases are included in this paper. Owing to the broad guidelines given to the case study writers, the different levels of sophistication in the different government institutions and the different abilities of the case study writers, the cases differ with regards to quality and the detail provided. However, they all contribute in some way to gaining a holistic view of outsourcing practices in government institutions. One of the cases involves the Department of Home Affairs which outsourced the first-line-contact centre function (part of its Client Service Centre) to an outside supplier. This is a noncore but important activity in the operations of the department. In another case a large electricity power-station (government owned) outsourced the maintenance of the production process of the coal-milling plants, which is a vital part of electricity generation, to outside private suppliers. This can be regarded as a noncore but strategic activity. The third case is an airline's maintenance division (with the government as the main shareholder) outsourcing certain specialised logistics services.¹ This is a noncore but strategic activity. Another case entails the outsourcing of the printing activity of the South African Post Office. This is a noncore, nonstrategic activity. The fifth case deals with on the outsourcing of the maintenance of medical equipment by a rural government hospital in Limpopo Province. This is a noncore but strategic service for the operations of the hospital. Another case involves the outsourcing of the asset management function by a provincial education department. This is a noncore and nonstrategic activity.

RESULTS

Type of Services

From the results of the survey it is clear that the majority of government institutions that participated in the survey outsourced some of their activities. Ninety-four percent of the respondents indicated that their institution outsource certain activities.

From the response it is clear that the institutions mainly outsource support services such as security services, catering, cleaning, maintenance and traveling services (Table 1). However, some institutions also indicated that they outsource information technology, engineering and design functions that are not peripheral. This is in line with the findings that 40 percent of US outsourcing activities in 1996 involved the outsourcing of information technology and services (Sharpe, 1997, cited in Harland, et al., 2005, p. 834) and became common practice in public sectors in the UK Australia and New Zealand (Graham & Scarborough, 1997 and Curie, 1996, as cited in Harland, et al., 2005, p. 834; Aulich & Hein, 2005, p. 35).

TABLE 1
Activities outsourced by government institutions

<i>Activity</i>	<i>% partially and fully outsourced (N=241)</i>	<i>% fully outsourced</i>	<i>% partially outsourced</i>
Security	89	72	17
Catering	85	70	15
Cleaning	83	66	17
Maintenance	74	41	32
Travelling	69	52	17
Information technology and systems	62	40	22
Advertising	58	40	18
Engineering	50	27	23
Design	47	30	17
Personnel recruitment	41	14	27
Marketing research	40	22	18
Inbound transportation	38	24	14
Distribution	35	19	16

Nearly all the respondents indicated that they keep or perform a part of the outsourced activities inside the organization. Although the reasons were not asked the answer may be in the risks attached to outsourcing, which will be discussed later.

Reasons for Outsourcing

It was mentioned in the introduction that cost efficiencies, performance improvement, concentration on core activities and access to innovation are important benefits that could motivate government institutions to consider outsourcing. It was also stated that the emphasis is mainly on cost when organizations outsource noncore, support activities. In Table 1 it is clear that government institutions mainly outsource support activities. Hence, the response to the survey on the main reasons for outsourcing (provided in Table 2) comes as no surprise.

TABLE 2
Reasons for outsourcing

<i>Top four overall reasons</i>	<i>% of respondents (n=241)</i>
Concentrate on core business	38
To achieve cost efficiency	35
Insufficient capacity	35
To improve service levels	30

Some of the other reasons suggested to the respondents were scored low overall, but fairly high with regard to specific outsourced services. In South Africa, government makes a purposeful effort to develop black-owned businesses and procurement regulations and policies are in place to encourage black economic empowerment (BEE). However, the response to the survey shows only in respect of outsourcing catering, security and cleaning is “social/community development” regarded as an important reason (38%). It is also not surprising that with regard to outsourcing “information technology and services” and “engineering” “insufficient technology” was mentioned as the most important reason (48%). In the case of the outsourcing “information technology and services” “rapid technological changes” are put forward as the most important reason (65%). With regard to the outsourcing of “human resources activities” “to improve service levels” is pinpointed as the most

important reason (43%). From the qualitative case studies it became clear that “core” and “noncore” are not always an indication of the significance of the activity. In the case studies it became clear that many of the activities that can be regarded as noncore, have a critical impact on the organization’s core operations. Those cases highlighted “improved service”, “lack of capacity” and “lack of expertise and skills” as the main reasons for outsourcing the important noncore activities.

Responsibility and Supplier Decision

According to Van Weele (2005, p. 128) successful outsourcing depends on having the right strategic reason to outsource, choosing the right activities or functions to outsource and selecting the right supplier to outsource. Deciding on the right outsourcing partner is part of the strategic phase of Momme and Hvolby’s (2002, p. 191) outsourcing-decision model. Senior management therefore need to be involved in the outsourcing decision.

From the case studies it is clear that general managers at the highest level, the manager of the specific activity or function, financial managers, supply chain managers, legal advisors, representatives of labour unions and external consultants were involved in the outsourcing and the specific supplier decision. In some of the cases, in line with public procurement policy, an open tender was used to obtain an RFP (request for proposal), which is used to do a first round evaluation in terms of the specifications and the supplier’s ability to conform. A phased approach was employed to further narrow down the possible suppliers and after final criteria (such as site visits) and negotiating the contract, a final selection was made. In one case (electricity supply) current suppliers were approached, while, in another case (airline maintenance), six world-class suppliers were approached. In the latter, the final decision between two finalists was based on the supplier’s willingness to contribute to BEE (15% BEE-equity and partnership with a BEE company) and the assurance of retaining for some time, the staff who were affected in the organization.

Relationship, Management and Satisfaction

The significance of the outsourced activity and the level of risk in the supply market will determine the type of *relationship* adopted. In the outsourcing of peripheral noncore activities, where there are many suppliers and not many skills are needed to perform the activity, the

relationship will not require consistent communication and relationship-building on strategic level. An arms-length relationship is sufficient. The success of this relationship will primarily be determined by how it is managed at operational level (McIvor, 2005, p. 259). In the empirical study it was found that government institutions mostly outsource noncore activities in order to focus on core activities and achieve cost efficiencies. Operational-level management of the outsourcing agreement and relationship in the government institutions is therefore vital to ensure satisfaction with the outsourced activities. Three of the case studies contain noncore but strategic activities in a competitive supply market, which puts them in the competitive-collaborative supplier relationship category or quadrant of the Kaljic model (Kraljic, 1983). In this category organizations maintain a close collaborative relationship in a short or longer-term agreement with their suppliers. The length of the agreement depends on the supplier's performance with regard to technology advancement and providing the outsourced service.

The contractual agreement between the parties serves as a basis to *manage and evaluate the performance* of the supplier and ultimately determines the level of satisfaction with the outsourcing decision. The contract should provide clarity and include elements such as scope of services, period of agreement, service level agreement (SLA), transfer of staff, transfer of assets, price and payment terms, communication, flexibility and contract termination (McIvor, 2005, p. 250-259 and Van Weele, 2005, p. 129). There is evidence in the cases and the survey that there is a contract and some management tools are used to manage the performance of suppliers (see Table 3). (The respondents in the survey were asked to indicate on a *5-point scale* to what extent they employ the practices in respect of the management of the outsourcing activities).

Van Weele (2005, p. 123-124) cited the results of three studies on the *satisfaction with outsourcing*. "Seventy-six percent of the outsourcers rate their outsourcing as either good or extremely good value for money. The rest think that the value is average. Nobody considers it to be poor" (Lyons, 2001, cited in Van Weele, 2005, p.123). "Satisfaction with the business benefits from outsourcing contracts fell from 86 percent in 2001 to 50 percent in 2002 among board-level executives in Western Europe" (Gartner, 2003, cited in Van Weele, 2005, p.123). "The use of

TABLE 3
Management of Outsourced Activities

<i>Practice</i>	<i>N</i>	<i>mean</i>	<i>Std deviation*</i>
Informal supervision takes place	213	2.68	1.72
Formal supervision structures in place	232	3.14	1.77
Performance evaluation(p/e) is being done	234	3.26	1.78
All parties receive p/e feedback	235	3.03	1.73
A formal service-level agreement is in place	236	3.63	1.85
Total cost calculations are done regularly	232	3.33	1.86
Internal customer satisfaction surveys are conducted	227	2.86	1.72
External customer satisfaction surveys are conducted	212	2.65	1.72

Note: *The standard deviations reflect quite high. This could probably be due to the fact that both support activities and strategic activities are being outsourced by respondents. These different activities will obviously be managed differently.

outsourcing is growing stronger Satisfaction with service providers is strong but there are some concerns. "Only 60 percent of the executives were satisfied with their outsourcing initiatives and only 11 percent were very satisfied" (Corbett, 2002, cited in Van Weele, 2005, p. 124).

In the empirical study most of the respondents were satisfied with the results of the outsourced services (table 4). In the case study of the outsourcing of the first-line-telephone-contact, in part of the client service of the Department of Home Affairs, the capacity increased, technology improved and client service improved tremendously. (The capacity to handle customer inquiries per day increased by 536% and customers were assisted in 11 official languages). The power station reported improvement of service, decreased cost and fewer production stoppages. The airline maintenance case reported that world-class practices, equipment and IT technology were employed in the specialized logistics activities and that service had improved. This enabled them to concentrate on their core-business. The hospital case study also reported improved focus on core business and better service from suppliers. The provincial educational department reported proper management of assets,

skills transfer to internal staff and lower costs. The survey also indicated satisfaction with outsourced services (see table 4). (The respondents were asked to indicate on a *5-point scale* whether they agree with statements on the satisfaction with outsourced services). From the results in Table 4 it is clear that respondents are quite satisfied with the results of outsourcing.

TABLE 4
Satisfaction with Outsourced Services

Statement	N	Mean	Std deviation
The execution of the outsourced service is excellent	235	3.11	1.62
Significant cost savings are achieved	238	3.10	1.66
Significant quality improvements were made	236	3.15	1.68
Value is added to both organizations involved	232	3.30	1.70
The right outsourcing supplier was selected	237	3.32	1.68

Eighty percent of the respondents indicated that their organizations were planning to outsource more activities and functions. However, 25 percent of the respondents indicated that some activities that had been previously outsourced were again being performed internally again. Unfortunately no reasons were cited for this phenomenon, but it might be due to unsatisfactory results of outsourced services, which is most probably why the standard deviation is quite high.

Risks and Concerns

Although the survey found with the survey that some management tools are employed to *manage* the performance of suppliers one should consider the fact that mostly noncore peripheral activities that can be easily monitored are being outsourced. According to McIver (2005, p. 24-25) public sector organizations have experienced difficulties in monitoring and managing public sector contracts because of a lack of the requisite skills and experience. For example, in the USA a report by the US Accounting Office (1997) found performance management to be the most critical weakness in organizations initiatives pursued by the US government due to lack of skilled personnel. According to McIver (2005, p. 25) many organizations fail to realize that that managing and external

supplier requires a different set of skills, such as *contract negotiation* and *relationship management*, than those associated with managing an internal process. A function is often outsourced because of poor service or the inability of internal staff to perform. In many instances the person previously responsible for managing the activity internally is responsible for managing the external supplier. In one of the case studies (hospital) it was indicated that the internal staff previously responsible for the maintenance now managing the relationship and service delivery of the suppliers. In case of the outsourcing of logistics services by the airline maintenance division an administrative manager was responsible for managing the agreement.

The risks and concerns relating to outsourcing include the risks of *cost increases*, supply market risks, loss of skills and organizational change implications (McIvor, 2005, p. 23-26). If the *cost* analysis is not carefully conducted, taking all cost elements into consideration, including the cost of managing the relationship, the outsourced activity might cost the organization more than performing it inside the organization. The organization may also become *dependent* on the supplier, particularly when not many suppliers are available in the market. The outsourcing organization is then almost at mercy of the supplier with regard to costs, quality and delivery performance. The outsourcing organization may also experience a loss of skills, especially when personnel are transferred to the supplier, which further leads to the dependency on suppliers. According to Van Weele (2005, p. 133) the risks of outsourcing relate to the change in the balance of power between the contractor and the provider. In the outsourcing of activities or functions staff needs to be made redundant, redeployed or transferred to the contractor. This has huge implications for the *morale* of not only the staff involved, but also employees in the rest of the organization. In the case study of the outsourcing of the maintenance of the milling process by the power station fear of the above was expressed – “Skills retention is still a problem and because we are too reliant on the companies, at times they have the upper hand ... we don’t have the staff and the spares to do it ourselves so they (the suppliers) end up ‘monopolizing’, because we can’t reverse the decision.” In the case study of the outsourcing of the logistics services the influence of outsourcing on the staff was expressed as follows: “The staff of the whole division somehow felt insecure when realizing that the supplier is managing the logistics with lean staff. It makes the staff realize that other sections could also be outsourced,

especially now that the organization is undergoing restructuring.” The case study on the postal service also indicated the low morale of the staff after the outsourcing decision had been made.

Balance of power can be assured if organizations only partially outsource (co-sourcing) activities or functions. According to Wisner et al (2009, p. 116) “For some IT services, co-sourcing has been shown to result in the most successful outsourcing arrangement”. Hence, some of the skills and ability to innovate are retained in the organization and the capacity is supplemented by external sources. From the results of the case study of the Department of Home Affairs, it is clear that co-sourcing is the method used to improve on the delivery of customer service. This case is almost a reflection of the case described in Wisner et al (2009, p. 116) “For customer contact centers, firms may opt to retain some contact capabilities while outsourcing others. Co-sourcing for extended hours, multilingual capabilities ...are certainly ways to drive out costs, give you expanded capabilities and competencies without taking on the fixed cost.”

A main issue that merits careful consideration in the decision to outsource is the *workers* and the role of *labour unions*. For historical reasons, labour unions are extremely powerful in South Africa and as in the rest of the world, in principle, they are against outsourcing. It comes as no surprise, therefore, that this study found that the labour unions are always included in the team making the outsourcing decision. In outsourcing, the fate of the workers is a vital consideration and should always be part of the negotiated deal with the private partners. Often, as in the case of Telkom SA, some of the business divisions are outsourced to the workers, which empowers them and results in a transfer of skills at all levels. Telkom SA, among others, outsourced security, printing and directory services to their workers, the Workers Investment Company (CWIC) and thereby “ensured value and job security” (Sukazi, 2000).

CONCLUSION

Outsourcing of government activities is a worldwide phenomenon - also in South Africa. Noncore nonstrategic activities are generally outsourced in an attempt to improve on cost-efficiencies and services and to focus on core activities. However, there is also evidence of the outsourcing of more strategic activities because of a lack of know-how

among workers, capacity problems and low internal service levels. The main reason that emerged in this study, for outsourcing more complicated services such as engineering information technology and services was “insufficient technology”.

The majority respondents are satisfied with the results of the outsourcing exercise. Most of the respondents reported cost savings, service improvement, capacity improvement and the ability to focus more on core-business. It is therefore possible to conclude that outsourcing is a tool or practice that may assist government institutions in South Africa to improve service provision. The success with the outsourcing of nonstrategic activities may encourage institutions to extend their efforts to more strategic activities and functions.

The most important risks or areas of concern with outsourcing are the dependency on the supplier and the morale of the staff in the organization. Although there is no empirical evidence in this study, concern is expressed in literature about the ability of public organizations to manage outsourcing relationships. To make the outsourcing decision work, officials require special skills in supplier relationship management, contract management and negotiation to enable them to manage the outsourcing relationship efficiently. The question is whether the public sector in South Africa has a supply of this type of skilled people.

NOTES

1. Three people contributed independently to this case.

REFERENCES

- Aulich, C., & Hein, J. (2005). “Whole of Government Approaches to Outsourcing and Market Testing by Commonwealth Government.” *Australian Journal of Public Administration*, 63(3): 35-45.
- Economist Intelligence Unit Briefing. (2007, June 13). *South Africa's exodus*. [Online]. Available at <http://www.economist.com> [Retrieved 11 June 2008].
- Harland, C., Knight, L., Lamming, R. & Walker, H. (2005). “Outsourcing: Assessing the Risks and Benefits for Organisations,

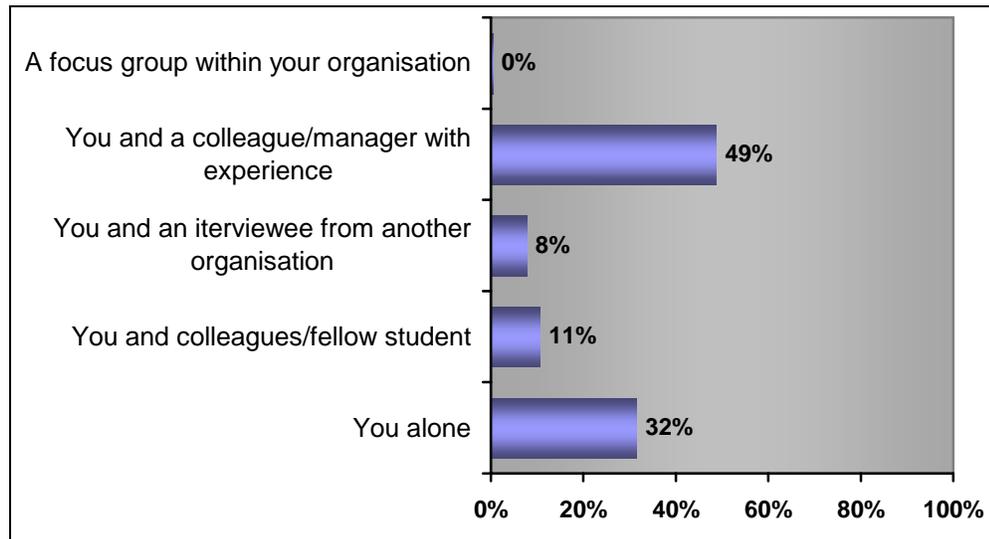
- Sectors and Nations.” *International Journal of Operations & Production Management*, 25 (9): 831-850.
- Kraljic, P. (1983). “Purchasing Must Become Supply Chain Management.” *Harvard Business Review*, 61(5): 109-117.
- Lysons, K. & Farrington, B. (2006). *Purchasing and Supply Chain Management*. Essex, England: Pearson/Prentice-Hall.
- McIvor, R. (2005). *The Outsourcing Process*. Cambridge, England: Cambridge University Press: 6-36.
- Mol, M.J. (2004). “Outsourcing, supplier relations, and external span of control.” In *Proceedings, 13th IPSERA Conference* (pp. 584-598). Catania, Italy.
- Momme, J. & Hvolby, H-H. (2002). “An Outsourcing Framework: Action Research In The Heavy Industry Sector.” *European Journal of Purchasing & Supply Management*, 8: 185-196.
- Robinson, V., Gedye, L., Mabanga, T. & Tabane, R. (2005, August 2). “Shortage Confusion Mismatch Surplus.” *Mail & Gurdian* [Online]. Available at <http://www.mg.co.za/article>. [Retrieved 11 June 2008].
- Sapa. (2008, June 5). “Eskom Seeks ‘Robust’ Regulatory Framework.” *Pretoria News*. [Online]. Available at <http://www.pretorianews.co.za>. [Retrieved 11 June 2008].
- Savides, M. (2007, November 20). “Skills Shortage Weighs On Eskom.” *Pretoria News* [online]. Available at <http://www.pretorianews.co.za>. [Retrieved 11 June 2008].
- Sukazi, N. (2000, April 19). Outsourcing to Make Telkom ‘Lean And Mean.’ *Company News*. [Online]. Available at <http://www.busrep.co.za>. [Retrieved 11 June 2008]
- Van Weele, A. (2005). *Purchasing and Supply Chain Management: Analysis, Strategy, Planning and Practice*. London: Thomson.
- Willing, A. (2008, June 2). “Telkom SA Fields another Take over Bid.” *Lightreading*. [Online]. Available at <http://lightreading.com>. [Retrieved 11 June 2008]
- Wisner, J.D., Tan, K-C., & Leon, G.K. (2008). (2 ed.). *Principles of Supply Chain Management*. Mason, OH: South-Western.

ANNEXURE A
Demographic Profile of Respondents in the Survey

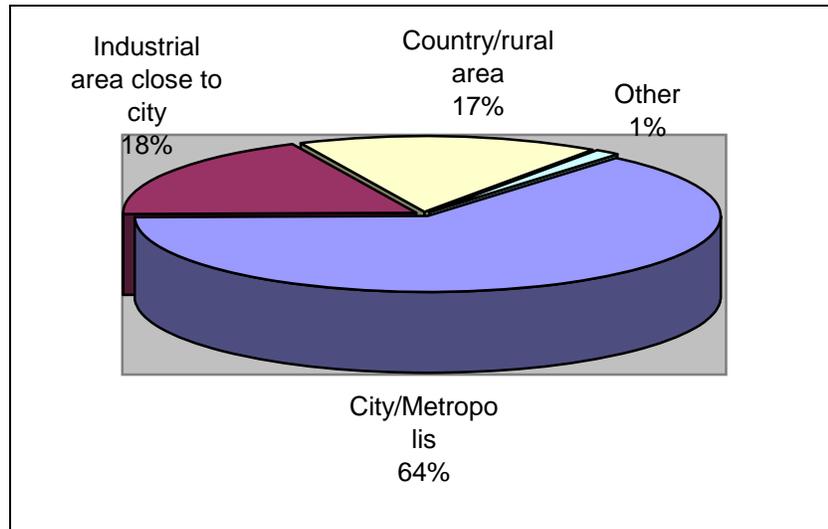
Position of person(s) who completed the questionnaire (more than one possible) (n = 241).

	Frequency	Percentage
Junior buyer	21	11%
Operational manager	26	14%
Logistics manager	19	10%
Buyer	33	17%
Inventory/store manager	35	18%
Senior buyer	28	15%
Supply chain manager	71	37%
Other	33	17%

Who involved in completing questionnaire (n=241).



Location of respondent (n = 222).



Nature of core-business (n = 228)

	Frequency	Percentage
Manufacturing/assembly	9	4%
Materials handling	4	2%
Services	193	85%
Warehousing	7	3%
Construction	3	1%
Wholesale	2	1%
Transportation	5	2%
Mining/excavation	5	2%