



**UNIVERSITY OF KWAZULU-NATAL**

**Outsourcing or Insourcing: A Case Study of Regional Hospitals in Public Health within  
eThekweni District**

By

**Khethiwe Shiela Mchunu**

**214582443**

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Public Administration

**School of Management, IT and Governance  
College of Law and Management Studies**

**Supervisor: Dr BR Qwabe**

**2018**

## DECLARATION

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I, **Khethiwe Shiela Mchunu**, declare that:

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**Khethiwe Shiela Mchunu**

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## **GLOSSARY OF ACRONYMS**

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ANC	African National Congress
AOs	Accounting Officers
BBBEE	Broad Based Black Economic Empowerment Act
BEE	Black Economic Empowerment
CMS	Cash Management Services
COSATU	Congress of South African Trade Unions
DoH	Department of Health
EC	Ethical Clearance
EC	Eastern Cape
FSM	Food Service Manager
KZN	KwaZulu-Natal
KZNDoh	KwaZulu-Natal Department of Health
LRA	Labour Relations Act
M&E	Monitoring and evaluation
NEHAWU	National Education, Health and Allied Workers Union
NHI	National Health Insurance
NPM	New Public Management
NUMSA	National Union of Metalworkers of South Africa
NUPSAW	National Union of Public Service and Allied Workers
PFMA	Public Finance Management Act
PM	Project Manager (PM)
PPPFA	Preferential Procurement Policy Framework Act
PPPs	Public Private Partnership Provisions
REAL	Revenue, expenditure, assets and liabilities
RHAP	Rural Health Advocacy Project
RSA	Republic of South Africa
TCT	Transaction cost theory
UKZN	University of KwaZulu-Natal
USA	United States of America
WC	Western Cape

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## ABSTRACT

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Outsourcing has been adopted by public health to improve the efficiency and quality of health care services. Essentially, outsourcing of services such as catering, believed to be a non-core function, has become vital element to afford management time to focus on improving performance on the clinical function. Traditionally, non-core services have been rendered in-house and thus the role of government as the employer and service provider has been altered. Many countries in the world, including South Africa, have come under pressure resulting from scarce financial resources, increased patient demands, high unemployment, and increased health care costs. Thus, the need to control expenditure and provision of high quality service has led hospitals to sought relief from financial pressure by outsourcing non-clinical functions. This study has cross-examined two regional hospitals including Addington and R K Khan situated in EThekweni District to investigate the advantages and disadvantages of outsourcing and insourcing as well as the impact thereof on cost saving, human resource and efficiency in service delivery, specifically in catering services. The study is qualitative in nature and a case study research design is employed to explore whether a relationship existed between outsourcing and insourcing and efficiency. Semi structured interviews were used to collect data. A total number of 14 government officials including managers and employees directly involved with catering in the hospital were interviewed. On one hand, findings from the study show that outsourcing unit displayed added advantage of offering catering services with stable monthly expenditure, improved performance, and quality of service. On the other hand, insourcing unit proved to have an advantage of being the preferred by the employer. The recommendations stemming from the study concludes that if insourcing is to be adopted as a strategy that is efficient and effective, skilled employees should be employed, and a training fund should be allocated for the existing employees and does away with single source supplier of food to allow for better negotiations. For outsourcing, improved conditions of employment should be implemented through clearly stated contract terms and stricter monitoring tools should be implemented. In its final analysis, the study concludes that public health could benefit by marrying the two strategies.

# CHAPTER 1

## AN INTRODUCTION AND OVERVIEW OF THE STUDY

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### 1.1 Chapter Introduction

This chapter outlines the content and the structure of this dissertation and begins by stating the background of the study, followed by the statement of the problem. Also, in this chapter research questions and research objectives are presented. It also provides preliminary review of the literature, theoretical framework, and research methodology. The chapter concludes with a discussion of the study limitations and an overview and outline of all chapters is presented.

### 1.2 Background of the Study

As a consequence of high unemployment and scarce financial resource, many countries in the world have come under pressure to control expenditure on organisational activities such as those considered non-core, for example catering services (Augurzky and Scheuer 2007, p.264). This has led to outsourcing of such activities by healthcare services instead of providing these in-house. Furthermore, Ignone, Mossa, Mummolo, Pilolli and Ranieri (2013, p.86) states that public hospitals play a key role in the provision of healthcare services and represent the main costs of the entire healthcare. Thus, to face these emerging needs, the adoption of outsourcing in health care has become mandatory (Ignone *et al.* 2013, p.87). Though catering services is considered to be a non-core service, it is considered to be directly linked to the healing outcomes of the patient and one of the high cost drivers in hospitals. Therefore, it is argued whether this activity should be classified as a non-core service in the hospital environment. For an example, KwaZulu-Natal (KZN) spends an estimated budget of R330 million annually on food and catering services in the hospitals (KZNDoh 2015). In KZN there are 72 public hospitals, 49 of those hospitals outsource catering services and the other 23 still provide catering services in-house. This is according to the KwaZulu-Natal Department of Health (KZNDoh) 2014/2015 financial statistics (KZNDoh 2015). In eThekweni District there are 16 hospitals and of which six are regional hospitals. Of the six hospitals, five of them outsource catering services and while the remaining one hospital insource their catering services. As such, this research seeks to investigate the performance

terms of the quality of services rendered and the efficiency of the two categories – insourcing and outsourcing – of hospitals in the region of KZN.

### **1.3 Statement of the Problem**

The public health in KZN is faced with a critical decision of whether to employ an outsourcing strategy to all its hospitals or insource the catering services in order to be cost effective and improve the quality of service offered. As mentioned earlier, catering services have a direct impact on a patient's hospital experience and strongly influence the healing outcomes. For this reason, hospitals have a moral obligation to feed those in their care regardless of their perceived value to the society (Cross and MacDonald 2009, p.20).

To meet this obligation the KZNDoh hospitals changed their catering strategy from an in-house to an outsourced catering service in order to meet continued demands from patients. In the last two decades patients have been complaining that food prepared in-house was not nutritious. There was also evidence of gross negligence of stock control, tedious supply chain processes in procurement of food products, and lack of proper monitoring (DoH 2017). It was thus perceived that outsourcing catering services will improve the utilisation of the catering budget in turn improve service delivery and efficiency. Consequently, outsourcing catering services brought about inequality in benefits and salaries of employees employed by the private partner. Van der Walt, Bolsmann, Johnson, and Martin (2002, p.29) found that the inequality in salaries causes instability in the workplace.

Wadee, Gilson, Blaauw, Erasmus and Mills (2004, p.27) discovered that the outsourcing policy has had its challenges in terms of, for example, whether to retain labour force in-house or only outsource the procurement of food items. These researchers note that the strategy to either insource or outsourced catering differs from province to province. For instance, KZN has made a concerted attempt to outsource catering across the province, resulting in the current mix of in-house and outsourced catering, while Gauteng, Eastern Cape (EC), Mpumalanga and the Western Cape (WC) have succeeded in its expedition to revert back to insourcing all of their hospital catering service (KZNDoh 2015). However, the expedition of insourcing catering services has been mirrored with challenges such as shortage of food supplies, shortage of staff and unpaid supplier bills (Hosken 2009b, p.1 and Mkize 2013, p.3).

Wadee *et al.* (2004, p.43) add that there is little communication on the potential benefits and pitfalls of outsourcing within the health sector, evident by the limited coordination between provinces on the matter.

Another challenge in the country affecting the coordination of the matter is the engagement of trade unions in an anti-privatisation drive. According to Murphy (2008, p.62), the main concern of the trade unions regarding privatisation is the low wages of contracted workers. Privatisation and the subsequent low wages run contrary to the government's stated intention post 1994 to narrow the wage gap amongst workers (Murphy, 2008, p.62). Based on these contestations this research therefore sought to investigate the potential advantages and disadvantages of outsourcing and insourcing, the impact of outsourcing or insourcing of catering services on the employee livelihood, and the possible cost saving and efficiency gained from a service delivery viewpoint in two regional hospitals in the eThekweni District of KZN.

#### **1.4 Research Questions**

In view of the abovementioned research problem, the main research question is:

- Which service strategy is more efficient, effective, and economical between outsourcing and insourcing in rendering catering services in eThekweni district regional hospitals?

Linked to the main research question the following are sub-questions posed by the research study:

- What are the reasons for outsourcing or insourcing catering services in public hospitals?
- What cost saving are obtained by selecting outsourcing or insourcing?
- What are the advantages and disadvantages of outsourcing or insourcing in rendering catering services?
- What is the role of catering services in hospitals?

- What is the implication of outsourcing or insourcing and its impact on the livelihood of employees?
- Is there a one size fits all solution in implementing outsourcing or insourcing strategies in public hospital catering services?

### **1.5 Research Objectives**

Based on the aforementioned sub-questions, the following were identified as the objectives of the study:

- To establish the reasons for outsourcing and insourcing catering services.
- To establish whether outsourcing or insourcing is cost effective.
- To determine the advantages and disadvantages of outsourcing and insourcing.
- To understand the role of catering services in the hospital environment.
- To ascertain the impact of outsourcing or insourcing on the livelihood of employees.
- To give possible recommendations on strategy that best suit public hospitals catering services.

### **1.6 Significance of the Study**

The role of catering services in the hospital environment has been identified as significant, especially because nutrition is directly linked to the healing outcomes of the patient as noted earlier. Yet, this function is not recognised as being the core function of the hospitals according to researchers. As such, with the evidence of lack of uniformity within the healthcare catering services when it comes to the decision of either to outsource or insource, the results of this study need to indicate the strategy that will be best suited for the healthcare sector. This study therefore investigated the effectiveness of the insourcing or outsourcing of the catering services within the public health system particularly within the regional hospitals in the eThekweni District of KZN. Finally, in its last chapter, the study provides inputs into how these hospitals can strengthen their monitoring of the catering services. In essence, the study recommends strategies that can be implemented to improve the level of service delivery within the catering services. These recommendations are important as they accentuate the

importance of complying with the national health standards. Furthermore, these recommendations may be incorporated in the implementation process of the National Health Insurance (NHI) and provide the management with valuable assistance in various internal processes such their human resource process, especially the recruitment, remuneration, and performance management of catering workers.

## **1.7 Preliminary Literature Study**

The main research question underpinning this study provides a lens through which literature is scrutinised, prepared, summarised, blended, and presented. A literature review was conducted to ascertain what is known about the concepts outsourcing and insourcing, especially, that of catering services in hospitals. The role of catering services in hospitals is extensively detailed and linked to the government legislatives and regulations governing health services. Among other things, the reviewed literature reveals that ensuring sufficient nutrition for all is to everyone's advantage and the sick are more likely to recover faster, and therefore reduce the burden on the health budget as prolonged stays in the hospital is minimised (Cross and Macdonald 2009, p.20). Moreover, it is crucial for DoH to acknowledge the financial burden of chronic disease like diabetes and hypertension as they are the major causes of death in South Africa and are all diet related. According to Cross and Macdonald (2009, p.20) food services should be regarded, and valued, as an essential part of the overall service offered by the hospitals as food is a basic right of humans.

Moreover, Siddiqi, Masud and Sabri (2006, p.867) state that outsourcing impacts quality and efficiency of health services provided to promote public health objectives and create a situation favourable to public private collaboration. According to Roberts, Henderson, Olive and Obaka (2013, p.7) undoubtedly outsourcing of non-core services in healthcare allows facilities to realise significant tactical advantages such as enhanced patient services and increased cost savings. Despite the importance of this phenomenon, Carey and Dor (2008, p.62) point out that there is very little evidence documented of the efficiency gains from the adoption of outsourcing.

Similarly, Wadee *et al.* (2004, p.27) attest that the provinces in South Africa have vast experience with outsourcing, particularly the outsourcing of non-core services. In fact, South

Africa labels outsourcing as an enabler for social and economic progress. This is especially noticeable in regulations that are applicable to labour intensive practices such as security, catering, and cleaning. A survey conducted in South Africa from 1997 to 2007 provides household and labour data that shows that there is somewhat high growth in the category of services employment realised by the increased employment of security guards, caterers and cleaners, through contracted employment (Tregenna 2010, p.1427-1457).

According to Gwala (2015, p.4-8) the lack of a skilled labour force poses a challenge in South Africa. A solution to this challenge, in Gwala's opinion, is the establishment of a professionalised talent pool (2015, p.4-8). Corbett (2004, p.256) states that outsourcing is no longer just a simple business approach but should rather be viewed as an essential tool to remain competitive globally. Additionally, the trade unions regard the privatisation of public sector services as an enemy of the South African economy as it poses a major barrier to long-term employment for their members. Walters and Lancaster (2000, p.160-178), notes that the efficient operational allocation of resources will improve profitability and productivity if all services were insourced, as there will be controlled monitoring and evaluation (M&E) strategy applied.

### **1.8 Theoretical Framework Underpinning the Study**

Grant and Osanloo (2014, p.13) define theoretical framework as the blueprint for the entire research. The authors further assert that theory in research is a guide which builds and supports the study (2014, p.13). For this study, the transaction cost theory (TCT) and motivational theory are adopted. The TCT is widely used in management discipline for its value of explaining organisational phenomena (Martins, Serra, Leite, Ferreira and Li 2010, p.4).

The researcher adopted Maslow's theory of motivation to explain and understand the behaviour of employees in the catering service of the two regional hospitals in KZN. For the purpose of this study, motivation is described as "that which gives purpose and direction to behaviour" (Kaur 2013, p.1061). These theories are further elaborated in chapter two of this study.

In conclusion, rendering catering to regional hospitals have to comply with the service delivery frameworks including the South African Constitution, for instance, which states that the rights of an individual should be respected (South Africa 1996). This study therefore sought to discover which strategy between outsourcing and insourcing is more efficient in terms of transaction and production costs in regional hospitals of eThekweni District in KZN. Discussed next is the research methodology adopted for the study.

## **1.9 Research Methodology**

This subsection of this chapter presents the research methodology that was employed to conduct this study. Rajasekar, Philominatham, and Chinnathambi (2013, p.5) define research methodology as a technique which unfolds, clarifies, and predicts the phenomena. Discussed next are the research strategies that were employed for this study.

### **1.9.1 Research Design**

According to Brink and Wood (1998, p.100), research design is a plan, structure, and strategy for answering research questions. For this study the researcher adopted a case study research design. A case study excels at fathoming a complex issue and adds depth to what is already known about a phenomenon from previous research (Yin 2009, p.2). For this particular study the researcher adopted a case study approach in order to determine whether there is indeed a relationship between outsourcing and insourcing and efficiency in the regional public hospitals in KZN's eThekweni District. EThekweni District is the largest district in KZN and encompasses both rural and urban locations. Most of the KZN regional hospitals are situated in this District. The discussion on case study research design is further presented in chapter three of this study.

### **1.9.2 Research Approach**

According to Welman, Kruger and Mitchell (2005, p.52), research involves the application of various methods and techniques in order to create scientifically obtained knowledge by using objectives methods and procedures. Furthermore, the authors state that there are three main



approaches for conducting research including quantitative, qualitative and mixed method approaches (2005, p.52). According to Creswell (2014, p.32) qualitative research uses words or open-ended questions and whereas quantitative makes use of numbers or close-ended questions. Furthermore, the author describes mixed method as an approach that resides in the middle as it incorporates elements of both qualitative and quantitative (2014, p.32). This study employed the qualitative research approach. It explored and sought to understand the phenomena investigated using the case study. The strength of the qualitative research is effective in identifying intangible factors (Creswell 2014, p.32). Also, in chapter three these research designs will be further elaborated.

### **1.9.3 Study Site**

EThekweni District is a Metropolitan Health District comprising of 103 wards in a 2, 297 square kilometre area stretching from Umkomaas in the south, to Tongaat in the north, and Cato Ridge in the west. This district comprises of five regional hospitals of which four have outsourced its catering services and one has insourced catering services. For the purpose of this study Addington and R. K. Khan were selected as study sites because of the same epidemiological profile, similar bed capacity, and also one is outsourced and the other insourced. Addington is located in the South Central sub-district situated in the South Beach of Durban and is a 571-bedded hospital and this hospital outsources its catering services. R. K. Khan is located in the South West sub-district situated in Chatsworth suburb and is a 543-bedded hospital and it has employed insourcing as a strategy for rendering catering services.

### **1.9.4 Target Population**

Target population contains members of a group that the researcher is interested in, which meet the designated set criteria (Walliman 2011, p.99). Moreover, the result gained from the sample are generalised because populations have significant traits in common (Walliman 2011, p.99). The target population for this study is managers and employees that are directly involved with catering services.

## **1.9.5 Sampling Methods**

Alvi (2016, p.12) states that there are two major categories of sampling methods. These include probability sampling and non-probability sampling methods.

### **1.9.5.1 Probability Sampling**

Probability sampling involves random selection procedures where all elements of the study population have an equal chance of being included in the sample and this probability can be accurately determined (Alvi 2016, p.12). The author further states that probability sampling is the one in which elements are chosen in a random manner (Alvi 2016, p.12).

### **1.9.5.2 Non-Probability Sampling**

In non-probability sampling, subject methods are used to decide which elements are to be included in the sample (Battaglia 2011, p.523). The authors further state that non-probability sampling provides important pointers to potentially advantageous information regarding the population (2011, p523); while Cohen (2007, p.106) points out that non-probability sampling expressly avoids representing the wider population. Nonprobability sampling includes convenience sampling, quota sampling, and purposive sampling (Alvi 2016, p.41) which are further discussed in chapter three.

Non-probability sampling was adopted for this study. Non-probability sampling technique assisted the researcher to select participants to be included in the sample.

## **1.9.6 Sample and Sample Size**

Cohen (2007, p.101) describes a sample as a subcategory of the population that allows the researcher to draw conclusions that are generalisable to the population of interest. Furthermore, the author states that an accurate sample size depends on the purpose of the study and on the nature of the population being scrutinised (2007, p.101). For this study the researcher selected participants from the selected regional hospitals including Addington and R. K. Khan in a non-random manner.

### **1.9.7 Data Collection Method**

Abawi (2013, p.1) states that accurate and logical data collection is critical when conducting research. For the purpose of this study the data-collection instruments that was followed was the deductive reasoning approach. This approach begins with general statements or premises, and a specific conclusion is reached through logical argument; all guided by the theory which precedes it.

Harrell and Bradley (2009, p.6-7) state that many forms of data collection exist. For an example, surveys which are fixed sets of questions that can be administered by paper and pencil, as a web form, or by an interviewer who follows a strict script. This form of data collection is usually used in quantitative research projects. Interviews are discussions, usually conducted on one-on-one between an interviewer and an individual, meant to gather information on a specific set of topics. Interviews can be conducted in person or over the phone. Yin (2009, p.106) states that interviews are most often used to collect data in a case study. For this particular study the researcher used semi structured interviews to collect the data for the study.

### **1.9.8 Data Quality Control**

According to Tavakol and Dennick (2011, p.53) data quality control is important in research as it enhances the accuracy of the assessment and evaluation of research. Golafshani (2003, p.601) states that to ensure reliability and validity in qualitative research, scrutiny of trustworthiness is critical. Furthermore, establishing consistent, credible, and dependable data is crucial in qualitative research (Golafshani 2003, p.601). According to Lietz and Zayas (2010, p.191-198) there are four concepts to insuring trustworthiness in qualitative research these include, credibility, dependability, confirmability, and transferability. These four concepts are discussed further in chapter three.

### **1.9.9 Data Analysis**

According to Creswell (2014, p.190) data analysis in qualitative research is constructed on patterns, categories, and themes from the bottom up by organizing the data into increasingly

more abstract units of information. Furthermore, the author states that the intent on data analysis is to make sense out of text and image data (2014, p.190). This assists the researcher in achieving meaningful data understanding. Vosloo (2014, p.356) is congruent with the view by Creswell (2014, p.190) when describing data analysis as the process of bringing order, structure and meaning to the mass of collected data. Furthermore, Creswell (2014. p.190) further states that text and image data are so dense and rich that it makes data analysis in qualitative research complex. Thus, for the purpose of this study, data collected through semi structured interviews were analysed using thematic and content analysis methods. The section is further explained in chapter three.

### **1.10 Ethical Consideration**

Research ethics deal chiefly with the interaction between researchers and their study participants. According to Degu and Yigzaw (2006, p.80), ethics are based on three basic principles including duty, rights, and goal based. Degu and Yigzaw (2006, p.80), further state that duties of the researcher are based on the individual moralities and the goal based approach assumes that the researcher should strike a balance between being principled and unprincipled. Moreover, the rights based principle places an emphasis on the rights of the participant which must always be upheld (Degu and Yigzaw 2006, p.80).

In order to ensure that the participants' dignity is upheld in this study, all information given by participants were treated strictly confidential, and their privacy was guarded. Their confidentiality and anonymity is maintained as their names are not revealed and not documented in this research report as codes were created instead. The semi-structured interviews were held in a private setting where they were not overheard by a third person.

The participants were required to give informed consent for their contributions to be used for the study. Degu and Yigzaw (2006, p.80) point out that informed consent is, in fact, a legal requirement. The purpose of the study was explained to the participants to ensure that there is no misunderstanding or misrepresentation of the study. In this study, written informed consent were obtained from the respondents, while ethical approval to conduct the study was obtained from the Ethics Committee of the University of KwaZulu-Natal (UKZN), and a gate

keeper’s letter was obtained from the KZN Department of Health Ethics Committee to conduct the study with the department.

### 1.11 Limitations of the Study

Firstly, the limitation of this study is that there are 72 hospitals within the province of KZN and 16 hospitals within the eThekweni District alone. This required the researcher to narrow the study, as it will logistically not be possible to include all of these hospitals in the study. Secondly, the study was conducted in two regional hospitals within the urban area of eThekweni. The reality is that other hospitals are located in deep rural areas in KZN, and these could offer a different outcome to this study. Thirdly, participant’s willingness to participate was somewhat a challenge as they were not willing to be recorded.

### 1.12 Key Terms and Definitions

Key terms and definition are presented below in Table 1-1.

**Table 1-1: Key Terms and Definitions**

<b>Key Terms</b>	<b>Definitions and sources</b>
<b>Outsourcing</b>	Outsourcing can be defined as the discontinuation of internal production of goods or services and as an initiating procurement from external supplier. Also referred to as privatisation and contracting out (Gerstlberger and Schneider 2013, p.554).
<b>In-sourcing</b>	In-sourcing is defined as being the internal responsibilities, processes and key resources which are kept and performed by companies internally. Also referred to as in-house (McKenna and Walker 2008, p.217).
<b>Efficiency</b>	Efficiency is defined as the measure of output to input (Manzoor 2014, p. 1).  Efficiency is also defined as the optimal use of scarce resources that encompass value for money (Jansen 2009, p.6).
<b>New Public Management (NPM)</b>	NPM is best defined as being a set of particular management approaches and techniques borrowed from the private sector and applied in the public sector (Jansen 2009, p.18).

### 1.13 Chapter Overview

Overall, this study encompasses five chapters. A chapter overview is given below.

**Chapter One:** This chapter gives an introduction as to how the study was conducted and indicated the targeted participants. It also gives a brief background of the study site where study was conducted. In this chapter the aim of the study is discussed and the concepts of outsourcing and insourcing are also introduced. This chapter also provides the research questions and the corresponding research objectives. Finally, the chapter provides the limitations of the study and an outline of the chapters of the entire research report.

**Chapter Two:** This chapter presents the reviewed literature, the theoretical framework, and the conceptual framework for the study. This chapter will firstly give an analysis of the Department of Health's role in catering services and then delve on the reasons why hospitals choose to either outsource or insource.

**Chapter Three:** This chapter discusses the research methodology, research design, study site, data collection methods, data quality control, and data analysis.

**Chapter Four:** In this chapter, the researcher presents data acquired for the study using matrixes, data analysis, and discussion.

**Chapter Five:** This chapter provides research findings, recommendations, and conclusion drawn from the findings.

### 1.14 Chapter Summary

This chapter presented an overview of the study. The background of the study, statement of the problem, research questions, research objectives, significance of the study, preliminary literature study, theoretical framework, research methodology, ethical considerations, limitations of the study, key terms and definitions, and chapter overview are presented in the chapter. The next chapter presents the reviewed literature for the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

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#### **2.1 Chapter Introduction**

This chapter presents the reviewed literature on the outsourcing and insourcing as a strategy for catering services in public healthcare. Specifically, this chapter reviews reasons, advantages and disadvantages for outsourcing and insourcing in public hospitals with specific reference to regional hospitals in eThekweni District of KZN. In addition, this chapter presents a discussion on the impact of outsourcing and insourcing strategies in catering services from human resource perspectives. The reviewed literature includes official documents including government legislation, policies and strategies governing public private partnership in South Africa. Also, this chapter concludes by presenting theoretical framework that underpins this study.

#### **2.2 Legislative and Policy Framework**

Through specific legislative and policy frameworks the South African government has committed itself to a transparent and competitive supply chain processes. According to Bhagattjee and Hofmeyr (2009, p.175), South African national law does not specifically regulate outsourcing transactions; however it states that any public sector outsourcing or engaging in procurement tender process requires careful consideration of the various legislative constraints under which it is conducted. The general rules applicable to administrative and constitutional law require public entities to act strictly within the legal bounds conferred on them. A detailed review of the relevant legislation is presented next.

#### **2.3 The Constitution of South Africa of 1996**

The Constitution of the Republic of South Africa (RSA) of 1996 provides the general framework that guide service delivery in the public sector. Public health, for instance, has a constitutional obligation to protect, respect, promote, and fulfil the rights of all persons, as set out in the Bill of Rights (South Africa 1996). As such, public health must take extraordinary

steps when planning to outsource any service to ensure that it fulfils its constitutional duties throughout the outsourcing process. Furthermore, transparent and competitive tender systems envisioned in the Constitution must therefore always be maintained. In relation to this study, for instance, the Section 195(1) (b) of the Constitution makes provisions for the promotion of “efficient, economic and effective utilisation of public resources” (South Africa 1996).

## **2.4 Standardised Public Private Partnership Provisions**

In March 2004, the National Treasury published the Standardised Public Private Partnership Provisions (PPPs). The objectives of this standardisation process included the following (National Treasury 2004, p.7):

- The advancement of a common understanding of the operational, financial and technical risks typically encountered in PPPs;
- A common appreciation of how such risks must be shared or transferred among the parties involved in the delivery of PPPs;
- A consistent approach to risk sharing, risk transfer and value for money across PPPs falling within the same sector, and
- A reduction of the cost involved and the time required for negotiation between the parties involved in a PPPs.

In line with the above, public health should always perform a feasibility study to determine whether the partnership proposed is of any value and necessity.

## **2.5 The Public Finance Management Act, Act 1 of 1999**

In 1999 South Africa adopted the Public Finance Management, Act 1 of 1999 (PFMA). This Act formally decentralises the responsibility for establishing constitutionally conforming procurement functions to Accounting Officers (AOs). It further regulates financial management at the national and provincial government levels, to ensure that all revenue, expenditure, and assets and liabilities (REAL) at these levels of government are managed effectively and efficiently (South Africa 1999). The PFMA gives effect to Section 217 and



other sections in Chapter 13 of the Constitution on procurement that require a system which is transparent, competitive, fair, equitable, and cost-effective (South Africa 1996).

## **2.6 Labour Relations Act, No. 66 of 1995**

The Labour Relations Act (LRA), No. 66 of 1995 was promulgated with an intention to encourage economic development, social justice, and labour peace and democracy in the workplace by fulfilling the following objects which are (South Africa 1995):

- To give effect to and regulate the fundamental rights conferred by section 27 of the Constitution; and
- To provide a framework within which employees and their trade unions, employers as organisations collectively bargain to determine wages, terms and conditions of employment, and other matters of mutual interest.

Section 197 of the LRA provides for a process to deal with transfers of employees between employers when selling or transferring a business.

The next section presents a discussion regarding public health services from a South African context.

## **2.7 Public Health Services: A South African Context**

The public sector in South Africa is increasingly commissioning the private sector in order to improve the access, efficiency, and quality of the health services. This is evident throughout South Africa and across the globe. Globally, the outsourcing of non-core functions in the public health sector has become a trend. It is said to supply management with more time to focus on improving performance of core functions such as clinical services in hospitals (Siddiqi *et al.* 2006, p.867). Grimshaw, Vincent and Willmott (2002, p.3) assert that the partnership arrangement between the public and private sectors speak to a vital case of how the conventional part of the government as a boss and benefit supplier is being changed. Catering, cleaning, laundry, and security services are prime illustrations of services considered to be non-core functions in public health sector. Hence, the South African government initiative stated on the White Paper on National Health Insurance on these

support services that support services must not be outsourced but should rather be provided in-house within the public health system (RSA, 2015).

Augurzky and Scheuer (2007, p.264) state that as a result of high unemployment in many countries in the world, public health care has experienced tremendous strain due to constricted financial resources. South Africa is experiencing the same. Evidently, for example, with the moratorium placed on filling of posts in KZNDoh and in other provinces, South Africa has recently witnessed an increased rate of unemployment (KZNDoh 2015). Similarly, the catering services in the Gauteng province health care have also fallen victim, with reported food shortages as a result of scarce financial resources. The DoH owes over R3.4 million to its private partners contracted to supply food to hospitals (Hosken 2009b, p.1 and Mkize 2013, p.3).

Likewise, Ignone *et al.* (2013, p.86) state that due to inflated health care costs the government needs to exercise strict expenditure control in order to provide high quality health care to its people. To this end, the KZN Provincial Treasury issued a moratorium on the filling of vacant and critical posts as part of cost cutting measures for the fiscal period 2015/16 (KZNDoh, 2015). Ignone *et al.* (2013, p.86) point out that public hospitals play a key role in the provision of health care services and represent the main costs to the entire health care system. However, in view of the freezing of posts, the Rural Health Advocacy Project (RHAP) warns of serious problems with staffing shortages causing a diminished capacity to deliver services thus deepening the crisis (Furlong 2015).

Ignone *et al.* (2013, p.87) explain that as a result of the escalating problems in the public health care system, the embracing of outsourcing has become paramount. In embracing outsourcing over insourcing, the prime purpose is to improve service delivery and most importantly cost effectiveness. The public sector has also benefited by completely outsourcing its laboratory services nationally. For a couple of decades now, outsourcing of non-core services in hospitals has been adopted in the belief that financial relief will be obtained. These non-core services include information technology services, catering services, security services, and cleaning services (Gerstlberger and Schneider 2012, p.556). It is reported that in 2004, outsourcing in the United States of America (USA) hospitals alone

were estimated to have been in excess of 66 billion dollars annually (Foxx, Bunn and McCay 2009, p.44).

Foxx *et al.* (2009, p.44) affirm that competitive pressure and cost containment of health care services are the motivations for outsourcing, and the intended outcome of outsourcing is improved quality and productivity. In same vein, Theurer (2011, p.4) adds that stiff competition in health care places greater emphasis on customer-oriented services and cost-effective quality improvement. Moreover, another means of reducing costs is for the DoH to acknowledge the financial burden of chronic disease like hypertension and diabetes; both major causes of death in South Africa and are diet related. The burden of such diseases and the associated medical costs for treatment can be reduced by educating the public on healthy dietary practices. Nonetheless, provision of food in hospitals is just one part of the patients overall stay, but improvements in this area can help promote the healing process, reduce patients' hospital stays, and improve patient satisfaction (Roberts *et al.* 2013, p.2).

## **2.8 Roles and Functions of Catering Service in Hospitals**

Roberts *et al.* (2013, p.2) describe the role of catering services in hospitals as one with a direct influence on the healing outcomes of patients. Moreover, the comfort of the patient during their hospital stay is determined by the quality of the food provided and the cleanliness of the environment (Roberts *et al.* 2013, p.2). In spite of all the financial challenges faced by the public health care system, the duty of providing nutritious meals to the most vulnerable admitted to hospitals relies on those in power (Cross and Macdonald 2009, p.20). According to Roberts *et al.* (2013, p.2) appetising and healthy food leads to faster patient recovery times, less malnutrition, and reduced hospital stay by patients result in cost savings. The health, healing, and strength of millions of patients are thus often at the mercy of caterers, food suppliers, and institutional staff, all of whom operate on different agendas. Therefore, catering should be seen and appreciated as an integral part of the total service offered by hospitals (Cross and Macdonald 2009, p.20).

## 2.9 Outsourcing or Insourcing in South Africa

Outsourcing and insourcing are methods of dispersing work among different departments in an organisation for strategic reasons (Chatterjee 2012, p.1). Chatterjee (2012, p.1) states that in outsourcing and insourcing the difference in cost and attainment resource influences the management decisions in choosing a strategy suitable for the organisation.

Outsourcing has proven successful in India, Philippines, Botswana, and South Africa is progressing very well in this evolving phenomenon (Mervis 2014, p.252). Provinces in South Africa also have widespread experience with outsourcing particularly the outsourcing of non-core services. According to Wadee *et al.* (2004, p.27), South Africa brands use outsourcing as an enabler for social and economic development. This is especially noticeable in regulatory regimes that are relevant to labour intensive practices such as security, catering, and cleaning. In the survey conducted in South Africa from 1997 to 2007 there are indications that the relatively high growth in service employment is driven by the expansion of employment of security guards, caterers, and cleaners through contracted employment (Tregenna 2010, p.1427-1457).

Brunette, Chipkin, Tshimomola and Meny-Gibert (2014, p.4) state that service delivery in South Africa is decreasingly accomplished by government administrations and increasingly performed by private entities which tender for this function. However, Wadee *et al.* (2004, p.27) note that there is no constant policy on outsourcing across South Africa, especially regarding what each province seeks to outsource or insource. This is particularly evident in catering services as the strategy preference differs from province to province. In KZN a concerted effort has been made to outsource catering throughout the province, resulting in mixture of outsourced and in-house catering services. In Gauteng and the Western Cape the public health services have kept their labour in-house and only outsourced the procurement of the food (DoH:2017). In KZN alone, 49 of the 72 public hospitals outsource their catering and the remaining 23 still provide their services in-house (KZNDoH 2015).

According to Gwala (2015, p.4-8), the challenge that has led to outsourcing of non-core services in South Africa is the lack of skilled labour force. The author proposes that the country needs to find a talent pool and professionalise them in order to meet the demands of

the country (2015:4-8). Likewise, Wadee *et al.* (2004, p.43) observe the lack of clarity around the potential and pitfalls of outsourcing within the health sector. For example, this is evident from the limited coordination between provinces where Gauteng, Eastern Cape and Western Cape insource their employees in catering services and only outsource the procurement of food.

Chatterjee (2012, p.1) states that government agencies in recent years have considered moving services previously outsourced back in-house. The author further explains that the notion behind bringing back government services in-house is related to outsourcing transactions not meeting expectations (2012, p.1).

The following section discusses outsourcing and insourcing as concepts, reasons, and the advantages and disadvantages thereof.

## **2.10 Outsourcing: A Conceptual Understanding**

Gerstlberger and Schneider (2013, p.554) define outsourcing as a discontinuation of internal production of goods or services and initiating procurement from external supplier. Similarly, Indridason and Wang (2008, p.80) also define outsourcing as an arrangement in which one company provides services for another that could usually be provided internally. The purpose of outsourcing in this instance is to permit the hospitals to subcontract its catering functions to an external and credible service provider. Contracts are signed between the public enterprise and the private service provider to formalise the arrangement, and the public enterprise then relies on this outsourced company to provide the required service while it concentrates on improving its own efficiency and competence in core functions (Chung and Hsieh 2015, p.1). Chung and Hsieh (2015, p.1) further explained that outsourcing is able to reduce in-house operating costs by focusing the public enterprise's resources on its core functions, thus enabling the hospital to meet its customers' demands.

Indridason and Wang (2008, p.83) also note that outsourcing is a contractual arrangement between the public and private sectors, in which the private sector assumes responsibility for certain public sector functions. In addition, the public sector believes that by outsourcing certain services to the experts, the contracting institutions can improve the delivery of

services to customers, improve on quality, and reduce costs. Sumplkova, Nemeč, Petrova and Merickova (2013, p.63-79) explain that this type of contractual arrangement permits the public sector to retain ultimate responsibility for the provision of the service while employing a private company to deliver the service.

According to Siddiqi *et al.* (2006, p.867) outsourcing impacts on equity, access, quality and the efficiency of the health services; it promotes public health goals; and creates an environment favourable to public-private collaboration. Also, Roberts *et al.* (2013, p.7) assert that outsourcing of support services in health care allows the public health institution to realise significant strategic gains such as better patient services and better cost savings.

González, Llopis and Gascó (2012, p.16-17) add another dimension to outsourcing stating that if a service is outsourced, the clients will gradually lose their understanding of the service over time. The authors' further purport that even if the new service provider delivers state-of-the-art services to the clients, a large proportion of the new knowledge acquired remains in the provider's hands and is lost to the original service provider (2012, p.16-17). The requirements of the clients may also not be properly met if the new service provider does not quite understand what the business is all about (González *et al.* 2012, p.16-17). Thus, as stated earlier, it is vital that the agreement between government and the private partner is properly monitored. Contrarily, despite the importance and widespread use of this phenomenon and its advantages noted in Section 2.12, Carey and Dor (2008, p.62) note that there is little or no evidence of efficiency gains following the adoption of outsourcing.

Corbett (2004, p.256) notes the following factors as interrelated to the organisations drive to outsource their services (2004, p.256).

**Globalisation:** Globalisation is recognised as one of the features that defines the start of the 21st century (Murphy 2008, p. 62). Despite this there is no single agreed upon definition of what it is, and there are widely differing opinions of what it means in terms of its social and economic impacts, including its bearing on health. Murphy (2008, p.62) asserts that what is clear is that “globalisation is a multidimensional process encompassing economic, social, cultural political and technological components”, and that it specifies much of the environment within which health is affected.

According to Mosco (2005, p.39-56) workers globally both resist and welcome outsourcing, depending on whether they are losing or gaining jobs. Outsourcing is mostly welcomed as a result of prospects of employment opportunities and the same reasoning exists also in South Africa with the scourge of unemployment high which currently sits over 25 per cent. Faced with cost pressures and market competition in today's dynamic globalised business era, more and more businesses take recourse in outsourcing to sustain their viability and to ensure survival (Lahiri, 2015, p.1-35).

**Public Sector Reforms:** According to Mervis (2014, p.247) outsourcing in the public sector was introduced on a large scale as part of public sector reform initiative during the last 20 years of the preceding century which was dubbed New Public Management (NPM). According to Jansen (2009, p.18) NPM is best defined as being a set of particular management approaches and techniques borrowed from the private sector and applied in the public sector. The NPM emphasises the concept that the values successful in the private sector will be successful in the public sector (Mervis 2014, p.249). According to Sumplkova *et al.* (2013, p.63-79) many authors have investigated the issue of privatisation of some of the services in public services, with the aim of increasing public expenditure efficiency. The investigations placed emphasis on continual improvements in public services quality and the introduction of professional management tools in the sector. This led to the introduction of compulsory competitive tendering and the contracting-out of some in-house services in the public sector (Sumplkova *et al.* 2013, p.63-79).

Mervis (2014, p.249) expounds that the NPM gave rise to the practice of outsourcing and tendering as the government tried to establish a framework for efficiency through competitiveness when providing public services. Mervis (2014, p.249-252) found that in some cases the tender process actually cost more than the saving accomplished through competition, while in other instances the outsourcing of certain jobs left workers compromised. Although there was this downside, Mervis (2014, p.249-252) observed that the outsourcing resulted in improved service delivery. The next section discusses the reasons for outsourcing catering services.

## 2.11 Reasons for Outsourcing Catering Services

There are many reasons why the government may choose to outsource a service rather than provide it in-house. According to the report by DoH (2017), most of its hospitals changed from an in-house to an outsourced catering service due to the following reasons:

- Patients' complaints that the meals prepared in-house were not appetising or healthy;
- The ongoing theft of stock;
- Tedious supply chain processes when procuring food products; and
- Under performance by the government employees providing the catering service due to lack of expertise.

Siddiqi *et al.* (2006, p.869) state that when the public sector embarks on the process of outsourcing, careful consideration must be given to the various legislative constraints under which the process is conducted. It is also equally important for public health to remember that even if private partners are employed to deliver non-core services, it is still the responsibility of the public health sector to ensure that those services are delivered in line with the constitution (2006, p.869).

Moreover, Siddiqi *et al.* (2006, p.869) found that efficiency, quality of the services, and better targeting of vulnerable people were the main reasons for contracting out services. These authors also found that the growing trend of involving the private sector in service delivery has resulted in many governments promoting outsourcing policies (Siddiqi *et al.* 2006, p.871). As noted earlier, the primary goal of public health outsourcing is to improve service delivery and to become more cost-efficient while at the same time retaining or improving the existing level of quality. Roberts *et al.* (2013, p.6) report that despite the fact that health care systems differ widely from country to country, they all have the same three factors in common, namely; cost, quality, and access. The increasing need for outsourcing in the health care systems is mainly due to the escalating costs associated with health care services and demanding customers (Roberts *et al.* 2013, p.6). Following sub-section outlines the advantages and disadvantages of outsourcing catering services in public hospitals.



## **2.12 Advantages and Disadvantages of Outsourcing Catering Services in Hospital**

According to Gasparac (2015, p.82) outsourcing brings a variety of benefits to an organisation. These include enabling an organisation to focus on its core competences, improving efficiency, gaining more flexibility, and the most popular reason being the possible reduction in operational costs (Gasparac 2015, p.82). According to Augurzky and Scheuer (2007, p.267) not all the expectations of outsourcing strategy are met every time. Gasparac (2015, p.84) found that there are many hidden costs that should be kept in mind when considering outsourcing certain activities. To follow are some of the identified advantages of outsourcing.

### **2.12.1 Advantages**

Dolgui and Proth (2013, p.6771) found that most literature is theoretically in favour of outsourcing. The authors list the following as the most noted advantages for organisations when in the process of initiating outsourcing (2013, p.6771).

#### **2.12.1.1 Focus on Core Business**

Roberts *et al.* (2013, p.2) attest that the business of administrating hospitals is very complex, and emphasise that patients' demands and expectations for service delivery increase from year to year. Johnston, Abader, Brey and Stander (2009, p.38) therefore assert that outsourcing is seen as an opportunity for these organisations to downsize and reduce their operating costs, to focus primarily on their core functions. Moreover, the authors suggest that the move to outsourcing in the hospitals might be possibly due to a lack of the necessary resources to perform the non-core functions (2009, p.49). Roberts *et al.* (2013, p.2) further explain that private partners provide the hospitals with the resources needed to deliver non-core services leaving management to focus more intently on the core clinical business of treating patients. Although not a core function, catering services form the backbone of the operation of a hospital (Roberts *et al.* 2013, p.7).

Private caterers prepare and serve the food in the hospital, thus directly impact the patients' hospital experiences in terms of nutrition and comfort, and assist in their recovery. Additionally, Roberts *et al.* (2013, p.7) state that outsourcing of non-core services in health care will allow the hospitals to achieve substantive strategic gains such as improved clinical patient care, improved access to resources, and the ability to better focus on any other core functions.

Warner and Hefetz (2012, p.314) caution that the use of the private sector for the provision of non-core services such as catering is not to prejudice the patients that the public health sector serves but to improve the service received. Extreme caution has to be exercised when selecting an outsourcing partner appropriate for service delivery mechanism, and when monitoring and reviewing the partner's performance according to the service delivery agreement in place (Warner and Hefetz 2012, p.314).

#### **2.12.1.2 Financial Flexibility**

Johnston *et al.* (2009, p.37-49) opined that cost-savings achieved from the outsourcing process are only an indirect benefit, whereas the direct benefits are the reduction of employee numbers, cheaper labour, and the ability to concentrate on core business functions. The cost of a catering employee on an entry level in an outsourced catering company is R2760 as compared to R6800 for insourced staff (South Africa 2016). According to Sumplkova *et al.* (2013, p.63-79), outsourcing changes the balance of the fixed variable cost ratio by offering a move from fixed to variable costs and also by making these variable costs more predictable. Conversely, Mitchell (2015, p.135) argues that rapid growth in demand for outsourcing may in fact lead to cost increases, particularly if the demand is for high level skills.

According to Gerstlberger and Schneider (2012, p.556-557), not much evidence have been found in literature to support outsourcing of non-core functions in hospitals paying off in terms of cost. Likewise, Hussey and Jenster (2003, p.8) believe that there are little or no economic gains to outsourcing. These authors suggest that there may be opportunities to reduce costs to gain better performance, but space costs may not be reduced, for an example a hospital catering service unit will take up the same facilities as it did before it was outsourced

(2003, p.8). In the case of the eThekweni District's outsourced hospitals, rental fees are not included in the contract agreements with the private caterers (KZNDoH 2015).

Hussey and Jenster (2003, p.8) accentuate that cost comparisons can be difficult as they require an economic evaluation of all the factors that will change with outsourcing. The authors' further state that the exact cost of what a particular item costs to produce cannot be read directly from an accounting statement (2003, p.8). Thus, it is paramount that organisations like hospitals make a decision as to which cost will be retained and which will be taken over by the contractor, as superficial comparisons can lead to the wrong assumptions and loss of cost reduction benefit (Hussey and Jenster 2003, p.10).

In addition, Nagpal, Nicolaou and Lyytinen (2014, p.20) points out that outsourcing should be viewed as being more than just a tool for cutting costs and improving organisational focus. In fact, outsourcing can be beneficial in replacing services that have underperformed in-house to boost corporate image and acquire new capabilities, thus bringing fundamental strategies and structural change (Nagpal *et al.* 2014, p.20).

### **2.12.1.3 Risk Management**

The Standardised PPPs state that all parties involved in PPPs must have a common understanding of how business risks must be transferred or shared (National Treasury 2004). This standardisation promotes a common understanding of the financial, operational, and technical risks typically encountered in PPPs. According to Sumplkova *et al.* (2013, p.63-79), it is wise to outsource functions and services to partners who are aware of the risks involved and who are able to alleviate these risks. This enables the outsourcing entity to better manage the risks to their business. Sumplkova *et al.* (2013, p.63-79) also point out that the prospective risks faced by an organisation while outsourcing impact significantly on the final outsourcing decision. When looking to outsource catering services, as an example of some of the high risk factors to be transferred to the private catering partner include food items and employees.

Johnston *et al.* (2009, p.37-49) suggest that an organisation is more likely to outsource catering functions in order to reduce uncertainty and remain competitive. This option is more

attractive as developing the required skills in-house or attracting individuals with the necessary skills is costly and time consuming (Johnston *et al.* 2009, p.37-49). Tregenna (2010, p.1427-1457) adds that outsourcing increases an organisation's flexibility, especially as it allows services to be brought in according to needs, and minimises idle in-house capacity.

Tregenna (2010, p.1430) states that the trend towards outsourcing in the private sector can also be traced to changes in operational processes and the demand for increasingly sophisticated specialised services such as fancy patient meals. These specialised service inputs can prove to be more costly to provide in-house, but if outsourced, they could be afforded to patients at affordable rates (Tregenna 2010, p.1430). Human relations issues, including but not limited to, recruitment, remuneration, and skills development become the private partner's responsibility to resolve (Tregenna 2010, p.1430). Similarly, Hussey and Jenster (2003, p.10) remark that the hidden costs of having to deal with the issues of labour turnover are also avoided with outsourcing and the stronger decision driver for outsourcing is that management is able to focus on higher priorities.

#### **2.12.1.4 Employment Creation and Access to External Experts**

According to Utz (2017, p.12-13), from an economy-wide outlook, outsourcing of service activities from developed to developing countries will without a doubt create substantial benefits by opening up employment and growth opportunities in a number of tradable service activities such as the catering industry. Moreover, these authors observed the rapid growth of employment opportunities as a result of outsourcing in China and India (2017, p.20).

Outsourcing of information technology (IT) in India has created revenue as well as gainful employment for thousands of people. In turn, the Indian government has offered numerous incentives such as tax relief to investors wanting to open IT companies (Gonzales, Dorwin, Guptas, Kaylan and Schimer, 2004, p.13). Carrey and Dor (2008, p.61-75) attests that in less than 20 years the number of U.S. hospitals under contract-management has swelled by about 50 per cent, with a total of about 16 per cent of all hospitals now outsourced. Furthermore, it is expected that specialised managerial expertise will improve job creation and efficiency in the hospitals that opt for contracts (Carrey and Dor 2008, p.75). From a South African

perspective, for instance, in KZN 49 of the 72 public hospitals are outsourced and employs hundreds of people not previously employed when catering services was in-house (KZNDoH 2015).

Therefore, from the above said, organisations will benefit from outsourcing catering services by attaining external expertise, especially when outsourcing non-core activities. Internal employees will be freed from tedious tasks and allowed to concentrate on the organisations' core activities.

#### **2.12.1.5 Improved Quality Service**

While the phenomenon of outsourcing has produced much research over the last 20 years, the question; “Does outsourcing really improve an organisations performance” remains unanswered (Lahiri, 2015, p.1-35). Given the fact that organisations around the world continue to outsource functions across all trades in an effort to improve performance, quality and reduce operating costs, it is important that this question be answered definitively (Lahiri 2015, p.1-35).

According to Bolat and Yilmaz (2009, p.5), the greatest improvement following outsourcing occurs in the area of continuous improvement, and the least improvement is seen in the quality of the work life.

According to Sumplkova *et al.* (2013, p.63-79), many authors have investigated the issue of privatisation of some of the services in public services with the aim of increasing public expenditure efficiency and improving quality of service. The investigations placed emphasis on continual improvements in public service quality and the introduction of professional management tools in the sector (Sumplkova *et al.* 2013, p.63-79). This led to the introduction of compulsory competitive tendering and the contracting-out of some in-house services in the public sector (Sumplkova *et al.* 2013, p.63-79). Mervis (2014, p.249-252) found that, in some cases, outsourcing the tender process actually cost more than the saving accomplished, and outsourcing certain jobs left workers compromised. Although there was this downside, the author observed that the outsourcing resulted in improved service delivery (2014, p.249-252). Additionally, Roberts *et al.* (2013, p.7) affirms that outsourcing of non-core services in health

care allows the hospitals to achieve essential strategic gains such as improved clinical patient care, improved access to resources, and the ability to better focus on any other core functions.

### **2.12.2 Disadvantages**

Gasparac (2015, p.82) describes outsourcing as another tool in the toolbox, which if used properly for the purpose it is designed for, and if care is taken regarding the safety instructions for use, will be very useful. However, if it is used for some other purpose, it will be like using a hammer to unfasten a screw; it will only cause damage and eventually the company will get hurt (Gasparac 2015, p.82). The following are some of the disadvantages of outsourcing which are also worth noting. These are presented below.

#### **2.12.2.1 Hidden Costs**

Gasparac (2015, p.84) found that there are many hidden costs that should be kept in mind when considering outsourcing certain activities or even the complete business process. The author further explains that the actuality is that most of these additional costs have nothing to do with the outsourcing offer itself but are due to the fact that outsourcing is not just a simple displacement of one activity box in the process to someone else with lower costs (2015, p.84).

Grimshaw *et al.* (2002, p.5) found that although outsourcing contracts may result in an apparent reduction in costs, these savings may be offset by less easily calculable costs such as lowering of the quality of the services provided, and possibly even erosion of the public service's ethos among workers. According to Roberts *et al.* (2013, p.5) lack of understanding of the contract terms by both the managers of the public health entities and the private partner may lead to public health paying for services that are not being performed.

#### **2.12.2.2 Threat to Organisation Security and Confidentiality**

Tayauova (2012, p.190) states that in outsourcing, contracts stipulate terms of security and confidentiality, but the accomplishment of maintaining such is, in some cases, difficult. In a

hospital setting patient records and disease profile is confidential and thus must be kept as such to prevent entities who might attempt to use such inside information improperly.

Sumplkova *et al.* (2013, p.63-79) states that ethics can become imperilled when the behaviour of the private partners is not adequately controlled. Important to note, the authors further assert that when behaviour is not adequately controlled, it creates situations where duties are evaded and inappropriate activities carried out by the private partner. These can impact adversely on the goals of the public partner (Sumplkova 2013, p.63-79).

### **2.12.2.3 Loss of Managerial Control**

The disadvantage related to the loss of managerial control over the outsourced processes stems from the reason that managing external resources requires special skills which is a combination of the skills of people and process management, contract management, and power of negotiation (Tayauova 2012, p.190). Roberts *et al.* (2013, p.4) state that there are several barriers when trying to evaluate whether outsourcing makes sense. These include the cost of employing someone else to do the company's business and the cost of managing the contract itself (Roberts *et al.* 2013, p.4). When engaging a vendor to outsource services, management may attempt to shift the responsibility to the outsourcing vendor if a project does not meet the company's goals. Roberts *et al.* (2013, p.4) found that this can lamentably be the initiation of the blame game for all parties involved. The authors further argue that public health leaders need to take cognisance of the fact that there may be patients' and employees' reactions to outsourcing that, if not dealt with appropriately, may hinder the operation of the contracted service (2013, p.5).

Roberts *et al.* (2013, p.3) recommend that senior public health executives be aware that the motive of the outsourcing partners is profit above all else. Furthermore, the authors states that it is acceptable that their motivation is profit, as long as the profits garnered are warranted by the quality of the services provided, and as long as the required health care standards and regulations are upheld (2013, p.3).

Conversely, Robert *et al.* (2013, p.5) asserts that performance can only be improved if the service providers contracted have the necessary training and skills. The authors further assert

that the relationship between the hospital and the service provider must also be one of trust, transparency and integrity (2013, p.7). Also, Warner and Hefetz (2012, p.314) state that it is necessary to improve the level of performance monitoring if the performance is to be improved in the hospital. Unfortunately though, the level of contract monitoring in the public sector is low, and the ability to sanction contractors is limited and this affects the effectiveness of the performance management of the contractors (Warner and Hefetz 2012, p.314).

In view of the above, it is evident that there are substantial risks for all participants when badly drafted contracts are executed and when management does not fully comprehend what the contract includes nor possess the skills required (Foxx *et al.* 2009, p.41-45). This therefore implies that the management of the public health entities should ensure that they have the necessary skills required to manage outsourcing, in order to maintain the control and steadiness that outsourcing may disrupt (Roberts *et al.* 2013, p.7).

#### **2.12.2.4 Labour Issues**

According to Van der Walt, Bolsmann, Johson and Martin (2002, p.29) the most notable disadvantage of outsourcing catering services in the hospitals is that the benefits and salaries of the employees from the contracted service providers may be different from those of the employees employed in-house by the state. These salaries could either be lower or higher than those of their state-employed counterparts. In addition, Hussey and Jenster (2003, p.10) suggest as a countermeasure that the public hospitals task a hospital representative to monitor the catering service operations of the outsourced company, so that the expected performance and client satisfaction are duly maintained.

The following section discusses insourcing.

### **2.13 Insourcing: A Conceptual Understanding**

According to Chapman and Andrade (1998, p.56), many organisations assume that by employing outsourcing in their organisations there will achieve improved service delivery. But what happens in the case when outsourcing does not work for that organisation?



Therefore, the authors' further puts an emphasis that before an organisation embarks on outsourcing, all avenues should be investigated as not all outsourcing experiences have a positive outcome (1998, p.56).

McKenna and Walker (2008, p.217) define in-sourcing as the key resources, processes and responsibilities that are retained and carried out by companies internally. Similarly, Chapman and Andrade (1998:56) define in-sourcing as the internalisation of previously outsourced functions back to an organisation. In-sourcing is thought of as being more expensive to an organisation as a result of new work processes that must be developed to restart the new division of the company. Dobb (1998, p.105-110) concurs that proper analysis is to be conducted before the insourcing process is adopted and adds that constant evaluation, and enhanced basic services, are a necessity.

#### **2.14 Reasons for insourcing**

Warner and Hefetz (2012, p.313-327) conducted surveys in 2002 and again in 2007 on the move from outsourcing to insourcing, and in both surveys the authors found that poor quality service and scant cost savings following outsourcing were the most prevalent reasons for companies moving back to insourcing. Additional factors which resulted in services being brought back in-house were continuous problems with contract specifications, problems such as monitoring of the service providers, inefficiency, and political interference (Warner and Hefetz. 2012, p.313-327). Anderson, Tweardy, Mancher, Lowes, Montrosse, and Chitre (2013, p.4) states that another reason for organisations to prefer insourcing services over outsourcing is due to the quality of service not being satisfactory. The author further states that the contractors were delivering as per the expectations thus the required standards were not achieved (2013, p.4). The most noted reason of such behaviour was the fact that contractors became complacent once the contract was awarded resulting in poor quality service delivery (Anderson *et al.* 2013, p.4).

In South Africa, the ANC took a resolution to deal with outsourcing in all government entities (Gernetsky 2016, p.4). This resolution is in agreement with Walters and Lancaster (2000, p.160-178) who claim that all core competencies need to be retained within organisations. Although outsourcing has given rise to claims of improved service delivery

and reduced costs in non-core services like catering the authors such as Walters and Lancaster (2000, p.160-178) are of a different opinion. The view is that profitability and productivity will improve if operational resources are allocated properly and efficiently, and that this will happen if all services are insourced and a controlled M&E strategy applied (Walters and Lancaster 2000, p.160-178).

There is a small but growing trend towards bringing the catering service back in-house in public health, after being previously outsourced to private, commercial companies. This is evident in provinces such as Limpopo and Mpumalanga, where public hospitals have reverted to insourcing catering services (RSA, 2015). Following are the identified advantages and disadvantages of insourcing as deliberated further.

## **2.15 Advantages and Disadvantages of Insourcing catering services in hospitals**

McKenna and Walker (2008, p.228) states that insourcing enables greater flexibility and responsiveness, particularly in work environments that are in a constant state of change. McKenna and Walker (2008, p.228) add that in environments that are changing constantly, it is best to keep resources and tasks in-sourced, as this improves the ability to control them; something that is not possible with complete outsourcing.

### **2.15.1 Advantages**

The following are the highlighted benefits that have been achieved by organisations through insourcing.

#### **2.15.1.1 Maintain Managerial Control**

The first and the most obvious benefit of insourcing is the control a company has over the activities (Heaton 2004, p.94-96). Outsourcing by its nature leaves the company at the mercy of their suppliers. According to Heaton (2004, p.94-96), while there are steps a company can take to ensure some accountability from its supplier base, they can never be as effective as retaining these functions internally. The author further states that even if every supplier

delivers on time and executes perfectly, a system can still be impacted negatively if one or two suppliers do not meet their obligations (2004, p.94-96).

In agreement, Kumari (2013, p.70) asserts that sometimes organisations choose insourcing because it permits them to preserve more control over operational issues. Heaton (2004, p.94-96) states that if organisations resort to insourcing, more control over organisational operations will be achieved. An example of such mechanism is the control of costs that will be achieved over time. Moreover, it is cheaper to buy raw ingredients and pay someone to cook them, than to leave the whole service to an outside organisation (Heaton 2004, p.96).

### **2.15.1.2 Cost Control**

Heaton (2004, p.94-96) is of a view that suppliers are in business to make profit. While the specialisation theoretically allows them to contract services at reduced cost, they are also adding a profit margin to improve their bottom line (Heaton 2004, p.94-96). Heaton (2004, p.94-96) states that insourcing allows much greater control of costs that could have been excessive when service is outsourced. This is resultant from the streamlined communication advantage made possible by insourcing, thus, offering cost advantage that may not be visible at first glance (Heaton 2004, p.94-96). According to a survey conducted by Anderson *et al.* (2013, p.5) outsourcing has many hidden costs and thus lacks costs transparency. Therefore, by insourcing services, organisations will improve efficiency and reduce service costs, after all cost reduction is one of the main reasons organisations opt for outsource (Anderson *et al.* 2013, p.5). According to the survey by Anderson *et al.* (2013, p.5) the following are some factors that could increase costs if services are outsourced:

- Additional internal quality control due to poor quality from the contractor,
- An increase in “true Price” of service delivery through scope and excessive change in orders.

Therefore, the survey by Anderson *et al.* (2013, p.5) suggests that if economic gains are less than expected, organisations should retain services in-house.

### **2.15.1.3 Confidential Information Remains Secure**

The transfer of control to the contractor and employees reporting to different organisations may pose risks in organisations in terms of maintaining confidentiality (Anderson *et al.* 2013, p.5). Thus, Chatterjee (2012, p.1) asserts that some functions are the heart of the organisations and thus should be kept in-house as these could result in potential conflict of interest. The author further assert that having a contractor provide services for an organisation poses a risk in compliance with organisations policies resulting from different priorities, cultures, and vision (2012:8). Thus, Chatterjee (2012, p.8) affirms that retaining services in-house will assure improved customer confidence and maintain company ethics and values.

### **2.15.2 Disadvantages**

The following are some of the disadvantages of insourcing worth noting.

#### **2.15.2.1 Reduced access to expertise and Technology**

Johnston *et al.* (2009, p.38) states that to develop in-house skills and or attract individuals with the necessary skills is costly and time consuming for an organisation, thus, the need to outsource. Due to financial constraints in public sector especially in health, lack of necessary resources such as ICT might be experienced further exacerbating the ability for organisations to offer services internally (Johnston *et al.* 2009, p.38).

Consequently, Chatterjee (2012, p.8) found that when government relies heavily on the contractors, negative consequences such as loss of expertise will be experienced. Furthermore, the author found that government employees, as they progress with their careers, tend to move to other employment opportunities and in often cases resign from government (2012, p.8). Thus, this opens a gap for contractors to oversell their expertise by padding bids with resumes from people that do not form part of their employee list (Chatterjee 2012, p.8).

### **2.15.2.2 Excessive costs or more expensive to operate**

Kumari (2013, p.72) states that organisations choose to outsource because it offers benefits such as lower costs and high quality service and insourcing is perceived as being expensive and that which lacks quality. The author further claims that outsourcing assists organisations to make better usage of their resources, time, and infrastructure (Kumari 2013, p.72). According to Chatterjee (2012, p.4) there are costs in insourcing that are not accounted for, such as the cost of recruitment. Chatterjee (2012, p.5) further alludes that employees employed in-house are paid better salaries and benefits than their counterparts employed by a contractor. Thus, operating services in-house may result in a cost increase (Anderson *et al.* 2013, p.8).

The following section discusses the impact of outsourcing and insourcing on human resources.

## **2.16 Outsourcing and Insourcing: The Impact it has on Human Resource**

Tregenna (2010, p.1427-1457) explains that in outsourcing, a private partnering company employs employees directly or sub-contracts its employees to a third company. The employment relationship with outsourced employees thus changes to that of a business relationship with a service provider (Tregenna 2010, p.1427). As mentioned earlier, activities characterised as being labour-intensive, particularly those that are intensive in low-skilled labour such as catering, are more likely to be outsourced. The following are the identified effects that impact mostly on human resources.

### **2.16.1 Remuneration of Contract Workers**

According to Chun (2016, p.173), although outsourcing of non-core services creates employment, those employed in this capacity in the private sector are poorly paid. Tregenna (2010, p.1433) reveals that low-skilled employees in many countries are generally better paid in the public sector than their counterparts in similar occupations in the private sector. An example is an entry level wage for a catering worker that is R3033 if employed by a

contracted company, and R6800 if employed directly by the public health hospital (South Africa 2016). The higher salary of the government employee stems from the strength of the public sector trade unions, where the emphasis of these unions is on the lifting of the wages of their lowest-paid members, and also from the government's stated intention to narrow the wage (Mosco 2005, p.39-56).

### **2.16.2 Working Conditions of Employees**

Although many studies report outsourcing to be successful in achieving the goals of efficiency and cost-saving, empirical literature on outsourcing has found that it negatively affects the working conditions of employees (Zuberi 2013, p.124). The effects of outsourcing upon employees tend to fluctuate as per professional ranking (Van der Walt *et al.* 2002, p.29). In the case of catering workers tend to experience deteriorating working conditions such as access to benefits, job insecurity, lower salaries, and ineffective trade union representation (Van der Walt *et al.* 2002, p.29). Additionally, Zuberi (2013, p.124) discovered that service providers being unsympathetic to employees' needs, low wages, and irregular work schedules put pressure on social cohesion in the workplace, thus affecting performance. This study investigated the impact of human resources on the decision of whether to use outsource or insource catering services in the eThekweni District.

Following section discusses the perceptions of organised labour on outsourcing.

### **2.17 Outsourcing and Insourcing: Perceptions of Organised Labour**

According to Mosco (2005, p.39-56) trade unions perceives outsourcing as that which contributes to massive job losses, especially in the unskilled job categories. In fact, there has been an outcry against outsourcing by the Congress of South African Trade Unions (COSATU) demanding that outsourcing in South Africa be regulated, especially in government entities (Di Paola 2012, p.2). Anner (2011, p.305) reports that job growth in developing countries due to outsourcing to competing companies often results in declining unionisation and a drop in wage rates. In South Africa, union membership is lower in private companies than in the public sector, even for the same type of work with only 23 per cent of

workers in the private sector and 60 per cent in the public sector reported to be belonging to a union (Tregenna 2010, p.1427-1457).

Furthermore, Tregenna (2010, p.1445) purports that outsourcing shifts the balance of class, forces in favour of capitalism and away from organised labour; and contract workers in an outsourcing situation tend to be in a weaker position than their counterparts who have an in-house union (2010, p.1445). The COSATU spokesperson Patrick Craven notes that the priorities of the South African public sector are consistent with those of the private sector in terms of improving working conditions, wage increases, and defending workers from unfair dismissals, and that outsourcing of operations and labour has affected the economy as a whole (Di Paola 2012, p.2).

According to Clarke, Godfrey and Theron (2002, p.28) research conducted in the last decade highlighted the growth in informal employment in all major industries in South Africa. The authors' further note that the rapid growth in employment is a result of casual employment and outsourcing, which has led to more workers employed in jobs that lack the benefits typically associated with the standard employment relationship (2002, p.28). The COSATU trademarks outsourcing as not worth its value for money, a standpoint echoed by the former Minister of Labour, Membathisi Mdladlana, who has voiced his agreement of the banning of labour brokers (Maqhina 2015, p.1).

The COSATU emphasises the need to force companies to comply with new Labour Law amendments in Section 198 of the Employment Services Act of 1995; the aim of which is to deter the mistreatment of workers through temporary employment by companies and labour brokers (Maqhina 2015, p.1). The COSATU also pronounced its determination to increase the fight against retrenchments and outsourcing in government departments (Maqhina 2015, p.1).

The COSATU points to a 2012 African National Congress (ANC) resolution to deal with outsourcing by boosting the capacity of the state to deliver goods and services (Gernetsky 2016, p.4). The federation's battle against labour broking has received far more public focus than its opposition to outsourcing, although for some, both involve resisting a wave of neoliberalism that hands many services over to private contractors (Gernetsky 2016, p.4). The

COSATU and the National Union of Metalworkers of South Africa (NUMSA) have indicated that they are gearing up for new campaigns against outsourcing, and both want labour broking banned (Di Paola 2012, p.1).

The NUMSA President Andrew Chirwa argues that while outsourcing differs from labour broking, it is part of the same battle; "It is through outsourcing that labour brokers come in and feed on those workers that are outsourced under the pretext of 'core' and 'noncore' business" (Gernetsky 2016, p.4). Likewise, National Education, Health and Allied Workers Union (NEHAWU) maintains that outsourcing goes beyond conditions of service, and claims that outsourcing is "a breeding ground for corruption" (Gernetsky 2016, p.4). Finally, COSATU emphasises that a transformed economy and decent sustainable jobs are the only solution to strikes and protests taking place throughout the country (Gernetsky 2016, p.4).

Also to note, the prevalent challenge in South Africa is the engagement of trade unions in anti-privatisation drive. The emphasis placed by these unions concerns wages of contracted personnel being lowest-paid members, and also from a stated intention of the government post-1994 to narrow the wage gap (Murphy 2008, p.62). Furthermore, the author states that trade unions have cited the privatisation of services by public sector as being the enemy of the economy causing major barriers to long-term employment (2008, p.62).

Subsequently, hospitals in eThekweni District have engaged in a massive strike, voicing concerns over issues of outsourcing (Ndaliso 2016, p.1). The contracted employees are demanding to be absorbed by government, calling for the removal of the middle man (Ndaliso 2016, p.1). The impact of these riots on hospitals has been devastating to say the least in terms of damaged property, job losses, and severe disruption to hospitals activities. Also, the tertiary students have taken the union cause supporting the demise of outsourcing (Mngoma 2016, p.1).

The following section provides discussion on the theoretical framework underpinning this research study.



## **2.18 Theoretical Frameworks Underpinning the Study**

Theoretical framework is a plan or design of a study. Theory in research guides the study and builds and supports it (Grant and Osanloo 2014, p.13). Two theories were adopted for this study including the Transaction Cost Theory (TCT) and Maslow's motivational theory. Following is the discussion of each theory.

### **2.18.1 Transaction Cost Theory**

The TCT is used extensively in the management discipline. The TCT was first recognised by Ronald Coase in 1937, and later by Oliver Williamson. According to Martins *et al.* (2010, p.4), TCT is vital for analysing a wide variety of strategic and organisational issues considered important to an organisation. The TCT is employed by organisations seeking to determine the structural arrangements required to improve their chances of success (Martins *et al.* 2010, p.5). Martins *et al.* (2010, p.5) further state that an important aspect of the TCT is that it focuses on transaction governance, as well as other hybrid forms and long term contracts. The TCT predominantly seeks to address why economic transactions are organised in the way that they are in modern society. Furthermore, it seeks to explain why some economic transactions are carried out internally, while others are carried out by external parties. The TCT argues that there are costs incurred when conducting transactions; for example costs in negotiating, drafting and safeguarding any exchange. Moreover, the TCT claims that transaction costs are just as important as production costs, if not more, as production costs are easier to determine than transaction costs. Also noteworthy, according to the TCT, transaction costs are essential to the total costs of an organisation (Martins *et al.* 2010, p.7).

According to Reilly (2014, p.3) the TCT provides the framework for an organisation and helps it to decide whether to obtain services within or to seek an external alternative. There are three-step approaches in the application of the TCT. These include the following (Reilly 2014, p.7):

- **Step One:** evaluate the production and transaction costs, and deduce the disadvantages and advantages of the competing governance structure.
- **Step Two:** identify the critical dimensions of the transactions and how they differ from each other in generating costs.
- **Step Three:** choose the governance structure whose cost reducing advantages and disadvantages are best matched to the types of transaction costs likely to be generated.

Reilly (2014, p.3) further states that in the TCT, the insource or outsource choices are based on the following key concepts:

- **Transaction costs:** every transaction has costs associated with it, for example; locating a trading partner, negotiating and drawing up a contract agreement, production, politics, monitoring, and legal activities.
- **Transaction:** trade requires transactions, which are transfers of goods or services.
- **Governance structure:** governance structures are a set of rules, laws, customs and norms that guide the organisation.
- **Bounded rationality:** humans are seen as rational individuals.
- **Opportunism:** to be opportunistic is an act that combines self-interest seeking with guile. It involves a subtle form of deceit, which takes self-interest to its limit.
- **Asset specificity:** there are many types of asset specificity, such as physical asset specificity, human assets, site specificity, brand name, and skills. These transaction specifics are crucial to stimulate sales or reduce production costs.

Related to the TCT, this research sought to study outsourcing and insourcing as strategies and which of the two is economic, effective and efficient in terms of transacting. Following is the discussion of motivational theory.

### 2.18.2 Maslow's Theory of Motivation

According to Kaur (2013, p.1061), motivational factors have a vital function in increasing employee job satisfaction, which in turn impacts on organisational performance. Organisations benefit from long term high productivity if employees are motivated. Kaur

(2013, p.1061) also places emphasis on skills, stating that for motivation to work the most suitable individual with the right set of skills for the job must be employed, otherwise there will be wastage of resources and time, leading to job dissatisfaction. Taormina and Gao (2013, p.155) state that there are five needs in Maslow's motivational hierarchy. These are physiological, security, belongingness, self-esteem, and self-actualisation needs.

Based on Maslow's theory people have a need to satisfy all five of the needs. When these needs are applied to work conditions, it implies that organisations have the responsibility to ensure that people's hierarchy needs are met. In other words, it is the responsibility of an organisation to provide a safe environment and proper wages for its employees (Burton 2012, p.8). To satisfy these needs a proper climate in which employees can develop to their fullest potential needs to be created. Consequently, failure to do so will theoretically increase employee frustration and can result in poorer performance, lower job satisfaction, and increased withdrawal from the organisation. Furthermore, job insecurity and intimidation with the threat of dismissal hinders the person from their higher growth needs (Ball 2012, p.9). The table below shows a few potential ways of satisfying employee needs.

**Table 2-1: How to satisfy employee's needs**

<b>Need</b>	<b>Examples</b>
<b>Physiological</b>	Cafeterias <ul style="list-style-type: none"><li>• Vending machines</li><li>• Drinking fountains</li></ul>
<b>Security</b>	Economic <ul style="list-style-type: none"><li>• Wages and salaries</li><li>• Fringe benefits</li><li>• Retirement benefits</li><li>• Medical benefits</li></ul> Psychological <ul style="list-style-type: none"><li>• Provide job descriptions</li><li>• Avoid abrupt changes</li><li>• Solve employee's problems</li></ul> Physical <ul style="list-style-type: none"><li>• Working conditions</li><li>• Heating and ventilation</li><li>• Rest periods</li></ul>
<b>Belonging</b>	Encourage social interaction <ul style="list-style-type: none"><li>• Create team spirit</li><li>• Facilitate outside social activities</li><li>• Use periodic praise</li><li>• Allow participation</li></ul>
<b>Self-esteem</b>	Design challenging jobs <ul style="list-style-type: none"><li>• Use praise and awards</li><li>• Delegate responsibilities</li><li>• Give training</li><li>• Encourage participation</li></ul>
<b>Self-actualization</b>	Give training <ul style="list-style-type: none"><li>• Provide challenges</li><li>• Encourage creativity</li></ul>

**Source: Ball (2012, p.9)**

Based on this motivational hierarchy, the research investigated whether these five needs are afforded to the employees by their organisations and most importantly, whether these needs are met by catering employees in order for them to provide efficient catering services in Addington and R K Khan.

## **2.19 Chapter Summary**

This chapter provided a review of the literature relevant to this study. The chapter began with an outline of regulations and policies guiding the PPPs and employee relations. Subsequently, a discussion focused on the role of catering services within the public health hospitals. Furthermore, the chapter discussed outsourcing and insourcing as a strategy for service

delivery in public hospitals. It further scrutinised the advantages and disadvantages of outsourcing and insourcing. This chapter also examined the impact of outsourcing and insourcing on employees employed within the catering services in the public health sector. Lastly, the chapter presented the TCT and the Maslow's motivational theory adopted and that underpinned this research study. The next chapter presents the research design and methods for this study.

## CHAPTER 3

### RESEARCH DESIGN AND METHODS

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#### 3.1 Chapter Introduction

The chapter further presents the philosophical worldview, research design, and research strategy adopted in the study. Also, this chapter discusses the location of the study, data collection methods, and ethical considerations. This chapter concludes with an outline of the study limitations.

#### 3.2 Research Design

Welman *et al.* (2005, p.52) states that research design encompasses the application of various methods and techniques in order to create systematically obtained knowledge by using objective methods and procedures. Sekaran and Bougie (2013, p.95) state that, research design is a blueprint of the entire research. Moreover, Yin (2009, p.15) describes research design as a plan of action that leads the researcher to their destination which is to provide answers to the identified research questions. There are at least three main research designs. These include quantitative, qualitative, and mixed method approaches (Welman *et al.* 2005, p.52).

Creswell (2014, p.32) describes the distinction between qualitative research as using words or open-ended questions and quantitative as rather the use of numbers or close-ended questions. Furthermore, the author describes mixed method as an approach that resides in the middle as it incorporates elements of both qualitative and quantitative (2014, p.41). Each of the identified research designs are briefly discussed next.

##### 3.2.1 Quantitative

According to Creswell (2014, p.41), quantitative research is an approach used for testing objective theories by scrutinising the relationship among variables. The author further states that these variables can be measured typically on instruments, so that numbered data can be analysed using statistical procedures (2014, p.41). The final written report has a set structure

consisting of introduction, literature and theory, methods, results, and discussion. Like qualitative researchers, those who engage in this form of inquiry have assumptions about testing theories deductively, building in protections against bias, controlling for alternative explanations, and being able to generalise and replicate the findings (Crewel 2014, p.41).

### **3.2.2 Mixed Methods**

Mixed methods research is an approach that involves collecting both quantitative and qualitative data. This method integrates the two forms of data using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative approaches provides a more complete understanding of a research problem than either approach alone (Creswell 2014, p.42-43). Mixed method was not chosen for this particular study as a case study was employed and interviews were more suitable to collect data.

### **3.2.3 Qualitative**

Qualitative research is an exploratory approach that seeks to give meaning and understanding to individuals or groups assigned to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting and analysed inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. The final written report has a flexible structure. Those who engage in this form of inquiry support a way of looking at research that honours an inductive style focusing on individual meaning, and the importance of rendering the complexity of a situation (Creswell 2014, p.42). The emphasis behind qualitative research is to learn about the research problem from participants, and to address the research so that factual information is attained (2014, p.42). This study employed the qualitative research design as it sought to explore and understand the phenomena of the case study. The strength of qualitative research is its effectiveness in identifying intangible factors. Qualitative research design allowed for the analysis of the research problem and giving guidance in answering the overarching research question. In this instance, qualitative research was suitable in presenting participants responses on issues pertaining to catering services in both regional hospitals of the eThekweni District in KZN.

### **3.3 Research Strategy**

According to Brink and Wood (1998, p.100), research strategy is a plan that outlines a strategy for answering a research question. The authors add that a case study is an all-embracing plan that specifies the strategy that the researcher will utilise to develop impartial and interpretable information (Brink *et al.* 1998, p.100).

For this research a case study was employed to answer the research questions and to achieve the research objectives using the interpretive approach method as discussed next.

#### **3.3.1 Case Study**

A case study excels at understanding a complex issue and adds depth to what is already known about a phenomenon from previous research (Yin 2009, p.2). Schell (1992, p.2) describes a case study as a research design that allows a researcher to preserve the all-inclusive and meaningful real-life events while investigating a realistic event. One of the strengths of a case study design is that it is a powerful determinant of the causes and effects of the phenomenon being studied, and these causes and effects are able to be determined in a real-life context, adds Cohen (2007, p.253). Baxter and Jack (2008, p.545) assert that a case study should be considered when the focus of the study is on answering the “how and why” questions. Furthermore, the author explains that this is particularly useful as the investigator cannot influence the behaviour of the individuals involved in the study (2008, p.545).

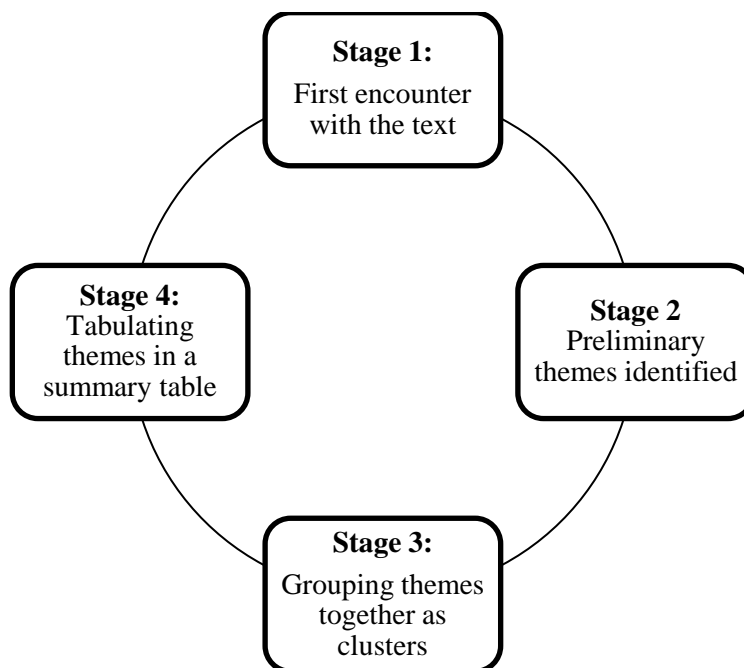
Therefore, the research questions for this study were suitable in employing case study as a strategy for answering the phenomena. One of the drawbacks of the case study, pointed out by Baxter and Jack (2008:546), is the tendency of researchers attempting to use a case study as a solution to a topic that has too many objectives for one study. For the purpose of this study, a case study of two regional hospitals Addington and R.K. Khan located in the eThekweni Health District was adopted to provide context. The researcher utilised a case study approach in order to determine whether there is indeed a relationship between outsourcing or insourcing and efficiency in the regional public hospitals situated in KZN eThekweni Health District in KZN.



### 3.3.2 Interpretive Approach Method

According to Morrison, Gregory, Thibodeau, and Copeland (2012, p.5), the interpretive approach method involves deduction from the data obtained, with the use of theoretical concepts. These authors further state that the analysis of information obtained using qualitative methods must be carried out systematically, sequentially, and continuously, as well as the process must be verifiable (2012, p.5). According to Smith and Osborn (2007, p.53), the aim of interpretive approach in qualitative research is to explore in detail how the investigator attempts to make sense of the respondents trying to make sense of their world. Furthermore, the interpretive approach is useful when conducting a study on small sample sizes. For this study, the case study was adopted and only 20 participants were selected to participate in the study. Smith and Osborn (2007:54) further state that interpretive approach is best suited when data is collected through the semi-structured interview.

This study collected its data using the semi structured interviews. Figure 3.1 represents the cyclical process of interpretive approach



**Figure 3-1 Cyclical Process of Interpretive Approach**

Source: Adapted from Biggerstaff and Thompson (2008, p.11)

### 3.4 Study Site and Participant Selection

The eThekweni District is a Metropolitan Health District comprising of 103 wards. It comprises an area of 2,297 square kilometres and stretches from Tongaat in the north, to Umkomaas in the south, and to Cato Ridge in the west as depicted in the map below.

**Map 3-1: EThekweni Municipal Area**



**Source: EThekweni Municipal Map, 2014**

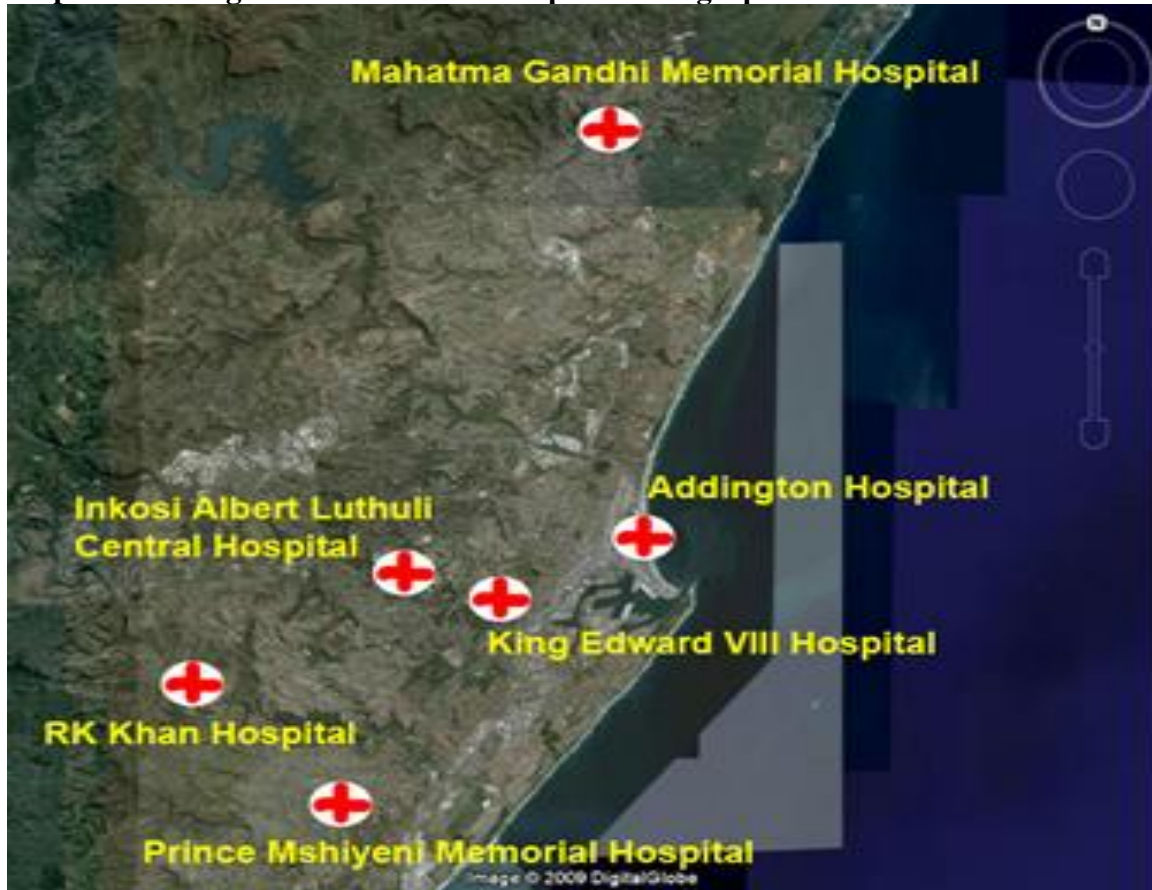
The district is highly urbanised, with pockets of rural communities on the outskirts of the north, south, and west. The location of these rural communities impacts on their access to services and equity.

The eThekweni Health District is densely populated with a population of 3,464,205. For an in-depth evaluation of equity and access to care, the eThekweni Health District has been

divided into eight sub-districts, namely: North Central, Greater Inanda/Tongaat, Lower South, Umlazi/Engonyameni, South Central, South West, Inner West, and the Outer West Sub-Districts. The eThekweni Health District contains five regional hospitals. Of the regional hospitals, one utilises insourced catering services (R.K. Khan Hospital) and the other four have outsourced their catering services, Addington hospital being one of them. This study has selected R. K. Khan and Addington hospitals as the study sites because of their similarities in character. R. K. Khan is located in the South West sub-district, in the suburb of Chatsworth, and is a 543-bedded hospital. Addington is located in the South Central sub-district, in the suburb of South Beach, and it is a 571-bedded hospital.

Both sites provide services to diverse populations and provide the same number of therapeutic diets. Both of these sites have the same epidemiological profile. A survey conducted from 2010 to 2013 at these sites (and in this district) indicated that the three main causes of loss of life were preventable diseases such as HIV (8.6%), TB (21%) and diarrhoea (8.7%). The survey also linked these diseases directly to social determinants, and the highest number of deaths occurred in the South West sub-district (KZNDoH 2015). As a result, these sites are justifiable.

**Map 3-2: Addington and RK Khan Hospitals' Geographical Location**



**Source: Google Maps, 2018**

The next section discusses target population and sampling methods.

### **3.5 Target Population and Sampling**

The target population in a study comprises of members of a specific group that the researcher is interested in, as these members meet the chosen criteria for the study (Walliman 2011, p.99). Besides providing information, the results derived from the sample may be generalised because differing populations have significant traits in common. The target population for this study were the managers responsible for the catering services; senior managers involved in finance; providers of catering services; and employees working for insourced and outsourced catering service providers.

### **3.5.1 Sampling Methods**

According to Degu and Yigzaw (2006, p.41), sampling involves the selection of a number of study units from a defined study population. Furthermore, the authors assert that the availability of a sampling frame is important in influencing the choice of the most appropriate sampling method in research (2006, p.41). Alvi (2016, p.12) states that there are generally two major categories of sampling methods, namely, probability sampling and non-probability sampling methods. In probability sampling random selection procedures are involved where all elements of the study population have an equal chance of being included in the sample and this probability can be accurately determined (Alvi 2016, p.12). In contrast, in non-probability sampling, subject methods are used to decide which elements are to be included in the sample in a non-random manner (Battaglia 2011, p.523).

For this study, non-probability sampling is the sampling method of choice. According to Alvi (2016, p.12), the most common reason for using nonprobability sampling is that it is less expensive than probability sampling and can often be implemented more quickly. Battaglia (2011, p.523) states that non-probability sampling provides important pointers to potentially advantageous information regarding the population; while Cohen (2007, p.106) points out that non-probability sampling expressly avoids representing the wider population. According to Degu and Yigzaw (2006, p.41) non-probability sampling is often divided into three primary categories namely, quota sampling, purposive sampling, and convenience sampling. A discussion on each category will follow.

#### **3.5.1.1 Quota Sampling**

According to Degu and Yigzaw (2006, p.42), quota sampling method insures that a certain number of sample units from different categories with specific characteristics appear in the sample, so that all these characteristics are represented. The target size of the subgroups is based on known information about the target population such as census data selected in a non-random approach until the desired number is achieved (Degu and Yigzaw 2006, p.42). The authors' note that quota sampling often results in poor response rate from respondents (2006, p.42). Quota Sampling was not an appropriate method thus it was not used for this particular study.

### **3.5.1.2 Convenience Sampling**

Degu and Yigzaw (2006, p.41) describes convenience sampling as a method which typically involves the sample that is readily available and convenient. The readily and convenient sample relates to the cost of locating elements of the population, the geographic distribution of the sample, and obtaining the interview data from the selected elements (Degu and Yigzaw 2006, p.41). According to Alvi (2016, p.30), in convenience sampling expert judgment is not of concern when selecting representative sample. This sampling method was not appropriate for this particular study.

### **3.5.1.3 Purposive Sampling**

Alvi (2016, p.30) describes purposive sampling as a method used to gain access to a sample with in-depth knowledge about the particular issues under study, by virtue of their professional role and expertise. This type of method is particularly useful when there is limited number of participants selected purposefully so that their in-depth information will give optimal insight about the subject in study (Degu and Yigzaw 2006, p.41). As this study is an exploratory study, purposive sampling was used. The participants selected from Addington and RK Khan was selected because of their expert knowledge in catering services in public hospitals. Discussed in the next section is the sample size of this study.

## **3.5.2 Sample and Sample Size**

Cohen (2007, p.101) describes a sample as a subcategory of the population that allows the researcher to draw conclusions that are generalisable to the population of interest. According to Cohen (2007, p.101), an accurate sample size depends on the purpose of the study and on the nature of the population being scrutinised. In this study the researcher selected participants from the chosen regional hospitals including Addington and R. K. Khan in a non-random manner. The participants comprised of the following participants as displayed in Table 3-1.

**Table 3-1: Sampling Population of the study**

Stakeholder /Post Title	Organisation	Target Population	Sample size
<b>Systems Manager</b>	KZNDoH	2	2
<b>Finance Manager</b>	KZNDoH	2	2
<b>Food Service Manager</b>	KZNDoH	2	2
<b>Food service employee</b>	KZNDoH - R.K. Khan Catering Service Provider and KZNDoH - Addington	R K Khan – 22 Addington – 80	4 4
<b>Project Manager</b>	Catering Service Provider	1	1
<b>Provincial Food Service Manager</b>	KZNDoH	1	1
<b>Provincial Supply Chain Manager</b>	KZNDoH	1	1
<b>Procurement Agent</b>	Catering Service Provider	1	1
<b>Chief Executive officer</b>	KZNDoH	2	2
<b>Total</b>		<b>114</b>	<b>20</b>

The sample of this study comprised of 20 participants of government officials and catering service provider employees, of which ten were from management and ten from catering personnel as per Table 3-1.

### 3.6 Data Collection Method

Abawi (2013, p.1) states that accurate precise and logical data collection is critical when conducting research. For the purpose of this study the data-collection instrument followed was the deductive reasoning approach. This approach began with general statements or premises, and a specific conclusion reached through logical argument; all guided by the theory which precedes it. Harrell and Bradley (2009, p.6-7) state that many forms of data collection exist. One example of a data collection method is a survey, where a fixed set of questions is administered by paper and pen or pencil. A survey questionnaire can be administered and answered electronically as web form, or be administered by an interviewer who follows a strict script. This form of data collection is most often used in quantitative research projects. As this was a qualitative study and exploratory in nature, the use of questionnaires was not the appropriate data collection method for this study. Participants

were chosen for their expertise and direct involvement with the catering service in hospitals. Furthermore, the study required people who were knowledgeable about and well equipped with the strategies outsourcing and insourcing especially in hospital catering.

Interviews are discussions, usually held on a one-on-one basis between an interviewer and a study participant. Interviews are meant to gather information on the research topic, and they can be conducted telephonically or in person. Yin (2009, p.106) states that interviews are most often used to collect data in a case study. This study utilised semi structured interviews which were audio recorded to collect the data required as discussed below.

### **3.6.1 Interview**

Interviews are a major provider of data when researching using a case study approach. They are conducted to allow the researcher to explore and collect data on experiences and opinions (Degu and Yigzaw 2006, p.58). According to Walliman (2011, p.99-100), interviews take the form of standardised questions read out by the interviewer to the interviewee. Degu and Yigzaw (2006, p.57) add that the interview process is valuable as it provides the researcher with an opportunity to explain questions if necessary, and to probe for more information when probing becomes necessary. Different types of interviews are explained further below.

### **3.6.2 Focus Groups**

Focus groups interviews are interviews where several study participants meet with the researcher to share their knowledge or experience about a specific subject (Harrell and Bradley 2009, p.6-7). The authors further emphasise that focus groups represent a single entity within a sample of groups, rather than an interview with distinct individuals (2009, p.6). These should not be used as a short cut for collecting data from multiple individuals at the same time. A major benefit of conducting focus group discussions, especially with over-sampled populations, is that the individuals in those populations may have grown weary of surveys and they will appreciate the chance to voice their experiences and opinions in person, rather than in another pen-and-paper survey (Harrell and Bradley 2009, p.10-11). Conversely, if the subject under discussion is confidential, the use of a focus group discussion to illicit information will most probably be inappropriate. These interviews take the form of



unstructured and predominantly open-ended questions. The questions are few in number and are intended to elicit opinions and views from the participants (Creswell 2014:190). For the purpose of this study focus group interviews were not utilised as they were inappropriate to the phenomenon.

### **3.6.3 Semi Structured Interviews**

Semi-structured interviews are more controlled and often are the only source of data for a qualitative study (Harrell and Bradley 2009, p.6-7). These interviews are usually arranged in advance, at an agreed time and location. Furthermore, semi-structured interviews are generally arranged around a collection of pre-set open-ended questions, with other questions arising from the conversations between the interviewer and the interviewees (Harrell and Bradley 2009, p.6-7). The authors further state that semi-structured interviews are purportedly the most widely used interviewing format in qualitative research, and they can be conducted individually or with a group of study participants (2009, p.7). According to Morrison *et al.* (2012, p.6), semi-structured interviews are better used to ensure the consistency of the interview questions. When conducting semi-structured interviews, the interviewer has the added advantage that they are able to probe further on certain issues to elicit the required information if it is not revealed in the respondent's initial response to a question (Degu and Yigzaw 2006, p.58). Morrison *et al.* (2012, p.6) agree that probes are important as they elicit additional information and clarify responses; while Degu and Yigzaw (2006, p.58) note that this type of interview is beneficial as it results in a better understanding of the data collected. For the purpose of this study, semi-structured interviews were employed and all participants were interviewed individually. This allowed the interviewer to delve deeply into the data required to answer the research questions. For this particular study, data collected from semi structured interviews were audio recorded and participants were notified and given the opportunity to decline if not willing to be recorded.

Table 3-2 shows the semi-structured interview location, strategy, respondent code and stakeholder segment. For the purpose of maintain anonymity study respondents are identified by the codes allocated and these codes are also used in Chapter 4 for data presentation and analysis.

**Table 3-2: Semi-structured interview respondent code and location**

Case study location	Strategy used	Respondent code	Stakeholder segment
Addington	Outsourcing	FSMAD02	Management
		FSSAD06	Management
		ADFSA08	Catering personnel
		ADFSA11	Catering personnel
		ASFSA12	Catering personnel
		ASMD13	Management
R. K. Khan	Insourcing	SCRK01	Management
		KFRSM03	Management
		DRK04	Management
		KRFSS07	Catering personnel
		KRFSA09	Catering personnel
		FRKSA10	Catering personnel
		RSMK14	Management

The study required respondents who were knowledgeable about and well equipped with strategies outsourcing and insourcing especially in hospital catering services. Therefore, it was appropriate for the researcher to select catering personnel and those from management directly involved with catering. The following Table 3-3 displays the research summary which was used for this study.

**Table 3-3: Research Summary**

Research Design	Research Strategy	Data Collection Method
<b>Qualitative approach:</b> is a research design that typically involves data collection in the participant's setting and analysed inductively building from particulars to general themes allowing the researcher to make meaningful interpretations of data (Creswell, 2014, p.42).	<b>Case study:</b> One of the strengths of a case study as a research strategy is its powerful determinant of the causes and effects of the phenomenon being studied, and these causes and effects are able to be determined in a real-life context (Cohen, 2007, p.253).	<b>Semi-structured interviews:</b> allows the interviewer to probe further on certain issues to elicit the required information if it is not revealed in the respondent's initial response to a question (Harrell and Bradley 2009, p.6-7).

**Source/s: Adapted from Creswell (2014, p.34-42), Cohen (2007, p.253) and Harrell and Bradley (2009, p.6-7)**

Discussed next is methods used to analyse data.

### 3.7 Data Analysis

According to Creswell (2014, p.190), data analysis in qualitative research is constructed on patterns, categories, and themes from the bottom up by organising the data into increasingly more abstract units of information. Furthermore, the author states that the intent on data

analysis is to make sense out of text and image data (2014, p.190). This assists the researcher in achieving meaningful data understanding. Vosloo (2014:356) is congruent with the view by Creswell (2014, p.190) when describing data analysis as the process of bringing order, structure and meaning to the mass of collected data. Furthermore, Creswell (2014, p.190) states that text and image data are so dense and rich making data analysis in qualitative research complex. Thus, for this study, data collected through semi structured interviews was analysed using thematic analysis matrix analysis and content analysis techniques as discussed next.

### **3.7.1 Thematic Analysis**

According to Braun and Clarke (2006, p.6), thematic analysis is a technique for identifying, analysing, and reporting patterns within data and reporting them as findings. One of the benefits of thematic analysis is its flexibility which can potentially provide a rich and detailed, yet complex depiction of data (Braun and Clarke 2013, p.120). Thematic analysis was suitable for this study because themes were used to collect data. Thematic method is a method that identifies, analyses, and report themes within data (Braun and Clarke 2013, p.120). Thus, unravelling the surface of reality in viewing participants views on outsourcing or insourcing. Themes of the study must express what the data reveal and must align with the topic. Braun and Clarke (2013, p.120-123) state that there are six phases of thematic analysis; though these phases should not be viewed as a linear model, where one cannot proceed to the next phase without completing the prior phase, analysis is a recursive process. The box below reflects the sequential process of analysing data using themes.

### **Box 3-1: Six phases of thematic analysis**

**Familiarisation with the data:** the researcher must immerse themselves in, and become intimately familiar with, their data; reading and re-reading the data (and listening to audio-recorded data at least once, if relevant) and noting any initial analytic observations.

1. **Coding:** this involves generating pithy labels for important features of the data of relevance to the research question guiding the analysis. The researcher codes every data item and ends this phase by collating all their codes and relevant data extracts.
2. **Searching for themes:** A theme is a coherent and meaningful pattern in the data relevant to the research question.
3. **Reviewing themes:** Involves checking that the themes ‘work’ in relation to both the coded extracts and the full data-set.
4. **Defining and naming themes:** Requires the researcher to conduct and write a detailed analysis of each theme, identifying the ‘essence’ of each theme and constructing a concise, punchy and informative name for each theme.
5. **Writing up:** Writing-up involves weaving together the analytic narrative and data extracts to tell the reader a coherent and persuasive story about the data, and contextualising it in relation to existing literature.

**Source: Braun and Clarke (2013, p.120-123)**

The researcher married matrix analysis to thematic analysis in the form of coding of data from transcripts using symbols and codes. According to Saldana (2015, p.342), coding is heuristic and it is an exploratory problem solving technique in absentia of formulae. Coding of data from transcripts by using codes enables that researcher to reduce and manage data (Saldana 2015, p.342). For this study, data was organised through the identification of themes which were further reduced to sub-themes. This was done through the design of matrices which proved to be useful in processing data. This assisted the researcher in organising and interpreting data.

### **3.7.2 Content Analysis**

According to Erdogan, Marcinkowski and Ok (2009, p.529), content analysis method is appropriate for studying the characteristics of visual communication. Lietz and Zayas (2010, p.191) state that when the researcher is working in an interpretive paradigm, content analysis acts as a valuable alternative to ensure credibility of data as opposed to traditional methods of testing reliability in quantitative analysis. Moreover, the authors assert that in content analysis, the paramount goal is to identify important themes and categories within the content to provide rich description of the social reality as lived out in the phenomena (2010, p.191).

According to Elo and Kyngas (2008, p.107-115), content analysis through coding, classification of data and interpretation, supports new theories and validate existing theories in the provision of dense descriptions of the phenomena. For this study, permutations of thematic and content analysis were used. Interviews were audio recorded, transcribed and data analysed through the use of coding and matrixes.

Data analysed was exposed to data quality control as deliberated next.

### 3.8 Data Quality Control

According to Tavakol and Dennick (2011, p.53), data quality control is an important concept in research as it enhances the accuracy of the assessment and evaluation of research. Golafshani (2003, p.601) states that to ensure reliability and validity in qualitative research, scrutiny of trustworthiness is critical. Furthermore, establishing consistent, credible and dependable data is crucial in qualitative research (Golafshani 2003, p.601). Validity is one of the strengths of qualitative research and is based on determining whether the findings are accurate from the standpoint of the researcher, the participant, or the readers (Creswell 2014, p.42). In this study, the researcher ensured consistency and trustworthiness by carefully posing clear and precise questions to the respondents during the interviews thereby guarding against biasness. Also the use of audio visual ensured the credibility of the information gathered. Hussein, Jakubec, and Osuji (2015, p.1183) state objectivity and truthfulness are critical to research. Alongside, Creswell (2014, p.42) argues that in qualitative research study, the researcher seeks believability, based on coherence, insight, as well as instrumental utility and trustworthiness through a process of verification rather than through traditional validity and reliability measures. Table 3-3 depicts the concepts of ensuring trustworthiness in qualitative research and is discussed further below.

**Table 3-4: Concepts to Ensure Trustworthiness**

<b>Concepts To Ensure Trustworthiness Measures</b>			
<b>Credibility</b> <ul style="list-style-type: none"> <li>• The use of audio visuals</li> <li>• Expert participants in catering</li> </ul>	<b>Dependability</b> <ul style="list-style-type: none"> <li>• The use of journals</li> <li>• The use of DoH documents</li> <li>• Guarding from self-influence</li> </ul>	<b>Confirmability</b> <ul style="list-style-type: none"> <li>• The use of case study</li> <li>• Linking collected data to literature</li> </ul>	<b>Transferability</b> <ul style="list-style-type: none"> <li>• Provision of background data</li> <li>• Solid description of phenomenon and reporting</li> </ul>

Source: Lietz and Zayas (2010, p.191-198)

### **3.8.1 Credibility**

According to Hussein *et al.* (2015, p.1183), credibility in qualitative research relates to how vague and authentic the portrayal of the phenomenon is and the possibility that the study findings will resonate to other people in similar circumstances. Moreover, Hussein *et al.* (2015, p.1183) suggest that a study is credible when it presents such vague and faithful description that people who had that experience would immediately recognise it as their own. Lietz and Zayas (2010, p.191) explain that to achieve credibility, researchers must pursue to manage extortions of data such as that of biasness. The authors further purport the use of audio visuals to strengthen credibleness of data collected. As mentioned earlier, for this study the researcher used audio visual to ensure credibility of the study and interviewing individuals that are experts in the catering services in hospitals.

### **3.8.2 Dependability**

Lietz and Zayas (2010, p.192) elucidate that dependability of data depends on the degree in which events leading to and in process of research are documented. The researcher made use of journals and DoH documents to authenticate the data collected.

### **3.8.3 Confirmability**

Lietz and Zayas (2010, p.192) state that confirmability denotes the ability of others substantiating the findings of analysed data. The authors further encourages that results from research findings as far as possible should be the result of the experiences of participants as opposed to inclinations of the researcher.

### **3.8.4 Transferability**

Transferability refers to the appropriateness of research findings in circumstances outside of the study and found meaningful (Lietz and Zayas 2010, p.195). The interrogation and linkage of literature to emerging themes from raw data provides for meaningful outcome of the study. This study made use of these four data control processes to ensure validity and reliability of

findings as illustrated in Table 3-3. The following presents the discussion on ethical considerations.

### **3.9 Ethical Consideration**

Research ethics deals primarily with the interaction between researchers and the people they study. According to Degu and Yigzaw (2006, p.80), ethics are based on three basic principles duty, rights, and goal based. Degu and Yigzaw (2006, p.80) further state that duties of the researcher are based on the individual moralities and the goal based approach assumes that the researcher should strike a balance between being principled and unprincipled. Moreover, the rights based principle places an emphasis on the rights of the participant which must always be upheld (Degu and Yigzaw 2006, p.80).

Ethics concerns that are anticipated are reflected through the research process. These issues apply to qualitative research and to all stages of research. Gatekeeper's letter was obtained from KZNDoH Ethics Committee. To comply with the university research ethics' policy, ethical clearance (EC) was obtained from the UKZN Research Ethics Committee.

Lastly, informed consent was obtained from the participants and all relevant issues pertaining to the research were explained to the participants before commencing with one-on-one interview. Moreover, all relevant letters and documents are attached as appendices. Furthermore, this study adhered to ethical virtues of validity and reliability including, confidentiality, anonymity and signing of informed consent with the aim to maintain ethics as outlined below.

#### **3.9.1 Confidentiality**

The researcher should ensure that human dignity is upheld by treating information given by the respondent as strictly confidential guarding the participant's privacy. The researcher ensured confidentiality by conducting interviews in an agreed venue where only the researcher and participants were present. Also, the researcher explained the purpose of the research and how the data collected was to be used and kept, conforming to the considerations of research ethics. Also, confidentiality was achieved by not mentioning

names of the interviewees. Codes were developed by the researcher to protect identities of participants. The semi-structured interviews were held in an agreed office where no third person could hear the conversation.

### **3.9.2 Informed Consent**

Degu and Yigzaw (2006, p.80) assert that informed consent is a legal requirement. The purpose of the study was explained to the respondents thus ensuring that there was no misrepresentation of the study. In this study, written informed consent was obtained from the respondents, ethical approval obtained from the UKZN ethics committee and a gate keeper's letter from KZNDoH Ethics Committee.

### **3.10 Limitations of the Study**

One limitation that is worth mentioning is that the selected study sites are located in an urban area thus challenges that face deep rural hospitals were not be fully realised. There are 72 hospitals within the province of KZN and 16 hospitals within the eThekweni District alone. This required the researcher to narrow the study, as it was logistically not be possible to include all of these hospitals in the study. The second limitation is that the study was based in two regional hospitals within the urban area of eThekweni. The reality is that other hospitals are located in deep rural areas in KZN, and involving those hospitals could have offered a different outcome to this study. Thirdly, participant's willingness to participate in the study was a challenge, especially at the knowledge that the interview was to be recorded.

### **3.11 Chapter Summary**

To conclude, this chapter dealt with the research design that underpins the study. Qualitative research design was adopted using a case study and interpretive approach. This comprises the research design, sampling methods, sample size, selection of participants, and data-collection methods. The reason for choosing these methods was discussed in detail, also the way it assisted in generating the data for the study. The next chapter presents, discusses, and analyses the acquired data.



## **CHAPTER 4**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

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#### **4.1 Introduction**

In this chapter, data collected using semi structured interviews is presented, analysed, and discussed. Participant's responses were transcribed, categorised into themes and analysed using thematic and content analysis techniques. As illustrated in Table 4.1, research objectives and research questions were aligned with themes and sub-themes that emerged from acquired data.

#### **4.2 Data Presentation, Analysis and Discussion**

Semi structured interviews were employed to collect data and participants were interviewed individually to allow for the interviewer to delve deeply and attain understanding of the outsourcing and insourcing of catering services in public health. Audio recording were used and participants were notified and given an opportunity not to participate in the study if not interested nor willing to continue participating in the inquiry. The data collected from these interviews is presented in this chapter and analysed using thematic and content analysis techniques. One of the benefits of thematic analysis is its flexibility to potentially provide a rich and detailed, yet complex depiction of data (Braun and Clarke 2006, p.4). According to Lietz and Zayas (2010, p.191), content analysis in qualitative analysis is a valuable alternative to ensure credibility of data as opposed to traditional methods of quantitative analysis.

For this research study, to reduce, and manage data, the researcher classified data through the use of codes and themes and further reduced to sub-themes. Data was reduced into matrices, managed, and displayed in a manner that reflected a connection between the research objectives and the research questions presented in chapter one.

Presented in Table 4-1 below is the interaction between the emerging themes and sub-themes of the study with the research objectives and research questions followed by an analysis and discussion which interrogated the literature presented in chapter two.

**Table 4-1: Interaction between the emerging themes and sub-themes of the study with research objectives and research questions**

<b>Research Objective one</b> Establish the reasons for outsourcing and insourcing catering services.	<b>Research objective two</b> Establish whether outsourcing or insourcing is cost effective.	<b>Research objective three</b> Determine the advantages and disadvantages of outsourcing or insourcing.	<b>Research objective four</b> Understand the role of catering services in the hospital environment.	<b>Research objective five</b> Ascertain the impact of outsourcing or insourcing on the livelihood of employees.
<b>Research question one</b> What are the reasons for outsourcing or insourcing catering services in public hospitals?	<b>Research question two</b> What cost saving are obtained by selecting outsourcing or insourcing?	<b>Research question three</b> What are the advantages and disadvantages of outsourcing or insourcing in rendering catering services?	<b>Research question four</b> What is the role of catering services in hospitals?	<b>Research question five</b> To understand the implication of outsourcing or insourcing and its impact on the livelihood of employees.
<b>Emerging Theme 1:</b>  Reasons to outsource or insource:  <b>Emerging Sub- themes</b>  1.1. Better utilisation of employees 1.2. Focus on core business 1.3. Improved performance 1.4. Risk management 1.5. Attainment of skilled personnel	<b>Emerging Theme 2:</b>  Influence on cost  <b>Emerging Sub-themes</b>  2.1. Budget control 2.2. Tedious supply chain process	<b>Emerging Theme 3:</b>  Challenges of outsourcing or insourcing  <b>Emerging Sub-themes</b>  3.1. Conflicting management style 3.2. Staff shortage 3.3. External influence	<b>Emerging Theme 4:</b>  Catering services as part of the hospital function  <b>Emerging Sub-themes</b>  4.1. Government responsibility 4.2. Healing outcome	<b>Emerging Theme 5:</b>  Impact on human resources  <b>Emerging Sub-themes</b>  5.1. Meaningful employment opportunity 5.2. Remuneration and benefits from employer 5.4. Career pathing and skills development

**Source: Data interpretation and analysis of the study, 2017**

Two theories including the TCT and Maslow's theory of motivation underpinning the study were identified and presented in chapter two. The interaction between these two theories and the collected data for the study is presented in Table 4-2.

**Table 4-2: Interaction between the Transaction Cost Theory (TCT) and Maslow’s Theory of Motivation and Data**

Theories	Theory Constructs	Qualitative Data
<b>Transaction Cost Theory</b>	Transaction cost	Insourcing has numerous problems with suppliers not delivering (SCRK01). In outsourcing we do not have to go through supply chain process to order and wait for supplies (FSMAD02). Transfer of responsibilities in terms of recruitment and remuneration (FSMAD02, KFRSM03).
	Governance structure	Involvement of organised labour provides for a fair labour practice (KFRSM03).
	Opportunism	I would love to also be offered skills training in order for me to improve my level of understanding (KRFSA09).
<b>Maslow’s Theory of Motivation</b>	Remuneration	This is not fair to work and earn peanuts (ADFS08). Their salaries are far better as compared to those working for contracts (FSMAD02).
	Training	Investing more on training workers will be an advantage on his part. This will make workers more motivated to work knowing there is an opportunity for them to grow and progress in their careers (KFRSM03).
	Teamwork	With employees employed in-house, they form part of the team. They understand the vision of the hospital and that of DoH and conform to the regulations and policies (SCRK01, KFRSM03).
	Job security	In insourcing you get secured employment with generous benefits (KRFSS07).

**Source: Data interpretation and analysis of the study, 2018**

On one hand, from a Transaction Cost Theory it can be deduced that direct transaction costs such as the provision of supplies and the remuneration of employees can be transferred to the contracting company, thus, improved control will be attained. Also, the indirect transaction costs such as cost of training, cost of management and cost of quality may be beneficial to hospitals with outsourcing of catering services as a strategy.

On the other hand, Maslow's Theory of Motivation further concludes that employees are motivated by the idea of self-progress, being remunerated as per their skills and job security. Furthermore, employees are motivated to improve on their performance when they are trained and knowing that they have secured employment.

The overall data presentation, analysis and discussion are presented in the next section.

#### **4.3 Reasons to Outsource or Insource**

In relation to objective one – *to establish the reasons for outsourcing and insourcing catering services* – Matrix 4-1, identifies participants' reasons for insourcing or outsourcing the catering services in the public health sector.

**Matrix 4-1: Reasons to outsource or insource**

Sub-themes	Participants' Response/s	Source/s
<b>Better utilisation of employees</b>	<ul style="list-style-type: none"> <li>• They understand the vision of the hospital</li> <li>• With in-house staff you cannot have all of them at the time</li> <li>• Less absenteeism</li> </ul>	KFRSM03 SCRK01  FSMAD02
<b>Focus on core business</b>	<ul style="list-style-type: none"> <li>• If we outsource our services it will be much more manageable</li> <li>• If we insource we have numerous problem with suppliers not delivering</li> <li>• If it is given to somebody else to be a caterer and manage all the other aspects will do our main core business</li> </ul>	SCRK01  FSMAD02  RSMK014
<b>Improved performance</b>	<ul style="list-style-type: none"> <li>• Always on their toes</li> <li>• Outsourcing people work hard</li> <li>• Some government employees abuse their rights</li> <li>• Their workers get the job done better than those employed by government</li> </ul>	FSSAD06 ADFSA08 FSMAD02 FRKSA10
<b>Risk management</b>	<ul style="list-style-type: none"> <li>• Transfer responsibility to someone else</li> <li>• Transfer of responsibilities in terms of recruitment and remuneration</li> <li>• We do not have to go through supply chain process to order and wait for supplies</li> </ul>	ASMD13 KFRSM03  FSMAD02
<b>Attainment of skilled personnel</b>	<ul style="list-style-type: none"> <li>• Department has a right to request company to employ qualified staff</li> <li>• Catering department is fully staffed in the outsourced hospital with all qualified personnel</li> <li>• Service provider train staff on an on-going basis, equipping them with skills specific to catering</li> </ul>	FSSAD06  KRFSS07  ADFSA12

**Source: Field Enquiry, 2017**

Among other reasons of outsourcing, it was revealed that catering services is a non-core service in hospitals and thus outsourcing this service assists the hospitals to concentrate its activities to clinical services. This is confirmed by Johnston *et al.* (2009, p.38) who viewed outsourcing as an opportunity for organisations to reduce costs and focus on its core functions.

Further linked to objective, the next section presents additional reasons for outsourcing and insource of catering services in public health.

### 4.3.1 Better Utilisation of Employees

Better utilisation of employees seemed to be another popular reason from the participants when identifying the reasons to outsource or insource the catering services in public hospitals. On the one hand, the study found that in the insourced unit, the benefit of belonging to a community within the hospital played an important part when it came to utilisation of employees. In this regard, the study uncovered the crucial role of team work in a work place. The view was that employees employed in-house understood the vision of the organisations. Thus, their performance will assist the organisation to achieve its vision. This is affirmed by McKenna and Walker (2008, p.228) who states that in such an environment of constant change, it is most adept to keep resources and tasks in-sourced to improve the ability to control versus complete outsourcing.

On the other hand, with outsourced unit it emerged that there was high level of job satisfaction over contract workers as it was alleged that they were better utilised. It was discovered that fear over job loss and minimal involvement of organised labor propelled such noted improvement in performance. These observations were articulated by respondents who said:

*With employees employed in-house, they form part of the team. They understand the vision of the hospital and that of DoH and conform to the regulations and policies. (KFRSM03 and SCRK01).*

Contrary to the above statement, the following participant echoed the view that:

*With contract workers there are minimal strikes to no strikes actions because they cannot afford to go on strike. They usually do not have organized labor representatives. This will lead to high number of staff available at work on daily basis (FSMAD02).*

Overall, it can be concluded that insourced employees are better utilised as they understand the culture and the norms of public health though outsourced employees showed improvement in performance.

### 4.3.2 Improved Performance

Flowing from the preceding subsection it was explicitly expressed that units and sections with contract workers had noted improved performance. Though the conditions of working environment were not conducive for employees, improvement in their section of work was displayed. This is confirmed by Mervis (2014, p.249-252) who states that improved service delivery is achieved in contracted units even though employment conditions are not conducive. Generally, the study found that contract workers work harder than the government employees and the possible reason being that contract workers are always on constant fear of losing their jobs, thus working harder to retain their work. Another reason is that service providers are experts in the catering business thus possess relevant resources to accomplish catering services. The study also revealed that most participants did not wish to be employed by the contractor even though there were some acknowledged benefits of improved performance. This perception was echoed by both employees and management who expressed that:

*In sourcing catering services in hospitals lacks trained and skilled employees therefore when this service is outsourced government will get trained and skilled employees and at a cheaper rate in the catering units (RSMK14 and FSSAD06).*

Another respondent added that:

*In outsourcing workers are always on their toes, they work hard in that way they provide better service because they know they will be fired if they lack performance. Also if they do not work hard their company might lose the contract due to incompetence resulting in employees losing their jobs (FSSAD06).*

To conclude, this finding indicates that outsourcing catering services in the public health provides hospitals with skilled employees who are experts in catering thus achieving improved performance in service delivery of catering services.



### 4.3.3 Focus on Core Business

The study participants were mostly in agreement with each other regarding the nature of the public health business. The perception was that clinical services were the core function of the hospitals, while catering services was considered as a non-core function. According to Johnston *et al.* (2009, p.38) employing outsourcing is made possibly in organisations due to the lack of necessary resources such as financial and technological resources in public institutions such as health. Moreover, outsourcing catering service allows hospital management to concentrate on clinical services as their core business. For an example, one of the participants indicated that:

*Like I said our core business is clinical and for the hospital to provide services that are non-core function like catering should be outsourced (SCRK01)*

Furthermore, response from managers seemed to be in agreement with the above assertion. Some managers remarked that:

*If you outsource, all these staff issues will be transferred to outsourced company. The caterer can juggle their staff in the way that will best suit our need like providing a 24hrs catering service (FSMAD02 and KFRSM03).*

The perceptions presented above suggest that catering service is classified as non-core service in hospitals. However, one respondent added another dimension contrary to earlier perceptions on non-core service:

*In my view catering is important in any health establishment because in conjunction with medication food will give a holistic treatment to the patient. Medication will not work to its full function if not consumed with a healthy meal it will actually lead to a patient having other health complications (KFRSM 03).*

From the findings presented above, it is affirmed that outsourcing non-core permits hospitals an opportunity to focus on clinical services as core business of the public health sector. Roberts *et al.* (2013, p.7) state that outsourcing of non-core services in health care allows the

hospitals to achieve substantive strategic gains such as improved clinical patient care, improved access to resources, and the ability to better focus on any other core functions.

#### **4.3.4 Risk Management**

Most participants reported that outsourcing of non-core services such as catering provides for better management of risks. Risks such as financial, human resources and environmental are transferred to the service provider thus the hospitals deals with risks pertaining to core functions. The study found that budgeting for catering services in public health is made easier when this service is outsourced. Moreover, the study also revealed that suppliers were attached to the contractors, thus in outsourced units delivery of goods and unavailability of food products was not problematic. Respondents pointed out that in insourcing there is a lot of resistance from employees to perform their duties, thus the study found that if they are outsourced that aspect is eliminated and the problem is transferred to the company providing service.

According to Sumplkova *et al.* (2013, p.63-79), to better manage risks outsourcing to a partner who is equipped to providing mitigation is the best approach. This is affirmed by one respondent who mentioned that:

*We do not have to go through supply chain process to order and wait for suppliers. We do not have any supplies issues as felt by our sister hospitals who have adopted an insourcing strategy. In outsourcing we are secured that any shortage or any need that is experienced, the service provider will supply or provide the hospital whether be staff or food (FSMAD02).*

Sumplkova *et al.* (2013, p.63-79) highlight the potential risks encountered by organisations and how they impact on the decision whether to outsource or insource. For an example, food items and employees being the high risk in catering services are transferred to the private partner. On the contrary, one respondent had a different view to the above mentioned reasons in relation to risk management. The respondent explicitly expressed that:

*In the insourcing setting you get more control of happenings in the section in terms of meals provided to patients, procurement of food supplies, and recruitment and remuneration of employees. For me insourcing makes better sense as there are a lot of hidden costs with contracting out (RKFSM03).*

To conclude, it is revealed that employing the assistance of the private partner will assist the hospitals in managing risks borne by the catering services. It will prove beneficial to assess these risks and their effects on public health as an organisation.

#### **4.3.5 Attainment of Skilled Personnel**

Gaining skilled personnel was one of the reasons that an organisation will outsource. In the catering services such as that of hospitals, employing a service provider afforded the hospitals the opportunity for the catering services to be managed by skilled personnel. Moreover, the participants also pointed out that because the service provider is an expert in this particular service, the entire staff employed will meet the requirements needed by public health in catering services. This study further discovered that service providers provided skills training to their employees on an ongoing basis which was an advantage, especially in performance of duties by workers.

According to Johnston *et al.* (2009, p.38), factors influencing an organisations decision to outsource have evolved from being a cost-saving initiative to a strategic objective. Such decisions are said to be based on the need for exposure to additional skills and expertise and improving staffing flexibility (Johnston *et al.* 2009, p.38). This notion was overtly conveyed by some of the employees who stated that:

*Service provider train their staff on an on-going basis equipping them with skills specific to catering in order to be on top of their game. With regards to insourced staff, due to lack of budget from the government, staff are not trained properly. They do not have the skills that are required only basic skills; advanced training cannot be done due to lack of funding (ADFSA12 and ADFSM01).*

The below remark displayed the unbalanced organogram in the insourced catering unit:

*In fact, the catering department is fully staffed in the outsourced hospitals Food Service Unit (FSU) with all qualified personnel. The service provider has a Dietician onsite, Project Manager who is also qualified in Catering Management, Supervisors and qualified Chefs but in hospitals that are in-house, only a Food Service Manager (FSM) is qualified (KRFSS07and KRFSM03).*

Additionally, research data revealed that there is a dire need for the public health to provide funding for the catering service in order to improve skills of the already existing employees. This view was demonstrated by another interviewee who said:

*We lack training and skills development programs because unfortunately there are no funds to train workers especially in catering. If they get Contract Company they will also get trained and skilled staff and at a cheaper wage (FSSAD06).*

From the research data, the study suggests that outsourcing of catering services affords public health hospitals skilled personnel though disclosed from data that these employees are at a lower end of the salary scale.

#### **4.4 Influence on Costs**

Connected to objective two – *establish whether outsourcing or insourcing is cost effective* – Matrix 4-2, identifies factors influencing costs in catering in the public health sector.

### Matrix 4-2: Influence on costs

Sub-themes	Participants response/s	Source
<b>Budget control</b>	<ul style="list-style-type: none"> <li>• Fixed on a monthly basis thus there are no surprises</li> <li>• Insourcing setting you get more control of happenings in the section</li> <li>• It is easier to budget when outsourced</li> <li>• Recruitment is more expensive in insourcing</li> <li>• There was a lot of wastage when we were in-house</li> <li>• Saving with workers especially</li> </ul>	ASMD13,FSMAD02 KRFSM03, RSMK14 FSMAD02,ASMD13 FSMAD02, KRFSM03 FSSAD06 ADFSA11
<b>Tedious supply chain processes</b>	<ul style="list-style-type: none"> <li>• Tender process which has a lot of problems especially in delivery times</li> <li>• In tender you wait for the item to be advertised, the procurement of it takes long</li> <li>• This cannot be afforded in the catering environment as everything needs to be available all the times.</li> <li>• We do not have any supplier issues as felt by our sister hospitals who have adopted an insourcing strategy</li> <li>• Food item prices increase all the time</li> </ul>	SCRK01 FSMAD02 FSMAD02, SCRK01 FSMAD02 KRFSM03

**Source: Field Enquiry, 2017**

Respondents unveiled that cost was the major reason why public health sector chose to either outsource or insource its catering services. Mostly enunciated was the unstable cost of food, cost of deliveries and labour costs was deemed to have negative effects on the management of budget for the catering section. Thus, the advantage offered by outsourcing of knowing each month the catering expense was noted as a benefit in controlling expenditure. Moreover, the study found that, less expense on recruitment and remuneration of employees offered by outsourcing companies influenced the budget allocated for the catering section by DoH. The ensuing subsections further present the factors influencing cost control.

#### 4.4.1 Budget Control

From the above, the research study revealed that controlling the budget is crucial in an organisation. This determines how the funds should be distributed. It also revealed that having a contract rendering services on behalf of government meant that irregular expenditure could be captured. This is confirmed by Ignone *et al.* (2013, p.86) who states that

due to inflated healthcare costs government need to exercise strict expenditure control in order to provide high quality healthcare to its people. This was highlighted by various interviewees who said:

*If you evaluate insourcing and outsourcing it is easier to budget when outsourced because you know every month what the expected bill should be. There is an overhead fee that is fixed on a monthly basis thus there are no surprises (SCRK01, FSMAD02 and ASMD13).*

While outsourcing proved to be easier in terms of budgeting, it was divulged by another participant who alleged that:

*I would tell you what, outsourcing has a lot of hidden costs in their staffing and food supplies and if that money was saved by using in-house catering, it could train staff and get more foodstuffs for patients and employ more catering personnel (KRFSM03).*

The statement presented above is confirmed by Gasparac (2015, p.84) who argues that there are many hidden costs that should be kept in mind when considering outsourcing certain activities or even the complete business process. The author further explains that additional costs have nothing to do with the stipulated clauses in the contract but are due to the fact that outsourcing is not just a simple displacement of one activity box in the process to someone else with lower costs (2015, p.84). This notion was echoed by other participants and who especially shared their emotions when it came to staffing and remuneration of employees. The participants voiced their thoughts and feelings of how the government saved on costs by outsourcing. They alleged that:

*They are saving with workers especially. Workers from the company are paid cheap (ADFSA11 and KRFSM03).*

In support of this perception, Johnston *et al.* (2009, p.37-49) reported that cost-savings incurred from the outsourcing process is only an indirect benefit while the direct impact lies in the reduction of personnel and cheaper labour. In this regard, the data found that there were

a lot of mixed emotions as to which strategy was cost effective between outsourcing and insourcing. This view was shared by some participants who stated that:

*I don't particularly know if it would cheaper if we were to outsource than insourcing. Government pays for every activity performed within the contract, buying of uniform, recruiting staff and buying goods and add some other costs not mentioned (KRFSM03, SCRK01 and DRK04).*

Overall, data displayed that outsourcing catering service reduced labour costs. It also showed that in insourced hospital challenges such as that of deliveries and unavailability of food items costs more when sourcing these items from other suppliers not prescribed. Thus, it can be said that budget control is obtained when catering service is outsourced as opposed to insourced.

#### **4.4.2 Tedious Supply Chain Process**

The participants indicated that if insourced, they would have to go through a tedious tender process in order to source food products. This in itself is costly and time consuming. It was demonstrated that in catering, there is a need for having the products available at all times when needed. The unit with the service provider had minimal problems when it came to availability of food products as compared to the one in-house. The study further revealed that in the insourced unit they were facing challenges of deliveries which led to utilisation of unauthorised budget in order to source food products. It was also found that as from the year 2012, an agent had been employed by KZNDoH to source food items for the insourced hospitals as means to eliminate tender process and control measure within the procurement of food, however, many problems pertaining to deliveries and unavailability of food were existent. One participant revealed that:

*In outsourcing we are secured that any shortage or need that is experienced, the service provider will supply or provide the hospital whether be staff or food. This works because the price adjustment only happens once a year. There are minimal problems as compared to hospitals insourcing (FSMAD02).*

From the view displayed above, it can be deduced that tender process is an expensive exercise as the price will not be negotiated. It is said that prices are usually high on tenders as compared to a contracting company who has an opportunity to negotiate prices with its own supplier. Outsourced unit had minimal problems in relation to deliveries and availability of food products. Hence, it was also revealed that there existed lack of proper monitoring of the agent employed to procure food in the insourced unit as many concerns were raised by respondents on this matter.

#### 4.5 Challenges of Outsourcing or Insourcing

In view of objective three which aimed to – *determining the advantages and disadvantages of outsourcing or insourcing* – in Matrix 4-3, the challenges of outsourcing or insourcing emerged to attempt to give lucidity to the advantages and disadvantages identified.

**Matrix 4-3: Challenges of outsourcing or insourcing**

Sub-themes	Participants response/s	Source/s
<b>Conflicting management style</b>	<ul style="list-style-type: none"> <li>▪ When there two sets of employers in one environment that causes a lot of confusion.</li> <li>▪ Conflicts especially with policies and salaries.</li> <li>▪ Problems especially when it comes to giving instructions.</li> <li>▪ As a government employee I am being managed by someone else who has their own goals to fulfill.</li> </ul>	FSMAD02  FSMAD02, KRFSM03 FSMAD02,FSSAD06 ADFSA12
<b>External influence</b>	<ul style="list-style-type: none"> <li>▪ People are fired anyhow because organized labor is not so involved</li> <li>▪ Workers in insourcing are highly unionized so getting to discipline them is very difficult</li> <li>▪ Fair labor practice</li> <li>▪ Organized labor does not support outsourcing.</li> </ul>	FSMAD02, FSSAD06 KRFSM07  ASMD13 ADFSA08
<b>Staff shortage</b>	<ul style="list-style-type: none"> <li>▪ Posts not filled because of lack of funds.</li> <li>▪ Outsourced hospital catering services you will have tripled number of staff working.</li> <li>▪ Staff shortage is a real major concern in my current job</li> </ul>	KRFSM07 KRFSM03  KRFSM07

**Source: Field Enquiry, 2017**

The respondents expressed many challenges, as presented and discussed below, that affected their units either in an outsourced or insourced unit.



#### **4.5.1 Conflicting Management Style**

The study revealed that conflicting management style was the biggest challenge that faced units that were outsourced. The participants voiced concerns about the inability to manage the unit in its maximum capacity due to the unit having two sets of employees. Furthermore, it was indicated that as a result, a division is formed within the unit. The presence of both Project Manager (PM) and the Food Service Manager (FSM) in relation to giving instructions with different visions in the same unit brought a lot of confusion and conflicts. Most importantly the study also discovered that these two sets of employees were performing the same duties but earning different wage. This exacerbated the challenge of managing employees, when at times supervisors from the contractors earned less than their supervisees. These remarks present the uniqueness and the imbalance of the South African hospitality industry salaries resulting to animosity amongst workers. While this animosity exists, Hussey and Jenster (2003, p.10) suggest that public health sector should have expert hospital representative to closely and diligently monitor the various catering service operations of the outsourced company, so that expected performance and client satisfaction are duly sustained.

#### **4.5.2 External Influence**

The influence from external forces such as the organised labour was echoed by participants as another challenge. The participants especially those in management expressed their concerns about external influences, even though they themselves belonged to a union. The study found that in both outsourced and insourced units the interference of organised labour was proving to be difficult especially in reprimanding employees as they had too many rights. Moreover, participants voiced the view that organised labour was taking away their duty to manage employees to their own hands. This was highlighted by a participant who said that:

*Workers in insourcing are highly unionised so getting to discipline them is very difficult of which make my job as a supervisor difficult (KRFSS07).*

However, a different view in relation to organised labour arose. The idea of having unions in the workplace is better embraced by the unit that has employees employed in-house. This is

affirmed by the Constitution of the RSA as stated in chapter two Section 23 (1), which states that everyone has a right to fair labour practice (South Africa 1996). This was confirmed by a respondent who expressed that:

*Involvement of organised labour provides for a fair labour practice. And having structured organised labour in insourcing provides a stable environment between employer and employee (KFRSM03).*

Conversely, the unit with the service provider had a different challenge with the external influence. They expressed the feeling of anxiety brought about the organised labour wanting to do away with outsourcing.

*We have seen in the media that organised labour do not support outsourcing. Unions are fighting to do away with labor broking and outsourcing. A lot of people will lose jobs. Government cannot employ so many people in this unit (ADFSA12 and ADFSA11).*

The research data further presented the view that fear of losing jobs was consistent amongst employees contracted. If the demands of organised labour were to be realised employees were not guaranteed of being employed by government. This is affirmed by Murphy (2008, p.62) who asserts that unions are concerned about the wages of contracted personnel being low. The author further states that there is a need to realise the stated intention of the government in power post-1994 to narrow the wage gap (2008, p.62).

### **4.5.3 Staff Shortage**

Lastly, staff shortage challenge is one that is mostly felt by those in the in-house unit. The participants had overtly referred to staff shortage as a challenge that hindered their performance.

*There are a lot of staff shortages with in-house and posts not filled because of lack of funds (KRFSS07 and KRFS09).*

There was an indication that employees in the in-house unit were rendering catering services with minimal staff as compared to their sister hospital with the same number of beds. The study further found that the unit that is outsourced had 80 employees and 22 for insourced. To confirm this situation, the researcher discovered the difference in number of employees present at work as opposed to the outsourced unit recently visited.

*This hospital we service 600 patients with three main meals and three snacks with only a team of 22 staff including myself where in the outsourced hospital catering services you will have tripled number of staff working (KRFSM03).*

From the responses the study discovered that staff shortage placed a lot of stress and pressure to employees resulting in escalation of absenteeism patterns. This existing disproportion had a negative effect to the performance of workers and it was confirmed by one respondent who said:

*As much as I love working for government, staff shortage is a real major concern in my current job. It puts pressure on us and makes me feel overloaded (KRFSS07).*

Therefore it can be said that outsourcing of catering unit affords the public health sector to employ more catering employees.

#### **4.6 Catering Services as Part of the Hospital Function**

Aligned to research objective four – *to understand the role of catering services in hospital environment* – Matrix 4-4, classifies government commitment to provision of nutritious meals as that of utmost importance in public healthcare sector.

#### Matrix 4-4: Catering services as part of the hospital function

Sub-themes	Participants response/s	Source/s
<b>Government responsibility</b>	<ul style="list-style-type: none"> <li>To cater for the dietary needs of the patients who are in care in the hospital</li> <li>To educate patients on healthy living in terms of nutrition</li> <li>Reduce patients on treatments such as diabetic and other life style diseases</li> </ul>	DRK04,SCRK01,FSMAD02, KRFSM03  FSMAD02, KRFSM03  DRK04, KRFSM03, FSMAD02
<b>Healing outcomes</b>	<ul style="list-style-type: none"> <li>We cannot administer medication without food.</li> <li>To provide meals to patients so they can recover faster</li> <li>To provide food that is safe and that meets the patient requirements and dietary requirements.</li> <li>In conjunction with medication food will give a holistic treatment to the patient.</li> </ul>	DRK04  FSMAD02, KRFSM03  FSMAD02, KRFSM03  DRK04, FSMAD02, KRFSM03

**Source: Field Enquiry, 2017**

There were indications, as presented and elaborated below, that the government had a responsibility to cater for those in their care as part of holistic treatment.

#### 4.6.1 Government Responsibility in Provision of Nutrition

Government has the responsibility to provide nutritious meals to those attending the hospital. Moreover, it is the duty of public healthcare sector to educate those under their care about healthy eating to improve health outcome and promote healthy lifestyle. This view is confirmed by Cross and Macdonald (2009, p.20) who argues that catering should be viewed and valued as an integral part of the overall service offered by the hospitals as food is a basic human right. This is enshrined in the Constitution of the RSA of 1996 Section 27 (1) (b), which states that everyone has the right to have access to sufficient food and water (South Africa, 1996). Similarly, Roberts *et al.* (2013, p.2) define the role of catering services in hospitals as that with direct influence on the healing outcomes of patient.

All public sector bodies, especially those that serve the most vulnerable in society have a duty to provide appetising, healthy, and nutritious meals, consistent with expert advice to promote faster patient recovery times and fewer malnutrition cases (Roberts *et al.* 2013, p.2).

This perception was echoed by significant number of respondents who underscored that:

*It is the Departments of Health duty to ensure that they educate patients on healthy living in terms of nutrition which will then promote a healthier nation to living a longer life. This will in turn reduce patients on treatment such as that of diabetic and other life style diseases. Therefore the Department of Health should have a serious commitment on Catering service in the hospital (DRK04, KRFSM03, and FSMAD02).*

It can then be reasoned that government's commitment to quality catering system is paramount in the public health sector.

#### **4.6.2 Healing Outcomes**

It was relevant for the purpose of this research that the role of catering services be clarified. The participants clearly stated the role of catering services and its relation to the healing outcome of the patient as depicted in Matrix 4-4. Hence, the study revealed that food is as important as taking a pill to a sick person.

*In my view catering is important in any health establishment because in conjunction with medication food will give holistic treatment to the patient. Medication will not work to its full function if not consumed with a healthy meal it will actually lead to a patient having other health complications (FSMAD02 and KRFSM03).*

Food enables a person to regain strength in order to take medication. According to Roberts *et al.* (2013, p.2), catering services have a direct impact on a patient's hospital experience and strongly influence the healing outcomes. From the interviews the researcher noted the importance of catering service in a hospital institution. The respondents demonstrated how medication will not work to its full function if not consumed with a healthy meal.

#### **4.7 Impact on Human Resources**

Relative to the fifth research objective – *to ascertain the impact of outsourcing or insourcing on the livelihoods of employees* – research data presented in Matrix 4-5 unveils the impact of outsourcing or insourcing on human resources.

#### Matrix 4-5: Impact on human resources

Sub-themes	Participants response/s	Source/s
<b>Meaningful employment opportunity</b>	<ul style="list-style-type: none"> <li>• People should have jobs that are guaranteed.</li> <li>• their wages are low the number of staff employed can be high</li> <li>• their jobs are not secured</li> <li>• I do not think I would ever want to work for the outsource company again</li> <li>• Living in constant fear that contract could end anytime that is not life</li> </ul>	ADFSA08 FSMAD02  ADFSA11 FSAKR09  ADFSA08
<b>Remuneration and benefits from employer</b>	<ul style="list-style-type: none"> <li>• The wages was low as compared to what I earn now.</li> <li>• Service provider work hard and earn very little money.</li> <li>• Their salaries are far better as compared to those working for contracts.</li> <li>• In insourcing you get secured employment with generous benefits</li> <li>• This is not fair to work and earn peanuts</li> <li>• Get better pension when I leave on retirement working in the government.</li> <li>• People cannot afford medical aid; there is no pension fund really just provident fund, less leave days and worse of all lower salaries.</li> </ul>	FSAKR10  ADFSA08  FSMAD02  KRFSM03  ADFSA08 KRFS07  ADFSA11
<b>Career pathing and skills development</b>	<ul style="list-style-type: none"> <li>• the next position for me will be a Manager position, and I am not qualified</li> <li>• Lack of or minimal upward mobility for staff.</li> <li>• Definitely if you are focused. I was a cleaner now in management.</li> <li>• Investing more on training workers will be an advantage on his part.</li> <li>• I would love to also be offered skills training</li> </ul>	KRFS07  KRFSM03 ADFSA12  KRFSM03  KRFS09

**Source: Field Enquiry, 2017**

The perceptions on insourcing indicated that the possibility of employment opportunity was given high value, more especially, the provision of meaningful employment. In particular, the study found that participants perceived insourcing as being a better strategy as it afforded people with job security and better wages. Following are the deliberations on the effects of employee lives with respect to outsourcing or insourcing.

#### 4.7.1 Meaningful Employment Opportunity

The scourge of unemployment in South Africa is a grave concern for everyone. This is evident as it is reported that in the third quarter of 2017 the unemployment rate was at 27.7 percent and it's said to be highest in South Africa since (South Africa, 2017). Thus, the thought of meaningful employment opportunity is a desire for every South African. Though outsourcing is viewed as a strategy that can afford people with employment, however, the study revealed that it does not provide meaningful employment. This was evident from two study sites where the outsourced hospital had approximately 80 employees employed on contract to cater for 554 patients as opposed to 22 in insourced hospital with the same bed capacity status.

In the survey collected in South Africa from 1997 to 2007 from household and labor survey data, an indication showed that relatively high growth in service employment is driven by expansion of employment of cleaners, caterers, and security guards through contracted employment (Tregenna 2010, p.1427-1457). The observation of the researcher was that in the outsourced unit there was better organisation structure with all the relevant posts filled. Various authors described outsourcing as the best strategy any organisation can employ for benefits such as creating employment opportunity (Dolgui and Proth 2013; Gasparac 2015 and Lahiri 2015).

On the contrary, insourcing was seen as a strategy that afforded people with permanent meaningful employment. This feeling was explicitly expressed by both participants from management and employees who states that:

*Permanent employment of the staff is one of the advantages for insourcing (RSMK14, FSAKR09 and KRFSM03).*

A common reference, especially amongst the employees employed by government, was the comfort of having secured employment as confirmed by one participant in the study:

*I do not think I would ever want to work for the outsource company again, their jobs are not secured. Living in constant fear that contract could end anytime is not life (FSAKR09).*

From the findings it can be concluded that insourcing afforded those employed with permanent and secured employment as opposed to outsourcing. Although, outsourcing offered more people to be employed.

#### **4.7.2 Remuneration and Benefits from Employer**

The study found that in-house employees were earning far better than contract workers. Highlighted was the important role that outsourcing had on job creation in South Africa. This remark was confirmed by Utz (2017, p.12-13) whose view was that in a wide economic perspective, outsourcing of service activities will inevitably present significant benefits by opening up growth and employment opportunities in various tradable services. However, lower salaries compared to government salaries in catering were noted in outsourcing. Chun (2016, p.173) reported that even though outsourcing of non-core services created employment, it often created low-paid workers. In same vein, Van der Walt *et al.* (2002, p.29) note the effects of outsourcing upon employees, which tend to vary according to occupational grade. In the case of catering workers tend to experience declining wages, worsening working conditions, growing job insecurity, and ineffective trade union representation.

A common thread through the respondents was the obvious reference to salary differentiation and offered benefits by the employer. The responses demonstrated the belief that working for government was better and offered more in monetary value as opposed to working for the contractor which offered employees with an unlivable wages. The researcher noted the longing of those employed by the contractor to be absorbed by government and this was also echoed by those employed by government.

*Continue to insource staff because it is better to work for government then for the service providers. They pay people peanuts and their employment is not guaranteed (KRFSS03 and KRFSS07).*



This notion is further confirmed by Zuberi (2013, p.124) who found that low wages, irregular work schedules, and unsympathetic managers to employees' needs had put pressure on social cohesion thus affecting performance. The study discovered that most employees expressed their satisfaction of being employed by government because of all the benefits afforded to them. The participants were particularly excited that they will get a good retirement package at the end of their working life.

*People that are in my position working for companies when they retire it is a very sad situation because they still have to depend on old people social grant. I will get better pension when I leave on retirement working in the government (KRFSS07).*

The study learnt that the majority of employees when asked indicated that they will choose to work for government because of lack of fringe benefits offered by contracting companies. To conclude, insourcing was seen as strategy that remunerated its catering employees far better than those contracted.

#### **4.7.3 Career Pathing and Skills Development**

Participants employed by government pointed out the inability to progress within their careers as a major concern. This was the case particularly for a couple of participants who were employed in a position to supervise but were not qualified to be considered for the next level. Additionally, the study discovered that the level of education for government employees employed in the catering services did not give them an advantage to be considered elsewhere.

*No progress for me, the next position for me will be a Manager position, and I am not qualified to be able to be considered for that position. The only way for me to get to that point is to continue studying part time but I'm too old to do that right now (KRFSS07).*

Surprisingly, the study found that those employed by the outsourced catering company employed in the hospital being studied were afforded the opportunity to climb the ladder to progress with their careers.

*Yes, definitely if you are focused. I was a cleaner now in management (ADFSA12).*

Most participants pointed at skills development as being crucial in performance of duties. This is so because they viewed skills development as being connected to enrichment and quality of their lives.

*I think if the employer can invest more on training workers will be an advantage on his part. This will make workers more motivated to work knowing there is an opportunity for them to grow and progress in their careers (KFRSM 03).*

Training was viewed as an investment in an organisation thus it was suggested that provision of ongoing training should be offered to motivate employees with an expectation of improved performance.

Employees working for government expressed their dissatisfaction on the lack of funding allocated for training catering employees.

*I would love to also be offered skills training in order for me to improve my level of understanding (KRFSA09).*

The study discovered that lack of training was viewed by employees as being a limitation to their progress in life. Furthermore, the study revealed that the government catering employees longed to be trained so that they can also be offered a better opportunity in different sections within government. Furthermore, the study discovered that employees working in the catering contract were quite happy with the training offered to them by their employer. One particular participant mentioned that when he was initially employed he was a cleaner in the catering department but now has progressed to be an assistant manager through training opportunity afforded to him by his employer.

To conclude this chapter on data presentation, analysis and discussion the next section presents the convergence and divergence of data and literature.

#### **4.8 Convergence and Divergence of Qualitative Data and Literature**

Viewed from the emerging themes of the study displayed in Table 4-1 and the presentation of data, analysis, and discussion, it is evident that the data collected and reviewed literature for the study converge and diverge in some or many instances as displayed in Table 4-2.

**Table 4-3: Convergence and/or Divergence of Literature and Qualitative Data**

<b>Themes</b>	<b>Literature Inference</b>	<b>Qualitative Inference</b>
<b>Theme1: Reasons to outsource and insource</b>	Efficiency, cost and quality of the services (Siddiqi <i>et al.</i> 2006, p.869)	If we outsource our services it will be much more manageable (SCRK01).
	An opportunity to focus primarily on core functions (Johnston <i>et al.</i> 2009, p.38).	If it is given to somebody else to be a caterer and manage all the other aspects will do our main core business (RSMK014).
	More control over organisational operations will be achieved (Heaton 2004, p.94-96).	If employees are employed in-house they understand the vision of the hospital (KFRSM03).
<b>Theme 2: Influence on cost</b>	With inflated healthcare costs government need to exercise strict expenditure control (Ignone <i>et al.</i> 2013, p.86).	It is easier to budget when outsourced because you know every month what the expected bill should be, there no surprises (SCRK01, FSMAD02 and ASMD13).
	Attracting individuals with the necessary skills is costly and time consuming (Johnston <i>et al.</i> 2009, p.37-49).	In the outsourced hospitals Food Service Unit (FSU) with all qualified personnel (KRFSS07 and KRFSM 03).
<b>Theme 3: Challenges of outsourcing or insourcing</b>	High unemployment and tremendous strain due to constricted financial resources (Augurzky and Scheuer 2007, p.264).	There are a lot of staff shortages with in-house and posts not filled because of lack of funds (KRFSS07 and KRFS09).
	Lack of understanding of the contract terms (Roberts <i>et al.</i> 2013, p.5).	There exists lack of proper monitoring of the agent employed to procure food in insourced unit as many concerns were raised by respondents on this matter.
<b>Theme 4: Catering services a part of the hospital function</b>	Catering should be viewed and valued as an integral part of the overall service offered by the hospitals as food is a basic human right. (Cross and Macdonald 2009, p.20).	In conjunction with medication food will give holistic treatment to the patient (FSMAD02 and KRFSM03).
	Public health has a duty to provide appetising, healthy and nutritious meals (Roberts <i>et al.</i> 2013, p.2).	It is the Departments of Health duty to ensure that they educate patients on healthy living in terms of nutrition (FSMAD02).
<b>Theme 5: Impact on human resourcing</b>	Create employment opportunity (Dolgui and Proth 2013; Gasparac 2015 and Lahiri 2015).	This was evident from two study sites where the outsourced hospital had approximately 80 employees employed on contract to cater for 554 patients as opposed to 22 in insourced hospital with the same bed capacity status (KRFSM03).
	Creates low-paid workers (Chun 2016, p.173).	They pay people peanuts (KRFSM03).

**Source: Data Interpretation and analysis of the study, 2018**

Substantially, data collected for the study is consistent with the literature presented in chapter two. From the qualitative data and in view of the main research objective – *Which service strategy is more efficient, effective and economical between outsourcing and insourcing in rendering catering services in eThekweni district regional hospitals?*, for example, it can be deduced that the outsourcing strategy results to some cost benefits such as budget control and attaining skilled personnel as indicated in Table 4-2. Though, insourcing seems to be the preferred because of better salaries offered, outsourcing provides the DoH with an opportunity to employ more people. This is consistent with the literature reviewed for the study. For example, the literature indicates that some of the benefits for using outsourcing strategy and these include, but are not limited to, employment creation and the opportunity to focus primarily on core functions also noted in Table 4-2. Based on these deductions the study provides some recommendations which are presented in the final chapter of the dissertation.

#### **4.9 Chapter Summary**

This chapter presented data collected for the study through semi structured interviews. Data presented was analysed and discussed. Participants from two regional hospitals situated in eThekweni District were interviewed with an interest to ascertain their experience and expertise in outsourcing or insourcing of catering services. Participants interviewed were purposely chosen for their direct involvement in provision of catering services. The collected data was arranged into matrices and eventually into themes and sub themes. Overall, thematic and content analysis techniques were used for data analyses. The interaction between these themes and sub-themes was established in the chapter. Moreover, the interaction between the theories adopted for the study and data was also established and presented in the chapter. The next chapter presents the research findings, conclusions, and recommendations.

## CHAPTER 5

### FINDINGS, CONCLUSION AND RECOMMENDATIONS

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#### 5.1 Chapter Introduction

This chapter presents the findings emanating from the analysed research data. The findings, recommendations, and conclusions are presented and narrated against the study objectives envisioned at the beginning of the research. The findings and recommendations will also be presented and aligned with the research objectives and questions to the theoretical framework to give answers to the main aim of the study. Following is the summary of the research objectives and research questions.

#### 5.2 Recapitulation of Research Objectives and Research Questions

**Table 5-1: Summary of Research Objectives and Research Questions**

<b>Research Objectives</b>	<b>Research Questions</b>
<b>To establish the reasons for outsourcing and insourcing catering services.</b>	What are the reasons for outsourcing or insourcing catering services in public hospitals?
<b>To establish whether outsourcing or insourcing is cost effective.</b>	What cost savings are obtained by selecting outsourcing or insourcing?
<b>To determine the advantages and disadvantages of outsourcing or insourcing.</b>	What are the advantages and disadvantages of outsourcing or insourcing in rendering catering services?
<b>To understand the role of catering services in the hospital environment.</b>	What is the role of catering services in hospitals?
<b>To ascertain the impact of outsourcing or insourcing on the livelihood of employees.</b>	What are the implications of outsourcing or insourcing and its impact on the livelihood of employees?

The ensuing section of the chapter presents a summary of each of the chapters of the study.

#### 5.3 Summary of Chapters

This section summarises the research chapters, indicating the outcome of each chapter in relation to research objectives.

**Chapter One:** This chapter presented an outline of the entire study. It highlighted the background of the study site where study was conducted. It further introduced the concept of outsourcing or insourcing, discussed and aligned this concept to the main research objective which was to investigate the strategy that is more efficient, effective, and economical between outsourcing and insourcing in rendering catering services. This chapter also identified research methodology to be adopted when collecting data and achieving the set research objectives and research questions.

**Chapter Two:** This chapter interrogated literature related to outsourcing and insourcing. Furthermore, the theoretical framework that underpinned the study was presented. This chapter gave significance in the role of catering services in hospitals. Advantages and disadvantages were clearly stated. In effect this chapter contributed to the achievement of the first, third, fourth, and fifth objectives. The literature suggests that outsourcing as a strategy is widely used by organisations to sought relief and better control from non-core functions. Furthermore, literature revealed that though outsourcing was seen to be more advantageous, challenges existed. Also, in enhancing service delivery in catering services, having skilled personnel was paramount.

**Chapter Three:** This chapter broadly discussed the research methodology used to collect and analyse data. Semi- structured interviews were the preferred method of data collection to obtain a wealth of information from selected experts. Qualitative research method was chosen as a method to analyse data with the use of thematic and matrices. Interviews were recorded, transcribed, and reduced to categories from which themes were developed to permit the researcher to interpret and analyse data. The contents of this chapter facilitated in achievement of desired outcomes of all research objectives and answered research questions.

**Chapter Four:** In this chapter the researcher presented collected data through generated themes and matrix analyses. The use of codes was employed to further enhance analysed data. In addition, literature was aligned to collected data in order to obtain intended outcome of the research objectives. All research objectives intended were realised and research questions answered through this chapter.

**Chapter Five:** This final chapter discussed the findings, conclusions and recommendations of the study. The chapter presented the recapitulation of research objectives and research questions, followed by the significance of the study to the body of knowledge. To conclude this chapter, recommendations to future research is made.

#### **5.4 Significance of the Study to the Body of Knowledge**

The study of outsourcing or insourcing of catering services in hospitals is crucial, especially with the government initiative to implementation of NHI in all public hospitals. Moreover, this study could assist hospital management with the decision making process of which strategy should be adopted to best suite public health and improve service delivery in catering services.

The following section of the chapter presents the findings, recommendations, and conclusion based on the research objectives and research questions displayed in Table 5-1.

#### **5.5 Research Findings and Conclusions**

The public health in KwaZulu-Natal is faced with a critical decision of whether to employ an outsourcing strategy to all its hospitals or to insource the catering services in order to be cost effective and improve quality of service offered. As such, the study sought to investigate and to recommend the best suited service strategy that is more efficient, effective, and economical in rendering catering services in eThekweni district regional hospitals, KwaZulu-Natal.

Thus, the study concludes by recommending strategies that could be implemented in improving service delivery within catering services. Essentially, such information is vital in compliance with national health standards and could prove significant in the process of the implementation of the National Health Insurance (NHI).

##### **5.5.1 Research Objective One and Research Question One**

- **Research objective one:** To establish the reasons for outsourcing and insourcing catering services.



- **Research question one:** What are the reasons for outsourcing or insourcing catering services in public hospitals?

#### **5.5.1.1 Finding**

Regarding the reasons to either outsource or insource, research data identified utilisation of employees and improved performance as some of the reasons for outsourcing or insourcing of catering services. The findings suggest that employees employed by contractor were utilised better by hospital catering services. These contract employees were found to work harder than the government employees from fear of losing jobs and contract. On the other hand, the study found that in the insourced unit, the benefit of belonging to a community within the hospital played an important aspect when it came to utilisation of employees as these employees understood the vision of the public health. The study further revealed that most participants did not wish to be employed by the contractor, even though this tended to improve performance. Moreover, the study revealed that service providers had the required expertise in the catering business and skilled personnel thus improved performance. Furthermore, the study found that service providers provided ongoing employee skills training. In relation to the nature of the health business, the study revealed that focusing on core business and managing risks was one of the reasons public health decided to either outsource or insource. The research data found that catering service was a non-core service to hospitals, and thus employing outsourcing as a strategy could relieve the hospitals from non-core functions such as providing catering, and allow them to concentrate on their core function which is clinical. On the contrary, as perceived by some study participants, the study further found that catering should be a core service in a health establishment as it formed part of the holistic healing outcome.

From a risk management perspective, the study found that budgeting for DoH is made easier in outsourcing thus financial risk is transferred. Moreover, the study revealed that suppliers were the responsibility of the contractors, thus in outsourced units, delivery of goods and unavailability of food products was not problematic. Furthermore, in insourcing it was revealed that resistance exists from employees to perform their duties, thus the study found that in outsourced unit catering, human resource was the responsibility of the contractor which thus lessened the human resource burden on hospital management.

### 5.5.1.2 Conclusion

From the above finding the study concludes that government employees, as recommended later in this chapter, should be trained and retained by their employer. The study concludes that the lack of training and skilled employees cripples performance in insourced unit. This is affirmed by Roberts *et al.* (2013, p.5) who states that achievement of improved performance is only possible when properly trained and highly talented staff is available or accessible to the organisation. The study also concludes that having outsourcing as a strategy reduces the burden from management of being constantly concerned about problems such as availability of food items. By doing so the study concludes that the risk of managing the catering service is transferred to the contracting partner. This is in line with the views of Sumplkova *et al.* (2013, p.63-79) who argues that to better manage risk; outsourcing to a partner who is equipped to providing mitigation is the best approach.

### 5.5.2 Research Objective Two and Research Question Two

- **Research objective two:** To establish whether outsourcing or insourcing is cost effective.
- **Research question two:** What cost saving are obtained by selecting outsourcing or insourcing?

#### 5.5.2.1 Finding

The study revealed that outsourcing meant better control of catering budget but had many hidden costs. In addition, the research study revealed that controlling the budget is very crucial in any organisation such as health. The study found that the insourced unit had an agent employed to procure food on its behalf in an attempt to control budget and manage risks as indicated earlier. Many issues were presented regarding this agent such as delivery and availability of products. The study found that proper monitoring was lacking therefore a stricter regulation needed to be stipulated in the contract because the food item prices increase all the time without any notice. Moreover, the study found that in outsourcing cost saving was obtained from poor compensation of employees. For an example, a vast

difference in salaries was noted. Thus, the study found mixed emotions as to which strategy was cost effective between outsourcing and insourcing.

### **5.5.2.2 Conclusion**

Heaton (2004, p.95) asserts that theoretically outsourcing offers services at a lesser cost but cautions on added profit margin that service providers supplement to improve their bottom line. Furthermore, the author states that insourcing allows much greater control of costs that may not be visible at first glance (2004, p.95). Therefore, on the one hand, it can be concluded that in outsourced catering units contracts do not clearly stipulate all costs involved and strict monitoring of the contracts on regular basis is not exercised. On the other hand, it can be concluded that single source supplier brings challenges such as pricing and delivery hurdles thus other sources must be adopted.

### **5.5.3 Research Objective Three and Research Question Three**

- **Research objective three:** To determine the advantages and disadvantages of outsourcing or insourcing.
- **Research question three:** What are the advantages and disadvantages of outsourcing or insourcing in rendering catering services?

#### **5.5.3.1 Finding**

There were many advantages and disadvantages that were identified throughout the study. These were interlinked with findings obtained from the other objectives. Thus, this finding concentrated on the challenges that faced both units. Thus, the research study revealed that challenges such as conflicting management style, external influence, and staff shortage proved to be in existence in both outsourced and insourced unit. More importantly, the study revealed that the presence of two employees in one institution was confusing. For an example, the presence of FSM and PM both giving instructions caused conflicts in the unit. This further exacerbated the challenge of external forces, as managing employees proved to be difficult due to the interference of organised labour as a result of a noted disproportion of salaries and working conditions. Moreover, the study found that as a result of organised

labour not in support of outsourcing, a fear of job losses existed in the outsourced unit which emanates from the uncertainty of being employed by government. Lastly, staff shortages challenge is one that is mostly felt by those in the in-house unit as it hindered their performance thus resulting to employees' absenteeism due to work pressure.

### **5.5.3.2 Conclusion**

The study concludes that there is insufficient clarity of job descriptions between PM and FSM which causes conflicts in delegating of responsibilities. The study also concludes that lack of proper communication with public health employees and contractor employees brings about uncertainty in the workplace. Thus, the study further concludes that staff shortages demotivate employees thus the need to employ more staff as recommended later in this chapter.

### **5.5.4 Research Objective Four and Research Question Four**

- **Research objective four:** To understand the role of catering services in the hospital environment.
- **Research question four:** What is the role of catering services in hospitals?

#### **5.5.4.1 Finding**

The study discovered that government had the responsibility to providing nutritious meals to those attending the hospital and also to educate patients on healthy eating to improve health outcome and lifestyle. The study discovered that food enables a person to regain strength in order to take medication. For an example, diseases such as diabetic and hypertension could be reduced if educated on nutrition. The respondents demonstrated how medication could be ineffective if not consumed with a healthy meal.

#### **5.5.4.2 Conclusion**

It could infer that catering service plays a vital role in the healing outcome of the patient. Moreover, catering services is classified as a non-core service which raises a concern as to

the priority in funding of this service. It may be reasoned that the role played by catering services in hospitals should be graded amongst critical services such as clinical services.

### **5.5.5 Research Objective Five and Research Question Five**

- **Research objective five:** To ascertain the impact of outsourcing or insourcing on the livelihood of employees.
- **Research question five:** What are the implication of outsourcing or insourcing and its impact on the livelihood of employees?

#### **5.5.5.1 Finding**

While the study revealed that outsourcing is viewed as a strategy that can afford people with employment, however, it was noted outsourcing does not create meaningful employment and job security. Furthermore, the study found that in-house employees were earning far better than contract workers, and they had job security. In fact, the view of the participants was that government as an employer offered a better salary as opposed to outsourcing where employees were working long hours and not remunerated accordingly or as equated to their level of skills. The research data also revealed that human resource development and career pathing seemed a challenge within insourced unit.

#### **5.5.5.2 Conclusion**

According to Ball (2012, p.9), it is the responsibility of an organisation to provide a safe environment and proper wages to its employees and failure to do so may increase employee frustration hence resulting in poor performance, lower job satisfaction, and increased withdrawal from the organisation. The study concludes that outsourcing offers more job opportunity than insourcing but lacks proper compensation of employees and secured employment. The study concludes that employees employed by contractor work hard and are skilled but are not paid according to the level of their skills. Furthermore, the study concludes that government employee's view training as an important element towards their progress and thus training programs should be made available to these employees.

## **5.6 Study Recommendations**

The following recommendations attained from data are worth noting.

### **5.6.1 Recommendation One: Costs and Contracts**

Contracts must be clearly stated with all the requirements of DoH to eliminate any hidden costs. Furthermore, DoH should audit salaries offered to employees by contractor on regular basis. Moreover, insourcing was found to have issues with suppliers thus, the research recommends that government does away with single source supplier and employ multiple suppliers of food to obtain fair price. More importantly, government should aim to source directly from manufactures and develop its own brand to further reduce prices inflated by branding.

### **5.6.2 Recommendation Two: Clarification of Roles**

There should be clearly defined roles between PM and FSM in the outsourced unit before commencement of work relations.

### **5.6.3 Recommendation Three: Organised labour in the Workplace**

The researcher recommends that the work relations of organised labour should be encouraged in outsourced units to encourage fair labour practice. Moreover, employees should be continuously trained about labour laws to avoid exploitations of what is thought to be the rights of employees in the workplace.

### **5.6.4 Recommendation Four: Catering as Core Function**

The researcher recommends that catering services should be treated as a core function of any public hospital as it directly affects patient care. Roberts *et al.* (2013, p.2) confirms that appetising and healthy food leads to faster patient recovery times, less malnutrition, and better educational attainment therefore reducing patient hospital stay, meaning cost savings for public healthcare.

### **5.6.5 Recommendation Five: Human Resource Practice**

**Employee Compensation and Job Satisfaction:** According to Kaur (2013, p.1061), motivational factors play a vital function in increasing employee job satisfaction which, in turn, results in high productivity. Thus, the researcher recommends that government encourages contractors to compensate their employees accordingly with fringe benefits.

**Human Resource Development and Career Pathing:** The researcher recommends that government employs skilled employees especially in insourcing unit and also allocate funding to train existing staff in order for these employees to progress in their careers. This is confirmed by Kaur (2013, p.1061) who states that a suitable individual with the right skills must be employed otherwise there will be wastage of resources and time leading to job dissatisfaction.

**Staff Shortage:** The respondents expressed their frustrations on staff shortages, thus, the researcher recommends that all relevant posts must be created and filled in an insourced unit to balance the ratio of employee to patient numbers.

### **5.7 Study Limitations**

As mentioned in chapter one, due to lack of funding this study was only conducted in hospitals based in urban area of eThekweni District and only focusing on two hospitals. This study could be beneficial if rural hospitals were involved in order to understand challenges faced by hospitals based in rural areas such as inadequate catering infrastructure, delivery problems, and challenges of internet connection. Secondly, the respondent's fear of being recorded brought challenges as some of the intended participants had to be replaced by those willing to be recorded. The researcher had to assure each participant of their anonymity and not sharing their recordings except for submission to the university if requested.

### **5.8 Future Research**

This study intended to discover the strategy that is effective, efficient, and economical between outsourcing and insourcing in rendering catering service to public health. During

the research it was uncovered that both strategies had advantages in their own accord with challenges. Thus, the following areas for future research are recommended:

- Suitable catering procurement systems for insourcing catering units.
- The advantages and disadvantages of outsourcing catering services.
- The nature of skills required for the catering services in the public health sector.
- Conducting similar study across all hospitals in KZN.

## **5.9 Chapter Summary**

This final chapter of the dissertation presented the main findings deduced from the acquired data. Conclusions were drawn from each finding and linked to the research objective and research questions. The overall findings of the study are that insourcing is viewed as a preferred strategy when it comes to recruitment and compensation of employees. On the other hand, outsourcing is viewed as a strategy that is effective, efficient, and economical in provision of catering services in public health hospitals. From the drawn conclusions, recommendations were established and outlined. Finally, study limitations were underlined and possible future research proposed. This chapter concludes this dissertation.



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## APPENDIX A



**Law and Management**  
**School of Management, IT & Governance**  
Master's in Public Administration Research Project  
Researcher: Mrs. Khethiwe Mchunu (083 568 6392)  
Supervisor: Dr BR Qwabe (031 260-7490)  
Research Office: Ms. M Snyman (031 260-8350)

### INTERVIEW SCHEDULE FOR MANAGERS

#### SECTION A: BIOGRAPHICAL AND INSTITUTIONAL DETAILS

Position/ Designation :  
Department / Service Provider :  
Name of Hospital / Institution :  
Hospital Status :  
Bed Capacity :

#### SECTION B: ROLE OF CATERING SERVICES

1. Can you explain the role of catering services in the hospital environment?
2. Can you explain the responsibility of the Department of Health in regards to catering services?
3. Based on your understanding and with specific reference catering service what is the distinction between a core or non-core service?

#### SECTION C: REASONS FOR OUTSOURCING OR INSOURCING CATERING SERVICES

4. What strategy is employed by your organisation outsourcing or insourcing?
5. Would you say that your hospital is satisfied with the result of the strategy chosen (outsourcing or insourcing) and why?
6. Why would you choose the same strategy for your organisation if given an opportunity to do so?
7. How often does your leadership evaluate your strategy chosen (outsourcing or insourcing)?
8. What are the reasons to outsource or insource catering services in your organisation?
9. In your own experience what would you say are the major factors that influences the decision whether to outsource or insource catering in hospitals?
10. Can you explain as to who makes the decision whether to outsource or insource?

#### SECTION D: ADVANTAGES AND DISADVANTAGES OF OUTSOURCING OR INSOURCING

11. What would you say are the advantages and disadvantages of outsourcing or insourcing?

**SECTION E: FISCAL PRUDENCE AND GOOD GOVERNANCE**

12. Annually, what is the overall cost of outsourcing or insourcing catering services in your facility?
13. Who is responsible for procuring food product and catering equipment?
14. Who regulates the prices of goods purchased?
15. Who monitors whether these prices are within the acceptable costs?
16. Who monitors the quality of service in your catering service (outsourced or insourced)?

**SECTION F: EMPLOYEE WELLNESS**

17. How many employees are employed in your catering service?
18. Are your employees outsourced or insourced? (This is still a YES/NO type of a question)
19. What is the salary scales of employees employed in the catering services?
20. Who monitors whether these employees are earning as per the sectorial determination?
21. Please share more information in the context of outsourcing or insourcing that you believe would be helpful to improve the catering function of the institution.

**THANK YOU FOR YOUR PARTICIPATION**

## APPENDIX B



### **Law and Management School of Management, IT & Governance**

Master's in Public Administration Research Project  
Researcher: Mrs. Khethiwe Mchunu (083 568 6392)  
Supervisor: Dr BR Qwabe (031 260-7490)  
Research Office: Ms. M Snyman (031 260-8350)

### **INTERVIEW SCHEDULE FOR EMPLOYEES**

#### **SECTION A: EMPLOYEE WELLNESS**

1. What is your current position?
2. What is your highest qualification?
3. What qualification is required for you to perform your duties? What is your annual income bracket?
4. What fringe benefits do you receive from your employer?
5. How do you feel about working in your present job?
6. What career opportunities are available for you in your department?
7. Tell me about your motivation?
8. Do you feel like part of a team? If not please expound?
9. What changes (if any) are needed in catering services to improve your working conditions?

#### **SECTION B: EMPLOYEE PERCEPTIONS ON INSOURCING OR OUTSOURCING OF CATERING SERVICES: AN OVERVIEW**

10. Can you explain your understanding of outsourcing or insourcing of a service?
11. What do you feel are the reasons for institutions to outsourcing or insourcing of catering services?
12. How are the working conditions in outsourced or insourced catering services?
13. How would you prefer to be employed (outsourced or insourced)?
14. Would you like to add any further comments about insourced or outsourced catering services?

**THANK YOU FOR YOUR COOPERATION**