

**UNIVERSITY OF KWAZULU-NATAL**

**DEMYSTIFYING THE USE OF CONTRACTOR EMPLOYEES IN SOUTH  
AFRICA: A CASE STUDY OF ESKOM KZN OU**

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## **ABSTRACT**

Many organizations employ external contractors in their daily business operations. The interactions between these host organisations and external contractors can either contribute to the success or failure of these organisations. Eskom's Kwazulu-Natal Operating Unit makes use of several external contractors and this is the case in the Electrification Department. For the past five years, the department has not been able to achieve their sales quotas. Essentially, the more customers that get electrified the better returns of revenue for the organization. This study investigates the effectiveness of communication between management and contractors, how contractors are outsourced and the use of internal resources in relation to external resources. A survey was conducted among 200 employees chosen for the research in all areas within KZN with the goal of covering all areas within the province. The quantitative method was chosen for the survey. The survey instruments used was an emailed questionnaire with the utilization of a software called QuestionPro for feedback from the respondents. The data collected was analysed using Statistical Package for Social Science (SPSS). From the findings, the respondents tend to agree that management must maintain good communication with external contractors about organizational targets. Respondents also agreed that assessments must be done internally with more focus on skills and experienced contractors. There needs to be a good working relationship between internal and external resources, however there are pros and cons when these two are compared. Findings and recommendations are discussed and areas for further study identified.

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# **CHAPTER ONE: INTRODUCTION**

## **1.1 Introduction**

Organizations employ the services of external contractors for many reasons including, increasing the employment rate, obtaining low-cost rates while making profit, and gaining competitive advantage compared to other organizations. External contractors also pose some challenges to organizations including safety and quality. This then requires proper management of external contractors which includes planning, control, leading and organizing. External contractors need to understand the culture and processes of an organization. More importantly communication is important such that external contractors are aware of the organizations strategic plans. This is the case with Eskom KZN OU where they are utilising several services from external contractors. The study is based on the rationale for using contractors and how the electrification team can make better use of them to achieve its electrification targets. The electrification department is responsible for electrifying houses which increases sales for the OU. The electrification service is outsourced to external contractors. It is on this premise that this study aims to clarify the need for external contractors and how the organization can benefit from them.

## **1.2 Motivation of study**

The motivation for the study was based on the overall performance of the organization and determining if it could be improved. There are many benefits for employees if the organization performs well such as performance bonuses. When more people are electrified, they have access to many things which can uplift their lives and daily activities. The economy of KZN can also grow.

### **1.3 Focus of the study**

The focus was based on the outsourcing and management of contractors; aligning the organization with contractors to improve performance; and how both management and contractors gain from each other to meet the organizations targets. It was also to explore the existence of common goals and the relationship between management and contractors. What will be left out is how contractors acquire their skills and resources and how they manage their resources.

### **1.4 Problem Statement**

The research was based on the current performance by Eskom Kwazulu-Natal Operating Unit. The organization has been one of the top performers when compared to other provinces but lately its performance has dropped. This has been seen by the past and previous results of the organization. The department that is directly involved with electrifying the customers is the Electrification Department. By electrifying more people the business sells electricity and the organization can make more profit. The actual work required to electrify the customers is outsourced and carried out by external contractors. It can be argued that the failure to reach targets are not caused solely by contractors but other internal resources, internal processes and shortfalls in management. South Africa currently is challenged by unemployment thus there is a need to make use of external contractors to contribute to the economy.

The research was aimed at coming up with recommendations for management that can be used in contractor outsourcing and to ensure that both management and contractors align with the organizations Key Performance Area/Key Performance Index. The target goals have not been achieved by KZN OU of electrification which has limited the provinces performance, especially as electrification has a larger percentage in the performance scoring. For the financial year ending March 2013, while the operating unit had an electrification target of 35111, the actual completed target was 24182 connections (69% completion). At the financial year ending March 2014, the operating unit had a target of 43638 and

only managed to complete 39624 (91% completion). For the financial year ending March 2015, the operating unit had a target of 46511 and only managed to complete 24572 (53% completion). As at the financial year ending March 2016 the operating unit had a target of 80064 and only managed to complete 24313 (30% completion). The South African government together with Eskom agree on set targets for all operating units in terms of electrification. As a state owned company the organization needs to comply and perform to the utmost level to fulfil these targets. If these are not met, there is less revenue being generated and the economic development of the country grows at a very slow pace.

It is important to also bear in mind that technology is also growing at a fast pace which requires electricity. A huge challenge is the theft of electricity resulting in illegal connections by customers. This in return also has its own consequences including that of the safety of customers, overloading, all of which will significantly affect Eskom networks. The results above provide a clear trend where there hasn't been any stability with performance from projected against actual. It must be highlighted that external contractors are utilized for electrification projects. Most work, which involves building an overhead line to the customer's home, is done by external contractors. Much of KPI/KPA's are met but except for electrification. The problem highlighted above brings into question the contractors level of competency and their contribution to achieving Eskom KZN OU target.

### **1.5 Research objectives**

The research has the following objectives:

- a. Establish if contractors and management communicate the outcome required to achieve performance.
- b. Explore how the contractors are outsourced for their competency level.
- c. Investigate the use of internal resources as compared to external resources.
- d. Identify the actual cause of poor performance in the organization.

## **1.6 Research questions**

- a. Are the contractors involved in the planning phase to achieve required targets?
- b. What extent is poor performance based on the actual work or internal processes?
- c. To what extent are the contractors assessed before they are outsourced?
- d. Do internal resources perform better than external contractors?

## **1.7 Significance of study**

From the findings, the study intends to make reasonable contributions which can be used by the OU where relevant in order to improve any gaps or shortfalls within the organization. The findings are not only intended for the OU but other organizations can also make use of the study as a reference. The recommendations and conclusions from the study are also there to assist management in dealing with contractors.

## **1.8 Methodology**

A quantitative research method is chosen for the design. This will be achieved using questionnaires. A software package called QuestionPro was used, and a link giving access to the survey was sent to respondents by email. The respondents included all areas in KZN, like Margate, Pietermaritzburg, Durban, Newcastle and Empangeni. The survey was distributed to 200 respondents from the following Departments: Electrification, Project Execution, Control Plant and Field Service. They included staff in both management and non-management positions. Simple random sampling was chosen for this study. Consequently, for permissible statistics the following were used: chi-square, mean, standard deviation, correlation and regression.

## **1.9 Chapter Outline**

Chapter One will outline the framework and nature of the study as well as the research objectives and problem statement. The significance of the study is also examined. Chapter Two will focus on the literature review focusing on the research topic. The impact of utilizing external contractors in an organization and the advantages and disadvantages to this are discussed. The section also examines how organizations can better utilize external contractors to increase performance. Chapter Three will describe the research methodology which includes objectives of the study, data collection strategies, research design and methods, analysis of data and questionnaire construction. All issues regarding reliability, validity and bias are also discussed in this chapter. Chapter Four presents and discusses the feedback from the surveys carried out using QuestionPro. The quantitative method was used for feedback. All results will be analysed, discussed, and interpreted in relation to the literature review. Chapter Five will include a discussion of the research findings as well as recommendations and conclusions to the study.

## **1.10 Limitations of study**

Eskom State Owned Company (SOC) is a national organization however the study only focused on KZN geographical area. This was to keep the study within a manageable area. The questionnaire was only distributed to Eskom employees and not contractors. The waiting time for the release of ethical clearances took considerable time before the researcher could go out and distribute the surveys. One of the contributing factors for the delay was the challenges in communicating with the Supervisor. Once the survey was distributed, the researcher had to resend the email to respondents to verify completion.

## **1.11 Summary**

This chapter provided an overview of the focus of this study by discussing its rationale and significance, area of research, problem statement, research questions, research objectives and limitations of study.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1. Introduction

Outsourcing of business activities has been a practice used for some time now in many organizations. (Mathrani and Mathrani 2016) also add that the outsourcing industry has bridged mature and emerging economies to facilitate the flow of knowledge across businesses. Eskom utilizes several external contractors to do various work activities within the organization. This is the case with Eskom KZN OU whereby external contractors are used for electrification connections. Previously Eskom internal staff was responsible for carrying out electrification connections however this has since changed. Contractors are outsourced throughout the province to provide the electrification service in the OU. The challenge was that the organization had not reached its target for the past five years.

In this section the use of external contractors is discussed and the following points are raised: the advantages and disadvantages of utilizing contractors and the effectiveness of utilizing contractors in the organizations. The processes available to procure competent contractors that will ensure the enactment of the organization are discussed.

The above generally will give a suggestion of what extent contractors should be utilized. The most significant thing however is that organisations are able to manage external resources and have procedures in place from planning to the completion of project.

## **2.2 What is an Independent Contractor?**

There is no particular definition for external contractors. According to Cohen and Eimicke (2013) “regardless of the many technical changes, external resources, generally, can be known as a employees who delivers goods or services to an organization or individual, generally make use of their own material and has a higher degree of autonomy over their lifestyle”.

The contractors are not directly employed by the organization, but operate under some form of agreement. According to Cohen and Eimicke (2013), external contractors are often compensated on the basis of freelance and their services can be provided for several organizations at the same time. External contractors are often small to medium business owners, free from the control and direction of a particular employer.

External resources are found in almost every business and across all sectors. They also perform various jobs which include but are not limited to: electricians, couriers, plumbers, financial advisors, truck drivers, construction workers, information technology (IT) specialists, physicians, authors, artists, and lawyers. Davies (2009) defines it as anyone you get to work for you who is not an employee. However, it is very important to identify the right contractor for the right job. Gunawan and Kleiner, (2005) further define it as independent people who are hired to perform specific tasks and provide special services rather than provide goods in business for themselves. They are also regarded as specialist in their field. According to (Ustailieva and Starren 2015), contractors are external companies, organizations or individuals having a contractual partnership with a client. They can be service providers or product suppliers depending on the task. They can also involve sub-contractors to assist in project completion.

### **2.3 Effectiveness of Utilizing Contractors**

South Africa is classified eighth in terms of unemployment rates, at 27.1% and Kwazulu-Natal is currently at 20% (StatsSA 2016). (McKeown and Cochrane 2012) state that independent contractors are more likely to create new jobs and bring new innovation. This is more likely to bring economic growth. The study is focused on KwaZulu-Natal Operating Unit and how it can subsidise in bringing this value down while also achieving the required goals. KwaZulu-Natal has the second major population in South Africa behind Gauteng. The KwaZulu-Natal Operating Unit has 47000 electricity connections to be completed in the 2015/2016 financial year, this alone cant be done using only Eskom employees. To complete this target, the organization requires the use of external resources. These connections are everywhere in the province, which means hiring external resources to work all over the province. The resources are only hired for electrification projects but others including, construction and Information Technology.

The private sector can help improve our economy. Mitchell (2011), states that “inorder to reduce poverty, the private sector can contribute a lot. The more contractors that are utilized by an organization, the more they can contribute by providing employment. If the economy of the KZN province grows, the country’s economy also grows. The unemployment rates can also drop significantly and there can be better living conditions. According to (Dotterud, Andrej et al. 2016),economic performance can be improved by contracting out services.

Ensuring organizations can succeed is actually more than financial achievement. It’s approximately about the people of the society. It’s also about a country where everyone who’s got a worthy innovation and strong enthusiasm. Small industries are influential in modernization and good drivers of the economy, therefore they need to be supported and provided with all the necessities.

## **2.4 Advantages and Disadvantages of Contractors**

There are various benefits and disadvantages to employing external contractors. Determining these requires caution and consideration especially in performing a specific job.

It is claimed that monetary resources top the list for advantages. Therefore, most companies pay service providers more and compensate their workers to do the more work. It generally ends up costing managers more to hire their workers. While companies employ workers, they remunerate several overheads that they don't have to pay external resources. The wages of employer allowances, office equipment and space. The organizations make mandatory payments of their workers, including: the share of worker's taxes and social security, unemployment benefit insurance and employees benefit insurance. These benefits or compensation can escalate payroll costs a lot.

Mallon (2013) states that "temporary workers save your company capital in many ways. Guwana & Kleiner, (2005) adds that the benefits to hiring independent contractors is flexibility in hiring, financial savings and reduced exposure in hiring. . Furthermore, Cohen & Eimicke, (2013) simplify the cost as in Figure 2.1

<b>Differences between General Tax Responsibilities of Employees and Independent Contractors</b>				
<b>Type of Tax</b>	<b>Individuals Classified as Employees</b>		<b>Individuals Classified as Independent Contractors</b>	
	<b>Businesses' General Responsibilities</b>	<b>Workers' General Responsibilities</b>	<b>Businesses' General Responsibilities</b>	<b>Workers' General Responsibilities</b>
Federal income tax <sup>a</sup>	Withhold tax from employees' pay	Pay full amounts owed, generally through withholding	Generally, none <sup>b</sup>	Pay full amounts owed, generally through estimated tax payments <sup>c</sup>
Social Security and Medicare taxes <sup>d</sup>	Withhold one half of taxes from employees' pay and pay the other half	Pay half of total amounts owed, generally through withholding	None	Pay full amounts owed, generally through estimated tax payments <sup>c</sup>
Federal unemployment tax <sup>e</sup>	Pay full amount	None	None	None
State unemployment tax	Pay full amount, except in certain states <sup>f</sup>	None, except pay partial amount in certain states <sup>f</sup>	None	None

**Figure 2.1: The differences between Tax and Contractors (Cohen and Eimicke, 2013)**

A lot is placed on capital factors as that is what most companies are interested on. More additional benefits are more flexibility in resources projects. When workers have a good relationship with independent workers it allows management greater way of hiring and easier way to let go of employees, this can be advantageous for companies with inconsistent loads of work. Organizations or companies can then employ external resources for a project or mission, knowing that the individual will be gone when the work is complete. Most independent resources bring particular experience to the work; they can usually be industrious instantly which excludes cost of training and time.

Mallon (2013) states that a contractor has the capacity to provide quality work and ensure speedy turnaround times. This is because independent contractors are aware that no work generally means no salary. He also adds that companies are less prone to deal with staff laziness and additional benefits. The more projects contractors take on, the more experience it is for them. This also makes it easier to hire a contractor if they have extensive experience.

## **2.5 Disadvantages and Benefits to Contractors**

They decide how best to complete the work and there is less control over the workers. There is more independence and flexibility. They choose their own working hours, customers and the way the work is done. External resources select their private work together with customers, the quality along with quantity of private work is better linked with the amount of capital contractors produce. Cohen and Eimicke (2013:13) posit that “private workers have a lot of control over their economic destiny, and often highly encouraged private workers are more likely to earn more capital than ordinary workers”.

It not that easy to fire a contractor as it depends on the written agreement. Management in their organizations take control of their employees in the workplace. If it happens that management fires a private worker in violation of the arrangement, they could sue the organization for compensations and that can be costly. It could also affect the organizations image.

The organization may also be liable and responsible for injuries suffered by private workers on the job. The two parties will need to discuss any risk or hazardous situations that may rise. It is very imperative to ensure that all contractors complete all statutory necessities and they are informed about the work or project that they are about to undertake. According to (Ustailieva and Starren 2015), the client shall provide the contractor with appropriate instruction about safety and healthy during their activities.

## **2.6 Communication between Management and Contractors**

According to Business (2016), for a business to be successful on completing a project, it is important that there is effective communication between contractors and management. It can also lead to better teamwork and improved project collaboration. If there is poor communication between management and contractors it can lead to delays, misunderstanding and many other issues.

Management are required to follow their protocol hence enforcing a chain of command for communication. This also gives the contractor a sense of ease as to whom they should communicate with. (Malmelin 2007) argues that communication competence is likely to become a critical important factor for companies in the coming years, however this requires good knowledge of communication. In addition to this, the absence of a strong culture of communication makes it difficult to motivate staff and implement organizational strategies.

Critical success factors can be defined as the factors which managers need to monitor closely to ensure the successful delivery of projects; and provide a means of recognizing the important elements which need to be raised for companies to implement the necessary changes more effectively (Ofori-Kuragu et al, 2016: 845). In many areas of contractor management, resources which include labour, materials, finance, equipment and plants are not looked after appropriately hence resulting in poor performance. Management and financing difficulties also lead to projects being abandoned or discontinued. A project can be easily affected by poor flow of communication. When there is poor communication, problems and delays start to occur.

There are a few factors which hinder the success of a project, these include project management, procurement, clients, contractors, design team, project managers, work environment, productivity, labour and other external factors. It is imperative that there are clear links and solid communication between all these stakeholders. Another challenge is if management has very little experience in project management and doesn't know where to start or what to focus on. Bringing the factors to operational level that can hinder success they include project manager's experience, decision making effectiveness, site management, supervision, and contractor's cash flow, planning effort, timely decision by owner and clients ability to make decisions.

Most commonly occurring factors (critical success factors, CSFs), frequency and ranks				
Critical success factors (CSFs)	Frequency	Rank	CSFs in rank order	Rank
Leadership and vision	24	1	Leadership and vision	1
Customer focus	14	6	Lean principles/continuous improvement	2
Strategy	11	9	People/HRM	2
Measurement/information and analysis/knowledge management	15	5	Management of processes	4
Partnerships and management of suppliers	13	7	Measurement/information and analysis/knowledge management	5
People/HRM	20	2	Customer focus	6
Management of resources	5	16	Partnerships and management of suppliers	7
Technology	8	10	Quality/zero defects	8
Results	8	10	Strategy	9
Work culture and environment	7	12	Technology	10
Management of processes	16	4	Results	10
Innovation and creativity	6	14	Organisational design	12
Teamwork	6	14	Work culture and environment	12
Quality/zero defects	12	8	Innovation and creativity	14
Organisational design	7	12	Teamwork	14
Lean principles/continuous improvement	20	2	Management of resources	16

**Figure 2.2: Critical success factors between management and contractors which affect the completion of projects (Ofori-Kuragu et al, 2016: 854).**

Considering the aforementioned challenges, the following factors are critical to organizational success from the perspective of contractors.

- a. Quality and organizational culture
- b. Client and customer satisfaction
- c. Organizational design
- d. Work culture and the work environment
- e. Strategy and communication
- f. Leadership and management
- g. Measurement, analysis of information and knowledge management
- h. Implementation of lean principles

For organizations to achieve success in their environments, the above points can be used to align external contractors with the organizations long term plans. It also gives the contractors an indication of what is expected from them as contractors

are also a representation of the company. The above points should be shared and communicated with external contractors. Ofori-Kuragu et al (2016) state that in achieving performance excellence, contractors should aim to provide just what the client wants and avoid the need for re-work. Contractors must adopt an organisational structure and work environment that enhances and enables optimum productivity. They must aim to satisfy their clients and develop an effective strategy. Contractors must ensure they have an effective leadership, measure performance and promote a learning culture. Continuous communication and feedback between management and contractors must be kept at all times. (Lau, Tang et al. 2015) add that the importance of strong leadership from project clients and the need for a culture of continual improvement by organizations is a must. Some contract issues that characterize declining contractor performance include, the procurement process or procedure; failure to define roles and procedures for contractors; changes in specific terms of reference during implementation; absence of contractor monitoring and evaluation mechanisms; and vague design and implementation processes. Payments are sometimes made to non-performing contractors.

As part of performance agreements between the contractor and organization, there must be some sort of relationship with management. This includes being involved in all stages of a project and continuously providing feedback on the progress of the project. It also involves the continuous tracking of all project related budgets for the project. As projects are time based it is important that the organizational target must be known by all involved parties. This closed meeting should have all relevant stakeholders present, all documentation needs to be signed off and all parties need to be satisfied with the overall project when completed. (Malmelin 2007) argues that communication is a business asset but its value and success for any business depends on how it is understood. Communication is thus a powerful tool if used efficiently and effectively.

## 2.7 The Selection of External Contractors

In noting the competitive assessments of contractors, (Tan, Shen et al. 2011) state that it is critical in providing contractors with their strengths and weaknesses. This can assist contractors when tendering for contract or project work. Below are phases that can be followed by management for contractor procurement.

Phases	Management practice
Pre-contract	<ul style="list-style-type: none"> <li>A process to conduct an outsourcing operation to mitigate the involved risks</li> <li>Risk evaluation prior to contract execution               <ul style="list-style-type: none"> <li>Evaluation of technical competence</li> <li>Evaluation of a company's opportunity</li> <li>Implications of outsourcing the processes</li> </ul> </li> <li>Evaluation of the cultural similarity of contracting parties</li> <li>Confirmation of objectives</li> <li>Evaluation of future plans</li> <li>Establishment of a contract with effective contracting practices               <ul style="list-style-type: none"> <li>Roles and responsibilities</li> <li>Compensation</li> <li>Penalties and benefits</li> <li>Service level agreement (SLAs)</li> </ul> </li> </ul>
Performance of the contract (to carry out the contract activities)	<ul style="list-style-type: none"> <li>Supporting the transfer of activities               <ul style="list-style-type: none"> <li>Follow-up after the initial period</li> <li>Registration and procedure of activities</li> </ul> </li> <li>Establishment of contract management process               <ul style="list-style-type: none"> <li>Utilisation of indicators</li> <li>Definition of periodic meetings</li> <li>The contract as the basis for management</li> </ul> </li> <li>Establishment of recognition practices</li> <li>Compensation based on results</li> <li>Establishment and maintenance of co-creation practices               <ul style="list-style-type: none"> <li>Shared gains</li> </ul> </li> <li>Active relationship management               <ul style="list-style-type: none"> <li>Interim meetings</li> <li>Discussion and clarification of problems</li> </ul> </li> </ul>
Post-contract	<ul style="list-style-type: none"> <li>Evaluation of possible contract extension or termination</li> </ul>

Figure 2.3: Summary of identified Practices (Lazzarotto et al, 2014)

The above table from Lazzarotto et al, (2014) is a very good indication of how an organization should outsource a contractor including approval of a contract. It starts off with conducting an outsourcing operation to mitigate any risk. These risks include, assessment of technical capability, assessment of organizations

opportunity, and importance of outsourcing procedures and processes. It further looks at cultural differences, validation of objectives and assessment of strategies. With effective contracting practices comes the establishment of contracts. It includes responsibility and roles, penalties and benefits as well as compensation. Once the contractor has started there needs to be procedures for activities and periodic meetings. The compensation is to be based on good results and any problems from the projects are to be discussed and rectified for future purposes. The overall contractor work is to be evaluated for extension or termination. The management of relationships with external contractors is one of the major encounters of outsourcing. Both top and middle management should be involved to confirm the strategic support from the organizations point of view.

One of the most critical things when appointing an independent contractor is to make sure that they have the ability and expertise to complete the actual job or project. It is not only about completing the project but also ensuring that it is done in a given time frame. Thus organisations should ensure that independent workers are capable and competent prior to being given a project or work. The correct selection of service providers can also add to the overall operation of a company. The job must be completed appropriately from the beginning stages, however must refrain from any coming back. Favie, Mass and Abdalla, (2009) write that: Additional to this we can say that contractors tendering at lowest price might not be the better way of selecting an external resources. It would be ideal to choose an independent worker and create a team where the members can have faith in one another. They should aim at working for the same vision and target. That should lead to improved working environment and more value for all individuals within the group.

Davies (2009: 27) approaches contractor selection with caution, as it is not something to do carelessly. It could be said that since contractors are not as familiar with industry as internal employees, selecting them requires even greater attention. He also states that spelling out the conditions and requirements that the contractor should meet and selecting the one best equipped to meet them is

important. Some deciding factors when selecting a contractor is the availability, cost, technical competence, reliability, health and safety.

While there will be a high number of contractors searching for jobs, finding someone competent can be challenging. (Whirlwind 2015) states that to minimize potential fakes or incompetent contractors, one can do the following: use informal networks; use personal contacts in the business; build relationships to set up preferred contractors; and interview different contractors. Assessments of external contractors is critical as part of minimizing any risks. Favie, Mass and Abdalla (2009) present a model below for the selection of independent contractors, it is also called the subcontracting framework. It has the following stages: qualifications, safety healthy and environment, contract negotiation, assessment, managing teams and contract termination.

These are all critical but the initial three are important with project or job execution. Perhaps the more reason or purpose why the KZN OU is not functioning is how they procure their independent service providers which affect the overall performance. There are a couple of questions that one can ask contractors as a guideline prior to selection. These include: what arrangement will the contractor have for managing the work; who will be responsible; how will work be supervised; and will any sub-contractors be used.

<b>Financial soundness</b>	Financial stability.
	Credit rating.
	Banking arrangements and bonding.
	Financial status.
<b>Technical ability</b>	Experience.
	Plant and equipment.
	Personnel.
	Ability.
<b>Management capability</b>	Past performance and quality.
	Project management organization
	Experience of technical personnel.
	Management knowledge.
<b>Health and safety</b>	Safety.
	Experience modification rating.
	OSHA Incident rate.
	Management safety accountability.
<b>Reputation</b>	Past failures.
	Length of time in business.
	Past owner/contractor relationship.
	Other relationships.

**Figure 2.4: The above is the criteria and sub-criteria for external resources assessment and prequalification (Puri and Tiwari, 2014:3)**

The table above indicates what a certain contractor should have prior to undergoing an assessment process or being employed. For example in the Technical field, it looks at experience, plants and equipment, personnel and ability. This is just a guideline however there is more to this list. (Ustailieva and Starren 2015) add that a sound profile of a contractor should have the relevant qualifications, skills, competencies and experience. They add that a healthy and safety file is a must for contractors.

## **2.8 Contractor Performance and Monitoring**

### **2.8.1. Internal processes and performance**

Key performance indicators are utilized to evaluate and track the contractors performance in conforming with the contract requirements (Shiwa 2014). Per Dean and Kui, (2002) performance measurements and evaluation are top on the agenda of senior management and across all different organizations. One of the reasons for this is based on increased competition. According to (CIPS 2016) continuous improvement which is also known as '*Kaizen*' means change for the better and

encompasses all products, people, procedures and processes in a company. In contracting, performance monitoring focuses on three key areas; making sure the contractors work is in line with the contract rules; classifying the nature of variations in producing quality work and its relationship to price aspect; and underlying whether customers and the contracting people are pleased with overall service. There are implications linked with competitive tendering and the contracting, whether contractors can perform to standards agreed on and whether they are able to maintain those standards. There are approaches that can be used for monitoring of performance of outside services; indicators that specify and measure performance; reports on contractors; inspections or audits; client's surveys or complaints.

In addition to the above, there is always room for improvement measured via performance indicators such as client satisfaction, client potential and analysis of current procedures and processes with respect to inconsistencies and omissions. Dean and Kiu (2002) write that: The level to which organization should observe performance is very critical. It is not only related to the dangers linked with contract failure but also the degree to which the buying organization is assured that the independent workers are capable of producing to the agreed quality levels and standards.

They also add that there are several dimensions in a strategically linked performance checking system: time, flexibility, quality, customer satisfaction, finance and the organizations staff. Thus, the "widening of performance meters noted above does not seem to have stretched into contracting out" Dean and Kiu, (2002). This will have a ripple effect as the dealer's profit margin will decrease and quality suffers, and thus, customer satisfaction will be negatively affected.

There are two risks linked with competitive offering and contractors; either external resource has the capability to work to the agreed organization standards and whether those principles are being achieved. There are two key approaches to minimizing any dangers, namely, the embracing of quality assertion strategies and implementation of performance monitoring systems.

### **2.8.2. Audit to be done after work is completed**

In most cases where work is complete, inspections are done and meetings are successfully concluded. The main reason for conducting inspections after work has been complete is to ensure that organizational standards are maintained and overall work is of high quality. It is also to ensure that the integrity of plant functions is maintained and that the performance level is maintained at the highest level. The audits are carried out to identify problem areas and to ensure that these problems are rectified and do not reoccur. The audits are also done to ensure that the plant contributes fully to the optimal performance of an organization. The reason behind an audit is to encourage all participants to participate fully and present problems that exist. It is not meant to find scapegoats for problems but rather to focus on eliminating problems and improving the plant function and performance. Audits should be carried out during office and site visits. Sites must be randomly selected however inspection should be done once work is complete. Factors including skills level, tools, site records and documentation, should be part of the audit.

### **2.8.3. Check sheet to be used after completion**

The procedures and processes should provide documentation for contractors on how to complete the work successfully. This should be in line with the organizations culture of doing things. The documents may include check sheets, test sheet, equipment information and the tools used. This may also include the type of technology being used to carry out the project. According to Maghsoudi, Duffield et al. (2016), the outcomes of a project must be evaluated and this can be used to promote innovation for future projects. He also states that outcomes of innovation in evaluation processes assist managers in their decision-making process. Eskom has the necessary documentation available on the intranet website. The question is whether these documents are being used to monitor performance and track all projects effectively.

ADDITIONAL DOCUMENTS			
240-75884058	1	DST_34-1195	HANDING OVER DOCUMENTATION: MAJOR/MINOR RETICULATION ELECTRIFICATION STANDARD
			<a href="#">ANNEX A - QUALITY CHECKING SHEET</a>
			<a href="#">ANNEX B - MV LINE DATA AND CLEARANCE CHECKING SHEET</a>
			<a href="#">ANNEX C - CABLE DATA CHECKING SHEET</a>
			<a href="#">ANNEX D - TRANSFORMER DATA CHECKING SHEET</a>
			<a href="#">ANNEX E - ISOLATOR DATA CHECKING SHEET</a>
			<a href="#">ANNEX F - SECTIONALISER DATA CHECKING SHEET</a>
			<a href="#">ANNEX G - RECLOSER DATA CHECKING SHEET</a>
			<a href="#">ANNEX H - CAPACITOR DATA CHECKING SHEET</a>
			<a href="#">ANNEX I - REGULATOR DATA CHECKING SHEET</a>
			<a href="#">ANNEX J - CT/VT UNIT/LPU/SPU DATA CHECKING SHEET</a>
			<a href="#">ANNEX K - LV FEEDERS DATA AND CLEARANCE CHECKING SHEET</a>
			<a href="#">ANNEX L - SERVICE CONNECTION DATA &amp; INFORMATION CHECKING SHEET</a>
			<a href="#">ANNEX N - HANDING OVER CERTIFICATE</a>
ELECTRIFICATION PLANNING			
<a href="#">DST_34-627</a>	0	SCSASABP4	PLANNING GUIDELINE: LV FEEDER VOLTAGE DROP CALCULATION METHODS.
<a href="#">DST_34-630</a>	0	SCSASABP9	PLANNING GUIDELINE: ELECTRIFICATION INDICATORS
<a href="#">DST_34-1274</a>	0	SCSASABT2	DISTRIBUTION STANDARD PART 1: PLANNING SECTION 50: UPGRADE PATHS FOR ELECTRIFICATION PROJECTS. <a href="#">D-DT-0321</a> <a href="#">D-DT-1866</a> <a href="#">D-DT-3139</a> <a href="#">D-DT-3127</a>

**Figure 2.5: All annexures that are to be used by contractors as part of their handing over document for electrification projects (Eskom Intranet).**

## 2.9 Management of contractors and recommendations

The utilization of independent workers can be of good value both to management and workers, however there must be a way of managing them very carefully. There must be contract along with written agreements which should be followed and projects must be completed in the agreed and required timeframe. There are more argument below on certain preferences, organizations must strongly consider to assist prevent any experiments in company models. Guwana and Kleiner (2005) note that the organization must first be clear on what they want out of a contractor. The contractors must be interviewed and must submit their resumes. The organization must also focus on what the contractor can achieve for them. It is important to conduct an audit for verification of legitimate exposure. The audit is intended to serve as a risk evaluation for litigations and incidents which may arise. The reason is to protect management and also to close any gaps that they may encounter.

To enhance any clarity about their working affiliation, management must write a contract agreement. It is there to ensure that the working conditions are clearly defined. It also ensures the contracting reality is reflected and the objectives are clear in the working arrangement. Cohen and Eimicke (2013:91) note that: Third-party auditors can verify that the real-world situation of the working affiliation matches what is defined in the independent contractor agreement. The use of an external auditor to verify that the arrangement is correctly shown in the roles and responsibilities of the employer. The worker should help minimise any missteps in day-to-day actions that can be corrected and may help to potentially avoid litigation about unknown classification in the future.

To ensure that there is consistency in the organization, larger companies may need external resources in different sections of company due to the extent of project or work to be done. Because of the large number of independent workers that are used, there is a need to be consistent during the time when requiring service providers as external resources.

The correct thing to do is use service providers that can show self-employment or are small businesses that are well established. In order to ensure that the external employees have direction, there needs to be controls in place, and that they are registered as per the government requirement. It is important to ensure that contractors are legally recognized business particularly for tax purposes.

Educating middle managers and employees within the company about any misclassifications can assist the organization going forward in knowing who to employ. Cohen & Eimicke, (2013:92) indicate that: former workers shouldnt be taken back to an organization as an external contractor –and that they should be taken back in their old positions. The likelihood is that the former individual will contract out the very same work as previously that they were performing in their old position. The procurement is the final place for employing contractors; therefore, thorough training by contractors is required.

## **2.10 Maximizing Contractor Freedom: Best Practices**

This requires that external resources have their personal material and it gives an indication that they are a well-established company. However, they should not be limited from hiring their equipment from somewhere else or third party, a cost the contractor shall be responsible for. External resources should be paid on work completed and not by the hour or any other time variable.

It is equally important to allow external contractors to sub contract other work to complete given project. The contractors should be permitted to substitute, subcontract at their own arrangement. However, the arrangement must be agreed upon the companies. The most critical thing is ensuring that the actual work gets completed.

Requiring that external resources to pay all their costs and that the tools, equipment maintenance, and remunerations among other factors are their accountability and should be part of the agreement. Allowing external contractors to plan their own work schedule and to be flexible should also be included.

## **2.11 Summary**

From the literature, it is clear that companies should be making use of external workers and their increasing use can be important to the South African economy. The companies are likely to benefit a lot financially with the use of external contractors however management should try and learn to protect their interests. In all fairness, the procuring of external workers should not be left only to the Procurement Department and that management involved in that particular field must also be involved. All agreements to be cleared out to prevent any misclassification. It is also important to ensure that the contractors being utilized are registered according to government regulations and follow the law.

In order for organizations to achieve the best performance from external contractors, organisations must be firm, fair and consistent in evaluation contractors. The biggest gap is poor workmanship; a contractor cannot be paid if work is poorly done. Overall external contractors can go a long way in helping organizations achieve their target, they can direct their employees somewhere else and no work must be stopped. Selecting suitable working contracts, determination of contractor competencies, contract portfolio management, the assessment of possible clients and the overall design of a contractor's role are related to each other.

## **CHAPTER THREE: METHODOLOGY**

### **3.1. Introduction**

This chapter defines and describes the research methodology and design utilized in this study. It is not always easy to choose the right methodology and so a wide range of research methodologies were explored. The following shall be discussed extensively in this chapter: research design, study setting, sampling techniques and data collection strategy. The choice of data collection strategy will be discussed including survey instruments and the administration of questionnaires. The chapter will then discuss the validity and reliability of research instruments. It will then conclude on data analysis and summary.

### **3.2. Research Design**

Sekaran and Bougie (2013) defines research as a planned, systematic, data-based, critical, objective, inquiry or investigation into a particular problem undertaken with purpose of finding solution and answers. There are three different types of frameworks that exist for research design. These are quantitative, qualitative and mixed method approaches.

### **3.3. Study Setting**

The study focused on Eskom internal staff. Eskom SOC is a large organization, however as mentioned earlier the focus was on KZN Operating Unit. The main offices are based in New Germany, Westville and Mkondeni. These locations are home to all senior management and where all the designs, budgeting and planning for electrification takes place. In the remote areas, the Customer Network Centres (CNC) are operational and deal a lot with contractors. They are not directly responsible for projects as there are Project Coordinators. The Operating Unit

(OU) is broken into three zones mainly Newcastle, Empangeni and Margate. The respondents for this study were mainly employees from these three key areas.

### **3.4. Population and Sample Size**

The target population includes all races and genders employed in Eskom KZN OU that engage and work closely with contractors. The population size chosen for the study was 200. Respondents were identified as these were internal employees located across KZN and there was no specific choice of designation.

Phrasissombath (2009) states that: Sampling requires the choosing of a number of learning units from a defined study population. There are two main kinds of sampling techniques, probability sampling and non-probability sampling. Probability sampling is normally the one precise kind of sampling especially when using quantitative research.

The two sampling techniques can be broken down further. Under probability sampling, one can choose any of the following: simple random, systematic, cluster, area, double, proportionate stratified or disproportionate stratified sampling. Under non-probability one can choose: convenience, judgement or quota sampling. For this study, simple random sampling is chosen as there is a high degree of generalizability with it. The reason for this selection was also to cover as much of the geographical area as possible.

### **3.5. Data Collection Strategy**

There are various data collection techniques each having their own disadvantages and advantages. These data collection methods include interviews, observation of individuals, written questionnaires administered in person or by email, or focusing on group discussions. Sekaran and Bougie (2013) state that interviewing, observing people and administering questionnaires are the main data collection methods utilized. In this case the researcher chose to use the questionnaire method through an online survey using QuestionPro. This was an easier way to

reach respondents as they are equipped with the necessary facilities and have access to the internet.

### **3.6. Choice of Data Collection Strategy**

As mentioned above the researcher chose the quantitative methodology. A questionnaire was chosen for the survey. There are various reasons for this and they include:

- a. The respondents are based all over KZN in different areas. KZN is a wide geographical area and through electronic questionnaires respondents were easily reached.
- b. Survey software called QuestionPro was used for the questionnaires. All respondents had access to email and internet.
- c. The questionnaire was easy to administer and conducting it was inexpensive.

The respondents could answer at their own convenience and time.

### **3.7. Description of Survey Instrument**

The survey instrument used for data collection was a questionnaire. The survey was piloted before being sent out for feedback.

The Likert scale was used for providing feedback on the questionnaire. Before the questionnaire was released the researcher ensured that the questions and responses were clear and unambiguous. The questions were listed as per the objectives.

**Table 3.1: Link between objectives and questionnaire**

Section of Questionnaire	Content	Link to Questions
A	Personal data	1, 2, 3, 4, 5,
B	Management and contractor communication	6, 7, 8, 9, 15, 18, 20, 23
C	Outsourcing of Contractors	11, 12, 13, 14, 19, 21, 22
D	Utilization of internal resources compared to Contractors	10, 16, 17

The personal data ensured that it catered for all respondents taking into consideration that the questionnaire was aimed at all levels of staff who are involved with external contractors. The nominal scale was used for the personal data questions. The other sections of the questionnaire used the ratio scale. This was to get the best results from the responses taking note that a random sample was used from the population. The questions asked were clear, simple and required direct answers. All questions were close ended questions.

### **3.8. Administration of Questionnaire**

There are many methods of administering a questionnaire; these methods are also dependent on the type of instruments that have been chosen. The different ways include post, self-administration in the presence of researcher, self-administration without the presence of researcher, face to face interview, telephone and internet. For this study, QuestionPro has been utilized, an excellent software for conducting research. All the respondents were requested to respond via email. This method was found to be a lot cheaper and efficient.

The questionnaire was piloted first for many reasons including to:

- a. Check clarity of items, layout, sections, presentation and instructions;
- b. Receive feedback on appearance;
- c. Eliminate ambiguities, uncertainty and poor wording;
- d. Check readability;
- e. Receive feedback on question type and its suitability, feasibility and format (e.g. open/closed/multiple choice);
- f. Receive feedback on appropriateness of questions;

### **3.9. Validity, Reliability and Bias**

Tavakol (2011) states that both validity and reliability are two important elements in the evaluation of a measurement. However, he also states that the most widely used objective measure of reliability is Cronbach's alpha. In addition, Annun (2015) states that "the researcher should confirm that the instrument selected is reliable and valid. The reliability and validity of any research work depends to a greater extent on the relevance of the instruments".

#### **3.9.1. Validity**

Validity is the power of the inferences, conclusions or propositions. It is the greatest presented estimate to the actuality or incorrectness of a given inference. There are several types of validity that are examined in research. They are grouped under three sub-heading which include content validity, criterion-related validity and construct validity. To ensure the validity of the questionnaire, it was sent out for pretesting prior to be being sent out to respondents of the survey. Only a selected few in the population were chosen for pretesting. The aim was to ensure the validity of the questionnaire and the appearance of the survey. It also aimed to pick up any errors and issues with wording in the survey.

#### **3.9.2. Reliability**

Reliability is the uniformity of one's results, or the degree that an instrument measures the identical way all the time it is utilized under the similar condition

with the unchanged subjects. It is the repeatability of a measurement. A measure is considered legit if a person's score on the identical test given twice is similar. It is vital to remember that reliability is not measured, it is projected. The way measurements are conducted they must be the same throughout, it also includes the surroundings and process that will be followed.

### **3.9.3. Bias**

Bias is defined as any trend which inhibits unbiased consideration of a question. In research, bias occurs when systematic error is introduced into sampling or testing by choosing or encouraging one outcome or answer over others. Bias can occur at any stage of research, this includes the study design or data collection, as well as in the process of data analyzing and publication. As some degree of bias is nearly always existing in a published study, readers should also consider how bias might influence a study's results. Over and above Validity and Reliability, Cronbach's-alpha method will also be used to measure reliability. It is the most recommended method as it is an important variable in the evaluation of assessments and questionnaires.

### **3.10. Ethical Issues and Consideration**

The questionnaire was submitted for ethical clearance for the research. It was granted by the University of KwaZulu-Natal Humanities and Social Sciences Research Ethics Committee on March 13 2016 (Protocol Reference Number: HSS/0416/016M) (Appendices). As part of the requirements by the Ethics committee, the research questionnaire should have no issues of ethical infringements.

All the respondents were told about the confidentiality of participation and that it was voluntarily giving them the freedom to withdraw from the study at any time without any consequences. The questionnaire is also attached see (Appendix B).

### **3.11. Data Analysis**

Statistical tests are very significant during analysing of the data. (Anon (n.d.) states that “there are lots of tests that can be utilized to analyse the data and which specific one we select to use for the data analyses depends upon what we want to achieve. What data was collected and how the data was collected”. Choosing a statistical test depends on these key factors:

- a. The level of data (nominal, ordinal, ratio, or interval).
- b. The number of samples or groups in the study (one, two, or more).
- c. Whether the information was collected from independent groups or samples or from associated groups?
- d. The characteristics of the information (the distribution of the data).

Because of selected scale type, for permissible statistics the following will be used chi-squared, mean, standard deviation, correlation and regression. QuestionPro was used for analysis as well.

### **3.12. Summary**

Quantitative research method was used in this study considering all other variables. The collection method used for data was the questionnaire and consistency played an important role in the process. The questionnaire was designed to cover all research objectives and was administered by email to respondents. As mentioned the focus was on Eskom KZN Operating Unit, therefore the target population and sample size came from that unit. These included all areas in KZN and were restricted to employees that deal with external contractors. All respondents were chosen randomly. For statistical analysis chi-squared was used for nominal scale and for ratio scale the following was used, mean, standard deviation and regression. QuestionPro was the software package used for data analysis. The next Chapter provides a more detailed analysis of the data from respondents.

# CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS

## 4.1. Introduction

This chapter shows the results and discusses the findings acquired from the questionnaires in this research. The questionnaire was the main tool that was utilized to collect data and was distributed to employees at Eskom KZN Operating Unit. The data collected from the responses was analysed with SPSS version 24.0. The results will present the descriptive statistics in the form of graphs, cross tabulations and other figures for the quantitative data that was collected. Inferential techniques include the use of correlations and chi square test values; which are interpreted using the p-values.

## 4.2. The Sample and Outcome of Survey

**Table 4.1: Breakdown of Survey Respondent Results**

Viewed	Started	Completed	Completion Rate	Drop Outs (After Starting)	Average Time to Complete Survey
200	164	146	89.02%	18	5 minutes

Table 4.1 presents a breakdown of the survey extracted from QuestionPro. It showed that 200 respondents viewed the survey, 164 started the survey, 146 completed the survey with a completion rate of 89.02%. In addition, there were 18 drop outs and the average time taken to complete the survey was 5 minutes.

## 4.3. Reliability Statistics

The two most significant aspects of accuracy are reliability and validity. Reliability is computed by taking measurements on the same subjects. A reliability coefficient of 0.60 or higher is considered as “acceptable” for a newly developed construct.

Table 4.2. Below reflects the Cronbach's alpha score for all the items that constituted the questionnaire.

**Table 4.2: Cronbach's Alpha score**

	Objectives	Number of Items	Cronbach's Alpha
B	Management and Contractor Communication	8 of 8	0.808
C	Outsourcing of Contractors	7 of 7	0.690
D	Utilization of Internal resources compared to Contractors	3 of 3	0.501

The reliability scores for all sections exceed the recommended Cronbach's alpha value of 0.600. This indicates a degree of acceptable, consistent scoring for these sections of the research. Section D has a slightly lower score. This is mainly due to the negative covariance contributed by one of the statements.

#### **4.4. Factor Analysis**

Sekaran and Bogie (2013) state that the results of the factor analysis shall confirm whether the theorized dimensions surface. It also reveals whether dimensions are indeed tapped by the items in the measure, as theorized.

#### 4.4.1. KMO and Bartlett's Test of Sphericity

**Table 4.3: KMO and Bartlett's Test**

	Objectives	KMO	Approx. Chi-Square	df	Sig.
B	Management and Contractor Communication	0.839	391.521	28	0.000
C	Outsourcing of Contractors	0.753	357.236	21	0.000
D	Utilization of Internal resources compared to Contractors	0.523	19.809	3	0.000

All the conditions are satisfied for factor analysis. That is, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value should be greater than 0.500 and the Bartlett's Test of Sphericity sig. value should be less than 0.05. The sample was adequate for factor analysis.

#### 4.4.2. Rotated Component Matrix

**Table 4.4: Rotated Component Matrix for Section B**

	Components	
	1	2
B: Management and Contractor Communication		
There is strong communication between management and the external contractors	0.792	-0.020
Contractors are involved in all stages during planning stages	0.742	0.055
Contractors provide feedback about the progress and nature of their work consistently	0.838	0.145
Follow up is done timeously on work assigned to contractors	0.862	0.154
Contractors provide constant feedback report on progress of work being done	0.821	-0.014
External contractors must be made aware of the organizations targets	-0.109	0.832
A proper close off meeting for verification of work done or complete must be done	0.223	0.654
The communication is effective between operational Eskom resources and external contractors	0.620	0.369

**Table 4.5: Rotated Component Matrix for Section C**

	Components	
	1	2
C: Outsourcing of Contractors		
The assessment conducted for the contractors is relevant to what they are doing	0.205	0.678
Eskom should do re-evaluations of assessment to check for competency level	0.701	-0.253
Contractor assessment should be done internally for competency	0.609	-0.523

Contractor assessment should be done externally for competency	-0.203	0.788
Courses provided for contractors must be relevant to the task given including their skills and experience	0.882	- 0.008
The process to secure external contractors must be relevant to work being outsourced	0.863	0.044
The correct skills and experience must be sourced for the right work	0.824	0.084

**Table 4.6: Rotated Component Matrix for Section D**

	Components
D: Utilization of Internal resources compared to Contractors	1
Eskom DX internal processes are the direct cause of poor performance	-
Audits should be done after work has been completed by external contractors and checked against quality	0.767
Check sheet should be given to contractors to check for compliance against work done	0.800

Factor analysis is a statistical technique whose main goal is data reduction. A typical use of factor analysis is in survey research, where a researcher wishes to represent several questions with a small number of hypothetical factors. In reference to Table 4.6:

The statements that constituted sections D loaded perfectly along a single component. This implies that the statements that constituted these sections perfectly measured what it set out to measure. It is noted that the variables that constituted Section B and C loaded along 2 components (sub-themes). This means that respondents identified different trends within the section.

#### 4.5. Section A: Biographical Data

This section summarises the biographical characteristics of the respondents.

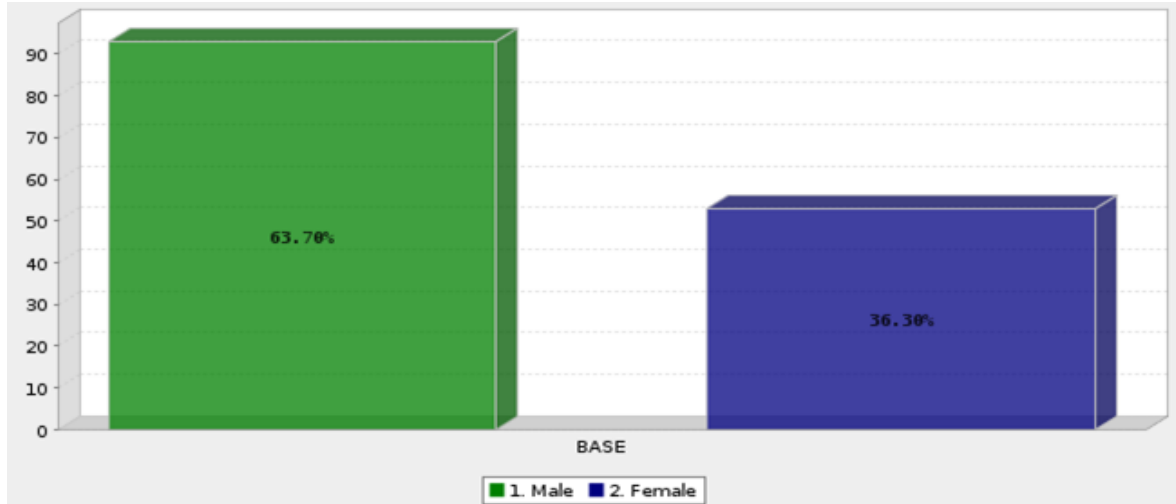


Figure 4.1: Respondents by Gender

The male and female respondents made up 63.7% and 36.3% of the total respondents in the study respectively.

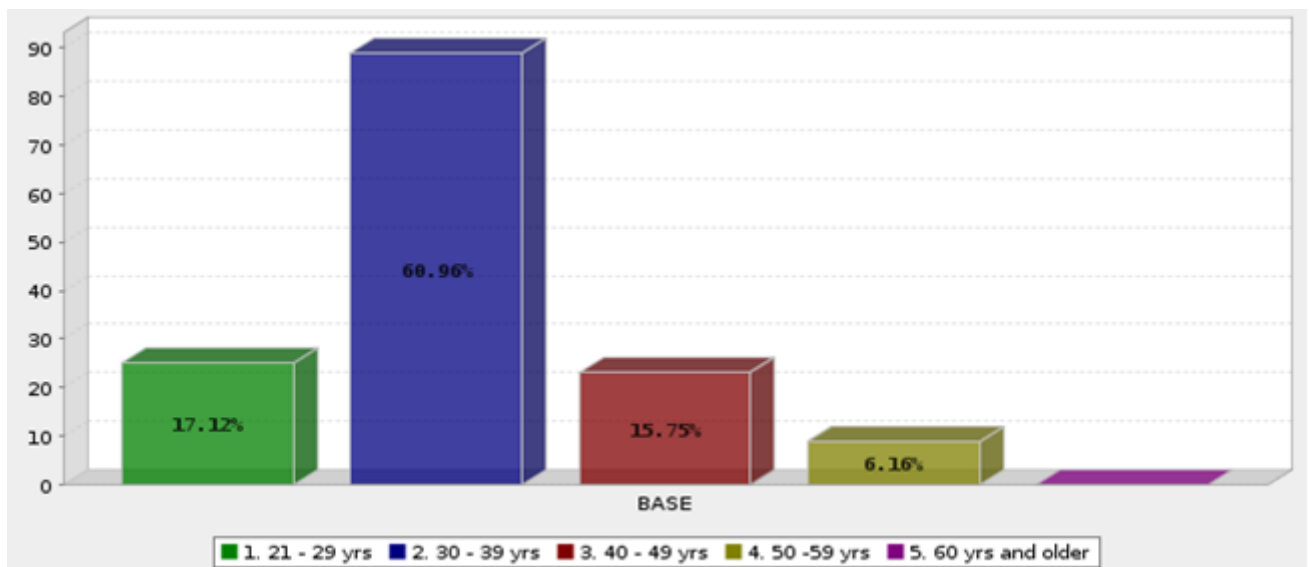
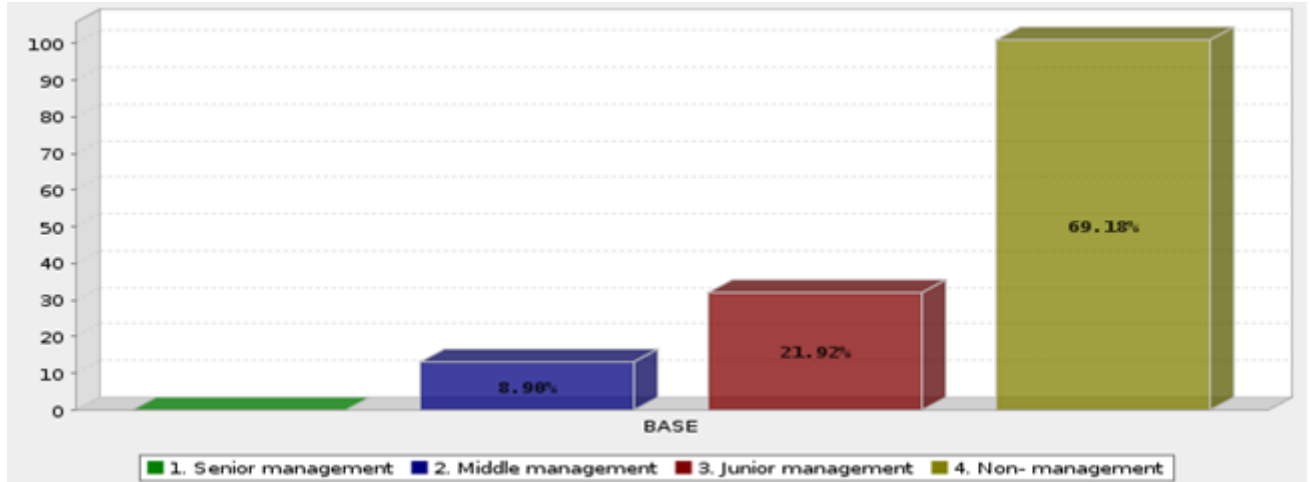


Figure 4.2: Respondents by Age

Figure 4.3. above presents respondents by age. Most respondents were between the ages of 30-39 years old at 60.96%. This was followed by 20-29 years old at

17.12%, 40-49 years old at 15.75% and lastly 60 years and above at 6.16%. This is also an indication of the ages of most employees within the organization.



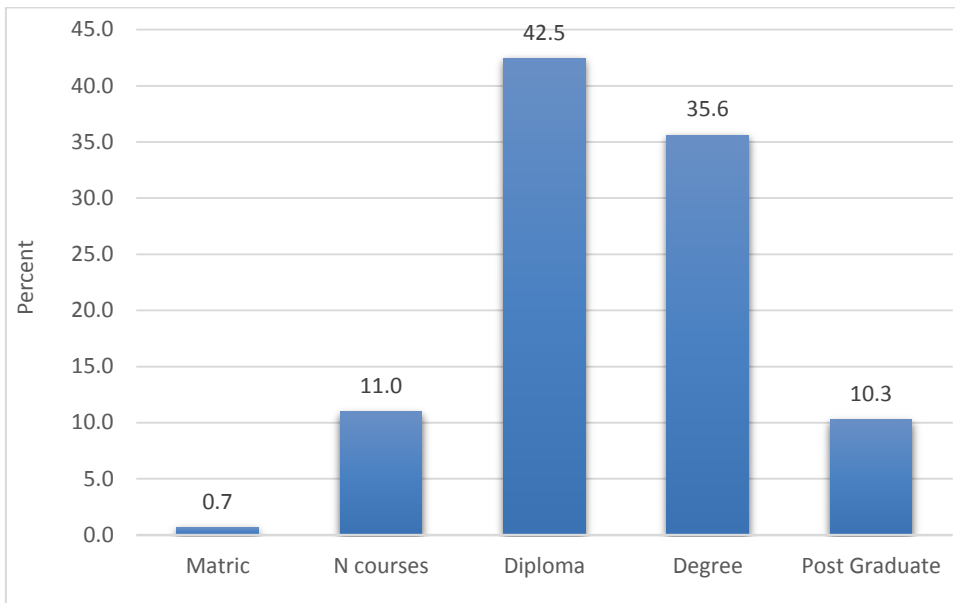
**Figure 4.3: Respondents by Occupational Level**

The table below (4.7) indicates the positions that respondents hold in the organisation.

**Table 4.7: Respondents by Occupational Level**

	Frequency	Percent
Senior Management	0	0
Middle Management	13	8.9
Junior Management	32	21.92
Non - Management	101	69.18
Total	146	100

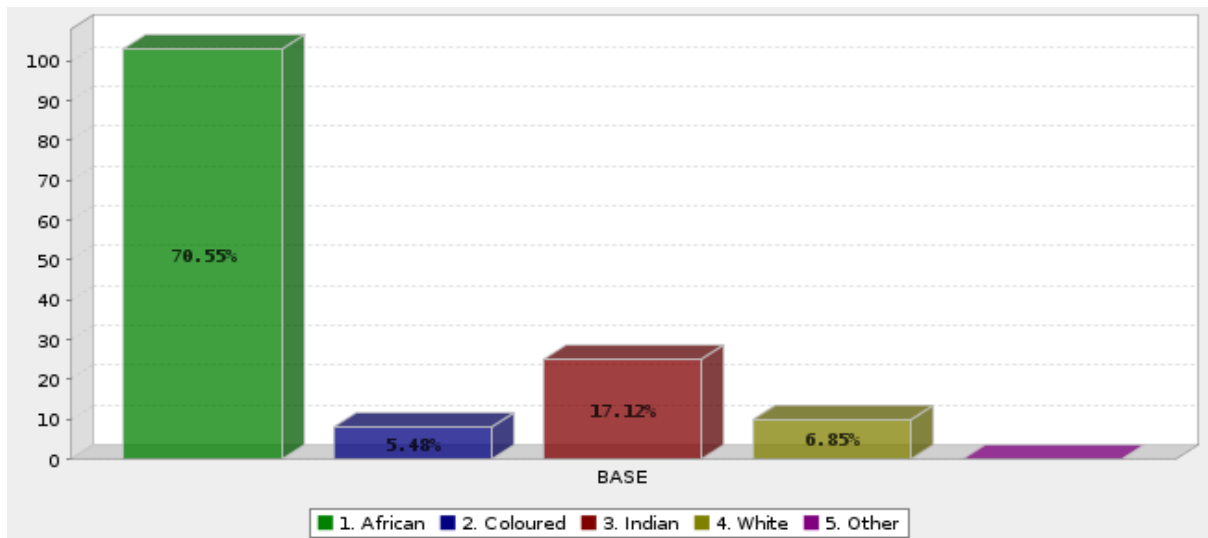
Among the respondents, the occupational level for Middle Management was 8.9% and Junior Management (21.9%) whilst the non-management employees were at 69.2%. Most respondents were in non-management positions, most of them dealing directly with external contractors at the operational level.



**Figure 4.4: Education levels of Respondents**

Almost all the respondents had a post school qualification. One-tenth of the respondents (10.3%) had a post graduate degree. It was interesting to note that most correspondents had a good level of qualification, with 42.5% having a Diploma and 35.6% having a degree. This is a useful statistic as it indicates that a fair proportion of the respondents have a higher qualification. This indicates that the responses gathered would have been from an informed (learned) source.

The figure below indicates the race composition from sample.



**Figure 4.5: Extension of racial composition**

Most respondents were African at 70.5%, followed by Indians at 17.12%, Whites at 6.8% and lastly Coloureds at 5.5%.

#### **4.6. Section Analysis of B, C and D**

The section that follows evaluates the scoring patterns of the respondents on the variable per section. Where appropriate, levels of disagreement (negative statements) were collapsed to indicate a single grouping of “Disagree”. A similar process was used for the levels of agreement (positive statements).

The results are first presented with the use of summarised percentages for the variables that constitute each section. The results are then further analysed per the importance of the statements.

#### 4.6.1. Section B Analysis

This section examines management and communication with contractors.

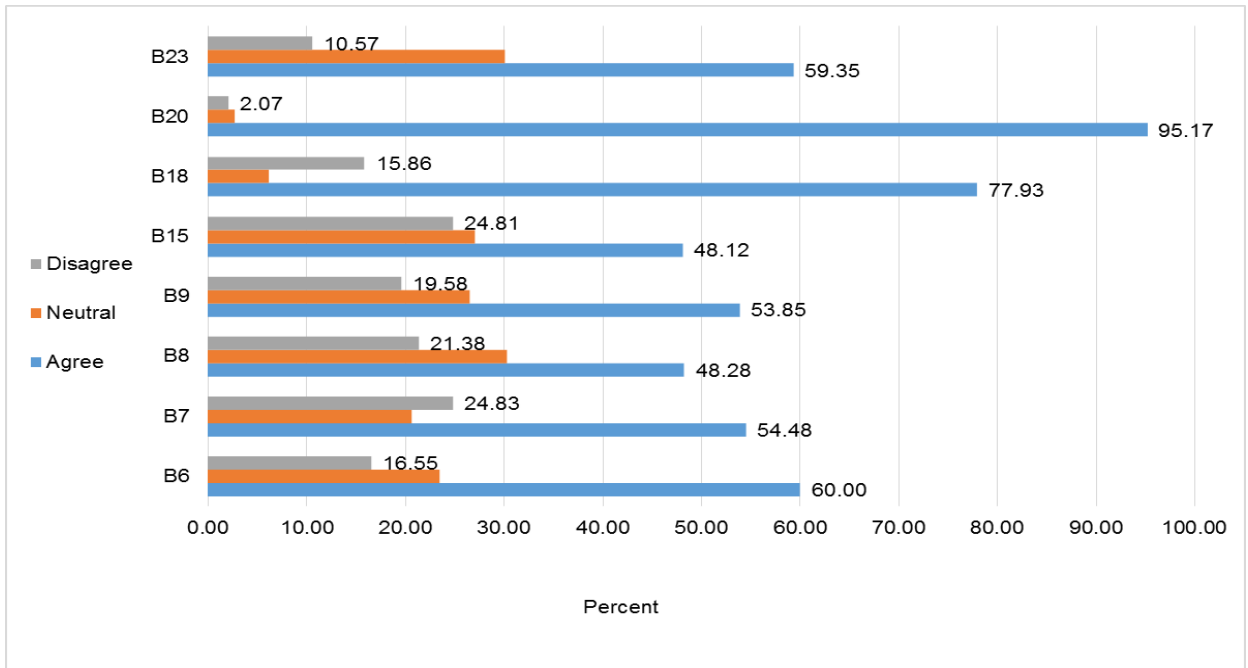


Figure 4.6: Analysis of Section B

The statements in response to research questions for Section B

There is strong communication between management and the external contractors	B6
Contractors are involved in all stages during planning stages	B7
Contractors provide feedback about the progress and nature of their work consistently	B8
Follow up is done timeously on work assigned to contractors	B9
Contractors provide constant feedback report on progress of work being done	B15
External contractors must be made aware of the organizations targets	B18
A proper close off meeting for verification of work done or complete must be done	B20
The communication is effective between operational Eskom resources and external contractors	B23

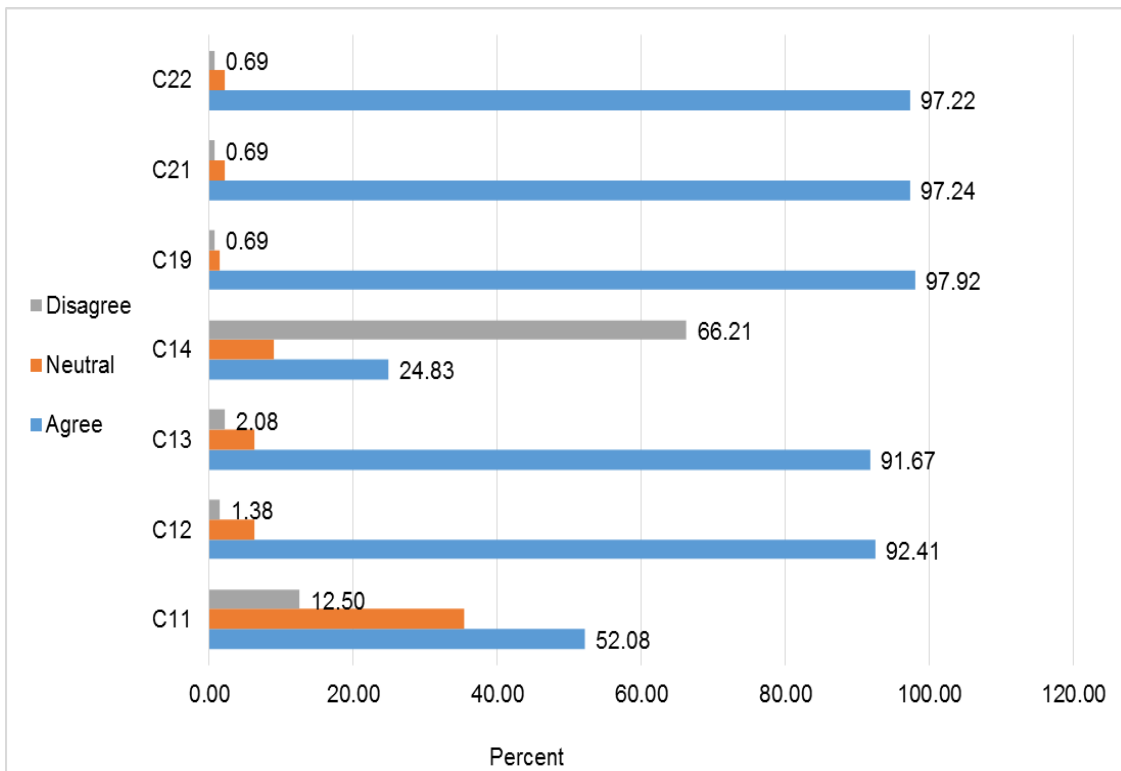
The average level of agreement for this section is 62.15%.

The following patterns are observed:

- a. Some statements show (significantly) higher levels of agreement whilst other levels of agreement are lower (but still greater than levels of disagreement).
- b. The significance of the differences is tested and shown in the table.
- c. B18 and B20 show a strong level of agreement with B20 at 95.17% and B18 at 77.93%. This is an indication that organizational targets must be communicated with contractors and that a proper close of meeting must be done in order to produce quality of work. This indicates that there are no comebacks and everyone is sharing the same vision and goal.
- d. B7, B8, B9 and B15 display mixed feelings from respondents although more agree than disagree. Focus will be on B7 where the level of disagreement is highest 24.83%, neutral is 20.7% and agreement is 54.48%. Respondents were of the view that contractors are not exactly involved in the planning phase but in the execution phase only.

#### **4.6.2. Section C Analysis**

This section deals with how the contractors are assessed prior to engaging in any task within the organization. This is important to know so that organisations hire the right contractor for the task.



**Figure 4.7: Analysis of Section C**

The statements in response to research question for Section C

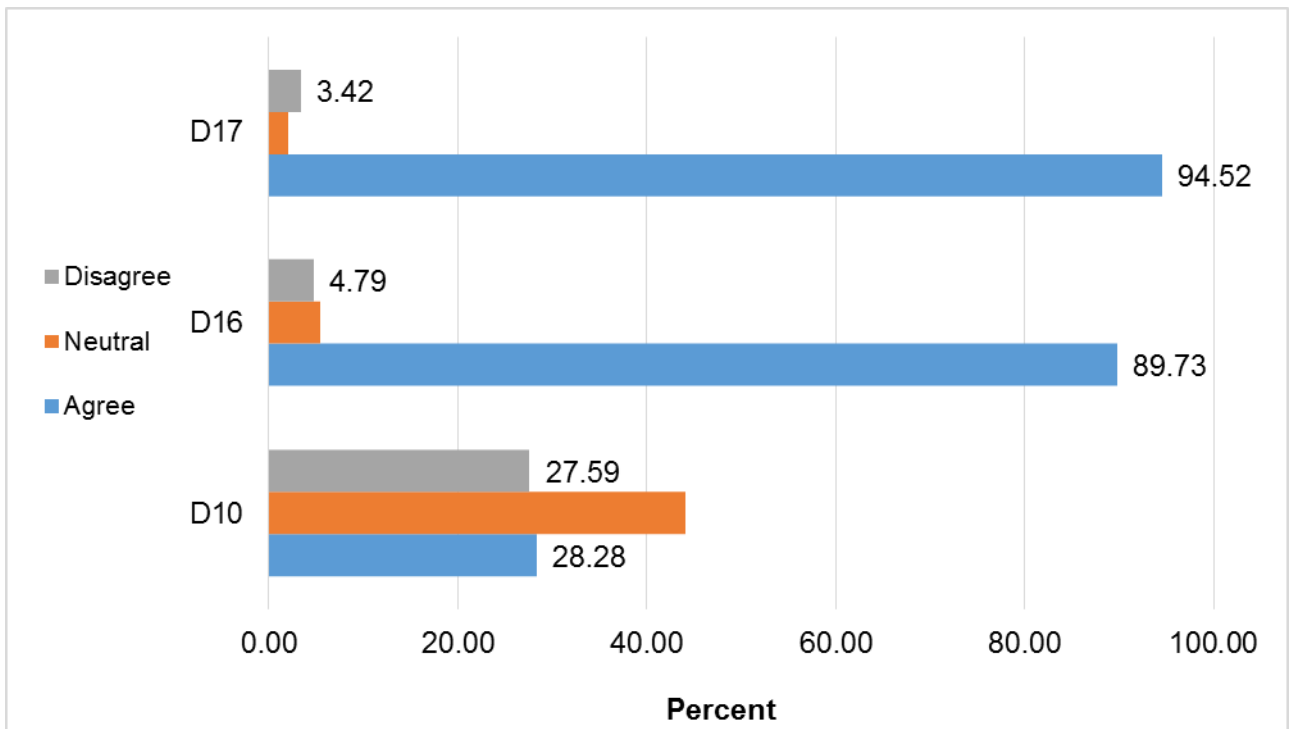
The assessment conducted for the contractors is relevant to what they are doing	C11
Eskom should do re-evaluations of assessment to check for competency level	C12
Contractor assessment should be done internally for competency	C13
Contractor assessment should be done externally for competency	C14
Courses provided for contractors must be relevant to the task given including their skills and experience	C19
The process to secure external contractors must be relevant to work being outsourced	C21
The correct skills and experience must be sourced for the right work	C22

The average level of agreement for this section is 79.1%. In this section there seems to be more agreement amongst respondents. This is seen from statements

C12, C13, C19, C21 and C22. The level of agreement for C12 is 92.41%, C13 is 91.67%, C19 is 97.92%, C21 is 97.24% and C22 is 97.22%. Respondents stated that assessments for external contractors should be done internally by Eskom employees to ensure that contractors work according to the organisations standards. There is a strong belief that courses provided to contractors must be relevant to the task at hand, and the levels of skill and experience. This falls under C19 which has the highest level of agreement at 97.92%. C21 and C22 are both sitting on 97.2% for the level of agreement. The outssourcing process must be relevant to the work, otherwise anyone can be provided with a task and not complete it successfully. The skills and experience also had high levels of agreement. There was strong disagreement at C14, with 66.21% respondents showing a great level of disagreement. There were also strong views that assessments must not be done externally, however this should be based on the nature of work the external contractors will be doing.

#### **4.6.3. Section D Analysis**

This section focuses on the work once it has been completed by external contractors. It examines processes that need to be followed once work is completed by external contractors. It also explores whether audits are completed and whether proper check sheets are utilized during any work.



**Figure 4.8: Analysis of section D**

The statements in response to research question for Section D:

Eskom DX internal processes are the direct cause of poor performance	D10
Audits should be done after work has been completed by external contractors and checked against quality	D16
Check sheet should be given to contractors to check for compliance against work done	D17

All three statements show significant difference in the scoring. The first is due to the high neutral score.

The variable D10 tells us a different analysis, most respondents are neutral at 44.14%. This tells us that most people in the organization are not fully aware of the organization processes. It could mean that these processes are not clear or they simply do not follow them. In Eskom DX, there are times when the organization is limited or restricted in completing certain processes therefore some steps are skipped.

There is a strong belief that audits should be done when the work is complete, this is seen by D16 with 89.73% agreeing. Conducting audits in an organization can reveal a lot of information about an external contractor which can be useful to the organization in the future. To ensure work is done, there should be proper check sheets signed by the relevant external contractor. This view is seen by the variable D17 where there is strong agreement at 94.52%. Check sheets will also provide guidance on the type of work that is required prior to completion; they are there to ensure that the same standard is maintained throughout the organization.

#### 4.7. Pearson Chi-Squared Test

**Table 4.8: Cross tabulation between contractors being involved in all stages during planning and age.**

Contractors are involved in all stages during planning stages * Age								
Crosstab								
			Age				Total	
			20- 29	30 - 39	40 - 49	50 - 59		
Contractors are involved in all stages during planning stages	Agree	Count	10	48	17	4	79	
		% within Ag	40.0%	54.5%	73.9%	44.4%	54.5%	
		% of Total	6.9%	33.1%	11.7%	2.8%	54.5%	
	Neutral	Count	9	20	1	0	30	
		% within Ag	36.0%	22.7%	4.3%	0.0%	20.7%	
		% of Total	6.2%	13.8%	0.7%	0.0%	20.7%	
	Disagree	Count	6	20	5	5	36	
		% within Ag	24.0%	22.7%	21.7%	55.6%	24.8%	
		% of Total	4.1%	13.8%	3.4%	3.4%	24.8%	
Total	Count	25	88	23	9	145		
	% within Ag	100.0%	100.0%	100.0%	100.0%	100.0%		
	% of Total	17.2%	60.7%	15.9%	6.2%	100.0%		
Chi-Square Tests								
	Value	df	Significance	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability		
Pearson Chi-Square	14.237 <sup>a</sup>	6	0.027	0.025				
Likelihood Ratio	16.062	6	0.013	0.019				
Fisher's Exact Test	13.352			0.028				
Linear-by-Linear Ass	.027 <sup>b</sup>	1	0.870	0.897	0.463	0.051		
N of Valid Cases	145							

A Pearson's Chi Square Test was done between variables. If the p-value (Asymptotic Significance (2-sided)) < 0.05, then it implies that there is a significant relationship between the variables. The Fisher's Exact test was also done between the variables. If the p-value (Exact Sig. (2-sided)) < 0.05, then it implies that there is a significant relationship between variables.

The p-value between "Contractors are involved in all stages during planning stages" and "Age" is 0.028. This means that there is a significant relationship between the variables highlighted in yellow. That is, the age of the respondent did play a significant role in terms of how respondents viewed contractors' involvement in the planning stages.

**Table 4.9: Cross tabulation between contractors providing feedback about progress and nature of work with age**

Contractors provide feedback about the progress and nature of their work consistently * Age							
Crosstab							
			Age				Total
			20- 29	30 - 39	40 - 49	50 - 59	
Contractors provide feedback about the progress and nature of their work consistently	Agree	Count	8	44	14	4	70
		% within Ag	32.0%	50.0%	60.9%	44.4%	48.3%
		% of Total	5.5%	30.3%	9.7%	2.8%	48.3%
	Neutral	Count	14	27	2	1	44
		% within Ag	56.0%	30.7%	8.7%	11.1%	30.3%
		% of Total	9.7%	18.6%	1.4%	0.7%	30.3%
	Disagree	Count	3	17	7	4	31
		% within Ag	12.0%	19.3%	30.4%	44.4%	21.4%
		% of Total	2.1%	11.7%	4.8%	2.8%	21.4%
Total	Count	25	88	23	9	145	
	% within Ag	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	17.2%	60.7%	15.9%	6.2%	100.0%	
Chi-Square Tests							
	Value	df	Significancct Sig. (2-sicct Sig. (1-sic	Point Probability			
Pearson Chi-Square	16.610 <sup>a</sup>	6	0.011	0.010			
Likelihood Ratio	16.969	6	0.009	0.014			
Fisher's Exact Test	15.944			0.010			
Linear-by-Linear Ass	.103 <sup>b</sup>	1	0.749	0.782	0.400	0.052	
N of Valid Cases	145						

The p value for chi-square is 0.011 and Fishers exact test is 0.010, the findings tells us there is a significant relationship between the two variables. The overall total count is 145, showing that 48.3% of the respondents agree, this is followed by 30.3% of respondents who are neutral and 21.4% in disagreement. From those respondents in agreement, a larger portion came from those between 30-39 with a total of 30.3%. This is an indication of respondents who have been in the organization for a long time. Most neutral responses also came from ages 30-39, at 18.6% and disagreement at 11.7%. The age group between 30-39 were the most prominent respondents in this cross tabulation.

**Table 4.10 Cross tabulation between when follow up is done on work assigned to contractors and age**

Follow up is done timeously on work assigned to contractors * Age							
Crosstab							
			Age				
			20- 29	30 - 39	40 - 49	50 - 59	Total
Follow up is done timeously on work assigned to contractors	Agree	Count	8	52	14	3	77
		% within Ag	32.0%	60.5%	60.9%	33.3%	53.8%
		% of Total	5.6%	36.4%	9.8%	2.1%	53.8%
	Neutral	Count	12	20	2	4	38
		% within Ag	48.0%	23.3%	8.7%	44.4%	26.6%
		% of Total	8.4%	14.0%	1.4%	2.8%	26.6%
	Disagree	Count	5	14	7	2	28
		% within Ag	20.0%	16.3%	30.4%	22.2%	19.6%
		% of Total	3.5%	9.8%	4.9%	1.4%	19.6%
Total	Count	25	86	23	9	143	
	% within Ag	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	17.5%	60.1%	16.1%	6.3%	100.0%	
Chi-Square Tests							
	Value	df	Significancct Sig. (2-sicct Sig. (1-sicct Sig. (1-sicct	Point Probability			
Pearson Chi-Square	14.250 <sup>a</sup>	6	0.027	0.025			
Likelihood Ratio	14.512	6	0.024	0.034			
Fisher's Exact Test	14.354			0.019			
Linear-by-Linear Ass	.005 <sup>b</sup>	1	0.942	0.945	0.502	0.055	
N of Valid Cases	143						

With the total count of 143 respondents, the p value for chi-square is 0.027 and Fishers is 0.019. This is an indication that there is a significant relationship between the variables. A total count of 77 agreed at 53.8%, neutral respondents had a total count of 38 at 26.6% and the disagreement count of 28 respondents at 19.6%. A higher volume came from the 30-39 age category. The biggest concern here is the age between 20-29, with their overall percent at 17.5 and only 5.6% agree. This tells us that they are not complying, lack knowledge or they are not conducting any follow up which is a concern as there are a lot of young graduates.

**Table 4.11 Cross tabulation between follow up is done timeously on work assigned to contractors and highest level of education**

Follow up is done timeously on work assigned to contractors * Highest level of education								
Crosstab								
			Highest level of education					Total
			Matric	N courses	Diploma	Degree	Post Graduat	
Follow up is done timeously on work assigned to contractors	Agree	Count	1	13	29	28	6	77
		% within Hi	100.0%	81.3%	47.5%	56.0%	40.0%	53.8%
		% of Total	0.7%	9.1%	20.3%	19.6%	4.2%	53.8%
	Neutral	Count	0	1	21	14	2	38
		% within Hi	0.0%	6.3%	34.4%	28.0%	13.3%	26.6%
		% of Total	0.0%	0.7%	14.7%	9.8%	1.4%	26.6%
	Disagree	Count	0	2	11	8	7	28
		% within Hi	0.0%	12.5%	18.0%	16.0%	46.7%	19.6%
		% of Total	0.0%	1.4%	7.7%	5.6%	4.9%	19.6%
Total	Count	1	16	61	50	15	143	
	% within Hi	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	0.7%	11.2%	42.7%	35.0%	10.5%	100.0%	
Chi-Square Tests								
	Value	df	Significant	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability		
Pearson Chi-Square	15.478 <sup>a</sup>	8	0.050	0.039				
Likelihood Ratio	15.347	8	0.053	0.055				
Fisher's Exact Test	14.005			0.054				
Linear-by-Linear Ass	4.120 <sup>b</sup>	1	0.042	0.045	0.024	0.006		
N of Valid Cases	143							

It is very important to follow up on work done by external contractors, to ensure that they are still in line with the organizations requirements. From the chi-squared test with a p value of 0.05 and Fisher exact test of 0.054. This also implies that there is a significant level of relationship between the two variables. A total count of 143 was recorded, 53.8% agreed with the above, 26.6% remained neutral and 19.6% disagreed. Most of those who agreed, possessed diplomas and degrees, with 20.3% diploma holders and 19.6% holding degrees. This is an indication that respondents view that follow up work is done by contractors.

**Table 4.12: Cross tabulation between the assessment conducted for external contractors is relevant to what they are doing and highest level of education**

The assessment conducted for the contractors is relevant to what they are doing * Highest level of education								
Crosstab								
			Highest level of education					Total
			Matric	N courses	Diploma	Degree	Post Graduat	
The assessment conducted for the contractors is relevant to what they are doing	Agree	Count	1	9	23	32	10	75
		% within Hi	100.0%	56.3%	37.7%	62.7%	66.7%	52.1%
		% of Total	0.7%	6.3%	16.0%	22.2%	6.9%	52.1%
	Neutral	Count	0	6	28	16	1	51
		% within Hi	0.0%	37.5%	45.9%	31.4%	6.7%	35.4%
		% of Total	0.0%	4.2%	19.4%	11.1%	0.7%	35.4%
	Disagree	Count	0	1	10	3	4	18
		% within Hi	0.0%	6.3%	16.4%	5.9%	26.7%	12.5%
		% of Total	0.0%	0.7%	6.9%	2.1%	2.8%	12.5%
Total	Count	1	16	61	51	15	144	
	% within Hi	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	% of Total	0.7%	11.1%	42.4%	35.4%	10.4%	100.0%	
Chi-Square Tests								
	Value	df	Significance	2-sided Sig.	1-sided Sig.	Point Probability		
Pearson Chi-Square	16.204 <sup>a</sup>	8	0.040	0.037				
Likelihood Ratio	18.249	8	0.019	0.018				
Fisher's Exact Test	17.126			0.015				
Linear-by-Linear Ass	.721 <sup>b</sup>	1	0.396	0.403	0.219	0.039		
N of Valid Cases	144							

Out of a total count of 144 respondents, the chi-squared test for p value is 0.04 and Fishers exact test is 0.015, this implies that there is a significant level of relationship between the two variables. A total of 75 respondents (52.1%), were in agreement that assessments conducted for contractors was relevant to what they are doing. This was followed very closely with a total of 51 respondents being neutral at 35.4%. This is an indication that respondents were not sure of how external contractors are assessed to achieve the required output. A total of 18 respondents at 12.5% disagreed, this value however is not significant from these variables as it is a small percentage.

**Table 4.13: Cross tabulation between courses provided for contractors must be relevant to task given including skills and experience against occupational status**

Courses provided for contractors must be relevant to the task given including their skills and experience * Occupational status						
Crosstab						
			Occupational status			Total
			Middle	Junior	Non	
Courses provided for contractors must be relevant to the task given including their skills and experience	Agree	Count	12	31	98	141
		% within Occupational status	92.3%	96.9%	99.0%	97.9%
		% of Total	8.3%	21.5%	68.1%	97.9%
	Neutral	Count	0	1	1	2
		% within Occupational status	0.0%	3.1%	1.0%	1.4%
		% of Total	0.0%	0.7%	0.7%	1.4%
	Disagree	Count	1	0	0	1
		% within Occupational status	7.7%	0.0%	0.0%	0.7%
		% of Total	0.7%	0.0%	0.0%	0.7%
Total	Count	13	32	99	144	
	% within Occupational status	100.0%	100.0%	100.0%	100.0%	
	% of Total	9.0%	22.2%	68.8%	100.0%	
Chi-Square Tests						
	Value	df	Significance	2-sided	1-sided	Point Probability
Pearson Chi-Square	11.111 <sup>a</sup>	4	0.025	0.054		
Likelihood Ratio	5.852	4	0.210	0.206		
Fisher's Exact Test	7.011			0.129		
Linear-by-Linear Association	4.599 <sup>b</sup>	1	0.032	0.058	0.058	0.037
N of Valid Cases	144					

Out of a total count of 144 respondents for these variables, the p value for chi-squared test is 0.025 and Fisher's exact test is 0.129. A rather different set of results, the chi-square test reveals a significant relationship between the variables, whereas the Fisher's test is different with a p value greater than 0.05. A total of 141 respondents at 97.9% agreed with the test, thus almost all respondents share similar views. A total of 2 respondents were neutral and only 1 disagreed. What is interesting is that non-management came out very strong with 68.1% agreeing, this is an indication that this group works very closely with external contractors at the operational level.

All values without an \* (or p-values more than 0.05) do not have a significant relationship. These were not attached as the study was more interested on variables with a significant relationship.

#### **4.8. Summary**

This chapter analysed and interpreted data collected from respondents. A statistical analysis exercise was also presented in this chapter. From the analysis, responses were discussed as well as key findings in relation to the objectives. The following tests were done to get more information out of the survey: Cronbach alpha, factor analysis, Chi-squared test through Pearson and Fishers test. This was to test statistical significance and relationships between variables. The bivariate analysis was done to test for correlation between variables. The next chapter will discuss conclusions to the literature, tie them with objectives and discuss recommendations.

## **CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

The challenges facing Eskom KZN OU are problematic especially as targets are not met and the province remains last out of the nine provinces. As mentioned in previous chapters, provinces are judged nationally by their Electrification Department. This is the department where most work is outsourced to external contractors. The study focuses on exploring the need for external contractors and how the organization can work better with contractors in successfully meeting organizational targets. Chapter Five concludes with findings from research drawn from the literature review exercise and findings in Chapter Two and from the research survey and analysis in Chapter Four. This will be followed by conclusions and areas for further research.

### **5.2. Overview of Research Objectives**

The main research objective was to find out why the organization is struggling considering that they work a lot with external contractors. It is important to note that external contractors play a major role in decreasing unemployment and in the community. Other objectives focused on examining effective communication between management and external contractors, the outsourcing of external contractors and the utilization of internal resources compared to contractors. Once the outcome and findings have been discussed along with recommendations, these will be sent through to Eskom KZN OU management. Through this, it is expected that gaps can be identified and proper action taken to address them.

### **5.3. Discussion of the results**

The study provided some significant insight from the feedback received from respondents about the organization. A non-probability sample was used therefore this can be generalized as a true reflection of the population of Eskom KZN OU. Conclusions and recommendations are discussed under each objective.

### **5.4. Management and Contractor Communication**

The first objective of the study was to see if there is relevant communication between contractors and management and determine how it can be improved. It is extremely important that an organization is constantly informed of new developments and evolutions in the field. This can improve planning depending on the nature of work and enables management to make any necessary changes if need be. According to (Malmelin 2007) it is important that communication is viewed more broadly and seen as a function that cuts across and involves the whole organization; and requires internal communication, stakeholder communication and communication with other outside groups, customers, partners and sponsors. (Hedman and Valo 2015) add that communication is of crucial importance in knowledge creation and decision making.

#### **5.4.1. Strong communication between management and contractors**

The findings show that 60% of respondents agree with the above statement. There was significant relationship with the other variables. An interesting element about this finding is that it does not talk to the overall outcome of organizational targets. Perhaps it could be true but the execution of work is not closely monitored.

The literature and research supports strong communication between management and external contractors. This way the organization is aware of what is going on out there in the field. Ofori-Kuragu et al. (2016: 845) suggest that to ensure

successful delivery of projects, managers need to monitor developments closely, and identify and address essential elements to implement change effectively.

#### **5.4.2. Contractors are involved in all stages during planning**

The findings show that 54.5% of respondents agree with the above statement, and interestingly the percentages of respondents that are neutral and disagree respectively are almost equal. This could be an indication that contractors are involved in the procurement process only. Planning is a very important and formal process as “it assists in the following; identifying future opportunities, anticipating and avoiding future problems, developing the most appropriate courses of action and understanding the risks and uncertainties associated with various options” (Hellriegel et al., 2010).

In the literature review chapter, Table 2 provides a list with critical success factors, with leadership and vision at the top of the list. There is a strong suggestion that some reasons for why projects are unsuccessful are because of the lack of support from senior management; unclear and unachievable projects and lastly an inefficient plan. What is important to understand is that planning for a project does not end at the design phase but once the whole process is complete, whether with internal or external resources.

#### **5.4.3. Contractors providing feedback on progress and nature of work**

The findings show that 48.3% of respondents agree with the statement above and a fair amount remain neutral. Again, this is based on communication between contractors at the operational level in this case. This level of agreement is very low, which seems as if a lot of people are not aware of what the contractors are doing out there in the field. This is an indication of why the results are not partially met.

In the literature review we discuss issues such as poor project management, meaning if there is no experience within management then there is no direction and control. Managers will not know where to start or what to focus on. Other

factors include site management; effective decision making; supervision and being visible on site. Feedback on progress is vital as it gives an indication of whether targets will be met by the completion date or not. There is a lot of information that organisations can get from feedback which could in turn lead to effective decision-making.

#### **5.4.4. Follow up is done timeously on work assigned to contractors**

The findings show that 53.8% of the respondents agree with the statement above. It was expected that this percentage would be very high. The neutral respondents made up 26.6% of all respondents, meaning they are unsure about this statement. Follow up does not have to be from an operational level alone, management must also follow up especially if the project is of critical importance.

Following up indicates interest in the project and is also a sign of support to get the most out of a team. In the Literature Review chapter, discussions about work culture and the work environment are important, and although they are external, contractors make them part of the team. If management provides what the clients want, there won't be any need for re-work.

#### **5.4.5. Contractors provide constant reports on progress of work**

The findings show that 48.1% agree with this statement; in this instance, a higher percentage would have been positive. This is an indication that the contractors know their roles and are aware of the completion date and targets. Depending on the agreement with the organization these reports can be submitted weekly or monthly based on the size of the project.

In the Literature Review we talk about measurement, analysis of information and knowledge management. By providing feedback, contractors give management surety that the project will be finished on time. The important thing is not solely relying on this feedback but also conducting site visits. Without regular site visits, organisations might be shocked by the quality of projects.

#### **5.4.6. External contractors to be made aware of organizational targets**

The findings show that most respondents (77.9%) agree with the statement above. This is a clear indication that from inception, contractors must be told about the organizations targets for the year. This creates a sense of being part of a team even though contractors are external resources. It also promotes good workmanship with internal resources, as both groups will have a common understanding. In the Literature Review, creating a good relationship with contractors and management is emphasized. This will also enhance the performance of external contractors.

#### **5.4.7. A close off meeting should be held for completed work**

The findings show that majority of respondents (95.2%) agree with the statement above, and that this close off meeting will enforce contractors to get the work done and paperwork to be complete. This should not just be about holding a meeting but verifying and visiting sites. This should also be carried out by one of the gatekeepers to provide payments to contractors. It must be used for surety.

In the literature, the close off meeting should have all relevant stakeholders represented, all documentation signed off and all parties must be satisfied with the completed work. The key question here is if the organization was practicing this, this was evident from most responses. This should give an indication of what is done out there and must go hand in hand with finances. The budget for a project and utilization of the capital must be in line with what has been done and completed.

#### **5.4.8. Communication is effective between operational internal resources and external contractors**

The findings here show that 59.3% of respondents agree with the above statement. Here the researcher expects non-management to agree more with this statement. Operational level ranges from junior management to non-management levels, however it is very important that at the operational level, internal and external contractors work closely together. This should be where feedback is coming from and filtered to senior management.

## **5.5. Assessment and selection of external contractors**

The second objective focuses on how the contractors are assessed and secured for the organization. It is important to secure the right contractors with experience to get the work done. They should be assessed such that they are aware of the organizations standards and processes. This ensures that they maintain the same standard throughout the organization. (Nysten-Haarala, Lee et al. 2010) further suggest that it is also important to assess the influence models and templates used by the organization have on the contracting phase. They also add that often organizations seem to think that contracting processes start from sales negotiation and do not see a connection between contracting and the scope of service.

Furthermore (Madhi, Riley et al. 2002) state that contractors should be assessed based on the specific requirements of the project. The selection method and reasons for selection should be simple and transparent. They argue that decisions should be made on qualifications, experience record, past performance, financial stability and must be project specific.

### **5.5.1. Assessment conducted for the contractors is relevant to what they are doing**

The findings for the above statement suggest that 52.1% of respondents agree. it is alarming that 35% are neutral and 12% disagree. To be sure of the skills and capacities of its contractors, organisations must ensure that they meet certain criteria. In this case, a technical assessment must be conducted periodically to assess levels of competence. Beyond that, these assessments will ensure that contractors are cognisant and can respond to the current trends in the market.

In the Literature Review chapter, the following were listed as required before assessments are done: experience, plant and equipment, personnel, ability and qualifications. This is laid out in Table 1.

### **5.5.2. Eskom should carry out a re-evaluation of assessment**

The findings from the above statement show that 92.4% of respondents agree. This is in alignment with the organizations principles, standards and processes. What happens in the organization must also be done with external contractors so that they also keep in line with any changes to documentation. Standards, policies, procedures and processes are reviewed periodically. The literature doesn't specify much about whether re-evaluation should be done internally or externally.

### **5.5.3. Contractor assessment should be done internally**

The findings here show that 91.7% of respondents agree with the above. There are a lot of courses offered and provided by Eskom for internal staff and external contractors. Perhaps this is the reason for the high level of agreement in responses. The HR Training department is well equipped with facilitators who are registered with EWSETA. It is an Eskom requirement for every facilitator to be registered. The Eskom KZN OU has a fully functional training venue in Mersey centre where assessment and training is provided both for internal and external resources. This will also ensure that current business standards, processes and trends are being followed when carrying out any project work. Since the training is done internally the cost is the same both for Eskom's resources and external contractors, so it is beneficial for the latter.

### **5.5.4. Contractor assessment should be done externally**

The findings show that 66% of respondents disagree and 24.8% agree and 9% are neutral. There is a huge challenge with contractor assessments being done externally. Technical assessments should be completed internally for reasons explained in point 5.4.3. For non-technical courses, such as safety related courses that are a statutory requirement, those can be done externally. There was a lot of capital that was invested in the construction of the training facility, therefore it will not make any business sense if it is not used especially for technical courses.

#### **5.5.5. Courses provided for contractors must be relevant to the task given including skills and experience**

The findings show that 97.9% of respondents agree with the above statement. Experience and skills go together when quality is required however to fulfil the job satisfactorily, the relevant courses must be provided. The courses completed by contractors must also be a gatekeeper for procurement, to ensure that the relevant courses have been provided. Also, to assist external contractors the organization must stipulate what courses must be done for a task. In the literature, the researcher touches base on the level of competency for contractors. Some deciding factors when selecting a contractor is the availability, cost, technical competence, reliability, health and safety. Therefore, courses provided and completed by external contractors will also form part of the selection criteria for contractors.

#### **5.5.6. Process to secure external contractors must be relevant to work being outsourced**

The findings show that 97.2% of respondents agree with the above statement. Like educational qualifications, the levels of work being outsourced must be relevant to the contractor. Some work may require an ordinary electrician while others may require a more specialized person with extensive experience. In this case, it is vital to secure according to the type of task.

The Construction Industry Development Board (CIDB) defines it very well in terms of different levels of work. In the literature, it discusses the successful implantation of outsourcing. The system to secure contractors must be the same and no special treatment for anybody. Processes must be clearly defined when outsourcing and good governance must be practiced.

#### **5.5.7. The correct skills and experience must be sourced for the right work**

The findings show that majority (97.2%) agree with the above. This is directly linked with 5.5.7 as the process must also focus on the skills and experience of the

contractor. The contractors need to have the right qualities to complete a project. A lot of emphasis has been said about experience and skills in this chapter, which is a very important aspect when one talks about contractors. The literature review discusses performance and competency, these two directly linked to skills and experience. This can be a guarantee that the work will be done and completed within the required time frame. That is why it is important to source the right kind of contractors because where there are no comebacks, financial resources will not be wasted.

## **5.6. Utilization of internal resources compared to external contractors**

The third objective is based on work once it has been completed by external contractors. The processes after completion of work is to ensure that the project is complete and of good quality. There is no wrong choice here, however there are more benefits to organizations by using external contractors.

### **5.6.1. Eskom internal processes are direct cause of poor performance**

The findings all balance across the three scales with neutral higher at 41%. This is an indication that the respondent either knows the process after work has been complete or they don't know. The processes in this regard are the ones during and after project work is complete. This is an indication that staff in the Electrification Department need to be trained so that they have the right knowledge. This can assist the organization in properly closing off any project. In the Literature Review chapter, performance is discussed thoroughly. Performance monitoring focuses on three key areas; ensuring contractor work is true to contract terms, ensuring quality throughout the project and the overall satisfaction of the project.

### **5.6.2. Audits should be done after work is complete**

The findings show that the majority (89.7%) of respondents agree with the above statement. This is a good sign as it is a confirmation that work has been complete and that everyone benefited accordingly. This should be done once work is

complete and there should also be a gate keeper for any payments to external contractors. The audits must be done by internal and competent staff.

The Literature Review chapter discusses approaches that can be used for performance monitoring of outsourced services. These are measures of performance, contractor reports, inspections or audits, clients' surveys and any complaints. This can also assist the organization in selecting the right contractor for a project. During audits, one can identify good or bad practices which can also jeopardize the organizations image. The audits are done to identify problem areas and ensure that the problems are rectified. These must not only be done to catch people out but can be used to improve the way things are done and the quality of projects and services. According to (Maghsoudi, Duffield et al. 2016) evaluation of work done is important and this can also lead to promotion of innovation for future projects.

### **5.6.3. Check sheet should be used by contractors for compliance against work done**

The findings show that 94.5% of respondents agree with the above statement. Check sheets will provide guidance and procedures on how to carry out a particular job. It is also an indication that the work was completed. In fact, there should be a project file with the relevant documentation included. The literature discusses the check sheet idea in detail. Noteworthy is the fact that Eskom has check sheets available on its website. There is no excuse for failing to use these (see figure 2.5 in Chapter Two).

## **5.7 Conclusion**

The aim of the study was to assist management in making the right decision when it comes to the utilization of contractors. A lot of information was gathered from the respondents through a questionnaire. A lot of positive came out from the response. For selection purpose the assessment and communication with contractors was at the top of the list. This is in turn can assist the operating unit in

achieving or fulfilling its performance. It is also clear that the operating unit is practicing some of the functions. The study can be used by other organizations as well. The information from respondents can be used in making effective decisions. The study also gives provision if management wants to extract only that particular part that they are looking for.

### **5.8. Recommendations Emerging from the Study**

The recommendations below are based on the desk research and surveys conducted in this study.

- a. In an organization like Eskom KZN OU, the external contractors are part of the team as they provide an important service. On this basis, the organizations target for the year must also be shared with them so that projects can be fast tracked as required.
- b. A team must be allocated to oversee and coordinate critical and larger projects to ensure that everything runs smoothly. The team must work closely with the contractor.
- c. Feedback on contractor progress is important throughout any project and weekly or monthly reports should be a requirement. Through this, management is aware of all existing projects.
- d. External contractors must be assessed periodically to ensure they are informed of the organizations standards, procedures and processes by internal staff.
- e. Proper skills and experience play a major role in the right selection of contractors; however senior management should not be involved in the selection of contractors. There should be clear guidelines and these must be followed.
- f. Eskom is a large organization and their processes tend to be very clear. The important part is ensuring that operational staff are aware of these processes. Training must be provided where necessary.

- g. Documentation for any project is a must, this is proof that work has been complete and when audits are done it is easy to identify the culprits.

### **5.9. Recommendations for Future Study**

The following are recommended for future studies:

- a. Further research about external contractors in organizations is needed. This gap was identified when conducting the literature review exercise.
- b. Examine other cases and experiences with external contractors in other regions.
- c. Clear guidelines about which individuals should have the final say when it comes to procurement.
- d. More information on the selection and assessment of external contractors; this information is required specially to provide guidance for future organizations.

### **5.10. Summary**

The aim of the study was to provide more clarity on the employment of external contractors and how to better utilize them so that Eskom KZN OU can meet its organizational targets in the electrification environment. The research objectives have been satisfied with relevant responses. From the data collected, the problems have been resolved however implementation of the recommendations by management is critical in improving sales. The Kwazulu-Natal province is divided into three zones being Pietermaritzburg, Empangeni and Newcastle, and although they have processes in place, the concern is the zones operate differently and there is a need to standardize their varied processes. There are some gaps that were picked up from the findings; however, the recommendations address all of the findings.

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# APPENDICES

## Appendix - 1: Ethical Approval



13 May 2016

Mr Philani Credo Shabalala (214580909)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Shabalala,

**Protocol reference number: HSS/0416/016M**

**Project title:** Demystifying the use of contractor employees in South Africa: A case study of Eskom KZN OU

**Full Approval – Expedited Approval**

With regards to your application received on 20 April 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

**Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.**

**Please note:** Research data should be securely stored in the discipline/department for a period of 5 years.

**The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.**

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
Dr Shamila Naidoo (Deputy Chair)

/ms

Cc Supervisor: Dr Muhammad Hoque  
Cc Acting Academic Leader Research: Dr E Mutambara  
Cc School Administrator: Ms Zarina Buliyraj

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Humanities & Social Sciences Research Ethics Committee  
Dr Shenuka Singh (Chair)

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## Appendix - 2: Questionnaire

### SECTION ONE: PROFILE

Please answer the following questions as honestly and accurate as possible. Please note that this information is important for demographic and statistical purposes. Where applicable, the questions should be answered with a cross x in the required space.

#### 1. PERSONAL INFORMATION REQUIRED

##### 1.1 Gender

Male	
Female	

##### 1.2 Race

African	
Coloured	
Indian	
White	
Other	

##### 1.3 Age

21- 29 years	
30- 39 years	
40- 49 years	
50- 59 years	
60 years and older	

##### 1.4 Occupational status

Senior Management	
Middle Management	
Junior Management	
Non- Management	

1.5 Highest Level of Education

Matric	
N courses	
Diploma	
Degree	
Post Graduate	

SECTION TWO:

ON A SCALE FROM 1 BEING STRONGLY AGREE AND 5 BEING STRONGLY DISAGREE, PLEASE MARK THE APPROPRIATE BOX WITH AN X, PLEASE ONLY SELECT ONE CHOICE.

Contractor recruitment, Performance, Skills and Assessment.

2.1 There is strong communication between management and the external contractors.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.2 Contractors are involved in all stages during planning stages.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.3 Contractors provide feedback about the progress and nature of their work consistently.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.4 Follow up is done timeously on work assigned to contractors.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.5 Eskom DX internal processes are the direct cause of poor performance.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.6 The assessment conducted for the contractors is relevant to what they are doing.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.7 Eskom should do re-evaluations of assessment to check for competency level.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.8 Contractor assessment should be done internally for competency.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.9 Contractor assessment should be done externally for competency.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.10 Contractors provide constant feedback report on progress of work being done.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.11 Audit should be done work done by external contractors and checked against quality.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.12 Check sheet should be given to contractors to check for compliance against work done.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.13 External contractors must be made aware of the organizations targets.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.14 Courses provided for contractors must be relevant to the task given including their skills and experience.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.15 A proper close off meeting for verification of work done or complete must be done.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.16 The process to secure external contractors must be relevant.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.17 The correct skills and experience must be sourced for the right work.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

2.18 The communication is effective between operational Eskom resources and external contractors.

Strongly agree	Mildly agree	Neither agree Nor disagree	Disagree	Strongly disagree

### Appendix - 3: Letter of Permission



Date:  
01.04.2016

Enquiries: Brenda Mhlongo  
Tel +27 710 5273

#### To Whom It May Concern

I, **Brenda Mhlongo**, the undersigned, hereby give permission for **Philani Shabalala** to conduct research at Eskom's Kzn Distribution in the KwaZulu-Natal Region. This is to aid in him in his dissertation entitled – “**Demystifying the use of contractor employees in South Africa: A case study of Eskom KwaZulu Natal Operating Unit**”.

I am aware that dissertations and subsequent academic papers based on this data will be available in the public domain.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Brenda Mhlongo'.

Brenda Mhlongo  
Middle Manager Zone Management  
Eskom Distribution  
KwaZulu-Natal Operating Region

01 April 2016

## Appendix - 4: Letter from Editor

Writing Center Africa  
6 Hamilton Close  
131 Bulwer Road  
Glenwood, Durban  
4001

January 8, 2017.

**To Whom It May Concern: Language Editing for Philani Shababala (Student  
Number: 214580909**

This letter is to confirm that Mr Philani Shabalala's Masters MBA Dissertation titled: **'DEMYSTIFYING THE USE OF CONTRACTOR EMPLOYEES IN SOUTH AFRICA: A CASE STUDY OF ESKOM KWAZULU-NATAL'S OPERATING UNIT'** was proofread and edited by me Dr Ettang. I am an experienced editor with a certificate (Certificate Number SAWC B6144) in Copy-Editing and Proofreading from SA Writer's College.

Please feel free to contact me at the following contact points:

@: [dorcas@writingcenterafrica.com](mailto:dorcas@writingcenterafrica.com)

T: 0797706288

Sincerely,



Dorcas Ettang, PhD  
Writing Center Africa