



## **THE EFFECT OF OUTSOURCING ON ANGLOGOLD ASHANTI OBUASI MINES PERFORMANCE**

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### **ABSTRACT**

*Competition in the modern world has forced organisations to adopt innovative ways to create value. The world has embraced the phenomenon of outsourcing and companies have adopted this principle to help them expand into other markets. Tactical management of subcontracting is perhaps the best instrument in management, and subcontracting of innovation is its frontline. The purpose of this study can be summed up as assessing outsourcing in AngloGold Ashanti Obuasi mines. This study adopted the descriptive research approach. Questionnaire was administered to staff of outsourcing department. One hundred (100) employees of AngloGold Ashanti Obuasi Mines were sampled. Quantitative data analysis technique (such as Mean, Standard deviation, confidence level, frequency, and simple percentages) and qualitative data analysis technique such as content analysis will be used to analyse collected data. Some of the activities that are outsourced are; transportation of employees to and from work, haulage of mine ore, residence maintenance, and purchase and contract unit are outsourced. In addition information technology, human resource, and management services are not outsource. It was also found out that outsourcing helps to: cut down cost; focus on core activities; generate competitive advantage; transfer operational risk; achieve efficiency and economies of scale; access expertise that is lacking in-house; and save valuable time. However outsourcing does not help AngloGold to expand and that the major reason for outsourcing at AngloGold is to help the company to focus on core activities. It was discovered that outsourcing of activities at AngloGold Ashanti Obuasi mines has not always achieved the stated objectives.*

**Keywords:** Outsourcing, Outsourcing reasons, Outsourcing antecedents, Attitudes of employees towards outsourcing, Outsourcing challenges, Outsourcing performance.

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### Contribution/ Originality:

This study contributes to the existing literature by evaluating the effect that outsourcing has had on the financial and non-financial operations of gold mining companies in West Africa region from the perspective of one of the largest gold producers in the world, AngloGold Ashanti Obuasi mines.

## 1. INTRODUCTION

In today's world of ever increasing competition, organizations are forced to look for new ways to generate value (Elmuti, 2003). The world has embraced the phenomenon of outsourcing and companies have adopted this principle to help them expand into other markets (Bender, 1999). Quinn (2000) agreed and stated that the adoption of outsourcing as a strategic management tool is perhaps the strongest management tool in the management of organisations.

Most corporations believe that in order to compete globally, they have to look at efficiency and cost containment rather than relying strictly on revenue increase (Farrell and Rosenfeld, 2005). Li and Barnes (2008) indicated that businesses are enhancing their competitive positions in the global market place by relying on outsourcing of non-core activities for cost efficiency and maintenance of quality. The trend is for outsourcing relationships to function more as partnerships (Elmulti *et al.*, 2012). Subcontractors are increasingly venturing into the realms of hitherto traditionally in-house activities (Engardio, 2006). Some of these traditionally in-house activities that outsourcing providers are providing services in include business strategy, quality assurance services, corporate investment, and information management system (Engardio, 2006). Musico (2008) global outsourcing market segment was expected to grow from \$160.7 billion in 2007 to \$235.2 billion by 2011, a compound annual growth rate of 10.3%.

Several authors agree that if outsourcing is implemented with prior planning, it can result in lowering cost, increased capacity and productivity, and sometimes can lead to downsizing (Elmulti *et al.*, 2012). Several authors have given examples of why U.S companies for example outsource their noncore functions overseas (Donahoe and Pecht, 2003; Jasper, 2003). According to Jasper (2003) in the United States for example, the most common reason for taking noncore functions overseas in the United States is the lucrative cost-saving derived from allowing a job to be done by a professional employee(s) that are paid much lower than their U.S. counter parts. Donahoe and Pecht (2003) added that many companies that are taking manufacturing and service jobs from the United States factors the low tax regimes in foreign countries relatives to that of

the United States. (McCracken, 2002) highlighted that smaller businesses have also started to adopt outsourcing as management tool in order to realize outsourcing benefits that hitherto were exclusive to large businesses. Some corporations see outsourcing as market penetration and development strategy but not as a trend for the future (McCracken, 2002). Still, others view outsourcing as a way to increase concentration on core-competencies, thus making it a more long-term approach (Elmulti *et al.*, 2012). Most of the criticism concerning outsourcing has been primarily in the areas of changing employment patterns, globalization of the labour force, and its effect on individuals and organizations (Dobbs, 2004). Low productivity has often been considered as a major cause of redundancy in manufacturing companies (Stonecipher, 2004). Outsourcing, by increasing productivity, may result in downsizing (Outlay and Ranganathan, 2005). Many US companies like Harley-Davidson, Dell, and Avago Technologies have announced that they will reduce their workforce as part of their outsourcing program (Elmulti *et al.*, 2012). However, the consequences of outsourcing are not limited to unemployment and the loss of capital (Elmulti *et al.*, 2012). Outsourcing can also lead to low morale among staff (Engardio, 2006). Displaced, unemployed workers have higher rates of child and spousal abuse, alcoholism, bankruptcy, and divorce (Elmulti *et al.*, 2012).

### 1.1. Problem Statement

Outsourcing has become a major tool for corporate organisations to achieve competitive advantage (McIvor, 2008). However, there are many functions or activities that organisations engage in. Some of these functions may be strategic, operational, or tactical (McIvor, 2008). In addition, the organisations may have competence in either all or some of these functions (Narigisi, 2012). This means that most often, these corporate worlds can perform the aforementioned functions internally (that is in-house). But an organisation may still outsource some of these functions (Narigisi, 2012). The question that readily comes to mind is which functions are normally outsourced by the corporate world? Understanding the functions that are normally outsourced is critical because, by knowing it, providers of services may know those functions that are normally outsourced for their own purpose and may not waste resources chasing for activities that are not normally outsourced.

The second problem that has necessitated the conduct of this objective is in the area of reasons or objectives of outsourcing. Many companies outsource certain functions for a variety of reasons. Some of these reasons include cost reduction, making use of outside expertise, among others (Carolyn, 2010). This clearly shows that understanding of outsourcing objectives is critical for the success or otherwise of outsourcing. Every outsourcing manager must put in place measures to determine if outsourcing achieves its clearly stated objectives or otherwise (Elmuti, 2003). After all, what is the essence of outsourcing if it fails to meet targets?

Also, achieving objectives are not done on a silver platter. There are of course certain factors that may hinder the success of the outsourcing programme (Narigisi, 2012). This is the case with every outsourcing programme (Narigisi, 2012). Lastly, change they say may not be liked by all (Giardini and Kabst, 2008). Some employees may feel threatened by outsourcing programmes. This is because outsourcing an activity done in-house may compel management to lay off the idle hands. In view of this some employees may develop cold attitude towards outsourcing and may not do what is possible to resist it even though that may benefit the company (Gilley and Rasheed, 2000). This study will thus investigate outsourcing in AngloGold Ashanti Obuasi Mines.

### **1.2. Research Objectives**

Based on the problem statement, the following objectives were pursued:

- a. To investigate activities normally outsourced by AngloGold Ashanti Obuasi Mines.
- b. To investigate why AngloGold Ashanti undertake outsourcing projects.
- c. To investigate if outsourcing programs achieve their stated objectives of improving performance in AngloGold Ashanti in the areas of productivity, economies of scale, efficiency, and expertise.
- d. To investigate factors associated with the success or failure of outsourcing programs at AngloGold Ashanti.
- e. To evaluate employees attitude towards outsourcing at AngloGold Ashanti Obuasi Mines.

### **1.3. Research Questions**

From the above research objectives, the following specific research questions will be answered:

- a. What are the activities normally outsourced by AngloGold Ashanti Obuasi Mines?
- b. Why do AngloGold Ashanti Obuasi Mines undertake outsourcing projects?
- c. Do outsourcing programs achieve their stated objectives of improving organizational performance at AngloGold Ashanti Obuasi Mines?
- d. What factors are associated with the success or failure of outsourcing programs at AngloGold Ashanti Obuasi Mines?
- e. What are the attitudes of employees of AngloGold Ashanti Obuasi Mines towards outsourcing?

## **2. LITERATURE REVIEW**

### **2.1. Outsourcing Defined**

With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively

and efficiently by outside suppliers (McIvor, 2008). Yang *et al.* (2007) asserted that traditionally, outsourcing is an abbreviation for “outside resource using”. The word “outside” means to create value from without, not within, the company (Yang *et al.*, 2007). Outsourcing helps a business to channel its limited resources to its core mandate and competences (Lee and Kim, 2010) and to use subcontractors to perform non-core activities where outside vendors have strategic comparative advantages (Bustinza *et al.*, 2010). McIvor (2008) indicated that Outsourcing can also involve the transfer of both people and physical assets to the supplier.

Ellram and Maltz (1997) stated that outsourcing is a contractual transfer of a business non-core mandates to a (external) business unit. Kubr (2002) stated that outsourcing is a contractual elimination and transfer of the activity, where a business decides not to perform in-house activity but rather allows outside service provider to provide such activity in the future. He stated that the adoption of outsourcing as functioning strategy promotes efficient resources allocation.

Outsourcing provides organizational leaders with a strategic course of action that has potential to benefit organizational bottom line financial performance (Johnson *et al.*, 2005). Specifically, Drezner (2004) explained outsourcing as a way in which firms subcontract business functions to outside suppliers. Bielski (2004) suggested outsourcing represents operational implementation of organizational processes, or process-sets, by a third party. Arbaugh (2003) and Bielski (2004) identified the origins of outsourcing dating back to the early the 1980s and early 1990s. Rao (2004) identified a 1989 contract involving the handover of Kodak’s data centre operations to IBM as a new paradigm of business thought. Outsourcing reflects influences of an emerging global economy shaped by market forces, immigration and tax laws, and foreign governments (Hira and Hira, 2005).

## 2.2. Activities that are Normally Outsource

Outsourcing projects target specific types of activities or functions (Elmuti, 2003). A research conducted by Elmuti (2003) indicated that that organisations normally outsourced include information technology (such as application development, contract programming, data entry and simple processing), management services, manufacturing of components for the final product or the whole product, product design, engineering projects, distribution, and sales of products or services. These findings support recent studies on outsourcing activities such as Corbett (1999).

Cicek and Ozer (2011) asserted that Human Resources function is one such management function that is normally outsourced. Human Resource outsourcing focus on subcontracting some parts or the whole HR functions to outside service providers is the contracting out of parts or the whole of the functions of HR to external providers (Adler, 2003). In response to this paradigm shift, many HR managers are turning to outsourcing as a way of meeting these demands (Cooke *et al.*, 2005).

### 2.3. Reasons/ Objectives of Outsourcing

According to Carolyn (2010) research has shown that close to seventy percent of businesses in United States for example have embraced outsourcing as a viable business option.

According to her, the first and most prominent reason for choosing outsourcing is to minimize business costs. Research has shown that companies can save as much as sixty percent of their business costs when they choose outsourcing (Littler and Benson, 2002).

Outsourcing business functions can improve one's competitive advantage (Carolyn, 2010). Carolyn continued that, many businesses that do everything on their own may be exposed to greater levels of risk than those who outsource.

She added that, outsourcing is crucial to those businesses with minimal expertise in a given field. Outsourcing service providers most often have an extensive history of rendering offered services.

It should be noted that outsourcing is the platform that allows small companies to compete with big ones because the latter mentioned qualities are usually available in companies that engage in outsourcing their business functions (Carolyn, 2010).

Outsourcing provides management of companies the sustainable option of dealing with the non-core business aspects of the companies. Companies can therefore concentrate on aspects of business that they encircle their business objectives and this eventually improves their business functions (Kakabadse and Kakabadse, 2003). Outsourcing also gives companies the opportunity of expanding. Since a company is concentrating on their core business functions while other companies deal with other aspects, then chances are that productivity will be heightened and the level of quality emanating from such a business enterprise will increase (Carolyn, 2010).

Outsourcing is also chosen by many enterprises because through this business approach, it is possible to save on valuable time (ibid).

In close relation to the latter argument is the fact that outsourcing heightens consumer satisfaction. This is because outsourcing produces better quality and also improves the nature of one's business practices (Carolyn, 2010).

Through outsourcing, businesses can benefit from the differences in time zones between the outsourcing company and the company buying the services if they come from different countries. Many companies that outsource their business functions to Asian countries or other countries with different time zones can get the chance of business continuity (Woolson and Speckhals, 2001).

Outsourcing can promote a country's overall effectiveness. For example, many countries have grown through business functions outsourcing. In the United States for example, many companies increased profitability due to the outsourcing boom that the country witnessed in the nineties. The overall effect was that the country's economy began going up (Carolyn, 2010).

Many people hold the perception that outsourcing shift jobs from the originating economies to receiving economies and thus drain the originating economy. However, it has been shown through research that originating economies have created quality standard of living for their populace due to the creation of new lines of work (Freeman, 2001).

#### **2.4. Antecedents of Outsourcing**

Narigisi (2012) has identified two main antecedents to successful outsourcing. He mentioned them as competence and management support. These are explained below:

##### **2.4.1. Competence**

Bourassa (1998) says that organisations should focus on core activities and leave the non-core activities to outside providers who have the skills to do them better. The providers who have all the required competence, skills, and service providers should be of desired level to be able to meet the company requirement.

##### **2.4.2. Management Support**

Jeans (2008) suggests that when it comes to outsourcing, it should be supported by all departments of the organisation so as to get the best of the benefits of outsourcing in the organisation.. Any activity in the company done without management consent and support is a manifestation of failure in that activity (Jeans, 2008).

#### **2.5. Factors Associated with the Success or Failure of Outsourcing**

A research was conducted by Elmuti (2003) to examine the success factors of outsourcing. Respondents identified their opinions in relation to the degree of usefulness of fourteen factors allied with outsourcing strategies.

Successful firms identified the clear objectives and expectations of outsourcing activities as the most useful and contributing factors to their outsourcing effort. Outsourcing must be done carefully, systematically, and with explicit goals and expectations (Corbett, 1999). The choice of outsourcing partners was the second strongest indicator of a successful business. The third indicator was providing adequate training skills required to achieve subcontracting tasks and to negotiate a comprehensive contract. Training managers to acquire the skills needed to adapt to other working cultures and work with teams may be important to promote outsourcing success (Sinderman, 1995). In order to ensure a successful outsourcing, a comprehensive plan with thorough expectations, requirements, and expected benefits in all the stages of outsourcing activities must be drawn (Guterl, 1996).

Effective communication among cross-functional areas lessens the adverse impacts of farm out jobs on the confidence and act of the remaining workforces. This can be achieved through

support and involvement of top management and by providing incentives to employees and vendors who meet and exceed the contracted performance expectations (Foster, 1999). Another factor is to acquire the right people, with the right skills involved in all phases of outsourcing activities. Properly defined performance criteria for an outsourcing engagement are objective, quantifiable, and collectible at a reasonable cost, and should be metrics which can be benchmarked against performance of other organizations and providers (Klepps and Jones, 1999). Other factors identified among the top priorities in successful firms include adequate performance feedback, emphasis on both short and long-term benefits, anticipation of change for both good and bad times and accommodation of cycles of demand that require an adjustment in services (Elmuti, 2003).

To examine risk factors, respondents were asked to identify the seriousness of fourteen risks facing outsourcing projects (on a scale of 1 not a problem to 5 a serious problem). Their responses were then recorded in three categories: 1 not a problem, 2 and 3 a problem, 4 and 5 a serious problem (Elmuti, 2003). His results are outlined below:

Unsuccessful companies acknowledged the fear of change and fear of job loss the most challenging effort that confronts their outsourcing efforts. The second most important challenge that faces unsuccessful outsourcing companies was the poor choice of sourcing partners. Another challenge was not providing adequate training/skills needed to manage outsourcing activities. Inadequate comprehensive plans was discovered as the fourth factor acknowledged by unsuccessful businesses in their outsourcing schemes.

The impact of outsourcing projects on the remaining staff morale and performance were among the most serious obstacles to outsourcing success. The originating company must keep its workers informed of outsourcing steps and works out a good deal with the vendor for its employees if they would be made part of the outsourcing arrangement.

Somewhat surprisingly, given the nature of outsourcing activities, the following obstacles were ranked lower than other problems in respondents outsourcing efforts; inadequate control systems over how certain services are delivered and hidden costs and risks such as travel costs, license transfer fees, exchange rates, and foreign taxes on products and services. Also important was that unsuccessful businesses did not usually consider lack of high-level management support to be a major obstacle for outsourcing programmes. This also suggests that perhaps the studied organisations had top management support in their outsourcing programmes.

Other problems identified, including poor organizational communication, cross functional political problems, unclear expectations, lack of flexibility, keeping contracts short, and taking a tactical rather than a strategic approach to outsourcing activities.

## 2.6. Attitudes of Employees towards Outsourcing

As in any new area of research, there have been very little empirical research on the psychological aspects of the outsourcing practices (Giardini and Kabst, 2008). How workers perceive outsourcing is vital it could has mediating impact on workers' behaviour and attitudes and other business consequences.

Employees' cognitions and affects regarding outsourcing are likely to vary with the degree of their familiarity of various aspects of outsourcing such as its content, and process. Some aspects of outsourcing may be evaluated favourably, while other aspects may be viewed as detrimental (Drezner, 2004). Companies offer workers with a sense of identification and feelings of security and belonging. Employees may feel resentful and retaliatory when these sense of identification and belonging are disturbed. Belcourt (2006) stated that the rumours of outsourcing arrangements often leads to talented employees kick-starting the search for new jobs and all workers becoming nervous due to expected lost production that may results in job losses (Belcourt, 2006).

Regardless of underlying reasons for outsourcing activities, employees perceive a qualitative change in their employment and psychological contract with the firm as a result of the firm's outsourcing decisions. Outsourcing could positively leads to upgrading of some employees role. However, it could leads to job losses for other employees (Adler, 2003).

Given such significant impact on employees, it can be posited that outsourcing may lead to a perceived alteration of the psychological contract, potentially leading to negative organizational outcomes such as perceived betrayal, job insecurity, depression and low self-esteem (Cooper, 1999)

Elmuti *et al.* (2010) research into the consequences of outsourcing on workers indicated that outsourcing policies had an adverse influence on the perceived employees' quality of work-life dimensions.

Ndubisi (2011) in his study highlighted conflict handling typologies as a challenge that could influence trust and commitment in Business-to-Business outsourcing association.

## 2.7. Outsourcing and Organisational Performance

The lack of adequate resources means that only few companies are able to devote world-class resources to all facets of competition. This means that companies must concentrate their limited resources to selected core areas of their operations to gain competitive advantage (Hamel and Prahalad, 1994). By outsourcing to specialist organizations services not generated by core competences, companies can see an improvement in their organizational performance (Gilley and Rasheed, 2000). Gilley and Rasheed (2000) stated that three factors underline this. Firstly, the outsourcing of non-strategic services enables the company to centre on its core competencies. Secondly, increasing the outsourcing of non-strategic services can improve both the quality and

the service. Lastly, the subcontracting of low strategic and non-core values leads the company to cut down costs and improve competitive positions (Gilley and Rasheed, 2000).

Some research shows that companies that make alliances by trusting external sources have better results (Kotabe *et al.*, 2008). Kotabe *et al.* (2008) proposed a dynamic perspective, which suggests an inverted “U” relationship between outsourcing and performance.

### **2.8. Problems/ Challenges with Outsourcing**

According to Narigisi (2012) there are risks associated with outsourcing that top management need to consider carefully and these may be; the possibility of over depending on or leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Eyaa (2000) said that increasing trends in outsourcing has pushed the rates being charged by the suppliers higher. This increases costs even though one of the objectives of outsourcing is to cut down costs.

According to Manzi (2004) there is a possibility that vital company information may be at a risk of being linked to the company’s competitors which is dangerous since some suppliers may be spies to the company.

## **3. METHOD**

### **3.1. Research Design**

This study adopted the descriptive research approach. Robson (2002) asserted that descriptive research portrays an exact profile of persons, events or situations’. For the purpose of this study, only the administration staff (excluding casual workers) was surveyed. This is because the mines outsourcing activities are done by the administration. The population size of this department is approximately 200.

### **3.2. Sample Size and Technique**

Sampling means the selection of representations of a study population with the aim of obtaining information that reflects the whole population. According to Saunders *et al.* (2007) for a population of 200 minimum samples size of 132 should be used to achieve a 5% margin of error. The respondents were sampled through the Convenience sampling method (a non-probability sampling method).

### **3.3. Sources of Data**

The main sources of data was primary. Primary source is the collection of ‘first hand’ information from the customers directly (Saunders *et al.*, 2007). The main primary source of data for this work was questionnaire.

### 3.4. Data Collection and Instrument

The data collection instrument used was questionnaire. The structured questionnaires were conveniently distributed among the respondents. The questionnaire was developed using the Likert scale technique, and open and closed ended questions.

### 3.5. Data Analysis Technique

Data was analysed using quantitative techniques such as mean, standard deviation, variance, coefficient of variation, frequency, confidence level, and percentages. These techniques were applied through the application of Microsoft Excel were used.

## 4. RESULTS

### 4.1. Demographic Variables of Respondents

According to figure 1, there were 71 males representing 71% as against 29 females representing 29%. From figure 2, 21 respondents representing 21% fall within 18 to 25 years. In addition, 42 respondents representing 42% were 26 to 35 years old. This means that in total, 63 respondents representing 63% are below 36 years. Only 20% of the respondents were above 45 years old. The implication is that 80% of the respondents were below 46 years. In fact, only 4% of the respondents were 56 years and above. According to figure 3, only 4% of the respondents have Senior High School or equivalent qualifications. In addition, 17% of the respondents also have diploma qualifications. These qualifications may include HND, DBS, and other diploma equivalent qualifications. However, a substantial percentage of the respondents representing 79% have 1<sup>st</sup> degree and above qualifications or their equivalents. This means that the responses from the respondents can be relied upon since they came from people with adequate academic qualifications. According to figure 4, 17 respondents have worked with the company for less than 1 year with 13 respondents representing 13% working with the company for 1 to 3 years. Nine (9) respondents representing 9% have worked with the company for 3-5 years. However, a substantial 61% of the respondents have worked with the company for more than five (5) years.

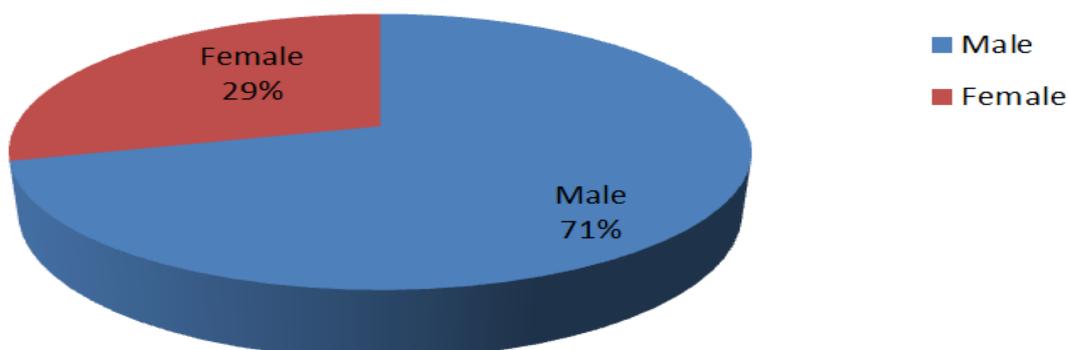


Figure-1. Results of Respondents Gender

(Source: Authors Fieldwork, 2013)

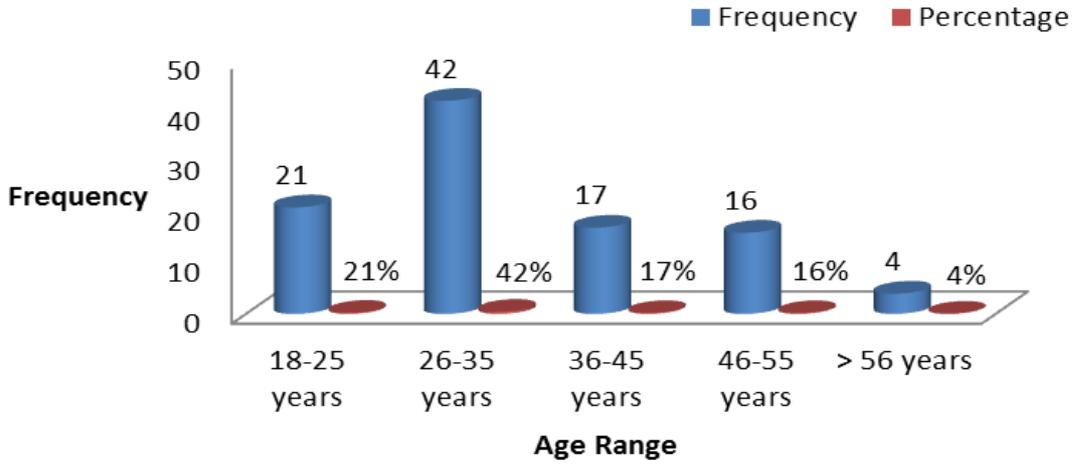


Figure-2. Results of age range of respondents

(Source: Authors Fieldwork, 2013)

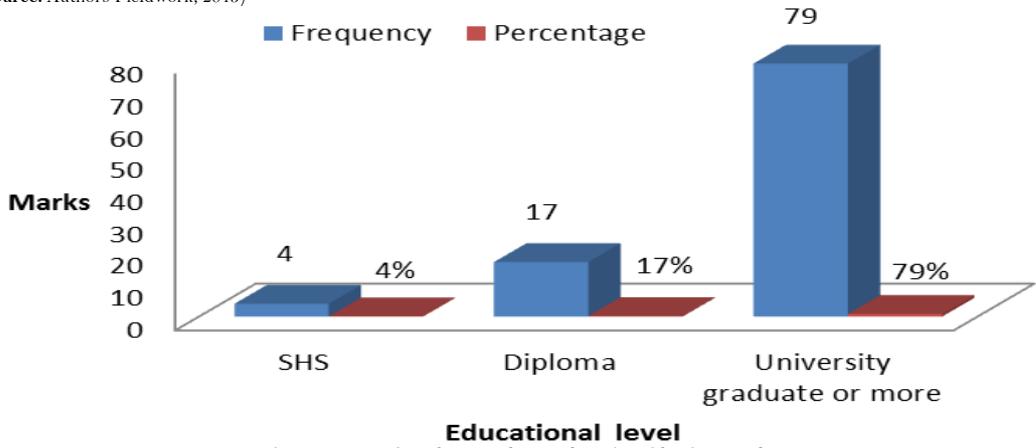


Figure-3. Results of respondents educational background

(Source: Authors Fieldwork, 2013)

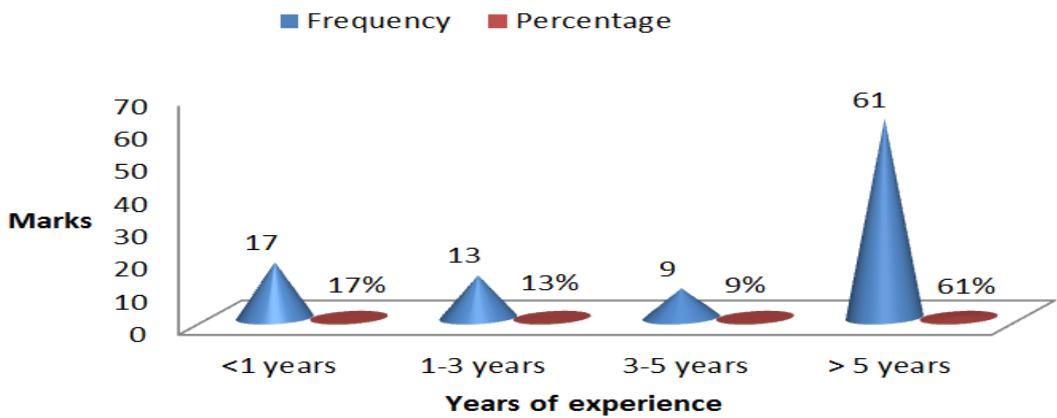


Figure-4. Results of years of experience

(Source: Authors Fieldwork, 2013)

**4.2. Activities that are outsourced by AngloGold Ashanti Obuasi Mines**

According to figure 5, 29 (29%) of the respondents indicated that information technology is normally outsourced with 71 (71%) indicated that information technology is not normally outsourced. Also, 17 (17%) respondents indicated that management services are normally outsourced with 83% of the respondents indicating that management services are outsourced. In the same direction 17% and 83% indicated that human resource is outsource and not outsourced respectively. It is only in the area of transportation that the 58 (58%) of the respondents indicated that transportation is outsourced with only 42% of the respondents indicating that transportation is not outsourced. From, these findings it is clear that transportation is outsourced. In addition, 1 respondent each specified that mine ore haulage, residence maintenance, purchase and contract unit are outsourced with 2 respondents specifying that security is outsourced. Probably the main reason why information technology for instance is not outsourced is that information technology plays a critical role in the extracting business and that it is an essential activity that the company cannot afford to let third party perform. It must be noted that the company extract gold and as such the use of IT is very essential component that if left to chance it may lead to the stealing of gold bars produced. The findings denied the research by [Elmuti \(2003\)](#) that organisations normally outsourced activities include information technology (such as application development, contract programming, data entry and simple processing), and management services. It also denied assertion by [Cicek and Ozer \(2011\)](#) that Human Resources function is one such management function that is normally outsourced.

However, this study revealed that information technology, management services, and human resource activities in AngloGold Ashanti Obuasi mine are not outsourced and that it is transportation, security, mine ore haulage, residence maintenance, and purchase and contract unit activities are outsourced.

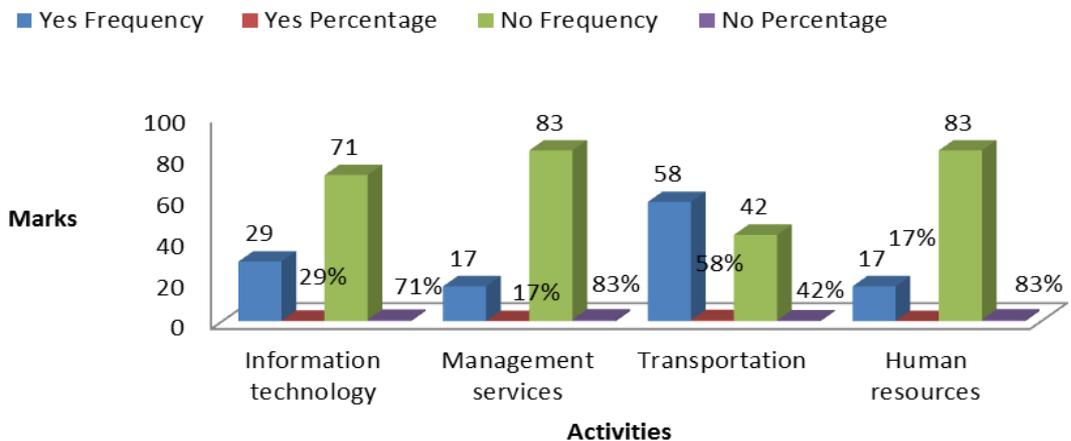


Figure-4.5. Results of outsource activities

(Source: Author's construct, 2013).

#### 4.3. Why AngloGold Ashanti Undertake Outsourcing Projects

According to table 1, each of the constructs tested with the exception of only one construct recorded mean figures above 3.00. This means that seven out of the eight constructs tested were accepted by the respondents. For example, the construct “outsourcing is to help us cut-down cost” recorded a mean figure of 3.15. Since the mean figure is above 3.00, it denotes that on average the respondents’ falls within the “neutral response (weighted 3.00) to strongly agree (weighted 5.00) response”. Thus the respondents agree that outsourcing have a positive effect of cutting down cost in the company. However, the mean for this construct is a little over 3.00 (in fact 0.15 mean points above the neutral response). Thus the mean for this construct is 1.85 mean points below the “strongly agree” weight of 5.00. Since the mean is not even up to 4.00 which is the weight for “agree response” and which would have constituted 80% level of acceptance, it means the respondents only moderately accepted this construct. In addition the standard deviation for this same construct is 0.77. This means that the various responses are on average 0.77 mean points away from the mean recorded on this construct. The standard error of the mean recorded denotes how far (standard deviation) the sample mean is from the population mean. The populations mean is the average response the researcher would have recorded should the researcher have survey the entire population which in this case numbered about 200. This means that the sample mean (the mean for the respondents who answered the questionnaire) is 0.08 mean points from the population. This suggests that the researcher can estimate the populations mean by using the sample mean and the population mean. That is the population mean of this study is estimated to be 3.07 ( $3.15-0.08$ ) below the sample mean and 3.20 ( $3.15+0.08$ ) above the sample mean. Since the sample mean is only 0.08 mean points (about 8%) deviation from the population mean, the sample mean of this study can be used to adequately predict the population mean. in fact, the researcher have 95% confidence level that the population mean of this study falls within 3.00 to 3.30.

However, the respondents rejected the statement that outsourcing help AngloGold to expand since it recorded a mean figure of 2.88 which is below 3.00. This shows that per the respondents outsourcing do not help the company to expand or grow. The reason may be that AngloGold is in the extractive sector and that expansion or extraction of gold is more dependent on other factors such as gold reserves, concession size, investment, and other factors than outsourcing.

The findings in table 1 both confirm and deny some research findings by other researchers. Firstly, this study confirms Carolyn (2010) and Kakabadse and Kakabadse (2003) findings that outsourcing helps to: cut down cost; focus on core activities; generate competitive advantage; transfer operational risk; achieve efficiency and economies of scale; access expertise that is lacking in-house; and save valuable time. However, it denies Carolyn (2010) findings that the most prominent reason for outsourcing is to minimize business cost. It also denies Carolyn findings that outsourcing help business to expand since the findings shows otherwise. However, the study

affirms Kakabadse and Kakabadse (2003) study that the major reason for outsourcing is to help businesses to focus on core activities.

**Table-1.** Descriptive results of objectives of outsourcing

Objectives constructs	N	Mean	SD	Standard error of the mean	Confidence level @ 95%	
					Lower	Upper
Outsourcing is to help cut-down cost	100	3.15	0.77	0.08	3.00	3.30
Outsourcing is to improve competitive advantage	100	3.45	0.65	0.07	3.32	3.58
Outsourcing is to transfer operational risks	100	3.59	0.69	0.07	3.46	3.72
Outsourcing is to achieve efficiency, and economies of scale	100	3.56	0.96	0.10	3.37	3.75
Outsourcing is to help access expertise that is lacking in-house	100	3.84	0.80	0.08	3.68	4.00
Outsourcing is to enable us focus on our core activities	100	3.99	0.87	0.09	3.82	4.16
Outsourcing is to help us to expand	100	2.88	0.55	0.06	2.77	2.99
Outsourcing is to help us save valuable time	100	3.55	0.84	0.08	3.39	3.71
Average	100	3.55	0.84	0.08	3.35	3.65

(Source: Author's construct, 2013)

#### 4.4. Achievement of Stated Objectives

From table 2, the statement ‘outsourcing always achieve the stated objectives’ was rejected by the respondents as it recorded a mean figure of 2.83 with a standard deviation of 0.35. This means that per the respondents, outsourcing of activities at AngloGold Ashanti Obuasi mines has not always achieved the stated objectives which form the basis for the outsourcing of those activities. The reason why outsourcing may not achieve it stated objectives at AngloGold Ashanti may be several. Some of these include: not doing enough feasibility studies on the activities; suppliers not possessing the requisite capabilities; and legal regulations. The standard error of mean on the construct “outsourcing always achieves the stated objectives” is 0.03. There is a 95% confidence level that the population mean falls between 2.76 to 2.90.

However, the respondents per table 2 accepted that outsourcing has led to: increased productivity with a mean figure of 3.17; achievement of economies of scale with a mean figure of 3.34; importation of hitherto expertise that was lacking in-house with a mean figure of 3.67; and achievement of efficiency with a mean figure of 3.36. Even though the mean figures for the accepted constructs are above 3.00 they are below 4.00 and hence can be said to be moderate. In general, it can be said that outsourcing of certain activities at AngloGold Ashanti has had a moderate positive effect on performance.

**Table-2.** Descriptive results outsourcing achieving their objectives

Performance constructs	N	Mean	SD	Standard error of the mean	Confidence level @ 95%	
					Lower	Upper
Outsourcing always achieve the stated objectives	100	2.83	0.35	0.03	2.76	2.90
Outsourcing has led to increased productivity	100	3.17	0.71	0.07	3.03	3.31
Outsourcing has led to achievement of economies of scale	100	3.34	0.88	0.09	3.17	3.51
Outsourcing has led to importation of hitherto expertise that was lacking in-house	100	3.67	0.77	0.08	3.52	3.82
Outsourcing has led to the achievement of efficiency	100	3.36	0.72	0.07	3.22	3.50
Average	100	3.27	0.69	0.07	3.14	3.41

(Source: Author's construct, 2013)

#### 4.5. Factors Associated with the Success or Failure of Outsourcing Programmes

From, table 3, each of the 9 factors tested as antecedents to successful outsourcing activities at AngloGold was accepted. From the table 4.3, the most important antecedent or driver to a successful outsourcing programme at AngloGold is management support since it recorded the highest mean figure of 4.42. This is followed by outsourcing requires clearly stated objectives, then cross-functional communication, performance criteria, performance feedback, adequate control system, strategic supplier alliances, and dealing with fear of loss of job. The findings thus confirm earlier research by [Jeans \(2008\)](#); [Elmuti \(2003\)](#); [Foster \(1999\)](#) and [Klepps and Jones \(1999\)](#). However, the findings confirm ([Jeans, 2008](#)) research that management support is the most important factor and that any activity in the company done without management consent and support is a manifestation of failure in that activity. However, the findings denies the work of [Elmuti \(2003\)](#) that identified clear objectives and expectations of outsourcing activities as the most useful and contributing factors to outsourcing success. This study finds clear objectives as the second most important factor to effective outsourcing programme not the first.

**Table-3.** Descriptive results to drivers to successful outsourcing

Drivers to successful outsourcing constructs	N	Mean	SD	Standard error of the mean	Confidence level @ 95%	
					Lower	Upper
Management support is required for successful outsourcing	100	4.42	1.14	0.11	4.20	4.64
Outsourcing requires clearly stated objectives	100	4.34	1.14	0.11	4.12	4.56
Outsourcing requires effective cross-functional communication	100	4.08	0.98	0.10	3.89	4.27
Adequate human resource capital	100	3.49	0.73	0.07	3.35	3.63
Clearly stated performance measurement criteria	100	4.03	0.88	0.09	3.86	4.20
Adequate performance feedback	100	4.00	0.99	0.10	3.81	4.19
Adequate control system	100	3.87	0.81	0.08	3.71	4.03
Dealing with fear of loss of job	100	3.30	0.57	0.06	3.19	3.41
Establishing strategic supplier alliances	100	3.68	0.74	0.07	3.54	3.82
Average	100	3.91	0.89	0.09	3.74	4.09

(Source: Author's construct, 2013)

#### 4.6. Employees Attitude towards Outsourcing at AngloGold Ashanti Obuasi Mines

From table 4, the respondents accepted each of the constructs tested for attitudes of employees to outsourcing. The table shows that: employees resist outsourcing; employees of affected departments starts job searches once outsourcing is rumoured; employees suffer anxiety resulting in loss of production; outsourcing leads to upgrading of some employees roles; outsourcing leads to loss of employment; and outsourcing leads to loss of trust and commitment by the employees. The topmost finding here is that outsourcing leads to loss of employment with a mean figure of 4.18. However, outsourcing leads to upgrading of some employees roles is the least and the only positive effect of outsourcing on employees. The findings confirm the work of researchers like [Belcourt \(2006\)](#) and [Adler \(2003\)](#). It confirms [Belcourt \(2006\)](#) assertion that Outsourcing may affect some employees positively by upgrading their role. However, for some employees, outsourcing can result in a loss of employment as indicated by [Adler \(2003\)](#).

**Table-4.4.** Descriptive results employees attitudes to outsourcing

Attitudes of Employees to outsourcing constructs	N	Mean	SD	Standard error of the mean	Confidence level @ 95%	
					Lower	Upper
Employees resist outsourcing	100	3.93	0.80	0.08	3.77	4.09
Employees of affected department starts job searches once outsourcing is rumoured.	100	3.83	0.69	0.07	3.69	3.97
Employees suffer anxiety resulting in loss of production	100	3.95	0.81	0.08	3.79	4.11
Outsourcing leads to upgrading of some employees roles	100	3.52	0.74	0.07	3.37	3.67
Outsourcing leads to loss of employment	100	4.18	0.95	0.10	3.99	4.37
Outsourcing leads to loss of trust and commitment by the employees	100	3.84	0.74	0.07	3.69	3.99
Average	100	3.88	0.79	0.08	3.72	4.03

(Source: Author's construct, 2013)

## 5. CONCLUSION AND RECOMMENDATIONS

The purpose for the conduct of this study can be summed up as to investigate outsourcing in AngloGold Ashanti Obuasi Mines. After analysing the empirical data it was discovered that: transportation, mine ore haulage, residence maintenance, and purchase and contract unit are normally outsourced. It was also found out that outsourcing helps to cut down cost and focus on core activities but not to expand. The major reason for outsourcing at AngloGold is to help the company to focus on core activities. It was discovered that outsourcing of activities at AngloGold Ashanti Obuasi mines has not always achieved the stated objectives.

It was also found out that in general, outsourcing of certain activities at AngloGold Ashanti has had a moderate positive effect on performance.

It was also found out that the most important antecedent or driver to a successful outsourcing programme at AngloGold is management support.

In addition, it was found out that employees resist outsourcing and leads to loss of employment. However, outsourcing leads to upgrading of some employees roles is the least and the only positive effect of outsourcing on employees.

From the findings, the following recommendations are made for adoption by management of AngloGold Ashanti.

Firstly, the company should review its outsourcing activities on the basis of cost benefit analysis. Outsource activities that are not helping to cut down cost can be done in-house.

Secondly, the company should set a monitoring team that will work hand-in-hand with suppliers to ensure that outsource activities always achieve their stated objectives.

Also, the company should put in place measures to manage employees fear over outsourcing. Employees whose jobs have been outsourced can be reassigned to different departments. Moreover, the supplier can be made to take some of these employees on board. Even in a situation where there will be laying off of some of these affected employees, adequate and equitable compensation package should be paid to them.

Last but not the least, if the company do not have change management department they should institute one. The main purpose of this department may include among other things the management of change in the company.

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