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**COMP1803: Outsourcing and Organizational Awareness**  
**Individual Coursework**

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# 1 Issues

- Lack of proper communication between board of directors and other members of the organization: The board is known to be controlling, hard to build rapport with, and do not like taking advice from the senior management team or anyone below. This is surely bound to cause some conflicts.
- No online presence: Orders are made either by phone or email, meaning that they are not as advanced as other modern competing companies that can take advantage of this.
- High administrative costs due to outdated people heavy processes: As mentioned in the point above, the only ways to make orders are via phone and email, which require human interaction between multiple departments. These people have to be paid for their labor, and it is arguable whether an automated system for taking orders would be cheaper in the long run, as commission is also issued to sales staff for any successful sales.
- No specific job descriptions for any employee: This can lead to issues regarding the culture structure of the organization, as not all employees will be used to/happy to work within this dynamic.
- Decrease in demand for new electronic devices due to recession: If Wizard Electronics are unable to keep up with the demand for used/refurbished devices during this difficult time, consumers might be tempted to look elsewhere.
- Customer dissatisfaction: To add to the previous point, customers are already unhappy with the company's inability to deliver the new electronic devices that they should be specializing in, leading to a loss of sales.
- Inconsistent levels of customer service: This is always going to be an issue within roles that employ sales staff, as the skill level, commitment and competitiveness will defer from employee to employee. A sales employee's "motivation affects their productivity" (Lieberman, 2020); some employees may be driven to match or exceed targets by their love for the job, others by the commission they earn (this issue can

also lead to sales staff attrition depending on the productivity of the given salesperson).

- Lack of financial knowledge within the back-office administrative staff.
- Lack of accurate/detailed information management system: As mentioned in the case study, the lack of automated systems makes it difficult for the board to track the performance of its suppliers, making important tasks such as planning for the future much more complicated.
- Lack of stock control/management: Wizard Electronics focus on only operating from the UK means that their costs will be higher than companies that may already be offshore outsourcing to foreign, cheaper countries. Their inability to properly manage the stock that they do have in store, coupled with the cost of in-house rental space is definitely an overhead that they do not need.

## 2 Approach

### 2.1 Why outsource in general?

The main reason a company turns to outsourcing is the cost saving aspect of the process; Wizard Electronics are a company that seem to fit the mold of the given scenario, as they are losing sales due to their inability to satisfy consumer demands. Tactical outsourcing would be the best way to move forward for this issue, as the aim is to improve customer service. The lack of in-house expertise and available staff for certain processes is also one of the reasons that companies like Wizard should tactically outsource, as it would allow them to make up for the shortage of required skills within the organization. Certain roles might also need to be outsourced strategically, so that employees can focus on core business functions. This is definitely an issue that needs to be addressed at Wizard, as some staff members are performing roles that they have no business doing. Transformational outsourcing definitely also needs to be done, as the company is operating using somewhat outdated practices/technology given their lack of online presence.

### 2.2 What to outsource at Wizard Electronics and how?

Deciding what to outsource at Wizard Electronics is difficult, as there seem to be no instances of insubordination towards the 'problematic' directors; everyone seems to do as they are told, so there are no clear scapegoats for the business downfalls. However, after carefully examining the case study, the outsourcing considerations for the business have been listed below:

#### **KEEP:** Sales Staff

As much as overall progress has been hindered by the recession, the sales team are the people that are keeping the company running, by bringing in money and negotiating higher prices with clients, making them the core competency in this scenario. They should be kept unless there is a severe drop in performance, and an assumption can be made that there has not been given the case study. Their downfalls include not being able to satisfy customers due to not being able to meet urgent order requests, but that is something that is out of their control. There is also a possibility that some of them might be disillusioned by the fact that they have less opportunities to negotiate prices and gain higher commissions for their efforts.

- Possible risks: Sales staff underperforming is actually due to individual efforts, and not only the lack of faster shipping.

#### **OUTSOURCE: IT Staff**

The harsh reality for Wizard Electronics is that if they do not establish an online presence, they will fall even further behind modern companies that have adapted to the changing times. The company lacks an effective information system, and the existing staff do not seem to have the skills necessary to upscale the system in this way. It also seems like the company does not have the equipment or facilities to do this, and acquiring these will cost money, so their best bet might be to outsource to a company that not only has the expertise, but the equipment as well.

- Possible risks: IT staff are too expensive, and do not meet targets within the allocated time period.

#### **OUTSOURCE/KEEP: Admin Team**

Arguments can be made for both decisions regarding the potential outsourcing of the Wizards Electronics administrative team, as they seem to be taking on a lot of tasks at the company, some more than they are capable of.

#### **● Outsource (Certain roles):**

It might not be a bad idea to outsource the certain members of the administrative team, especially the finance department, as there seems to be no expertise in this department throughout the organization. This would also weed out members of the team that are not needed, as a large amount of job descriptions at Wizard Electronics tend to fall underneath the job title of ‘Office Admin Staff’. No one knows what they really do because of this, and there is no way to really justify the difficulty of the position because of the various number of jobs involved within the role. There is also the possibility that some admin members are doing more/harder tasks than others due to the lack of role standardization, so separating, defining and outsourcing certain parts of the role would be beneficial. This will ultimately allow for the internal resources (staff in this case) to be effective in their own purpose: raising invoices, processing payments, dispatching orders and producing management reports.

- **Keep (With the condition that a finance training consultant is brought in to help with difficulties):**

On the other hand, it seems like the back office admin team are doing a good job and are very knowledgeable about the company's internal processes. The problem is the fact that they are being given too much to do regarding extra tasks, and this might even lead to doing longer hours in a 'Power' culture. This is only an assumption though, based on the case study. They also cannot be blamed for not knowing the sales numbers/trends, as there is no information management system in place, and they can make a bid for themselves based on this information. In this case, though it might not be a popular one, a possible solution for this would be to bring in a consultant to train the admin staff for roles that they are not familiar with, such as finance. This allows them to stay in their roles, as long as they can keep up the work and not get left behind. Any lack of productivity after this would lead to specific staff members being considered for replacement.

**OUTSOURCE:** 'Customer Enquiries' staff member

This role sounds awfully similar to that of an office receptionist, so this can be outsourced but not offshored, as the person taking enquiries/directing consumers to sales staff does not need to be too knowledgeable about the business. They, however, need to be accustomed to the culture of the clients they will be speaking to over the phone (greetings etc.) as it is a customer service role. Outsourcing this role also frees up the admin staff to focus on other core activities as mentioned in the previous point.

- Possible risks: New hire is not good at the job. Luckily, this is one in which a replacement can be found quickly.

**OUTSOURCE:** Human Resources

This role is also one in which the employee does not need to have extensive knowledge of each specific process, as they will not be dealing with customer relations. As much as they might not know the company ins and outs, they might bring in a set of ideals that everyone else in the company is blind to. This is definitely evident at Wizard Electronics, as staff members are either cramped up with tasks that they cannot complete, blinded by their similarities to the board, or are too intimidated to speak up for themselves due to the culture

at the company. The HR team can act as a third party here, especially when dealing with conflicts, so it is important that they are as neutral as possible.

- Possible risks: HR team is unable to create a positive enough environment at Wizard Electronics, and the work-life balance remains the same.

#### **OUTSOURCE (via training consultants): Personnel Management**

There seems to be a power imbalance between the board and senior management team, and this definitely takes its toll on the collaborative aspect of the company, of which there seems to be little to none. It is unlikely that the board of directors or the senior management team would be outsourced though, as that would lead to effectively handing control of the head offices to an external source. The best way to handle this would be to hire consultants to train the individuals with 'more power', teaching them how to communicate effectively with their 'subordinates' and vice versa, as this would lead to a more cohesive workplace.

- Possible risks: Training is not effective due to the staunch attitude that all members of the company have developed toward their specific culture. The staff might also revert back to old ways once the consultants leave.

#### **OUTSOURCE/KEEP: Warehouse Stock/Management**

The company has faced problems in the past regarding stock and warehouse management, even trying to keep stock in house to remedy the issue. Unfortunately, this did not prove cost effective, and they were never able properly manage the items that were high in demand, often stocking items that were not selling. An alternative solution to this might be to outsource the stock management activities of the company to an expert.

- Positives: Services are handed to a 3rd party, so that the company can focus on core business activities. They are also experts, meaning that they will handle stock much better than the already overwhelmed admin team. In addition, if the outsourcing company is located in the UK/Europe, it is possible that these warehouse experts can fulfil orders even quicker, getting rid of customer dissatisfaction regarding the lack of expedited shipping.



- Negatives: If the warehouse services are offshored to countries in which shipping already takes a bit of time (China etc.) then it might negatively affect the reputation that the company has already built up and might even cause more harm than good.

### 3 Key questions to ask for 'Invitation to Tender'

- 1. What are your costs? How can you prove that you can save us money? Provide a breakdown of your financial performance over the last few years.**

The main reason that companies like Wizard Electronics would want to outsource is to cut costs, meaning that the potential outsourcer would need to prove their worth in this aspect to be considered vs. other companies. Providing recent financial statements can also help the company develop weighted scoring models in order to make the task of choosing an outsourcer a little bit easier.

- 2. How have you dealt with having to take responsibility from others in the past?**

This is a question that is especially relevant for the type of situation and 'Power' culture that Wizard Electronics operates under. The fact that they are a family business and are "known to control all aspects of the way in which the organisation is run precisely" (Johnson, 2021) might lead to a power struggle between the company and the outsourcer. There might be difficulties relinquishing control of certain processes to the supplier, and even a breakdown in communication depending on the issue. The outsourcer in question should be able to provide relevant experience in risk management, especially dealing with such situations, as there will always be conflicts and risks within the outsourcing process.

- 3. Do you have experience in financial marketing, and modern web-based IT training? Our staff has limited experience with these key areas.**

The outsourcing company has to prove their ability to provide Wizard Electronics with information systems that allow them to modernize the organization; this has become a big issue as some of the day-to-day processes at the company are outdated. In addition to this, the company can also be asked if they have experience training staff in financial marketing, as well as IT training if possible, as these are 2 key areas in which the current staff has limited exposure to, and it is hurting the company.

- 4. How will your company ensure that delivery will be on time? Can you expedite shipping as well if needed? How will you ensure quality assurance?**

Wizard Electronics already has a good reputation for delivering goods on time, so if warehouse/stock management services were to be outsourced for reasons such as stock management issues, then they would have to ensure that the outsourcing company is able to at least provide the same level of service that they have in house. However, one of the other main problems that Wizard Electronics has, is their inability to provide the electronics that consumers want within an expedited time period. This has caused the company to lose sales over time. The outsourcing partner would need to ensure that they could also rectify this problem, by being able to offer faster shipping rates to satisfy customers. The quality of the goods should not drop either due to the faster shipping times, so the company will have to explain how they ensure quality assurance for their customers, as different products require different types of handling/levels of care. The purpose of faster shipping is defeated if the product arrives damaged, so the company will need to prove their worth.

**5. How well known are you? Can you state which companies you have worked with, and given service?**

References are important. They are the basis on which human beings make a lot of decisions, whether it be a recommendation from a friend, a video on YouTube, or a review on a company website. It is important for the outsourcing company in question to have a good reputation, as they will be handling a portion of the business, and any problems with the project will cost the head organization valuable time and money. Regarding how well known the company is, this might not always be that important. It is possible that the board of directors might find a hidden gem, or a smaller, lesser-known company that performs well; you never know, every company has to start somewhere. However, it is generally safer to choose a supplier that has proven results and a good reputation.

## 4 Organisational Behaviour

Upon reading the first paragraph of the case study, it is quite clear that there is a strict 'Power' culture within Wizard Electronics, as defined by the Charles Handy Framework (shown in the appendix). There seems to be a low level of formalization within the company, this being most illustrated by the case study describing the organization as "rather informal" (Johnson, 2021). The power seems to be held by the people at the top of the organization, as there is a very "formal hierarchy" that makes sure that subordinates do the job "their way". Companies that flaunt this type of leadership also tend to recruit people that think like them, so there's no surprise that Wizard Electronics is a family run company. Other culture considerations might have also been made if the head family/board did not behave as they do, for example, regarding the way employees work. It is easy to mistake the company as one with a 'Task' culture if a focus is placed solely on the employee/subordinate responsibilities within the organization. Employee tasks are, *technically*, "defined at the top, then passed down to the individuals" at Wizard Electronics. The 'Task' culture label is quickly debunked though, as the employees may not "choose how to carry out" their tasks. The argument for the 'Power' culture is strengthened that much more in this regard, as "jobs are poorly defined" in this model, and Wizard Electronics employees have often been called upon to take on tasks that they have no expertise in.

Ultimately, the 'Power' culture is one that is the most prevalent within the company, and it can end up causing quite a few problems when trying to find an outsourcing partner. Shown below are some additional observations:

1. A part of the business has to be completely handed over to the outsourcer: They might not be too keen on doing this as they want to hold all of the power.
2. Cultural Incompatibilities: It may lead to a culture clash. The head company wants outsourcers to do things "their way" but that might not be the way outsourcers are used to operating, especially if they are based offshore.
3. High Turnover: Don't want outsourcers to become frustrated with the company and become less invested/motivated in the company (morale drop). The same can be said for new employees that are not used to the culture.

4. Lack of diversity at the top of the company: This speaks for itself, as a company that is self-absorbed might fail to see their own faults/malpractices while trying to negotiate a deal with another company.
5. Lack of cooperation between the different hierarchies in the business: A lack of communication is one of main reasons that outsourcing projects fail, and this is a possibility given the behaviors already present at the company.

#### 4.1 Recommendations for changing organizational behavior

After evaluating the organizational behavior at Wizard Electronics, as well as comparing the culture models on the Charles Handy Framework, a conclusion can be drawn that if there was to be a culture shift within the organization, that it would be best for it to be from a 'Power' based one to 'Task' based one. The 'Task' based culture would solve the main issues at the company much more effectively than the other two types, and has more positives compared to the others as well. Shown below is the evaluation:

Culture Change	Viable Option?	Why/Why Not?
'Power' to 'Role'	Yes	<ul style="list-style-type: none"> <li>• Would allow for a higher level of formalization at the company, as a lot of the processes at Wizard Electronics are rather informal.</li> <li>• Decision making would remain at the highest level, allowing the board to keep setting rules and procedures.</li> <li>• Would set specific job descriptions for staff members, so that they would not be stuck doing jobs that they are not capable of.</li> </ul>
'Power' to 'Task'	Yes	<ul style="list-style-type: none"> <li>• Project defined culture</li> <li>• Perfect for customer facing organizations,</li> </ul>

		<p>especially ones in which client response needs to be done quickly (sales staff, shipping products etc.)</p> <ul style="list-style-type: none"> <li>● Would allow for a higher level of formalization at the company, as a lot of the processes at Wizard Electronics are rather informal.</li> <li>● There would be a focus on finding the appropriate people to do the jobs stated, with the proper expertise and enthusiasm needed. (admin members not taking on tasks that they are not fluent in).</li> <li>● Would set specific job descriptions for staff members, so that they would not be stuck doing jobs that they are not capable of.</li> </ul>
'Power' to 'Person'	No	<ul style="list-style-type: none"> <li>● Not recommended for most businesses</li> <li>● Decisions are taken from the Head Office, so decision making would remain with the board.</li> <li>● However, that is as far as the board would be involved, as there is a lack of control/set rules in this culture. More experienced people have the power.</li> <li>● Lack of appropriate job definition; would not help to solve this issue at Wizard Electronics.</li> </ul>

## 5 Discussion and Assumptions

- **Assumption:** The scenario is set in modern times (2020/21) so a lot of the considerations made are going to be compared to current events.
- **Assumption:** Other companies are much more technologically advanced than Wizard, and as a result, are taking business away from them. There is also little to no online presence, as the only ordering options given are telephone and email.
- **Assumption:** Everyone does as they are told, and there is no insubordination towards the board of directors.
- **Assumption:** Admin staff are swamped with tasks as there are no real job descriptions, meaning that they sometimes take on jobs that are far below or above their pay grade and/or level of responsibility/understanding. (taking orders vs. financial tasks).
- **Assumption:** Wizard Electronics gets most of their business from existing customers/companies, as these are the ones that Sales staff have a prior relationship with.
- **Assumption:** Sales staff are doing their job effectively. There seems to be no mention of them currently exhibiting any behaviors that might be harmful to the organization and are only being hindered by the lack of expedited shipping to clients.
- **Assumption:** ‘Subordinates’ are too scared to challenge the higher authority due, at large, to the ‘Power’ culture.
- **Question:** Are the admin team supposed to be well versed with the finances of the company? The lack of focus on their faults makes it seem like they are not responsible for not being able to carry out those tasks.
- **Question:** What would be the outcome of failing this outsourcing project? Would the effects be catastrophic? Would the company be able to bounce back from a potential failure?
- **Question:** Will the project cost too much? Will the project fail to cut down costs?
- **Question:** Is the risk of failure too high to put up with? Is this project the last resort for saving the company?
- **Question:** Do the services that have been put up for outsourcing require a large amount of organizational knowledge? If so, some processes might best be kept in house.

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## 7 Appendix

### 7.1 Charles Handy Model

Formalisation	High	<b>Role</b> follows the rulebook; very bureaucratic	<b>Task</b> defined at the top but then passed down to individuals who may choose how to carry out task
	Low	<b>Power</b> dominated by those at the top; new employees often have same views as MD	<b>Person</b> focuses on individuals
		High	Low
		Centralisation	