

## Outsourcing in the Form of Risk Sharing and Staff Commitment Among Employees in Shell Petroleum Development Company (SPDC) Between 2018 – 2023

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### Abstract

Outsourcing in industrial organizations has become one of the contemporary discourses in practice. Outsourcing in the form of risk sharing and staff commitment among employees of Shell Petroleum Development Company (SPDC) in Rivers State, Nigeria. Survey research design method was used for the study. Taro Yamene formula for determining sample size was adopted. Data were collected through questionnaire, while ANOVA was used to test the hypotheses. The findings show that there is a significant relationship between outsourcing occasioned by confusion created by risk sharing and staff commitment among employees in the study area. Another finding reveals that there is a significant relationship between getting trustworthy vendors and staff commitment among employees in the study area. The study also shows that there is a significant relationship between outsourcing based on sharing of ideas and employee's commitment in the study area. Structural functional theory of outsourcing was adopted for this study. The study recommends that there should be proper communication between management personnel of both the MNCs and the vendors. There should be proper harnessing of ideas based on knowledge and experience. Main MNC should supervise the activities of the vendors properly. Another recommendation for this study is that SPDC should endeavour to choose the right service providers. Again, poor sharing of ideas should be avoided.

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### **Background to the Study**

Outsourcing has taken centre stage in industrial sociology and other scholarly discourse. The reason for the above concept gaining ground in intellectual discourse is premised on the fact the industrial organizations have opted for means of cutting cost and also how to be efficient in the course of production. In a bid to achieve the above objective, organizations share risk in order to minimize losses and maximize profit. Still on the foregoing, industrial organizations decisions to share risk is aptly define as the act of industrial organizations giving out some of the activities that they ought to have performed to third parties to carry out. Cole (2005:vi) asserted that the practice of delegating to some outside specialist work that had previously been done in-house (such as salary Administration, computer maintenance) is what is referred to as outsourcing. For Sharpen (1997), "outsourcing means turning over to a supplier those activities outside the organizations close core competencies."

Industrial organizations started the practices of outsourcing some centuries ago. Historically, outsourcing came to being at the time of Industrial Revolution between 1750 - 1900 (Gallimore, 2022). However, the history of modern outsourcing dated back to the 1980s and early 1990s. In fact, the practice was not a legitimate business idea up until 1989, according to sources (Gallimore, 2022). Staff commitment has to do with those driving forces that spur employee into action in the organization they are working. Armstrong (2009:345) defined "commitment as the relative strength of the individual's identification with and involvement in a particular organization".

In the course of industrial organizations, sharing risk through the policy of outsourcing, employee's commitment is affected in one way or the other. Thus, this study is made to examine how MNCs that delved into outsourcing managed employees' commitment. Confidential information concerning the main MNC may be leaked out to the third party in the course of operation. Hence, getting a trustworthy vendor is a major challenge in the contractual relationship between the main MNC and its servicing companies. How employees of the main MNC get committed as a result of SPDC sharing its risk with third parties form the major discourse of this study.

### **Statement of the Problem**

Outsourcing has its unintended consequences. Hence, how the consequences affects employee's commitment of SPDC is another area to ponder on. Companies that adopt outsourcing usually encounter confusion in the course of operations. In other words, there are instances were functions of the main MNCs and servicing companies overlap. Based on the above, conflict do ensue between staff of SPDC and its servicing companies. The challenge is getting trustworthy service providers is one of the challenges faced by main MNCs. Some vendors after getting some of the secrets of the major company activities, they may decide to divulge such secrets of the major company to its competitors. The latter act can affect the operations of the main MNCs.

In the course of risk sharing, ideas are usually shared by the major MNC and the service providers. However, the above situation can affect employee's commitment significantly if not properly handle. In all, this study is expected to explore the consequences of outsourcing informed by risk sharing within the indicators of staff commitment in SPDC.

### **Objectives of the Study**

The main objective of this study is to examine the relationship between outsourcing in the form of risk sharing and staff commitment in SPDC in Rivers State between 2018 to 2023. Specifically, this study is to:

1. Examine the relationship between confusion created by risk sharing policy of outsourcing and employee's commitment in SPDC.
2. Assess how to get trustworthy service providers and how it affects staff commitment in SPDC.
3. Explore the relationship between outsourcing based on sharing of ideas and employee's commitment in SPDC.

### **Research Hypotheses**

In other to achieve the above objectives, the following hypotheses were tested as stated in the null form.

**HO1:** There is no significant relationship between confusion created by risk sharing policy of outsourcing and employee's commitment in SPDC.

**HO2:** There is no significant relationship between getting trustworthy service providers and staff commitment in SPDC.

**HO3:** There is no significant relationship between outsourcing based on sharing of ideas and employee's commitment in SPDC.

### **Conceptual and Theoretical Review**

Managers and academics have periodically argued on the consequences of outsourcing in the form of risk sharing and employee's commitment. In the work of Armstrong (2009:93) he averred that:

*Management is facing Peters' (1998) challenges; prove it can't be subcontracted. The formal policy of a major global corporation reads: Manufacture only those items-that directly contribute to, or help to maintain our competitive advantage (Armstrong, 2009:93).*

For Balakrskimen et al (2010), "Institutional constraints influence the flexibility with respect to both the options for outsourcing as well as governance of contractual relationships with vendors, thereby shape the transaction cost associated with outsourcing". However, how staff commitment can be achieved in the course of risk sharing by SPDC is what is to be empirically investigated.

The organizational culture can affect the commitment level of employees. According to Jaja (2009:50):

*An organizational culture is the web of rules which define how it goes about its tasks. These rules are often not spoken. Culture is, in a sense 'the way things are done around here'. The culture defines what is allowed and what is not allowed for both internal and external relationships (Jaja, 2009:50).*

In the light of the above definition of what culture is and its relationship with employee's commitment, the researchers are in agreement with the above view that culture defined how things are done in an organization. Hence, it has serious implication on employee's commitment. "A paradox unfolding within today's global workforce has been noted in the sense of organizations increasingly rely on committed employees while they simultaneously introduce many changes that have the potential to reduce commitment (Meyer & Pronovias, cited from Maigua, 2015:15). For staff to show that they are committed to their job, they must go beyond stating it in rhetoric and demonstrate it through action. In order to show that, employees must be up to time, proactive and communicate openly with their colleagues.

### **Theoretical Framework**

Structural functional theory was adopted as a guide for this study. "Wallace & Wolf trace the development of Structural Functional Theory to August Comte, Herbert Spencer and Emile Durkheim". The functional approach was developed from the 1930s through the 1960s in the United States (Talcott, 1961). Although Talcott Parson is the most important structural - functional theorist, his student Robert Merton authored some of the most important statement in Structural Functional Sociology (Crothers, 2011, Ritzen & Stepnisky, 2014: 253). Structural functionalism is based on a perspective in sociology that sees society as a complex system whose parts work together to promote solidarity (Barnard, 2000). The above is one of the macro theories in sociology that looks at how all structures or institutions in society work together.

One of the significances of the above theory is that it encourages operational speed. For instance, a senior technician will handle and support to solve problems faster than someone with less experience, which necessitated the principle of outsourcing. Furthermore, the theory creates value for industrial organizations.

### **Methodology**

The research design for this study is survey research method. The study employs the quantitative method of analysis in exploring the policy of outsourcing in the form of risk sharing and how it affects employee's commitment in SPDC in Rivers State between 2018 to 2023. The study population for the study is twenty-four thousand, five hundred (24,500) made up of permanent and contract employees. Taro Yamene (1967) formula for determining sample size was adopted. With the above population, the sample size for the study is three hundred and ninety-four (394). Multi- stage sampling technique was used,

hence a total of four hundred (400) copies of questionnaires were distributed. From the 400 copies of questionnaires distributed, 394 copies were correctly filled and returned. Data collected through the questionnaire were analyzed using tables, frequency, and percentages. While chi-square was used to test the hypotheses formulated and tested.

### Results and Discussion

In this section, the socio-demographic data of respondents was presented in a tabular form using percentages to show weight of response. Mean was used to describe the findings according to the research objectives.

**Table 1:** Age of Respondents.

Variable	Frequency	Percentage
18 - 25	58	14.72
26 - 35	139	35.28
36 - 45	146	37.06
46 - 60	51	12.94
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

**Table 2:** Gender of Respondents.

Variable	Frequency	Percentage
Male	240	60.91
Female	154	39.09
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

**Table 3:** Educational Attainment of Respondents

Variable	Frequency	Percentage
FSLC/WAEC	65	16.50
OND/NCE	82	20.81
HND/B.SC	173	43.91
M.Sc & Above	52	13.20
Others	22	5.58
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

**Table 4:** Religious Affiliation of Respondents

<b>Variable</b>	<b>Frequency</b>	<b>Percentage</b>
Christianity		
Islam	286	72.59
Others	85	21.57
	23	5.84
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

**Table 5:** Employment Status of Respondents

<b>Variable</b>	<b>Frequency</b>	<b>Percentage</b>
Permanent Staff	124	31.47
Contract Staff	270	68.53
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

**Table 6:** Monthly Salary of Respondents

<b>Variable</b>	<b>Frequency</b>	<b>Percentage</b>
50,000 - 100,000	30	7.61
101,000 - 150,000	43	10.91
151,000 - 200,000	76	19.29
201,000 - 250,000	103	26.14
251,000 & Above	142	36.04
<b>Total</b>	<b>394</b>	<b>100</b>

**Source:** Research Survey, 2023.

The age bracket in table 1 reveals that 58 (14.72%) respondents are within the age bracket of 18 - 25 years. For those within the age bracket of 26 - 35 years were 139 respondents: representing 35.28%. The above data also shows that 146 (37.06%) respondents and 51 (12.94%) respondents, are within the age bracket of 36 - 45 years and 46 - 60 years respectively. In terms of gender distribution, 240 (60.91%) constituting the highest category of respondents in terms of gender are males. While 154 (22.91%) respondents are females that participated in the quantitative distributed and retrieved. Respondents by educational attainment show that 65 (16.50%) respondents possess FSLC/WAEC. Furthermore, those who possess OND/NCE were 82 (20.81) respondents. For those who

obtain HND/B.Sc were 173 (43.9%) respondents. The latter mention is the highest category of respondents in terms of educational attainment. Table 1 also reveals that 52 (13.20%) respondents and 22 (13.20%) respondents were those who have M.Sc and above and other qualifications respectively.

Data also shows that 286 (72.59%) respondents are Christians in terms of religious affiliation. The above category is the largest number of respondents in term of religious affiliation. On the other hand, 85 (21.57%) respondents are Muslims that participated in the questionnaires distributed. While those who belong to other religious organizations asides from the ones mentioned above were 23 (5.84%) respondents. With regards to employment status, 124 (31.47%) respondents are permanent staff of SPDC. On the other hand, 270 (68.53%) respondents are contract staff.

The above data also reveals that 30 (7.61%) respondents fall within the bracket of those who earn N50,000 to N100,000 per month. A further analysis shows that 43 (10.91%) respondents were staff whose monthly salary falls within N101,000 to N150,000. Again, 76 (19.29%) respondents are those who earn between N151,000 to N200,000 per month, while 103 (26.14%) respondents are those who earn N201,000 to N250,000 in a month. Again a total of 142 (36.04%) respondents are those staff who earns between N251,000 and above as their monthly income in SPDC.

**Table 7:** ANOVA<sup>a</sup>: Confusion created by risk sharing policy of outsourcing and staff commitment.

	<b>Model</b>	<b>Sum of Squares</b>	<b>DF</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig</b>
1	Regression	349.879	2	174.939	1459.225	.000 <sup>b</sup>
	Residual	46.875	391	.120		
	Total	396.754	393			

**a. Dependent Variable:** Staff Commitment

**b. Predictors (Constant).** Communication barriers and unforeseen and hidden costs

The result in Table 7 shows the Analysis of Variance (ANOVA) on confusion created by risk sharing policy of outsourcing and staff commitment among employees of SPDC. From the data, confusion created by risk sharing policy of outsourcing determines 88% of staff commitment among employees of the study area. Hence, we reject the null hypothesis and accept the alternate hypothesis, which states that there is a significant relationship between confusion created by risk sharing policy of outsourcing and staff commitment.



**Table 8:** ANOVA<sup>a</sup>: Getting Trustworthy Service Providers and Staff Commitment

Model		Sum of Squares	DF	Mean Square	F	Sig
1	Regression	319.551	2	159.776	752.612	.000 <sup>b</sup>
	Residual	83.007	391	.212		
	Total	402.558	393			

- a. **Dependent Variable:** Staff Commitment
- b. **Predictors (Constant).** Reliability, experience and quality.

Table 8 shows that getting trustworthy service providers determines 79% of staff commitment among employees in the study area. Since data shows that there is a significant relationship between getting trustworthy service providers and staff commitment among employees of SPDC. We reject the null hypothesis and accept the alternate hypothesis at 0.05 level of significance.

**Table 9:** ANOVA<sup>a</sup>: Sharing of Ideas and Employees Commitment.

Model		Sum of Squares	DF	Mean Square	F	Sig
1	Regression	349.879	2	174.939	1459.225	.000 <sup>b</sup>
	Residual	46.875	391	.120		
	Total	396.754	393			

- a. **Dependent Variable:** Staff Commitment
- b. **Predictors (Constant).** Communication.

Analysis of Variance in the above table shows that outsourcing informed by sharing of ideas account for 88% of the variation of staff commitment among employees of the study area. Hence, the study rejects the null hypothesis at 95% confidence level and accept the alternate which states that there is a positive relationship between outsourcing based on sharing of ideas and employee's commitment in the study area.

**Discussion and Conclusion**

Data presented in this study shows that there is a significant relationship between outsourcing which culminated into confusion based on risk sharing and employee's commitment in SPDC. The grand mean score for the above variable indicated 2.60 which is above the mean cut point of 2.50. Furthermore, the study also shows that there is a significant relationship between outsourcing informed by getting trustworthy service providers and staff commitment in SPDC. Table 3 also shows a grand mean score value of 2.65. In the above table, the test of hypothesis at 0.05 level of significance shows  $\chi^2$  equal to



15.61 while the table  $\chi^2$  value equal to 7.82. Again, data in table 4 shows that there is a significant relationship between outsourcing based on sharing of ideas and employee's commitment in SPDC. The above data has a grand mean score of 2.84. Furthermore, the test of hypothesis shows calculated value of 12.89, while table value is 7.82 at 0.05 level of significance. In conclusion, outsourcing in the form of risk sharing has a serious implication on employees' commitment in SPDC. However, MNCs can achieve employee's commitment if they can involve the staff to participate actively in the production systems.

### **Recommendations**

The study recommends as follows:

1) Form direct communication channels:

Management of both the main company (SPDC) and the vendors should establish a well-coordinated communication channels between the management staff and other employees within the system.

2) Lack of experience in outsourcing:

Working with people of different setting may be overwhelming. Staff of contracting companies may have different best practices, concepts and workflow, etc. Hence, management of main MNC and contractors should share ideas on how to achieve mutual best practices, concepts and workflow, etc.

3) Supervision:

In the process of sharing ideas, main MNC should monitor the vendors properly in order to avoid pitfalls.

4) Choosing the right vendor:

MNCs should be objective in choosing the contractors they will want to engage in the contractual agreement. SPDC should not choose vendors that may cost them too much to maintain or too low to maintain as well.

5) Poor sharing of ideas:

Main MNCs should share proper knowledge with their vendors based on objective perspective and on the vendor's point of view as well. If there is no synergy between the main MNC and the vendors in terms of sharing of ideas, it might affect employee's commitment and productivity.

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