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Original Research

CHALLENGES OF OUTSOURCING PRIVATE SECURITY IN TANESCO, ARUSHA REGION

SHIKUNZI Obadia*
Department of Procurement & Supply Chain Management, Institute of Accountancy, Arusha, Tanzania

Corresponding Email: shikunzi.mwalyego@iaa.ac.tz or shikunziobadia@gmail.com

ABSTRACT
This study seeks to examine the challenges of outsourcing private security in Tanesco, Arusha Region. This study adopted a quantitative research design. A total sample of 43 TANESCO officials were included in this study. Questionnaire was used in this study. It is concluded that high-quality outsourced services can improve operational continuity, enhance customer satisfaction, and contribute to cost efficiency. On the other hand, poor-quality services lead to disruptions and additional financial burdens, demonstrating the necessity for strategic planning and effective oversight in outsourcing arrangements. High-quality services lead to operational efficiency, customer satisfaction, and reduced operational risks. Conversely, poor-quality services result in inefficiencies, increased costs, and reputational damage. It is recommended companies (like Tanesco) should strengthen Vendor Selection Processes, use rigorous criteria to select vendors, ensuring that they have a proven track record of delivering high-quality services. Insisting of effective criteria for selecting vendors, focusing on their track record of quality, reliability, legal, financial and compliance with industry standards. Regular assessments of vendor capabilities and references from previous clients should also be prioritized. Companies should not only include Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) in contracts to ensure accountability and measurable outcomes but should equally define penalties for non-compliance and incentives for exceeding service quality benchmarks.
Key Words: Outsourcing; Private security; Key Performance Indicators (KPIs), Service Level Agreements (SLAs) and Contracts

INTRODUCTION
The business process outsourcing (BPO) market is expected to expand at a compound annual growth rate (CAGR) of 9.6% between 2024 and 2030, from its estimated USD 280.64 billion in 2023 (Adsit, 2019). Increased flexibility, lower operating costs, and better service quality are the main drivers of this growth. Businesses can increase efficiency and reduce costs by concentrating on their core competencies through the outsourcing of non-core functions. In order to increase productivity and concentrate on core skills, outsourcing has emerged as a key tactic for businesses worldwide. By using specialized expertise, this strategy enables organizations to assign non-core tasks to outside providers (Sagoo, 2022). Outsourcing has been demonstrated to lower expenses, boost organizational focus, and increase efficiency (Fontana, & Milligan, (2019); Brown, & Wilson, 2018). Nevertheless, though outsourcing has many theoretical advantages, there are frequently serious difficulties in its actual application.

As businesses look to fill internal capacity gaps and stay competitive in a changing market, outsourcing has become more popular in developing nations like Tanzania.

Outsourcing private security services has become more popular in many developing nations as businesses look to control expenses while maintaining high standards of service. Ali (2024) posits that companies are depending more and more on private security to fill in internal capacity gaps and concentrate on strategic goals. In the same way, Brown et al. (2018) emphasized that although outsourcing makes specialized services accessible, it also presents drawbacks like cost overruns, problems with service delivery, and a loss of control over operations that are outsourced. This approach, which is frequently used to cut costs, improve efficiency, and concentrate on core competencies, entails assigning certain tasks to outside parties in accordance with contractual agreements (Angeles, 2016; Fontana et al, 2019). Nevertheless, outsourcing presents a number of difficulties in spite of the expected advantages. According to research, outsourcing can result in lower service quality, a lack of accountability, and higher operational risks, such as ineffective service coordination and security breaches (Aragão, 2022). According to research, when done well, outsourcing increases organizational profitability, operational productivity, and cost effectiveness (Fontana et al, 2019). However, the practice also has drawbacks that compromise anticipated benefits, such as disagreements, non-compliance with contractual obligations, and hidden costs (Dahlström, & Nygaard, 2018). Furthermore, recent empirical research emphasizes how outsourcing results are dual in nature. Although it provides strategic focus and cost reduction, its effectiveness depends on strong management and unambiguous contractual agreements (Fontana et al. (2019). According to Dadzie et al., in public sector organizations, the anticipated benefits are frequently undermined by insufficient oversight and hidden costs. (2022). These difficulties are reflected in TANESCO's experience, which emphasizes the necessity of better contractual management and strategic alignment in outsourcing procedures.

Even though it's becoming more popular to outsource non-core tasks in order to increase productivity and concentrate on core skills, TANESCO still has a lot of problems with outsourced private security services. Financial inefficiencies, service provider disputes, and security breaches are some of these difficulties. For example, according to international studies, 59% of businesses outsource primarily to cut costs; however, TANESCO's experience demonstrates that poorly managed outsourcing can result in increased operational costs and inefficiencies (Espino-Rodríguez, 2018). The ongoing issues at TANESCO underscore the urgent need to review and improve outsourcing strategies in order to better align with organizational objectives and guarantee service delivery excellence, especially considering the crucial role that security plays in operational continuity. This study focuses on TANESCO, which has been using outsourced security services since 2007 in the Arusha region. In spite of the initiative, security breaches, vendor non-compliance, and related costs persist, raising critical questions about the effectiveness and sustainability of outsourcing security services in the Tanzanian public sector.

The paper assessed the challenges of outsourcing private security. This specific objective seeks to determine how adherence to service quality standards impacts cost reduction and operational savings within organizations

LITERATURE REVIEW

One important tactic for attaining cost effectiveness is outsourcing, which enables businesses to assign particular tasks to qualified service providers (Bals, 2016). Although the goal of this strategy is cost reduction, it heavily depends on the caliber of services that outside vendors offer. High-quality outsourced services increase cost efficiency by minimizing operational disruptions and optimizing resource utilization. On the other hand, low service quality can offset the expected cost-saving advantages by resulting in higher operating expenses, disagreements, and inefficiencies. A key element in accomplishing organizational objectives is the impact of service quality on cost effectiveness in outsourced operations. Good outsourcing services guarantee business continuity, cut down on waste, and improve client satisfaction, all of which eventually lower costs (Brown, 2018). Research indicates that when service quality is given top priority in outsourcing agreements, businesses experience smooth operations and better resource allocation, which lowers operating expenses. On the other hand, subpar service can result in hidden expenses, contractual disputes, and operational disruptions.

Studies from 2020 to 2024 consistently emphasize that service quality directly impacts the cost efficiency of outsourced operations. For instance, Dadzie et al. (2022) highlighted that organizations in Tanzania often experience financial inefficiencies due to non-compliance with contractual obligations by outsourced service providers. Similarly, Dahlström et al. (2018) revealed that low-quality outsourced services in public institutions lead to operational risks and hidden costs, thereby undermining cost efficiency. Ensuring adherence to contract terms and maintaining service standards were identified as critical in mitigating these issues.

The reliability and sustainability of cost savings are influenced by service quality, as evidenced by empirical findings. Fontana, *et al* (2019) maintained that although outsourcing can offer short-term cost benefits, strong quality assurance procedures are necessary for its long-term viability. For instance, Tanzania's TANESCO experienced security breaches and increased operating expenses as a result of outsourced security services that did not live up to contractual expectations (Fontana, 2019). To maintain cost effectiveness, these issues call for better contractual management and frequent performance reviews. Therefore, striking a balance between cost-cutting objectives and service quality standards is necessary to achieve cost efficiency through outsourcing. To guarantee service agreement compliance, organizations need to set up clear key performance indicators (KPIs) such as quality of service, operational efficiency and cultivate solid vendor relationships. Maximizing the advantages of outsourcing requires constant observation and strategic alignment between vendor capabilities and organizational goals. In settings with limited resources, where service inefficiencies can have a significant financial impact, integrating these practices is especially important

The effectiveness of an organization depends on the quality of its outsourced services. Excellent services improve customer satisfaction and lessen operational disruptions. For example, security services provided by companies such as TANESCO show how important it is to follow contract terms in order to avoid inefficiencies and security breaches. Tanzanian empirical data demonstrates that subpar contracted services frequently result in agreement violations, which have a detrimental effect on operational effectiveness (Dadzie et al., 2022). The overall performance of an organization is greatly impacted by the caliber of services provided by outsourced providers. While low-quality services can lead to inefficiencies, higher expenses, and harm to one's reputation, high-quality services guarantee smooth operations, reduce risks, and improve stakeholder satisfaction. For example, research on TANESCO's outsourced security services in Tanzania shows that frequent service breaches and non-compliance with contractual obligations have a negative impact on organizational performance (Dadzie et al, 2022). These difficulties highlight how important it is to have strong vendor management plans and consistent performance.

Research from the perspective of the Resource Based View suggests that companies base their outsourcing decisions on the possibility of cost savings or strategic advantages (Gilley, 2020). Numerous academic studies have examined the effects of outsourcing on organizational performance as a way to cut costs or gain strategic advantages. It is clear from a thorough examination of the body of existing research that most empirical studies and academic discussions concentrate on examining cost reduction and strategic advantages as two different and independent reasons for outsourcing. Furthermore, news releases and the business press frequently mention these elements as having an impact on a company's decision to outsource (Mwichigi, 2022). It is clear from the results of Aragão's (2022) study that both of the reasons for outsourcing are specifically mentioned in 27.5 percent of the sample's outsourcing announcements. To cut expenses and increase operational effectiveness, Unilever, for example, publicly announced its decision to outsource its data network operations.

METHODOLOGY

This study used a quantitative methodology involving numerical data to quantify how service quality affects cost effectiveness. Data from businesses with outsourced operations was gathered using surveys and structured questionnaire. This design offers a thorough comprehension of the connection between cost effectiveness and service quality. The gathering of data that can be subjected to numerical analysis is what defines quantitative design (Kothari, 2014). Tanesco officials made up the population. The Tanesco officials in the study area were selected using the purposive sampling technique. Because they allow the researcher to reach the target group with the least amount of time and other resources, questionnaire were chosen for this study. According to one researcher, questionnaires allowed respondents to divulge information at their own risk or discretion. The officials were given questionnaire to complete. To choose the respondents, a researcher employed judgmental or purpose sampling. In order to better understand the phenomenon, a purposive sampling technique was also used in this investigation. Yamane Taro (1967) equation was used to find sample size

$$n = \frac{N}{1+N(\alpha)^2} \quad \text{……………………………………………………… (i)}$$

Where; n=Sample Size, N=Sample Frame, α= margin error (10%)

$$n = 75/\left(1+75(0.1)^2\right)$$

$$= 75/1.75$$

$$= 43$$

Sample size for this study was 43 respondents out of 75 total targeted population of Tanesco.

The quantitative data was analyzed by deploying both descriptive statistics (frequencies, mean and standard deviations). These analyses were carried out to determine the influence of service quality on cost efficiency in outsourced operations. In addition, the multiple linear regression analysis was used to analyse the relationship between service quality on cost efficiency in outsourced operations and organization performance.

The following is a multiple linear regression attempts to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data.

$$Y_i = \beta_0 + \beta_1 X_{i,1} + \beta_2 X_{i,2} + + \varepsilon \ldots\ldots 1$$

Where:

Y_i = dependent variable, organization performance

$X_{i,1}$ = service quality efficiency

$X_{i,2}$ = cost efficiency

ε = error term

β_o = y-intercept when time is zero

β_1 = regression coefficient that measures a unit change in the dependent variable as $X_{i,1}$, the change in organization performance as the service quality efficiency

β_2 = regression coefficient value measuring a unit change in dependent variable as $X_{i,2}$ changes, the change in organization performance as the cost efficiency.

FINDINGS

Descriptive statistics

The findings in this section are presented in two sub-sections. The first subsection presents findings for questionnaire data which were analyzed using descriptive statistics (mean and standard deviation). The second subsection presents findings for inferential statistics.

The influence of service quality on cost efficiency in outsourced operations

Under this research objective, the researcher sought to examine the influence of service quality on cost efficiency in outsourced operations. Respondents were to respond by ticking most appropriate option ranging from 1=strongly disagree 2=disagree 3=Undecided 4=agree 5=strongly agree. Respondents indicated their perception toward four items in the questionnaire as shown below. Scale of mean score interpretation was as follows: Based on the mean values, mean score of 1 to 1.8 represent Strongly Disagree, 1.81 To 2.60 represent disagree, 2.61 To 3.40 represent undecided, 3.41 To 4.20 represent agree and 4.21 To 5.00 represent strongly agree.

Table 4. 1 The influence of service quality on cost efficiency in outsourced operations

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Reliability	43	1	5	3.72	1.278
Conformance	43	1	5	4.07	1.370
Durability	43	1	5	2.79	1.186
Serviceability	43	1	5	3.91	1.211
Improve economics of scale	43	1	5	3.23	1.394
Reduce operational costs	43	1	5	3.28	1.420
Valid N (listwise)	43				

Source: Field Data (2024)

As reflected in Table 4.1, mean score differed from one item to another. This shows that respondents had different opinion about the influence of service quality on cost efficiency in outsourced operations. Specifically, they agree on three items from the questionnaires about the influence of service quality on cost efficiency in outsourced operations. Majority of the respondents agree that, reliability, conformance, serviceability with the mean value (M=3.72 and S. D=1.278, M=4.07 and S. D=1.370, M=3.91 and S. D=1.211). Other respondents who filled the questionnaires were neutral on whether service quality influence on cost efficiency in outsourced operations with the mean value (M=2.79 and S. D= 1.186, M=3.28 and S. D= 1.420).

It was discovered that outsourcing drives cost, cost reduction remains a primary motivation for organizations to outsource business processes. A global survey revealed that 59% of business leaders identified cost-cutting as a key factor in their outsourcing decisions. By outsourcing, companies can access skilled talent at lower rates and focus on their core competencies, leading to significant operational cost savings. Impact of Service Quality on Operational Efficiency, high-quality outsourced services contribute to operational efficiency by ensuring reliable and timely delivery of services. This reliability minimizes disruptions and allows organizations to maintain smooth operations, directly impacting cost efficiency. Conversely, poor service quality can lead to operational inefficiencies, increased costs, and potential reputational damage.

The influence of service quality on cost efficiency in outsourced operations within company (Tanesco) presents a complex scenario. While outsourcing can lead to cost savings, it does not automatically guarantee enhanced service quality. Organizations must carefully evaluate their outsourcing strategies, considering both potential benefits and challenges, to ensure that cost efficiency does not come at the expense of service quality. The findings also underscore the importance of adopting a strategic approach to outsourcing, which includes performance-based contracts, regular vendor evaluations, and fostering strong collaboration between organizations and service providers. By prioritizing service quality, organizations can maximize the value of outsourcing, achieve sustainable cost efficiencies, and enhance overall performance.

Pearson Correlations Matrix

The researcher also performed the correlation analysis in order to observe the degree of association among the variables. Table below provide the degree to which the variables are related. A correlation analysis was carried out on the study variables to establish whether there existed any significant relationship between the dependent variable and the independent variables using 0.05 level of significance. The variables were analyzed using the Pearson's product method correlating the Dependent Variable (DV); Organization performance **to** all Independent Variables (reliability, conformance, durability). The result were presented in Table 4.2 below.

Table 4. 2 correlation Analysis

		Organization performance
reliability FACTOR	Pearson Correlation	.935**
	Sig. (2-tailed)	.001
	N	43
Conformance _FACTOR	Pearson Correlation	.909**
	Sig. (2-tailed)	.000
	N	43
durability _FACTOR	Pearson Correlation	.926**
	Sig. (2-tailed)	.000
	N	43

Source: Field Data, 2024

The result as shown in Table 4.2 above, indicates that, the relationship between reliability allocations (independent variable) and Organization performance (dependent variable) had the Pearson Correlation = 0.935, significant (2-tailed) = 0.001 whereby it is confirmed that there is positive relationship between reliability and Organization performance. Moreover, the researcher confirmed the existence of positive association between conformance factor and Organization performance by the correlation coefficient of (R= 0.909, P= 0.000) this association is again statistically significant at 5% level of significant with a probability value of 0.000 which is actually less than 0.05 level of significant. Therefore, the researcher concluded that the conformance factor is positively moving together with Organization performance**.**

Furthermore, the researcher examined the correlation between durability and Organization performance**.** The findings has indicated that, there is a strong positive relationship between durability factor and Organization performance, as given by correlation coefficient of 0.926 at the 0.000 level (2-tailed) hence the results were statistically significant at 5% level of significant. This mean the higher durability factors have a strong associations with the Organization performance**.**

DISCUSSION OF THE FINDINGS

In Tanzania, the outsourcing of security services, as demonstrated by TANESCO in the Arusha region, has revealed several persistent issues. While outsourcing is perceived as a cost-saving measure, it has often resulted in unexpected financial burdens and operational inefficiencies (Brown et al, 2018; Dadzie et al, 2022). Reports indicate recurring theft incidents, non-compliance with contractual obligations by service providers, and strained relationships between security personnel and organizational staff. Such challenges underscore a gap between theoretical benefits and practical implementation, as noted in similar contexts in other developing nations (Dahlström et al, 2018). Since 2007, TANESCO has contracted out security services with the goal of increasing productivity and concentrating on its primary mission. But problems still exist, such as security lapses, disagreements with service providers, and trouble covering outsourcing-related expenses. These problems are consistent with research by Aragão and Fontana (2022), who found that risks like disputes, non-compliance with contracts, and insufficient supervision are typical in public sector outsourcing.

Despite the possible advantages of outsourcing, Tanzanian companies like TANESCO still face major obstacles that prevent them from operating at their best. Security breaches and financial inefficiencies are the results of TANESCO's outsourced security services frequently not meeting contractual terms, according to reports (Dadzie et al. 2022). Conflicts between the business and its service providers make matters worse by leading to subpar services and strained business partnerships (Brown et al. (2018). Furthermore, poor human resource management in outsourced companies jeopardizes the dependability of these services. Examples include unmotivated security guards and noncompliance with employment regulations (Fontana et al, 2019).

One important tactic for attaining cost effectiveness is outsourcing, which enables businesses to assign particular tasks to qualified service providers (Bals, 2016). Although the goal of this strategy is cost reduction, it heavily depends on the caliber of services that outside vendors offer. High-quality outsourced services increase cost efficiency by minimizing operational disruptions and optimizing resource utilization. On the other hand, low service quality can offset the expected cost-saving advantages by resulting in higher operating expenses, disagreements, and inefficiencies. A key element in accomplishing organizational objectives is the impact of service quality on cost effectiveness in outsourced operations. Good outsourcing services guarantee business continuity, cut down on waste, and improve client satisfaction, all of which eventually lower costs (Brown, 2018). Research indicates that when service quality is given top priority in outsourcing agreements, businesses experience smooth operations and better resource allocation, which lowers operating expenses. On the other hand, subpar service can result in hidden expenses, contractual disputes, and operational disruptions.

Studies from 2020 to 2024 consistently emphasize that service quality directly impacts the cost efficiency of outsourced operations. For instance, Dadzie et al. (2022) highlighted that organizations in Tanzania often experience financial inefficiencies due to non-compliance with contractual obligations by outsourced service providers. Similarly, Dahlström et al. (2018) revealed that low-quality outsourced services in public institutions lead to operational risks and hidden costs, thereby undermining cost efficiency. Ensuring adherence to contract terms and maintaining service standards were identified as critical in mitigating these issues.

The reliability and sustainability of cost savings are influenced by service quality, as evidenced by empirical findings. Fontana and associates. (2019) maintained that although outsourcing can offer short-term cost benefits, strong quality assurance procedures are necessary for its long-term viability. For instance, Tanzania's TANESCO experienced security breaches and increased operating expenses as a result of outsourced security services that did not live up to contractual expectations (Fontana, 2019). To maintain cost effectiveness, these issues call for better contractual management and frequent performance reviews. Therefore, striking a balance between cost-cutting objectives and service quality standards is necessary to achieve cost efficiency through outsourcing. To guarantee service agreement compliance, organizations need to set up clear key performance indicators (KPIs) and cultivate solid vendor relationships. Maximizing the advantages of outsourcing requires constant observation and strategic alignment between vendor capabilities and organizational goals. In settings with limited resources, where service inefficiencies can have a significant financial impact, integrating these practices is especially important.

The effectiveness of an organization depends on the quality of its outsourced services. Excellent services improve customer satisfaction and lessen operational disruptions. For example, security services provided by companies such as TANESCO show how important it is to follow contract terms in order to avoid inefficiencies and security breaches. Tanzanian empirical data demonstrates that subpar contracted services frequently result in agreement violations, which have a detrimental effect on operational effectiveness (Dadzie et al., 2022). The overall performance of an organization is greatly impacted by the caliber of services provided by outsourced providers. While low-quality services can lead to inefficiencies, higher expenses, and harm to one's reputation, high-quality services guarantee smooth operations, reduce risks, and improve stakeholder satisfaction. For example, research on TANESCO's outsourced security services in Tanzania shows that frequent service breaches and non-compliance with contractual obligations have a negative impact on organizational performance (Dadzie et al, 2022). These difficulties highlight how important it is to have strong vendor management plans and consistent performance.

Research from the perspective of the Resource Based View suggests that companies base their outsourcing decisions on the possibility of cost savings or strategic advantages (Gilley, 2020). Numerous academic studies have examined the effects of outsourcing on organizational performance as a way to cut costs or gain strategic advantages. It is clear from a thorough examination of the body of existing research that most empirical studies and academic discussions concentrate on examining cost reduction and strategic advantages as two different and independent reasons for outsourcing. Furthermore, news releases and the business press frequently mention these elements as having an impact on a company's decision to outsource (Mwichigi, 2022). It is clear from the results of Aragão's (2022) study that both of the reasons for outsourcing are specifically mentioned in 27.5 percent of the sample's outsourcing announcements. To cut expenses and increase operational effectiveness, Unilever, for example, publicly announced its decision to outsource its data network operations.

CONCLUSIONS

The results of this paper offer strong support for the important role that outsourcing non-core functions plays in allowing businesses to concentrate on their core strengths, which increases productivity and reduces costs. Globally, outsourcing has emerged as a key tactic used by businesses to increase productivity and concentrate on their core skills. Achieving cost savings, increased stakeholder satisfaction, and organizational efficiency all depend heavily on the quality of the services provided after outsourcing. When done well and with an emphasis on quality, outsourcing can increase operational productivity and free up organizations to concentrate on their core skills. However, subpar service quality undermines the intended advantages of outsourcing by frequently resulting in inefficiencies, higher expenses, and reputational risks.

Additionally, the results demonstrated that superior outsourced services can raise customer satisfaction, sustain operations, and reduce costs. However, subpar services result in delays and extra costs, highlighting the need for careful planning and efficient supervision in outsourcing agreements. After outsourcing, stakeholder satisfaction, cost effectiveness, and organizational performance are all greatly impacted by the caliber of services provided. Organizations can save money and concentrate on their core skills through outsourcing, but the effectiveness of these advantages is largely dependent on the caliber of services the outsourced vendors offer. Reduced operational risks, increased customer satisfaction, and operational efficiency are all results of providing high-quality services. Poor services, on the other hand, lead to inefficiencies, higher expenses, and harm to one's reputation.

The potential benefits of outsourcing are undermined by service quality issues, such as frequent disputes with service providers. These difficulties emphasize the necessity of strict vendor management procedures, precise contract conditions, and reliable monitoring systems to guarantee that service delivery complies with corporate objectives.

From the review of various studies and cases, such as Tanesco in Tanzania, it is evident that challenges like non-compliance with contractual obligations, service delivery breaches, and disputes between organizations and vendors are common in outsourced operations. These issues highlight the critical importance of robust vendor management, clear contractual agreements, and continuous monitoring to ensure service quality.

RECOMMENDATIONS

To address the impacts of service quality after outsourcing and to enhance cost efficiency, organizations can adopt the following strategies:

Improve its vendor selection procedures. It should choose vendors based on strict standards and make sure they have a track record of providing high-quality services. stringent requirements for choosing suppliers, with an emphasis on their history of quality, dependability, legality, finances, and adherence to industry norms. Prioritizing references from prior customers and routine evaluations of vendor capabilities is also important.

Use performance-based contracts; in order to guarantee accountability and quantifiable results, the company should include Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) in contracts. The business should also specify sanctions for noncompliance and rewards for surpassing service quality standards.

Regularly evaluate the performance of its vendors, set up a methodical review procedure to evaluate vendor performance on a regular basis, and use metrics like responsiveness, dependability, and contract compliance to gauge service quality.

Ensure clear and comprehensive contracts, draft contracts that clearly define roles, responsibilities, and expectations for both parties.

Make sure that all contracts are comprehensive and unambiguous, and craft agreements that spell out each party's expectations as well as their roles and responsibilities

In order to keep its employees competent and abreast of industry best practices, Organizations should allocate resources towards ongoing training and development for their outsourced service providers. This can be promoted by organizations by including it in contracts.

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