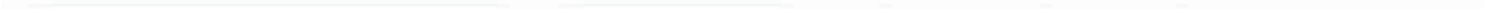# INSOURCING THE TRAINING PROCESS AT SAUDI CORPORATIONS

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Abstract

Most successful companies in Kingdom of Saudi Arabia use outsourcing to conduct their training and development requirements for their employees which can prove to be very costly as it reach tens of millions for some companies on annual bases. This study tries to investigate whether insourcing the training process at Saudi corporations would be a better decision compared with the current practice of outsourcing training activities with external vendors and institutes. In order to achieve the objectives of this study, required data were collected using a questionnaire survey which was designed and developed based on literature review. Data for this study have been collected from a survey filled by (244) participants as well as statistical data extracted from SABIC database of training activities for the year of 2009/2010.

The results showed that: (1) some training factors such transportation, security, communication, speed to market, control and employee morale and loyalty will also improve with insourcing. Although other factors such as innovation and customer satisfaction didn't show conclusive results. (2) the significance of F was significant with two factors only: training frequency each year and training area by which company staff can provide better. Finally, this study recommends researchers to conduct future researches.

الاستعانة بالتعاقد الداخلي لتسيير عملية التدريب في الشركات السعودية

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ملخص البحث:

إن اغلب الشركات الناجحة في السعودية تستعين بمصادر خارجية لتدريب موظفيها وهذا يعتبر مكلفا جدا وقد أنفقت بعض الشركات عشرات الملايين بشكل سنوي. جاءت هذه الدراسة لتتعرف على مدى الاستعانة بمصادر داخلية لعملية التدريب في الشركات السعودية وهل هو قرار جيد إذا ما قورن بالممارسة الحالية وهي الاستعانة بمصادر خارجية للتدريب متمثلة في موردين من خارج البلد ومعاهد خارجية للتدريب. من أجل تحقيق أهداف هذه الدراسة تم تطوير استبانه لجمع البيانات وزعت على عدد من الموظفين الذين يعملون ببعض الشركات الخاصة بمدينة الرياض وقد تم استرجاع (٢٤٤) استبانه صالحة للتحليل الإحصائي كذلك تم الاعتماد على البيانات الإحصائية المستخرجة من قاعدة بيانات شركة (سابك) لأنشطتها التدريبية للعام ٢٠١٠/٢٠٠٩. وتوصلت الدراسة إلى عدة نتائج أهمها:

(١) بعض عوامل التدريب مثل نقل المعلومات، الأمن، الاتصالات، سرعة تقديم المعلومة، الإشراف، والروح المعنوية والولاء لدى الموظف ستتحسن إذا تم الاستعانة بمصادر داخلية بدلا من المصادر الخارجية للتدريب. رغم أن هناك عوامل مثل تقديم النتائج بشكل أفضل ورضا العملاء لم تظهر نتائج حاسمة في هذا الشأن.

(٢) هناك فروق ذات دلالة إحصائية فيما يتعلق بالعاملين: عدد مرات التدريب التي يتلقاها الموظف في داخل الشركة سنويا و اختلاف نوع البرامج التي يعتقد الموظف أن المدرب الداخلي سيقدمها بشكل أفضل. وأخيرا تم تقديم عدد من المقترحات للدراسات المستقبلية.

INTRODUCTION

Leading organizations in the world understands the importance of ongoing development of their human resources and consider it as a strategic investment that promotes success and competitiveness within the industry. SABIC for example, is conducting hundreds of training programs for its employees every year. Almost all of these training programs are outsourced through contracts with external training vendors whether from within or outside Saudi Arabia. However, this kind of investment in training can prove to be very costly for Saudi corporations as the training expenses at SABIC alone have exceeded SR 57 Million in 2010.

This study argues that insourcing the training process at Saudi Corporations will lead to great savings in the annual training costs because the current practice of outsourcing training activities is far more expensive than the option of bringing these activities back to the company.

STATEMENT OF THE PROBLEM

The study problem can be summarized in the following question: Will insourcing the training process at Saudi corporations be a better decision compared with the current practice of outsourcing training activities with external vendors and institutes?

THE OBJECTIVES OF THE STUDY

The main objectives of this study are:

1. To introduce insourcing as a strategic replacement of outsourcing.

2. To identify the factors or reasons for a company to decide whether to use outsourcing or insourcing for some of their activities.

3. To determine the advantages and disadvantages of insourcing the training activities by applying the study at SABIC.

QUESTIONS OF THE STUDY

The analysis of this study therefore seeks to answer the following questions within the Saudi context:

1. What are the most factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh from the point of view of the respondents?

2. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to the size of the company?

3. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to working unit?

4. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training frequency each year?

5. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training provider?

6. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training by company staff?

7. Is there any differences among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training area by which company staff can provide better ?

LITERATURE REVIEW

While outsourcing can be defined as the process of shifting the firm's work outside to an external party, insourcing is simply the opposite which is bringing outsourced work or activities back to the firm using dedicated internal labor and other resources to supply their operational needs. It is the "make" alternative in a make-or-buy decision and it usually involves acquisition of new equipment and people. Outsourcing can be further classified into two types which are offshoring and nearsourcing.

In short, offshoring means having the outsourced business functions done in another country for several reasons such as:

1. Reducing labor expenses

2. Finding new markets

3. Finding new talents

4. Overcoming regulations that prevent specific activities domestically

An example of offshoring in order to reduce costs would be outsourcing the call center service of a company in the United States to India.

On the other hand, nearsourcing is basically taking the outsourced work to a nearby location or country (Canada in the case of a US company). Nearsourcing is a popular model for companies that don't want to deal with the cultural, language or time zone differences involved in offshoring. Newspapers industry can be a good example of nearsourcing where a newspaper depends on nearby agencies to produce some of their pages (Rosenberg, 2009).

At some point of time, each company should make a decision whether to outsource or insource their activities. Companies usually choose to keep their core and critical business units such as finance, operations, or research and development (R&D) within the company and outsource other support activities such as recruitment, IT, and training.

This study, however, will explore the decision of whether to insource or outsource the support activities of a company with a focus on the training process as a case study at SABIC, a multinational petrochemical corporation located in Saudi Arabia. It is hypothesized that switching to insource the training activities or even part of it (combining outsourcing and insourcing) will lead to huge savings in yearly training budget. The effect of insourcing on other factors

such as communication, security, quality, and customer satisfaction need to be examined as well.

While some papers were in favor of the general idea of outsourcing certain tasks, processes or even complete departments, several other papers believe that insourcing is actually on the rise and would be a better replacement for the common decision of outsourcing. There are other papers as well which have suggested a combination of both techniques so that a firm can have the best of what both offer in order to achieve better results.

McKenna & Walker (2008) have demonstrated that outsourcing some tasks might be a better decision for companies because there are external entities that have specialized knowledge, competencies and resources that others don't have. Moreover, those tasks may not be part of the firm's core business so outsourcing them is considered a strategic decision. The paper also showed the advantages of outsourcing which include reduced costs, reduced complexity, the reduction of the concentration of risk and it gives the buying organization the space and time to focus on core competencies.

Yet, among all these factors, it seems that "Cost" have always been the main driver for companies to use outsourcing according to Bob Cecil, managing director of Equa Terra, a multinational outsourcing and insourcing advisory firm (Thuermer, 2007). However, cost can sometimes prove to be much higher in outsourcing compared with insourcing. Some companies might have other reasons as well besides costs such as the ease of conducting their core business.

Sikula et al., (2010) have also explained that there are several reasons why organizations have used outsourcing in the past and are still using it today. Eight reasons have been summarized in a descending order of importance (Labor Cost, Management Delegation, Simplicity, Expertise, Competition, Quality, Adaptability, and Tax Advantages).

The same paper, however, is suggesting a unique term called "rightsourcing", which is using insourcing and outsourcing simultaneously in an attempt to have the best of what both can offer which will ultimately lead to obtaining a sustainable competitive advantage. In addition, an anonymous paper written in HR Focus (2004) has supported the same idea as well under the area of cost reduction. It explains that organizations that use both in-house administration and outsourcing are more likely to meet cost-reduction goals than those that either use internal staff or completely outsource the activities.

These arguments already support the main hypotheses addressed earlier that switching to insource the firm's tasks (the training activities), or at least combining it with outsourcing, will lead to higher cost savings than other firms who only use complete outsourcing.

Despite the obvious advantages which outsourcing may offer to organizations, yet there are other papers that suggest insourcing as a better replacement. It's being described as a rising trend especially in the United States compared with a continues decrease in using outsourcing by US corporations (Wiersema, 2009).

The same paper, however, explains that both insourcing and outsourcing may have related costs that need to be analyzed using a cost analysis model in order to decide which technique to be used. In addition, cost reduction was not considered as one of main advantages of insourcing, which has been hypothesized earlier in this paper. The reasoning behind this claim is in the hidden costs of insourcing that has been described by the paper which include:

1. Direct labor cost (payroll taxes, insurance, union dues, pension)

2. Indirect labor costs (inspection, supervision, administration)

3. Equipment-related costs (facility rent, maintenance, depreciation, energy)

4. Initial investment costs (equipment costs, initial setup, learning costs)

However, it is important to mention that despite the above costs involved with insourcing, not all of them are applicable when there are extra capacity in labor and equipment. In other words, with extra capacity within the organization, resources can be utilized more efficiently with insourcing, which can be considered an important advantage (Wiersema, 2009). The analysis study of insourcing part of SABIC training activities will show that only part of the initial investment costs will be applicable.

The same paper then further summarizes some hidden costs associated with outsourcing that need to be analyzed as well which are:

1. The costs of dealing with vendors overseas

2. The costs of shipping goods from overseas

3. Inventory costs

4. Difficulties in communication, customization, quality assurance, and time issues

Besides the above points, some analysts blame outsourcing for the current economic problems in the United States. A survey done by Wall Street Journal and NBC News was released on September 28, 2010 and found out that outsourcing was the top reason cited by Americans as the cause of the country's economic problems (Cohen, 2010).

Moreover, a number of senators in the US Congress have been trying to get a majority of votes to approve the "Creating American Jobs and Ending Offshoring Act" which seeks to raise taxes on companies that move operations abroad (outsourcing) and lower payroll taxes for jobs created in the U.S (insourcing). Although this act didn't pass yet, it is clear that there are strong movements toward limiting outsourcing because of its harmful effects on a country's economy, at least in the long term.

In his bestselling book, The World is Flat, Thomas Friedman tries to demonstrate the challenges and effects of outsourcing on the economy through a story he tells to his daughters. He writes, "Girls, when I was growing up, my parents used to say to me, Tom, finish your dinner. People in China and India are starving.' My advice to you is: Girls, finish your homework. People in China and India are starving for your jobs."

In addition to the increased papers being written about the problems of outsourcing, more articles are written to demonstrate the advantages of insourcing over outsourcing. In a recent article by Braun et al. (2010), eight

factors or determinants have been addressed that stand as the reasons behind the ongoing movement toward insourcing in the United States and elsewhere.

These eight factors have been argued to be improved and strengthened with insourcing. They have been listed in order of importance as follows:

1. **Communication:**

It is definitely easier to communicate with nearby partners rather than far ones. Although the telephone and e-mails could do the job, yet other barriers can have its effect on the process such as the language barrier and time zone differences.

2. **Employee Morale/Loyalty:**

Worker motivation and dedication are enhanced when employees are promoted and given more scope of work instead of outsourcing the job somewhere else which might lead to negative feelings by employees.

3. **Control:**

Administration and supervision are easier to achieve and maintain when the job is being done nearby.

4. **Security:**

Insourcing helps to raise security to high levels and becomes more difficult as more tasks or processes are outsourced.

5. **Transportation:**

Transfer of goods or even services such as consultations can become extremely expensive if they come from outside compared with insourcing.

6. **Innovation:**

According to the paper, most business experts believe that insourcing activities such as R&D produces better results than outsourcing the same.

7. Customer Satisfaction:

Many companies have seen a big increase in unhappy customers as a result of outsourcing support activities such as the call centers being outsourced to India.

8. Speed to Market:

In many cases, speed to market is more important than Price and quality. Insourcing is assumed to enhance the speed of delivery to market because it helps   eliminate delivery delays.

METHODOLOGY

In order to collect the necessary data to achieve the main purpose of the study, the researchers collected data through: (1) a questionnaire as primary of data which was distributed to all Saudi companies operating in Riyadh city which represent the sample of study. (2) case study about SABIC.

Sampling

Saudi private organizations are considered as the population of this study. Convenience sampling was used in this study, as Sekaran (2000) noted it involves collecting data and information from members of population who are conveniently available to provide the needed information. To choose the sample of this study the researchers chose organizations located in Riyadh city and focused only on organizations as a sample in this study (Who agreed to be

involved in this study and allow the researchers to have an access to collect the data from the employees).

Methods of data collection

Primary data was in the form of a questionnaire consisted of eight main questions. The questionnaire was developed accordingly within the theoretical framework, and was distributed to all (244) subjects responded to the questionnaire.

The instrument of the study was taken from an article by Braun et al. (2010). The article mentioned eight factors that were argued to be improved and enhanced when using insourcing instead of outsourcing.

Statistical Analysis Instruments

Depending on this type of study and questions, several statistical techniques were used such as frequency tables, percentages, one sample t-Test, and pearson correlation.

Reliability

To investigate the questionnaires result reliability and the coherence between its questions, Cornpach Alpha was used to test the reliability of questionnaire and it was found that a= 0.91which is good because it is greater than the accepted percent 0.60. Thus, the conclusions of the questionnaire are considered reliable as regards the realization of the study objectives.

Table (1):

Reliability (Pilot sample: n=21)

Factor	No. of Items	Alpha
All items	8	0.91

Validity

In order to check the suitability and face validity of the questionnaire design, the initial design of the questionnaire was pre-tested on a pilot sample of few employees in business organizations. Comments from participants in the pilot study were very constructive in increasing the validity of the instrument. In addition, careful attention was paid to all comments.

Table (2):

Pearson Correlation (Pilot sample: n=21)

No.	Correlation with total
1	0.8789**
2	0.8548**
3	0.8135**
4	0.7786**
5	0.8081**
6	0.7560**
7	0.7437**
8	0.7314**

** Correlation is significant at the 0.01 level (2-tailed).

RESULTS AND DISCUSSION

This part of the study has two sections; the first section reports the descriptive analysis, and the second one presents the results related to the questions testing using analytical statistics.

First: Descriptive Analysis

Information relating to the respondents is presented in the following tables from table (3) to table (9).

Table (3):

Distribution of the Respondents According to the Size of the Company

The size of the company	Frequency	Percent
Small	11	4.5

Medium	44	18.0
Large	189	77.5
Total	244	100.0

Table (3) presents the distribution of the respondents according to the size of the company. This table shows that the majority of the participants (77.5%) were from large companies.

Table (4):

Distribution of the Respondents According to the Location of the Company

The location of the company	Frequency	Percent
Inside Saudi Arabia	235	96.3
Outside Saudi Arabia	9	3.7
Total	244	100.0

Table (4) presents distribution of the respondents according to the location of the company. This table shows that the majority of the participants (96.3%) were from companies inside Saudi Arabia.

Table (5):

Distribution of the Respondents According to Working Unit

Working Unit	Frequency	Percent
Primary unit (production, finance, sales, etc..)	86	35.2
Support unit (training, recruitment, IT, etc..)	133	54.5
Others	25	10.2
Total	244	100.0

Table (5) presents distribution of the respondents according to working unit. This table shows that the majority of the participants (54.5%) are working in support unit (training, recruitment, IT, etc..).

Training Activities:

Table (6):

Distribution of the Respondents According to the Training Frequency Each Year

Training Frequency	Frequency	Percent
None	47	19.3
1-2 courses a year	163	66.8
3 or more courses a year	34	13.9
Total	244	100.0

Table (6) presents distribution of the respondents according to the training frequency each year. This table shows that the majority of the participants (66.8%) are getting (1-2) training courses a year.

Table (7):

Distribution of the Respondents According to the Training Provider

Training Provider	Frequency	Percent
Company staff	70	28.7
External vendor	149	61.1
Don't know	25	10.2
Total	244	100.0

Table (7) presents distribution of the respondents according to the training provider. This table shows that the majority of the participants (61.1%) are getting training from external vendors.

Table (8):

Distribution of the Respondents According to Training by Company Staff

Answer	Frequency	Percent
Yes	162	66.4
No	82	33.6
Total	244	100.0

Table (8) presents distribution of the respondents according to training by company staff. This table shows that the majority of the participants (66.4%) have already experienced training by company staff which give higher credibility for their opinions about insourcing later in this study.

Table (9):

Distribution of the Respondents According to the Training Area by Which Company Staff Can Provide Better

Training Area	Frequency	Percent
Technical programs	77	31.6
General programs	55	22.5
Both	91	37.3
None	21	8.6
Total	244	100.0

Table (9) presents distribution of the respondents according to the training area by which company staff can provide better. This table shows that the majority of the participants (37.3%) believe that insourcing the training process can be effective in both technical and general fields.

Second: Testing of the Questions

This section examines the proposed questions. Some statistical tools are used for testing the questions.

Question No. 1:

What are the most factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh from the point of view of the respondents?

The data in table (10) show the following results:

The First Factor: Transportation

(184) of the participants support that the annual training costs of the company will be decreased if the training process was insourced.

The Second Factor: Employee Morale/Loyalty

(158) of the participants support that the morale and loyalty of the employees involved in training others will be increased if the training process was insourced.

The Third Factor: Customer Satisfaction

(98) of the participants believe that insourcing will improve customer satisfaction. The rest were either neutral or disagree. The reason behind that could be employees are more concerned about quality rather than the price of goods and service.

The Fourth Factor: Communication

(157) of the participants support that the communication between instructor and participant will be improved if the training process was insourced.

The Fifth Factor: Security

(175) of the participants support that the level of information security at the company will be improved if the training process was insourced.

The Sixth Factor: Speed to Market

(173) of the participants support that the process of conducting any training requirements by the company staff will be speed-up if the training process was insourced.

The Seventh Factor: Control

(158) of the participants support that the administration and supervision of training activities will be easier to achieve and maintain if the training process was insourced.

The Eighth Factor: Innovation

(110) of the participants believe the overall quality of the training will be improved and produce better results if the training process was insourced. The rest were either neutral or disagree. There are several reasons that would explain this low rating such as the belief that external vendors will be more specialized and experienced to perform the training than internal staff. However, more research is needed to explore this area.

Therefore, the most factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh from the point of view of the respondents are: transportation, security, speed to market, control, employee morale/loyalty, and communication.

Table (10):

The Factors that Support the Use of Insourcing Rather than

Outsourcing in the Process of Training

Item No.	Statement		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation	Rank
1	Reduce the annual training costs of the company	Freq.	108	76	29	15	16	4.00	1.18	1
		%	44.3	31.1	11.9	6.1	6.6			
2	Increase the morale and loyalty of the employees involved in training others	Freq.	67	91	52	24	10	3.74	1.09	5
		%	27.5	37.3	21.3	9.8	4.1			
3	Increase the customer satisfaction from the	Freq.	36	62	75	57	14	3.20	1.13	8
		%	14.8	25.4	30.7	23.4	5.7			

Item No.	Statement		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. Deviation	Rank
	training course									
4	Improve the communication between instructor and participant	Freq.	56	101	59	21	7	3.73	1.00	6
		%	23.0	41.4	24.2	8.6	2.9			
5	Improve the level of information security at the company	Freq.	81	94	40	18	11	3.89	1.09	2
		%	33.2	38.5	16.4	7.4	4.5			
6	Speed-up the process of conducting any training requirements by the company	Freq.	64	109	40	19	12	3.80	1.07	3
		%	26.2	44.7	16.4	7.8	4.9			
7	Make the administration and supervision of training activities easier to achieve and maintain	Freq.	62	96	57	20	9	3.75	1.04	4
		%	25.4	39.3	23.4	8.2	3.7			
8	Improve the overall quality of the training and produce better results	Freq.	46	64	73	41	20	3.31	1.19	7
		%	18.9	26.2	29.9	16.8	8.2			
	Mean for total								3.68	

Question No. 2:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to the size of the company?

The result in table (11) indicate that the significance of F was not significant. This means that there are no significant differences in participants' opinion with regard to the size of the company.

Table (11):
One Way Analysis of Variance (F-test) Mean Score of Employees in Business Organisations as Related to the Size of the Company

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.39	2	1.70	2.82	0.062 (N. S.)
Within Groups	145.22	241	0.60		

Question No. 3:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to working unit?

The result in table (12) indicate that the significance of F was not significant. This means that there are no significant differences in participants' opinion with regard to working unit.

Table (12):

One Way Analysis of Variance (F-test) Mean Score of Employees in Business Organisations as Related to Working Unit

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.81	2	0.91	1.49	0.228 (N. S.)
Within Groups	146.80	241	0.61		

Question No. 4:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training frequency each year?

The result in table (13) indicate that the significance of F was significant at the 0.01 level. This means that there are significant differences in participants' opinion with regard to training frequency each year. By using Scheffe test to discover the source of these differences, the result can be seen in table (14) in favor of the employees who had received (3) or more training courses a year.

Table (13):

One Way Analysis of Variance (F-test) Mean Score of Employees in

Business Organisations as Related to Training Frequency Each Year

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.01	2	3.51	5.97	0.003 (0.01)
Within Groups	141.60	241	0.59		

Table (14):

Multiple Range Tests: Scheffe Test

Training Frequency Each Year	Mean	None	1-2 courses a year	3 or more courses a year
None	3.41			
1-2 courses a year	3.68			
3 or more courses a year	4.00	*		

(*) Indicates significant differences.

(*) The mean difference is significant at the .050 level.

Question No. 5:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training provider?

The result in table (15)   indicate that the significance of F was not significant. This means that there are no significant differences in participants' opinion with regard to training provider.

Table (15):

One Way Analysis of Variance (F-test) for Mean Score of Employees in

Business Organisations as Related to Training Provider

Source	Sum of Squares	df	Mean Square	F	Sig.
Between	0.88	2	0.44	0.72	0.487

Groups					
Within Groups	147.73	241	0.61		(N. S.)

Question No. 6:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training by company staff?

The result in table (16) indicate that the significance of F was not significant. This means that there are no significant differences in participants' opinion with regard to training by company staff.

Table (16):

T-test for the Differences in Participants' Opinion

with Regard to Training by Company Staff.

Source	Sum of Squares	df	Mean Square	F	Sig.
Yes	162	3.72	0.77	1.16	0.246
No	82	3.59	0.80		(N. S.)

Question No. 7:

Is there any difference among the point of view of the respondents on the factors that support the use of insourcing rather than outsourcing in the process of training in business organizations of the city of Riyadh as related to training area by which company staff can provide better?

The result in table (17) indicate that the significance of F was significant at the 0.01 level. This means that there are significant differences in participants' opinion with regard to training area by which company staff can provide better. By using Scheffe test to discover the source of these differences, the result can

be seen in table (18) in favor of both area of training (technical and general programs).

Table (17):

One Way Analysis of Variance (F-test) Mean Score of Employees in Business Organisations as Related to Training Area by which Company Staff can Provide Better

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.01	3	2.34	3.96	0.009 (0.01)
Within Groups	141.60	240	0.59		

Table (18):

Multiple Range Tests: Scheffe Test

Training Area	Mean	Technical programs	General programs	Both	None
Technical programs	3.77				
General programs	3.53				
Both	3.79				*
None	3.24				

(*) Indicates significant differences.

(*) The mean difference is significant at the 0.05 level.

SABIC Case Analysis

Statistical data on annual training activities at SABIC – Saudi Arabia has been collected for the years 2009 and 2010. The data was extracted from SAP database and was focused on in-house training activities only.

The following table shows the statistics of both years:

Year	Total Programs	Total Participants	Total Fees SR
2009	1769	29,026	37,910,357
2010	1597	21,361	57,053,268

In order to find the average fees for a single program, total fees can be divided by the number of conducted programs for each year. As a result:

Average program fee (2009) = SR 21,430

Average program fee (2010) = SR 35,725

All the above courses have been outsourced with external vendors. The importance of insourcing comes from the fact that each course conducted internally by a staff, will be naturally for free and, as a result, will save the company the fees that it would pay to external vendors.

However, further analysis need to be done to determine how much savings SABIC could make if a certain percentage of the conducted in-house programs have been insourced with internal staff from the organization.

It is understandable that not every single program could be insourced due to several reasons such as lack of necessary knowledge, skills, or experience. Therefore, this study will calculate the possible savings from implementing the training insourcing project at three different levels which are 10%, 25%, and 50% for the year of 2010.

At 10% insourcing, we multiply the total number of conducted programs for 2010 by 10% then multiply the result by the average program fee for the same year. We repeat the same process with the other percentages as well.

The results of the possible savings that SABIC would make for 2010 if implemented this project is showed in the following table:

% of Insourcing	# of Programs	Avg. Fee (SR)	Total Savings (SR)
10%	160	35,725	5,716,000
25%	400	35,725	14,290,000
50%	800	35,725	28,580,000

From the above table, if SABIC managed to insource 50% of its in-house courses in 2010, it would save more than SR 28 million from its annual training budget. These numbers clearly support that insourcing any percentage of the training activities will lead to huge savings in the training budget.

CONCLUSION:

Job insourcing seems to be growing in the recent years as being noticed by many analysts. Although outsourcing may provide many advantages to organizations, it also has its costs that need to be studied carefully.

It is well known that Saudi Corporations, like the rest of corporations around the world, spend a lot of their yearly budgets on training. Based on the thorough analysis of insourcing benefits in general that have been conducted in this study, it is believed that insourcing even a certain percentage of the training process would lead to huge savings in a firm's budget. This have been proven through SABIC case analysis mentioned earlier in this study where the results showed that insourcing even 50% of the training activities, as an example, would result in more than 28 Million Saudi Riyals.

The data analysis from the survey has supported this as well. In addition, the survey have also shown that certain important factors would improve with insourcing the training process including transportation, employee morale and loyalty, communication, security, speed to market, and control.

Today, outsourcing is not an easy option anymore due to its limitations and economic problems on the long term and companies should consider insourcing as a strategic decision to replace it if they want to stay competitive in the future.

FUTURE RESEARCHES

Insourcing is an important strategic initiative for many organizations. In this study, the results showed that huge savings in annual training budgets could be accomplished if insourcing is implemented. The results also showed other factors that have been measured such as innovation and customer satisfaction didn't show conclusive results, insourcing the training activities can prove to be very beneficial for companies that implement it even if only a certain percentage of the training process was insourced. Therefore, future researches need investigate this issue.

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QUESTIONNAIRE

General Questions:

1- What is the size of your company?

o   Small

o   Medium

o   Large

2- Where is the location of your company?

o   Outside Saudi Arabia

o   Inside Saudi Arabia

3- Which unit are you working at?

o   Primary unit (production, finance, sales, etc..)

o   Support unit (training, recruitment, IT, etc..)

o   Others (please specify: ………………………………………..)

Training Activities:

4- How often do you receive training at your company each year?

o   none

o   1-2 courses a year

o   3 or more courses a year

 5- Who conducts the training at your company the most?

o   company staff

o   external vendor

°   Don't know

6- Have you receive training by a company staff before?

o Yes

o No

7- In which area do you think a company staff can provide a training

program better?

o Technical programs

o General programs

o Both

o None

8- Conducting training programs by experts and knowledgeable employees

from the company instead of external vendors will:

Ser.	Statement	Level of Agree				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
8.1	Reduce the annual training costs of the company					
8.2	Increase the morale and loyalty of the employees involved in training others					
8.3	Increase the customer satisfaction from the training course					
8.4	Improve the communication between instructor and participant					
8.5	Improve the level of information security at the company					
8.6	Speed-up the process of conducting any training requirements by the company					
8.7	Make the administration and supervision of training activities easier to achieve and maintain					
8.8	Improve the overall quality of the training and produce better results					