



Future of Outsourcing in the Era of Increased Petroleum Pricing in Nigeria: A Narrative Review

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ABSTRACT

This study examines the future of outsourcing in Nigeria's petroleum industry amidst rising petroleum prices, focusing on impacts, challenges, and potential solutions. With outsourcing being a critical strategy for optimizing costs and enhancing efficiency, the rising cost of petroleum presents significant challenges for the industry. The review synthesizes literature and reports to understand how increased petroleum prices drive up production costs, compelling businesses to seek cost-effective outsourcing solutions, often at the expense of service quality. The study highlights the resultant operational inefficiencies and risks associated with partnering with cheaper offshore firms, which compromise the overall performance of outsourcing endeavours in Nigeria. The review identifies key challenges faced by Nigerian companies in the outsourcing domain, including inadequate technology, mismatched service quality, and increased logistics costs. The study suggests several strategic solutions, such as full outsourcing to well-capitalized service providers, implementing just-in-time concepts, improving payment durations, and establishing sustainable communication channels. These recommendations aim to mitigate the adverse effects of rising petroleum prices on outsourcing while enhancing operational efficiency and ensuring high service quality. By adopting these strategies, the Nigerian petroleum industry can better manage transaction costs and risks, ultimately contributing to broader economic stability and growth in the country.

1.0 Background to the Study

Outsourcing in Nigeria's petroleum industry has emerged as a critical strategy for optimizing costs, improving efficiency, and allowing companies to focus on their core competencies. This practice has gained momentum across various sectors, including telecommunications, banking, power, and petroleum, driven by the need for specialized services and cost reduction (Olufemi & Olugboyega, 2020). However, the industry faces significant challenges exacerbated by rising petroleum prices. Increased production costs lead to lower returns on investment, compelling businesses to partner with cheaper offshore firms, which often compromises the quality of outsourced services (Osagie et al., 2023). The lack of clear regulations and standardized contracts further complicates the situation, resulting in inconsistent service quality, legal uncertainties, and potential exploitation by unregistered service providers (Santa et al., 2023). Also, the institutional corruption domicile in Nigeria has not helped unregulated pricing of petroleum products (Ezeh & Etodike, 2016). Despite these challenges, outsourcing remains a vital component of Nigeria's economic strategy, contributing to job creation, revenue generation, and skills development. In the views of Ezeh and Etodike (2017), without proper entrepreneurship model at the national level to boost regulatory policies, certain entrepreneurial activities may be hampered in over-outsourced or under-outsourced economy. Therefore, it is crucial to evaluate the future of outsourcing in Nigeria's petroleum industry amidst rising petroleum prices, focusing on the impact of these prices, identifying the challenges faced by companies, and suggesting potential solutions to aid industry growth. This evaluation aligns with the study's objectives to provide a comprehensive understanding of the current landscape and offer strategic insights for sustainable development.

1.1 Introduction

Outsourcing, which involves subletting and transferring specific business functions to be managed by specialist companies to allow the parent company to focus on their central objectives and competencies, has been a critical strategy for businesses worldwide to optimize costs and focus on core competencies (Gupta et al., 2021). The popularity of outsourcing has increased in recent years because of the increasing demand for

proficiency and expertise from consumers and the rising cost of running businesses. Outsourcing involves the transfer of specific business functions to a third-party specialist, thus enabling parent organizations to focus on their core competencies while reducing costs and improving efficiency. According to Ihuah and Adamu (2020), companies that outsource functions such as procurement, logistics, and customer service typically experience a considerable reduction in operational costs and greater professional execution of their business functions. Outsourcing, which maximizes the practice of delegating noncore business functions to external service providers, has become an important strategy for many businesses to remain competitive in the global economy because it offers a comparative advantage in service quality, cost reduction and a focus on core competencies (Fabian et al., 2023).

In Nigeria, outsourcing has gained momentum in many areas of life, such as the telecommunications industry, the banking sector, the power sector, and petroleum and air transportation (Olufemi & Olugboyega, 2020). For example, the growth of the telecommunications industry in Nigeria has led to an increased need for outsourcing services such as power generation, VTU sales and sim-card registration, especially due to the reduced cost and efficiency with outsourcing segments of organizational tasks. It also relies heavily on outsourcing for infrastructure development, network maintenance, and customer care services (Olufemi & Olugboyega, 2020). The banking sector is another example, as it outsources IT services, data processing, and call center operations. Similarly, the oil and gas industry has engaged external firms in logistics, procurement, and security services. However, another good example is the Power Holding Company of Nigeria (PHCN), which has outsourced its transmission and distribution (Fabian et al., 2023).

While outsourcing offers benefits, especially for critical sectors and industries that the economy of the country depends on, such as the petroleum industry, it also presents challenges for the Nigerian labor market. A critical issue with outsourcing is job displacement, as organizations opt to outsource functions previously handled by in-house staff (Osagie et al., 2023), which leads to job displacement and eventual unemployment and social unrest. Furthermore, the quality of outsourced services can be inconsistent, impacting the overall performance of the organization

(Santa et al., 2023). This may be a result of the poor regulatory framework used to guide the sector.

Without clear regulations, guidelines and standards, organizations may engage with subpar service providers, leading to data breaches, intellectual property theft, and reputational damage, which negatively impact them economically and otherwise. Additionally, the absence of standardized contracts and regulated dispute resolution mechanisms can create legal uncertainties for both outsourcing clients and service providers. The lack of regulation and insufficient legislation on outsourcing in Nigeria has left the industry open to exploitation, resulting in many problems. For example, the situation has made it challenging to determine the value of outsourcing services; in recent times, there has been a flux of unregistered and unregulated providers offering quack outsourcing services in Nigeria (Ihuah and Adamu, 2020), leading to challenges in terms of quality and standard of service.

Despite the challenges associated with outsourcing in the country, its implications for Nigeria's business economy have not been emphasized. For example, outsourcing has the potential to create employment opportunities in a country, reduce the unemployment rate, and boost the economy (Olufemi & Olugboyega, 2020). From this perspective, outsourcing enables businesses in Nigeria to gain access to talented professionals and resources, which may be difficult for them to acquire, especially if the needed professionals, equipment and other required resources are diverse; the petroleum industry is a good example in this instance.

The increase in petroleum prices has led to several issues related to Nigeria's outsourcing industry. The most significant challenge is increased production costs, which ultimately lead to low returns on investment for businesses. Additionally, the expertise of businesses that outsource certain operations could suffer, as businesses aim to reduce expenses by partnering with cheaper offshore firms. The problem with the Nigerian outsourcing industry is particularly significant given that the government has identified outsourcing as a channel for economic growth—job creation, revenue generation, and skills development. The industry is responsible for a significant percentage of exported services in the country. The challenge, therefore, is to understand the future of

outsourcing in light of the high cost of petroleum and identify potential solutions to aid industry growth.

The outsourcing strategy in business and organisational management present unique pragmatic and scholastic problems around job redundancy, service quality and maximising core competencies in creating operational advantage. Sadly, the contextual origins of these problems which arise as a result of outsourcing strategy is not clearly understood in literature especially the theoretical basis that define its advantages in place of the disadvantages. This gap provides impetus for theoretical exploration and alignment with management practice. Thus theoretical appraisal of this nature weighing the cost benefit ratio of the outsourcing strategy in era of increased petroleum pricing in Nigeria provides the needed opportunity to provide guided opinion in industrial and organisational practice.

In light of the growing importance of the petroleum industry as the major economy of Nigeria, it is important to theoretically evaluate relevant aspects in understanding the cost benefit ratio in the future of outsourcing in Nigeria in the era of increased petroleum pricing, especially within the objectives of examining the impact of petroleum pricing on outsourcing and identifying the challenges facing Nigerian companies.

1.2 Purpose of the Study

This study aims to evaluate the future of outsourcing in Nigeria's petroleum industry amidst rising petroleum prices, challenges and solutions. The specific objectives include the following:

1. Examining the impact of petroleum pricing on outsourcing.
2. Identifying the challenges faced by Nigerian companies in outsourcing.
3. Suggesting possible solutions to these challenges.

2.0 Review

2.1 Outsourcing in the Nigerian Petroleum Industry

The rise in petroleum prices has had significant ramifications for Nigeria's outsourcing industry. This escalation in fuel costs translates directly into increased production costs, adversely affecting the profitability and sustainability of businesses. Higher operating costs inevitably lead to reduced returns on investment, as firms struggle to balance elevated expenses without significantly increasing prices, which could deter their client base (Enabunene & Chukwuemeka, 2024). As businesses seek to mitigate these rising costs, there is a tendency to partner with cheaper offshore firms, which can compromise the quality and expertise of outsourced operations. This trade-off between cost savings and maintaining quality is a critical challenge facing the Nigerian outsourcing sector.

The Nigerian petroleum industry offers a prime example of how escalating fuel costs impact the outsourcing landscape. Given the sector's heavy reliance on transportation and energy-intensive operations, the rise in petroleum prices has had a profound effect. For example, outsourcing firms in the petroleum industry, such as those providing logistics, supply chain management, or data analysis services, have experienced a significant increase in operational costs. The heightened fuel prices translate to higher transportation expenses for personnel and equipment, as well as increased energy consumption at their facilities. To maintain profitability, firms face a dilemma: either absorb the increased costs, which erode profit margins, or pass them on to clients, potentially leading to contract renegotiations or loss of business. For example, one significant impact of rising petroleum prices on outsourcing is the disruption of logistics and supply chains. The increased fuel costs directly affect transportation expenses, increasing the cost of moving goods and services across the country and internationally (Ibiam, Kalu, & Emenike, 2024). This escalation in logistics costs can lead to delays and inefficiencies, further exacerbating the operational challenges faced by outsourcing firms. In the Niger Delta region, for example, logistics outsourcing strategies have been strained due to increased costs and associated risks (Adonye, Kalu, & Emenike, 2024).

In response to pressures, some outsourcing companies have sought to reduce costs by partnering

with cheaper offshore providers. While this strategy can help offset rising expenses, it introduces risks such as potential quality compromises, data security concerns, and challenges in managing remote teams. The trade-off between cost reduction and service quality has become a critical decision for many Nigerian outsourcing firms operating in the petroleum industry. For example, a logistics company providing services to an oil and gas exploration firm might face increased transportation costs for moving equipment and personnel to remote drilling sites. To counteract this, they could opt to outsource some of their fleet management operations to a foreign company offering lower rates. However, this decision could lead to issues such as delays in equipment delivery, decreased efficiency, and potential exposure of sensitive data. From the above instances, the complex challenges faced by Nigerian outsourcing companies operating in the petroleum sector are typically highlighted.

In lieu of this circumstance, the Nigerian government has earmarked outsourcing as a pivotal mechanism for economic growth, job creation, revenue generation, and skill development. This sector is vital for exporting services, contributing significantly to the country's economy (Ibiam, Kalu, & Emenike, 2024). However, increasing petroleum prices threaten to undermine these benefits by inflating the cost of operations, thereby diminishing the competitiveness of Nigerian outsourcing firms in the global stage. As these firms grapple with higher expenses, their ability to generate jobs and foster economic development is compromised. The above situation has implication on industrial and organisational management practice in many ways not limited to organisational resilience, employee morale and the overall psychological impact in management practice as highlighted below.

Organizational resilience - The fluctuating petroleum prices have highlighted the importance of organizational resilience in the Nigerian petroleum industry as irregular supply and supplies above market prices have ruined many organizations to extinction. Outsourcing can be a strategic tool to enhance resilience by diversifying operations and reducing dependence on internal resources. However, given the importance of resilience to organizational success (Okechukwu et al., 2021), it is crucial to select outsourcing partners that can withstand economic volatility and provide consistent services, even during periods of market instability.

Employee morale - Outsourcing can have a profound impact on employee morale, particularly when it involves job displacement or changes in work responsibilities. It is essential to carefully manage the transition process, communicate openly with employees, and provide opportunities for reskilling or redeployment to mitigate negative impacts on morale.

Psychological impact of outsourcing - The psychological impact of outsourcing on workers cannot be ignored. Job insecurity, fear of redundancy, and changes in work relationships can lead to stress, anxiety, and decreased job satisfaction. Organizations must implement strategies to address these concerns, such as providing counseling services, fostering a supportive work environment, and recognizing the contributions of employees.

Going from the above, the future of outsourcing in Nigeria in the context of increased petroleum pricing necessitates a thorough evaluation. It is essential to examine the impact of petroleum pricing on outsourcing, identify the challenges facing Nigerian companies, and propose viable solutions (Adonye, Kalu, & Emenike, 2024). By understanding these critical challenges, stakeholders can devise strategies to address the complexities brought about by fluctuating petroleum prices. This approach ensures that the outsourcing industry continues to contribute positively to Nigeria's economic landscape.

Ibiam et al. (2024) emphasized that there are several solutions to enhance the outsourcing industry in the petroleum industry in Nigeria, such as adopting full or complete outsourcing to service providers, ensuring that service providers shoulder complete risks, selecting providers with a strong capital base incorporating just-in-time concepts, improving payment durations, enhancing welfare approaches, and establishing sustainable communication channels, which have helped in optimizing outsourcing in the oil and gas industry sector through the following:

- i. Full outsourcing and risk allocation - Adopting a full outsourcing model can streamline operations and reduce overhead costs for oil and gas companies. For example, outsourcing entire HR functions to specialized service providers can free up internal resources to focus on core competencies such as exploration and production. Moreover, by transferring complete risk to service providers, oil companies can mitigate potential liabilities associated with areas such as health and safety, environmental compliance, and labor disputes. This approach allows companies to concentrate on their core business, whereas the outsourcing partner assumes responsibility for potential challenges.
- ii. Payment terms and employee welfare - Improving payment durations for outsourcing service providers is essential for fostering strong partnerships. Timely payments demonstrate financial reliability and encourage continued investment in the relationship. By ensuring prompt settlements, oil companies can build trust and encourage service providers to deliver exceptional performance. Furthermore, enhancing welfare approaches for employees of outsourcing firms can indirectly benefit the oil and gas industry. A satisfied and motivated workforce is more likely to deliver high-quality services. By promoting fair labor practices and investing in employee well-being, oil companies can contribute to a more sustainable and ethical outsourcing ecosystem.
- iii. Financial strength and just-in-time concepts - Partnering with service providers possessing a strong capital base, as suggested by Ibiam, Kalu, & Emenike (2024), is crucial for the success of outsourcing initiatives. Such providers can invest in the necessary infrastructure, technology, and skilled personnel to deliver high-quality services. For example, a logistics provider with substantial financial resources can invest in a robust fleet of vehicles and advanced tracking systems, ensuring efficient and reliable service delivery. Incorporating just-in-time (JIT) concepts into outsourcing arrangements can optimize inventory management and reduce costs. By aligning production and procurement activities with actual demand, oil companies can minimize carrying costs and storage requirements. For example, outsourcing warehousing and distribution functions to a provider that specializes in JIT practices can help manage inventory levels effectively and reduce the risk of stock-outs or overstocking.
- iv. Effective communication - Establishing clear and open communication channels is vital for successful outsourcing partnerships. Regular interactions between the client and service

provider help address issues promptly, align expectations, and ensure that the outsourcing arrangement meets the evolving needs of the oil and gas company. Effective communication also fosters a collaborative environment, where both parties work together to achieve shared objectives.

The advantage is that a well-structured outsourcing approach can lead to cost reductions, improved efficiency, and access to specialized expertise, ultimately enhancing the overall performance of the industry.

2.2 Impact of Petroleum Pricing on Outsourcing

Fluctuations in petroleum prices exert a substantial influence on the landscape of outsourcing, often affecting businesses and industries in diverse ways. The cost of transportation, a pivotal consideration in outsourcing decisions, is highly dependent on oil prices. When oil prices surge, the expenses associated with shipping goods and materials also rise, potentially diminishing the cost-effectiveness of outsourcing to distant locations. For example, when fuel prices soar, companies may reevaluate their outsourcing arrangements, especially for goods with high transportation costs (Korade et al., 2019).

The impact of petroleum pricing extends to global supply chains, creating ripples throughout outsourcing arrangements. Sudden spikes in oil prices can translate into increased production costs, especially in sectors reliant on energy-intensive processes. In the view of Buzacott et al. (2018), businesses may revisit their outsourcing strategies, considering reshoring or nearshoring options as a means to mitigate mounting production expenses.

These sharp fluctuations in oil prices can also prompt businesses to rethink their sourcing decisions. During periods of elevated oil prices, companies may prioritize suppliers closer to their home markets, thereby favouring domestic or nearshore outsourcing to offset the increased costs associated with distant suppliers (Gupta et al., 2021). Industries heavily reliant on energy, such as manufacturing, are particularly sensitive to fluctuations in petroleum prices. Higher energy costs that accompany elevated oil prices can lead these industries to reconsider their outsourcing contracts in an effort to optimize supply

chains and reduce production expenditures (Chen & Hu, 2020).

Moreover, the impact of petroleum pricing is not limited to transportation and energy costs. It also has implications for currency exchange rates, which, in turn, can influence outsourcing decisions. When oil prices surge, they may lead to a stronger local currency, making outsourcing to that region more attractive (Gupta et al., 2021).

The IT industry, characterized by extensive outsourcing, is also not immune to the effects of petroleum price fluctuations. Higher oil prices can increase energy costs for data centers and the IT infrastructure. According to Bryce et al. (2019), companies may explore outsourcing destinations that offer more stable energy prices as a strategic response. In this dynamic landscape, businesses may implement risk mitigation strategies to navigate the challenges posed by petroleum price fluctuations. Long-term outsourcing contracts with fixed pricing terms or contractual clauses that permit cost adjustments based on energy prices can be negotiated as a means to adapt to changing conditions (Chen & Hu, 2020).

It is essential to recognize that the interplay between petroleum pricing and outsourcing is intricate and contingent on broader economic and regulatory factors. Government policies related to energy subsidies and environmental regulations can further influence outsourcing decisions, adding layers of complexity to this multifaceted relationship (Bryce et al., 2019).

Thus, the relationship between petroleum pricing and outsourcing is multifaceted and context dependent. While high oil prices can increase transportation and energy costs, influencing sourcing decisions, businesses can adapt by employing careful planning, risk management strategies, and exploration of alternative energy sources. The impact of petroleum pricing on outsourcing underscores the need for flexibility and strategic foresight in supply chain and outsourcing decisions.

2.3 Challenges Facing Nigerian Companies in Outsourcing

Nigerian companies that opt for outsourcing as a strategy to streamline operations and access

specialized services often encounter a plethora of challenges. Ensuring the consistent quality of outsourced services can be a significant hurdle, as companies struggle to maintain high standards and monitor the performance of service providers. Moreover, inadequate infrastructure, such as unstable power supplies and unreliable internet connectivity, can impede effective communication and collaboration with outsourced partners, leading to delays and compromised quality of work. Additionally, data security and confidentiality are major concerns, as Nigerian companies may find it difficult to ensure that sensitive information is adequately protected by their outsourcing partners, raising concerns about data breaches.

There are critical industrial and organisational paradigms which could be impacted by unstructured and ineffective outsourcing strategy. These could include but not limited to: issues relating to organisational culture, ethical issues, and risk management factors.

Organizational culture compatibility is important to the extent of ensuring that the outsourcing partner's organizational culture aligns with the company's values and work ethos is crucial for successful collaboration. So important is ethics in the organization (Madubueze et al., 2021). Ethical considerations in lieu of adhering to ethical standards and ensuring that outsourcing partners comply with labour and environmental regulations is essential in today's socially conscious business environment is pivotal to a strategic outsourcing policy. The least factor to consider is risk. Implementing robust risk management strategies to mitigate potential risks associated with outsourcing, such as data breaches, quality issues, and contractual disputes.

Furthermore, exchange rate volatility is a persistent concern for Nigerian companies engaged in outsourcing, as fluctuations in currency value can lead to unexpected cost variations in outsourcing contracts, disrupting budgeting and pricing agreements. Navigating the complex legal and regulatory landscape, both domestically and internationally, also poses significant challenges, demanding substantial legal expertise to ensure compliance with regulations and contractual obligations. The scarcity of qualified individuals also affects the availability of resources for outsourced projects, while cultural disparities between Nigerian

companies and their outsourced partners can result in miscommunication and misunderstandings that hinder effective collaboration and impact project outcomes.

Identifying trustworthy and reputable outsourcing partners is another challenge, as Nigerian companies must carefully assess potential providers to ensure that they align with their objectives and maintain the desired quality standards. The unpredictable political and economic climate in Nigeria can also introduce uncertainties into outsourcing relationships, requiring companies to navigate this volatile landscape while maintaining business continuity. Moreover, the lack of robust data privacy regulations leaves Nigerian companies vulnerable to data breaches and privacy violations in outsourcing arrangements, raising concerns about data security. To overcome these challenges, Nigerian companies must employ meticulous planning, robust risk management strategies, and vigilant monitoring and evaluation of their outsourcing partnerships.

2.4 Framework

Transaction cost economics (TCE) theory, developed by Williamson (1986), posits that the optimum organizational structure is one that achieves economic efficiency by minimizing the costs of exchange. The theory suggests that each type of transaction produces coordination costs of monitoring, controlling, and managing transactions, implying that firms make outsourcing decisions on the basis of the comparison of transaction costs associated with market transactions versus those associated with in-house production. These costs include search and information costs, bargaining and decision costs, and policing and enforcement costs. The relevance of TCE theory to the study of outsourcing in Nigeria's petroleum industry is particularly significant given the current economic climate.

In relation to the petroleum industry, rising petroleum prices have substantially increased production costs, including logistics and operational expenses; thus, according to TCE theory, these increased costs lead firms to seek more cost-effective outsourcing solutions to maintain profitability. However, there is an inherent trade-off between reducing costs and maintaining service quality. By partnering with cheaper offshore firms to save expenses, companies may face an increase in costs due to lower service

quality and higher risks, such as disruptions in the supply chain or subpar performance by service providers. This trade-off is a critical consideration for firms in the petroleum industry, where operational efficiency and reliability are paramount.

Risk management is another crucial aspect highlighted by TCE theory. The theory underscores the importance of managing risks in outsourcing decisions. To mitigate transaction costs and enhance operational efficiency, companies must carefully select outsourcing partners with a strong capital base and the capacity to shoulder complete risks. By doing so, they can protect themselves against potential downsides such as financial instability or the operational failure of service providers.

In the context of the study, the narrative review highlighted how increased petroleum prices impact transaction costs, prompting firms to reconsider their outsourcing strategies. The challenges identified, such as the lack of appropriate technology, inadequate business processes, and increased risks, align with TCE theory's emphasis on managing transaction costs and risks. The proposed solutions, including full outsourcing to capable service providers and ensuring risk transfer to these providers, resonate with TCE theory's strategic recommendations.

By applying TCE theory, this study provides a structured approach to understanding the decision-making process in outsourcing within Nigeria's petroleum industry. This emphasizes the need for strategic partnerships and efficient risk management in the face of fluctuating petroleum prices. This theoretical framework offers a pragmatic lens through which the complexities of outsourcing in the petroleum sector can be understood and addressed, aligning well with the study's objectives and findings. The insights derived from TCE theory enable a comprehensive analysis of the current outsourcing landscape and offer strategic recommendations for sustainable development in the industry.

3.1 Findings

This study reviewed the future of outsourcing in the era of increased petroleum pricing in Nigeria through a content review, and the objectives were achieved. This narrative review comprehensively explores existing studies and reports related to outsourcing in

Nigeria, with a focus on the petroleum industry. The review synthesized findings from various sources to address the following:

Objective 1: Examining the impact of petroleum pricing on outsourcing

The review collated evidence on how rising petroleum prices have increased production costs, affecting the profitability and sustainability of outsourcing firms in Nigeria. Studies reviewed (for example, Enabunene & Chukwuemeka, 2024) have indicated that higher operational costs lead businesses to partner with cheaper offshore firms, often compromising the quality of outsourced operations.

Objective 2: Identifying challenges faced by Nigerian companies in outsourcing

The narrative review identified several challenges, including the lack of appropriate technology, inadequate business processes, mismatched service quality, and increased risks associated with logistics outsourcing. These challenges were highlighted in the context of the Niger Delta region, where oil and gas companies faced significant operational inefficiencies due to rising logistics costs and service delays (Ibiama, Kalu, & Emenike, 2024).

Objective 3: Suggesting possible solutions:

The review proposed solutions such as full outsourcing to service providers, ensuring that service providers shoulder complete risks, and selecting providers with a strong capital base. Recommendations also included adopting just-in-time concepts, improving payment durations, enhancing welfare approaches, and establishing sustainable communication channels (Adonye, Kalu, & Emenike, 2024). By synthesizing the literature, this study provides a thorough understanding of the current challenges and potential strategies to mitigate the impact of rising petroleum prices on the outsourcing industry in Nigeria.

Findings highlight the importance of strategic planning in order to develop a comprehensive outsourcing strategy that aligns with the company's overall business objectives and addresses potential risk, good supply selection strategy to conduct thorough due diligence to select reliable and reputable outsourcing partners with a proven track

record, nuanced contractual agreements in order to negotiate clear and enforceable contracts that outline the scope of work, performance metrics, and dispute resolution mechanisms, performance monitoring in order to establish effective monitoring and evaluation processes to ensure that outsourcing partners are delivering the expected quality of service, employee engagement in order to prioritize employee engagement and well-being throughout the outsourcing process, providing opportunities for training, development, and career advancement, and ethical based sourcing adhering to ethical sourcing practices and ensure that outsourcing partners comply with labor and environmental standards.

3.2 Implications of the Findings

The findings from the study on the future of outsourcing in Nigeria's petroleum industry amidst rising petroleum prices have several critical implications for the oil and gas industry and the general Nigerian economy.

First, increased petroleum prices lead to higher production costs, which significantly affect the profitability and sustainability of outsourcing firms in Nigeria. The need to partner with cheaper offshore firms, as indicated in the findings, often results in compromised service quality. This shift towards cost-cutting can lead to operational inefficiencies and a reduced competitive advantage for Nigerian oil and gas companies, thereby impacting their overall performance and productivity. This trend could weaken the industry's ability to meet both local and international market demands effectively.

The identified challenges, such as the lack of appropriate technology and inadequate business processes, further exacerbate these operational inefficiencies. The findings of Ibama, Kalu, and Emenike (2024) specifically highlight how these issues are particularly pronounced in the Niger Delta region, where logistics outsourcing is critical for the petroleum industry. The mismatch in service quality and increased risks associated with logistics delays not only disrupt the supply chain but also increase operational risks and costs. These challenges underscore the need for Nigerian companies to adopt more robust and advanced technologies to streamline their outsourcing operations and enhance service delivery.

Moreover, the reliance on cheaper offshore firms as a cost-saving measure has broader implications for the Nigerian economy. This reduces the demand for local outsourcing service providers, which can lead to job losses and reduced economic activity within the country. This trend undermines the government's goal of using outsourcing as a channel for economic growth, job creation, and skills development. The displacement of jobs and reduced revenue generation from the outsourcing sector can have ripple effects on other sectors of the economy, exacerbating unemployment rates and potentially leading to social unrest.

The proposed solutions, including full outsourcing to service providers with strong capital bases and ensuring that they shoulder complete risks, are crucial for mitigating these challenges. Adopting just-in-time concepts, improving payment durations, enhancing welfare approaches, and establishing sustainable communication channels are strategic measures that can enhance the efficiency and reliability of outsourcing operations. These recommendations, drawn from the study by Adonye, Kalu, and Emenike (2024), are pivotal for creating a more resilient outsourcing framework that can withstand the pressures of fluctuating petroleum prices.

For the oil and gas industry, implementing these solutions can lead to more stable and efficient operations, reducing the risks associated with outsourcing and improving overall service quality. This, in turn, can enhance the industry's ability to compete globally, attract more investments, and contribute significantly to the Nigerian economy. Strengthening the outsourcing framework will also support the development of local service providers, creating more job opportunities and fostering economic growth.

Thus, these findings indicate that while rising petroleum prices pose significant challenges to the outsourcing industry in Nigeria, strategic measures can mitigate these impacts. By addressing the identified challenges and adopting the proposed solutions, the oil and gas industry can increase its operational efficiency and competitiveness. These improvements can contribute to the broader Nigerian economy by fostering job creation, improving service quality, and supporting sustainable economic growth.

3.3 Limitations

The contextual limitations of the review were reliance on secondary data sources, and potential bias in the selected literature was managed through comprehensive and judgmental approaches to the literature sources, searches and reviews and by incorporating diverse sources and critically evaluating their credibility and relevance. This approach aims to provide a well-rounded understanding of the impact of rising petroleum prices on outsourcing in Nigeria's petroleum industry and to identify potential strategies for mitigating these challenges.

3.4 Conclusion

A review of the future of outsourcing in Nigeria's petroleum industry amidst rising petroleum prices has elucidated several critical insights and challenges. Rising petroleum prices have significantly increased production costs, thereby affecting the profitability and sustainability of outsourcing firms in Nigeria. This situation has led businesses to partner with cheaper offshore firms, which often results in compromised service quality and increased risks. The findings highlight the necessity for Nigerian companies to strategically navigate the intricate dynamics of outsourcing in an environment characterized by fluctuating petroleum prices. Ensuring cost-effectiveness while maintaining high service quality remains a formidable challenge for the industry.

In addressing these challenges, the reviewed literature has identified several key obstacles faced by Nigerian companies in outsourcing. These include the lack of appropriate technology, inadequate business processes, mismatched service quality, and heightened risks associated with logistics outsourcing. The observed operational inefficiencies, particularly in the Niger Delta region, underscore the need for robust and adaptive outsourcing strategies. These challenges not only impede the operational efficiency of oil and gas companies but also have broader implications for the Nigerian economy, affecting employment, revenue generation, and overall economic growth.

To mitigate the impact of rising petroleum prices on outsourcing, several pragmatic solutions have been proposed. Full outsourcing to service providers with strong capital bases, ensuring that service providers shoulder complete risks, and adopting just-in-time

concepts are among the recommended strategies. Additionally, improving payment durations, enhancing welfare approaches, and establishing sustainable communication channels are crucial steps toward optimizing outsourcing outcomes. These recommendations, rooted in a comprehensive synthesis of literature, provide a strategic roadmap for Nigerian companies to enhance their outsourcing practices in the face of economic pressures. By adopting these strategies, the Nigerian petroleum industry can better manage transaction costs, mitigate risks, and improve operational efficiency, thereby contributing to the broader economic stability and growth of the country.

3.5 Recommendations for the challenges facing Nigerian companies in outsourcing

The challenges faced by Nigerian companies in outsourcing are complex and multifaceted, intersecting with economic, political, and social factors. To address these issues, particularly in light of increasing petroleum pricing, it is crucial to consider the importance of quality control and service delivery, as maintaining consistent standards and monitoring service providers can be difficult (Odigie, 2019). Additionally, inadequate infrastructure, such as a power supply and reliable internet connectivity, can hinder effective communication and collaboration with outsourced partners, impacting project timelines and quality (Ogbonna & Nwankpa, 2019). Furthermore, data security and confidentiality are paramount in outsourcing arrangements, as Nigerian companies may encounter challenges in ensuring that sensitive information is adequately protected by outsourced service providers (Olaniyi, 2020).

The volatility of exchange rates can also lead to cost fluctuations in outsourcing contracts, affecting budgeting and pricing agreements for Nigerian companies (Igwe, 2019), while navigating complex legal and regulatory frameworks, both domestically and internationally, poses significant challenges for Nigerian companies engaged in outsourcing (Amankwah-Amoah & Ifere, 2020). The scarcity of skilled talent in Nigeria can also impact the availability of qualified individuals for outsourced projects (Ayozie et al., 2019), and cultural disparities can lead to miscommunication and misunderstandings between Nigerian companies and their outsourced partners, affecting collaboration and

project outcomes (Okeke, 2019). Identifying reliable and reputable outsourcing partners is another challenge, as Nigerian companies must carefully assess potential providers to ensure that they align with their objectives and standards (Oladokun et al., 2020). The unpredictable political and economic climate in Nigeria can also introduce uncertainty into outsourcing relationships, impacting business continuity (Igwe, 2019). Finally, the absence of robust data privacy regulations can leave Nigerian companies vulnerable to data breaches and privacy violations in outsourcing arrangements (Amankwah-Amoah & Ifere, 2020). To overcome these challenges, Nigerian companies must employ a combination of careful planning, effective risk management strategies, and ongoing monitoring and evaluation of their outsourcing partnerships.

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