FACTORS THAT INFLUENCE BUSINESS PROCESS OUTSOURCING SERVICES BY HORIZON CALL CENTRE IN NAIROBI, KENYA
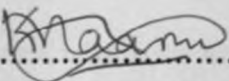
BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS
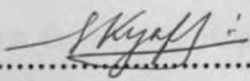
UNIVERSITY OF NAIROBI

NOVEMBER 2011

DECLARATION

This is my original work and has not been submitted for examination in any other University

Signed .... Date ...02/11/2011........

KELLEN NJERI MAAMI

D61/75179/2009

This research project study has been submitted for examination with my approval as the University Supervisor

Signed ....Date .03 -11-2011...........

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ACKNOWLEDGEMENTS

DEDICATION

I would like to dedicate this project study to the Almighty God for his continued amazing grace he has bestowed upon me providing an opportunity to realize my dream. Tracing back to my early childhood in the village, I can confess He has been my refuge and my fortress. For that, Lord I can only say Ebenezer, this far you have brought me.

Receive all the Glory!

To my Son Vincent for your perseverance and for bearing with my absence and busy schedule during the period of study. May you grow to love and enjoy studying as you purposely out do my today's good performance.

To my husband Rev. James for your prayers, patience and moral support.

To my parents, Brother and sisters for your encouragement and counsel throughout the life. May the Almighty God keep us all in His everlasting Love as we celebrate His Faithfulness.

"To God be the Glory, great things he has done………"

ABSTRACT

As organizations redirect valuable internal skills and capabilities to high value added activities, the sourcing debate has moved from whether to outsource, to what and how to outsource. Many organizations are working towards the concept of core organization dealing with core or strategic activities, surrounded by a network of smaller companies and individuals providing a range of supporting ancillary services on a contracted basis.Emperical studies have shown that one important way to cut development time is to rely on external sourcing and subcontracting instead of dedicated staffs, especially where product market are uncertain. The popularity of outsourcing and the virtual corporation reflect the glowing recognition that it is difficult to perform all activities as productively as specialists. The purpose of this study was therefore to determine factors that influence business process Outsourcing services/activities by Horizon Call Centre, Nairobi Kenya its benefits and challenges.

Business outsourcing, also known as business process outsourcing (BPO), refers to this type of arrangement where it involves one business handing over its administrative duties to another business or professional. It also refers to contracting of a specific function or business task to a third party service provider. There are various factors that influence companies to outsource. These factors includes enabling existing staffs to concentrate on core activities on organizational specialization, focusing on achieving key strategic objectives, Lowering or stabilizing overhead costs and thereby gaining cost advantage over the competition . BPO provides quantifiable benefits through improved efficiencies,

low overheads, reduced payroll and fewer capital investments. Crucially, outsourcing can provide companies with great capacity for flexibility, especially in the purchase of rapidly developing new technologies, fashion goods or the myriad component of complex system. With the capability to offer customized services to suit the needs of their customers, the organizations that outsource benefit from increased customer satisfaction and goodwill that go a long way in increasing their brand value.

Outsourcing does encounter some pitfalls and challenges. First of all, outsourcing usually reduces company's control over how certain services are delivered, which in turn may raise the company's liability exposures. Another challenge with outsourcing comes from operation managers who embark on a re-evaluation and comparison of internal operations with foreign options must be aware of the risks involved in dealing with firms that operate in different legal and cultural environments. Problems can rise regarding confidentiality, security and time schedules. The coordination and supervision required when a company outsources activities can also be a challenge. Despite the above pitfalls, outsourcing has had a positive effect on the level of performance; key amongst this is enhancement of cost estimation. The other positive results registered with outsourcing include enhanced growth in market share, positive returns on asset, increased staff morale and satisfaction, increased customer satisfaction, increased supplier satisfaction, increased product availability, positive effect on return on investment and reduced field complaints.

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ABBREVIATIONS

BPO   Business Process Outsourcing

ICT   Information and Communications Technology

KBPOCCS   Kenya Business Process Outsourcing and Contact Centre Society

EPZA   Export Processing Zone Authority

CCK   Communications Commission of Kenya

IT   Information Technology

GDP   Gross Domestic Product

UK   United Kingdom

USA   United States of America

UPS   Uninterrupted Power Supply

CCTV   Closed Circuit Television

KICTSE   Kenya Information and Communications Technology Service Exporters

HOD   Head of Department

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Businesses across the globe are usually affected by external environment as much as they are affected by the competition. Global factors that influence businesses are legal, political, social, technological and economic. Understanding of these factors is therefore important while developing a business strategy. With the increased turbulence and complexity in the business environment, companies are expanding globally to increase their profitability in ways not available to purely domestic enterprises (Hills and Jones, 2001).

In any given country, companies contribute a lot toward economic development by setting objectives which are geared towards economic development of a country. Most organizations have adopted strategies to help them maximize profits such that every firm competing in an environment has its own competitive strategy. Whether explicit, that is developed through a formal planning process or implicit, that is evolved through the various functional activities of the firm (Porter, 1998). In order for an organization to survive in a competitive environment, it has to adjust its strategic response by developing competitive strategies especially at the market level (David, 1997).Cost reduction has become the key policy in many organizations to help them improve production and overall performance of the organization. Outsourcing is adapted as one such strategy to help in reducing costs as well as in attaining a competitive advantage (Laabs, 2002). Outsourcing strategies has therefore gained popularity in the world over and has been widely embraced in many developing countries. Pricewaterhousecoopers (1999)

concluded from a study that outsourcing has moved markedly from attending to single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise.

Many developing countries with good communication infrastructure find BPO business lucrative. It creates employment and generates substantial income for the citizens be it skilled or semi-skilled, particularly the younger generation. In addition, the countries benefit from the foreign exchange earned. BPO business is very competitive and companies that provide the BPO business require very strict adherence to set standards as well as strict operating procedures that cannot easily be met without support from the host governments. Although Kenya already has a growing outsourcing sector with over 50 registered companies operational, a boom is expected. The main reason is that in June 2009, the first of three high-speed undersea fiber-optic cables became operational in Kenya. The first to go live was Seacom cable, followed by the Teams cable later Easy cable in the second quarter of 2010 (Pricewaterhousecoopers, 1999).The Kenyan Government has introduced a raft of incentives to make investing in outsourcing businesses a very attractive proposition. In fact, Outsourcing is underscored in Kenya's recently unveiled Vision 2030 initiative as a key pillar and driver of social and economic improvement through job and wealth creation.

Some of the key organizations that are driving the Kenya outsourcing agenda include the Kenya ICT Board, Kenya Business Process Outsourcing and Call Centre Society, Export Processing Zones Authority, Communications Commission of Kenya and the Ministry of

Information and Communications (Pricewaterhousecoopers, 1999).In the outsourcing sector of the Kenyan economy, the largest amount of attention has been centered on call centres. Companies such as Kencall, Skyweb Evans and Ken-Tech Data are some of the better established and successful call centres in Kenya. Setting up a call centre requires large financial resources, technical expertise and international business development. For these reasons, this may not be most ideal of the outsourcing opportunities (Jathanna, 1992).However; there are many low-cost entry points into the outsourcing sector. One of these is by leveraging online marketplaces that enable individuals and businesses alike to bid for outsourced assignments. Some of the largest online outsourcing marketplaces include eLance , RentACoder , and Guru which enable anyone from a software developer to an accountant to create their service profiles and then bid against competing bidders for assignments from practically every corner of the world (Jathanna, 1992).

1.1.1 Concept of Outsourcing

Pearce and Robinson (1997) define outsourcing as the use of a source other than internal capacity to accomplish some tasks or processes. It is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. According to (Kaathawala and Elmuti, 2000) outsourcing is a management strategy by which an organization delegate's major non-core functions to specialized and efficient service providers. Jathanna (1992) defines outsourcing as contracting out non-strategic operations to a third party. Dessler (2003) simply defines outsourcing as letting outside vendors provide services. Walton (1999) defines outsourcing in Human Resources

Management as the process by which an entire responsibility for a service area or functional activity, which was previously undertaken in-house, is transferred to an outside supplier. The work is still undertaken but not by staff employed by the organization. It is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources.

1.1.2 Business Process Outsourcing in Kenya

Business Process Outsourcing (BPO) can be technically defined as the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria (Kinyua, 2000). Its advantages are, Economy of Scale, Business Risk Mitigation, Superior Competency and Utilization Improvement. The success of countries such as India, China and the Philippines in outsourcing has led to many countries, including Kenya, investing substantial resources to develop their outsourcing potential. Business Process Outsourcing (BPO) as a business model has gained rapid momentum and has grown to phenomenal market levels estimated to be over US$1.1 trillion per annum, many emerging economies have engaged in this new industry. Organizations have been setting up and call centres around the world for several years for a variety of reasons. Many are driven by cost savings, while others are trying to maintain customer service levels. Whatever is motivating these expansions, the result is growth for regions and countries that can accommodate such operations (Quinn, J.B. and Hilmer, F.G. 1994).

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KBPOCCS is an association that aims to promote, set standards and increase the effectiveness of the outsourcing industry by sharing best practices and facilitating knowledge exchange. It provides thought leadership through the network of certified professionals and relevant industry organizations, publications and research initiatives. Pricewaterhousecoopers (1999).The Kenya BPO and Call Centre Society (KBPOCCS) is the private sector association representing the interest of the Call Centre and Business Process Outsourcing Industry in Kenya. The society's mandate is to establish a strong BPO and Call Centre Industry that will become a significant contributor to the Country's gross domestic product (GDP) through attracting direct foreign investment and consequent job creation(Pricewaterhousecoopers, 1999).

1.1.3 Horizon Call Centre in Nairobi.

According to the company profile, Horizon Call Centre is East and Central Africa's fully on demand International Call Centre and Business Process Outsourcing (BPO) Company. Horizon is a world class facility within Nairobi (Kenya), fully enabled to service the global market by deploying the best of breed technology to run its operations 24hours a day, 7 days a week. Horizon Call Centre was formed when a group of international and local investors saw that the future in Kenya's ICT sector lay in its ability to be a competitive player in the BPO space. Their strong operating culture defines their process effectiveness that aims at delivering real business results and strategic value to their clients. They integrate their capabilities with those of their clients to drive business process effectiveness with the objective to increase efficiencies and improve business outcomes. Its processes, Infrastructure and Technology have been designed and built specifically to create a Call Centre and BPO environment conducive to efficiency and

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effectiveness. The Horizon Management Team has a combined experience of over 60years in the Outsourcing/BPO sector. They have collectively amongst themselves implemented, operated and managed Call Centres and BPO's in the U.K, U.S.A, South Africa, India and for the last four years; Kenya with great success. Horizon has a complete redundant electrical infrastructure with dual backup (Uninterrupted Power Supply) UPS, Generators and a central monitoring security room connected to facility access control and (Closed Circuit Television) CCTV system.

1.2 Statement of the Problem

Most organizations have adopted strategies to help them maximize profits. Cost reduction has become the key policy in many organizations to help them improve production and overall performance of the organization. Outsourcing is adapted as one such strategy to help in reducing costs as well as in attaining a competitive advantage (Laabs,2002).Outsourcing strategies has therefore gained popularity in the world over and has been widely embraced in many developing countries (Pricewaterhousecoopers,1999) concluded from a study that outsourcing has moved markedly from attending to single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise.

Many studies done here in Kenya have mainly focused on determining the level of outsourcing among private organizations. Serem (2003) did a survey of the outsourcing of Human Resource Services by banks in Nairobi, Ogachi (2002) did a survey on outsourcing the experience of Companies listed in the Nairobi Stock Exchange, Kinyua

(2000) did a Survey of Outsourcing of selected Financial Activities by Publicly Quoted Companies in Kenya. Koori (2006) did a study on Outsourcing of HRM services in micro finance institutions in Kenya while (Chanzu, 2002) did a Survey of Business Outsourcing Practices amongst Private Manufacturing Companies in Nairobi. These studies did not explore on all factors that influence Business Process Outsourcing services in privately owned organizations in Kenya and the benefits and challenges encountered. The Kenyan Government has introduced a raft of incentives to make investing in outsourcing businesses a very attractive proposition. In fact, Outsourcing underscored in Kenya's recently unveiled Vision 2030 initiative as a key pillar and driver of social and economic improvement through job and wealth creation. Some of the key organizations that are driving the Kenya outsourcing agenda include the Kenya ICT Board, Kenya Business Processing and Call Centre Society, Export Processing Zones Authority and Communications Commission of Kenya .The research question therefore for this study is: Determine factors that influence Business Process outsourcing services by Horizon Call Centre based in Nairobi Kenya?

1.3 Research Objectives

The objectives of this study sought to:

i. Determine factors that influence Business Process Outsourcing services by Horizon Call Centre Nairobi.

ii. Determine benefits and challenges of Business process Outsourcing by Horizon call Centre.

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i.   Determine factors that influence Business Process Outsourcing services by Horizon Call Centre Nairobi.

ii.   Determine benefits and challenges of Business process Outsourcing by Horizon call Centre.

1.4 Importance of the study

The results of this study will be important to various stake holders in the industry:

First, Granting that the competencies of the firm and its essential reason for existence should be kept in-house, it is important to study what firms should then out-source. This study will help other firms in the same industry to know what to outsource in order to maximize profit and offer increased returns to shareholders. Outsourcing is a strategy that can allow managers to leverage their company's skills and resources well beyond levels available with other strategies. The benefit of successfully implementing it maximizes returns on internal resources by concentrating investments and energies on what enterprises do best. Well-developed core competencies provide a formidable barrier against present and future competitors that seek to expand into the company's area of interest. In a rapid changing market place and technological situations, this strategy decreases risks, shortens cycle times, lowers investments and creates better responsiveness to customer needs (Quinn and Hilmer, 1994).

Second, the KBPOCCS and call centre equipments and technology suppliers will find this study valuable in terms of unearthing factors that influence BPO services in Kenya and recommendations on those factors that contribute to the national economic development. The industry regulators and policy makers,KISE and CCK, will find this study useful for purposes of coming up with policies and regulations that would help the Kenyan call centre and telecommunications service industry to better evaluate, control,

monitor and implement those factors of BPO services that contributes to the economic development of the country.

Third, the study will serve as a useful point of reference by scholars and academicians for understanding the call centre competitive scope in Kenya. It will also serve academicians and scholars with additional knowledge and it was hoped that it will stimulate further research on the subject.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject matter under study presented by various researchers, scholars, analysts and authors. The research will draw materials from several sources, which are closely related to the theme and objectives of the study.

2.2 Definitions and Evolution of Outsourcing.

As organizations redirect valuable internal skills and capabilities to high value adding activities, the sourcing debate has moved from whether to outsource, to what extent and how to outsource (Venkatraman,1994).To become truly competitive, corporations have been through downsizing, rightsizing, restructuring and re-engineering. Many Organizations are working towards the concept of core organizations dealing with core or strategic activities, surrounded by a network of smaller companies and individuals (associates) providing a range of supporting ancillary services on a contracted basis (Daniel, 1998).Strategic outsourcing occurs when companies realize they cannot afford to be best in the world at all elements of their value chain supporting those markets. To the extent that they are not best-in- world at an activity (including transaction cost), they give up competitive edge by producing that activity in-house, rather than outsourcing it to a best-in-world supplier (Quinn and Hilmer, 1994).

Different authors have given different definitions to the term outsourcing. Pearce and Robinson (1997) define outsourcing as the use of a source other than internal capacity to accomplish some tasks or processes. It is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. According to (Kaathawala and Elmuti, 2000) outsourcing is a management strategy by which an organization delegate's major non-core functions to specialized and efficient service providers.Jathana (1992) defines outsourcing as contracting out non-strategic operations to a third party. Dessler (2003) simply defines outsourcing as letting outside vendors provide services. Pearce and Robinson (1997) states that outsourcing is based on the notion that strategies should be built around core competencies or activities that add value. Therefore activities that cannot be done cost effectively should be done outside the firm. Pricewaterhousecoopers (1999) concluded from a study that outsourcing has moved markedly from attending to single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. Emphasis is shifting from outsourcing parts, facilities and components towards outsourcing the intellectual based systems. Traditional outsourcing emphasis on tactical benefits like cost reduction-cheaper labour cost have more recently been replaced by productivity,flexibility,speed and innovation in developing business applications and accessing to new technologies and skills(Wild et al.1999).According to (Quinn and Hilmer, 1994).) Outsourcing is the devolution of the day-to-day performance of services to an external agency, usually under a contract with agreed standards, costs and conditions, but with responsibility for those services remaining with the organization.

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Business outsourcing, also known as business process outsourcing (BPO), refers to this type of arrangement where it involves one business handing over its administrative duties to another business or professional. It refers to contracting of a specific function or business task to a third party service provider. Typically, specific functions are outsourced by companies as a cost-saving measure. BPO can be classified into two major categories namely back office outsourcing and front office outsourcing (Wild et al.1999).Back office outsourcing includes internal business processes such as payroll, Human Resources, billing or purchase while front office outsourcing comprises of customer-facing functions such as technical support or marketing. Largely, BPO functions are contracted not only outside a company to a third party, but are also contracted outside one's country to reduce costs, which are also referred to as off shoring. The BPO industry has emerged as one of the biggest industries offering a plethora of opportunities worldwide. The advantage outsourcing has to offer easily outshines the drawbacks. Emphasis is shifting from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems.

Traditional outsourcing emphasis on tactical benefits like cost reduction-cheap labor cost have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Wild et al.1999).Scholars adapting strategic perspective and practitioners adopting conventional wisdom add that core activities should stay in-house whilst non-core activities can be outsourced, in order to preserve core competencies. Core competencies and distinct competencies are essentially a bundle of corporate skills that cut across traditional functions, such product and service design, technology creation, customer service and

logistics (Prahalad and Hamel, 1996).A study carried out by (Pricewaterhousecoopers, 1999) established that outsourcing has, moved markedly from attending to a single function more efficiently, to reconfiguring a whole process in order to attain greater shareholder value across the enterprise.

2.3 Outsourcing: a Paradigm Shift

Helper and Sako (1995) argue that managers need to move from arm's length business relationship towards long-term, collaborative, strategic partnerships with external business partners. At the same time, many large firms are streamlining their operations and moving away from the traditional vertically integrated organizations toward the provision of external contracts of key activities, thus generating a portfolio of relationships. Companies that previously focused on size, specialization, job descriptions and price, now emphasize speed, integration, job flexibility and value. This in turn has ignited an enormous trend of organizational change where corporate change is the rule of the day (Gauther, 1997).Some of the resulting consequences are visible and easily quantifiable, whilst others are subtle and less visible, such as the impact on organizational culture, values and ways of working. These less visible changes are more difficult to recognize and to communicate, as they represent a basic shift in the environment, such as alterations in management expectations or preferences towards an organizational service or product. It is held that these less visible or qualitative changes represent a paradigm shift, where one way of looking at the world is replaced by another, rather than by any slow process of rational re-appraisal (Kuhn, 1970)

As stated in our increasingly uncertain economic climate and with an emerging globalization, accompanied by a lowering growth rate, world-wide proliferation of

monopolistic (or oligopolistic) multinational corporations, capital utilization effectiveness and the rapid proliferation of information technology have caused organizations to re-evaluate how they operate in the market place. To cope with these environmental pressures, enterprises are attempting to reposition themselves higher on the value chain so as to gain competitive advantage in an uncertain World (Sweezy, 1997).To do this; corporations are undergoing organizational change with the emphasis on flexible "lean and mean" structures and a focus on "core competencies". As part of the process of progressing up the value chain, organizations are striving to reduce costs and improve efficiency and thereby utilize a variety of outsourcing arrangements. Success is defined by the ability to connect quickly and meaningfully with business partners and customers in order to rapidly improve the quality of goods and services. Consequently, companies are rapidly "devolving" from self-contained, vertically integrated organizations to more virtual entities that rely on business partners to fulfill major parts of their supply and value chain requirements (Kutnick, 1999).

2.4 Factor that influence Business Process Outsourcing

There are various factors that influence companies to outsource. These factors includes enabling existing staffs to concentrate on core activities on organizational specialization, focusing on achieving key strategic objectives, Lowering or stabilizing overhead costs, and thereby gaining cost advantage over the competition . According to (Kinya, 2000) the main drivers behind today's BPO includes need to: accelerate resources for other purposes, avoid the function since its difficult to manage or out of control, improve company focus, make capital finds available, reduce operational costs, reduce risk and

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accessibility of world class capabilities. Small specialized suppliers offer greater responsiveness through new technologies which have undermined the need for the vertically integrated organization and have also helped achieve economies of scale (Quinn and Hilmer, 1994).

Many organizations the world-over, are burdened with having to bear headquarters and support costs of constantly managing in-source activities. One of the great gain of outsourcing is the decrease in executive time spent managing peripheral activities – freeing top management to focus more on the core of its business. Various studies have shown that when these internal transaction costs are thoroughly analyzed, they can be extremely high. Since it is easier to identify the explicit transaction costs of dealing with external suppliers, these generally tend to be included in analysis. Harder- to- identify internal transactional costs, however are often not included, thus biasing results. One of the great gains of outsourcing is freeing top management to focus more on the core of its business (Aveni and Ravenscraat, 1994). In an attempt to understand their true core competencies, companies review their internal operations and outsource the day-to-day office operations. By outsourcing non-core back office activities, the organization can redirect those key human resources on to greater value added activities. Thus, business process outsourcing helps companies build long term relationships with their customers by expanding their ability to offer a variety of innovative products, continuous improved service levels, accelerated time-to-market and consequently, reduced costs (Chanzu, 2002).

Studies reveal that 18% of companies that outsource their training requirements, for example, rate their learning more extremely effective than those that run all their training programs internally. Companies that outsource focus more on training programs tied to business impact. By leveraging technology and enhanced controls, outsourcing helps in increasing operational flexibility and scalability without tying up capital (Ogachi, 2002).Companies are often able to capture new efficiencies and consequently improve their productivity. Availability of highly qualified talent pool and quicker adoption of well-defined business processes leads to productivity improvements without compromising on quality. Organizations that leverage the BPO strategy enjoy improved financial and competitive positions and have a distinct advantage over their competitors in terms of increased customer satisfaction, increased operational effectiveness, and access to global capabilities, increased cash flow and faster time-to-market (Namasivayam, 2004).

Research also shows that under information asymmetry, where one party has more information or greater access to information with respect to supplier skill level, bonus schemes conditioned upon supplier performance may be sub-optimal (Wilcoks and Fitzgerald, 1994).Research conducted on exploring information asymmetry between IT buyer and IT supplier and the effect on user benefits and development costs suggests that a viable contract produces the same equilibrium externally as an in-house IT-development (Whang, 1992).Furthermore, although outsourcing is undertaken by many corporations in order to control or reduce costs, there is a growing evidence that outsourcing does not decrease costs as expected and in some cases, costs increase. As outsourcing leads to a re-definition of organizational boundaries and by implication,

structural adjustments involving human resources, these changes incur social as well as financial costs. Although these costs are transitory and can be mitigated by facilitating the adjustments through the re-training and re-deployment of staff within the organization, their transfer to the supplier organization and ensuring redundancy payouts, can still be consideration (Domberger, 1998).Some scholars argue that although outsourcing represents state of-the-art management, the practice of lean production involves the explicit reinforcement or creation of sectors of low-wage contingent workers, frequently employed by small businesses (Harrison, 1994).What is clear is that the cost of outsourcing is not uniformly distributed among the stakeholders of the organization and that the effects of contracting out on overall employment levels in the economy is not well researched (Domberger, 1998).In effect, the social impact of outsourcing on social structures is not yet fully appreciated.

According to (Quinn, J.B. and Hilmer, 1994).Outsourcing decisions tend to be incremental. As concluded, "a whole series of incremental outsourcing decisions, taken individually, may make economic sense, but collectively they may also represent the surrender of the business's capability to compete". Core products or technology may be compromised and the firm could become dependent on a large range of suppliers. Jathanna (1992) challenged the cost of outsourcing, claiming that "the economics are troubling at best and extremely costly at worst". This view was shared by, who believed conventional accounting systems are incapable of providing the relevant cost information on which to base a decision. In the long term he argued, outsourcing may not be the best strategy for every function. Similarly, reported that outsourcing normally occurs not as part of a coherent strategy but in order to save money. As argued by (Koori, 2006)

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"outsourcing can provide a short cut to a more competitive product, but it typically contributes little to building the people-embodied skills that are necessary to sustain product leadership".

2.5 Benefits of outsourcing

One of the most important benefits derived from outsourcing is in terms of cost savings (Serem, 2003). Companies that outsource their work have access to the best of talent and expertise in the outsourcing domain at very low costs. Research reveals that companies that outsource garner savings of about 40 – 50% which is highly substantial and extremely beneficial. Multinational companies leverage the huge pool of human resources available in developing countries such as India, China and others to outsource their non-core activities and processes while taking advantage of low cost of labor.

Quinn and Hilmer (1994) find a significant relationship between outsourcing and profitability margin where they found that Chrysler's profit margin is four times as high as that of General Motors due to effective outsourcing through strategic alliances. BPO provides quantifiable benefits through improved efficiencies, low overheads, reduced payroll and benefit expenses and fewer capital investments (Serem, 2003). Outsourcing provides flexibility in response to changing market conditions and reduces investment in high technology. Crucially, outsourcing can provide companies with great capacity for flexibility, especially in the purchase of rapidly developing new technologies, fashion goods or the myriad component of complex system (Harrison, 1994). BPOs provide the management with flexible and scalable services to meet the customer's ever changing requirements which provide a distinct advantage to the organization, especially to support company acquisitions, consolidations or joint ventures (Laabs, 2002). With the capability

to offer customized services to suit the needs of their customers, the organizations that outsource benefit from increased customer satisfaction and goodwill that go a long way in increasing their brand value. A network of suppliers can provide an organization with the ability to adjust the scale and scope of their production capability upwards or downwards, at a lower cost, to changing demand conditions and at a rapid rate. As such, outsourcing can provide greater flexibility than the vertically integrated organization(Harrison, 1994).Furthermore, outsourcing can decrease the product or process design cycle time, if the client uses multiple best-in-class suppliers, who work simultaneously on individual components of the system, as each supplier can contribute greater depth and sophiscated knowledge in specialized areas and thus offer higher quality input than any individual supplier or client (Quinn and Hilmer, 1994).

Business Process Outsourcing is considered as one of the most effective methods to achieve new levels of success, productivity and profitability. BPO provides access to proprietary work flow systems, process re-engineering skills, innovative staffing and delivery models, combined with world-class technology delivered by experts. Outsourcing has evolved as one of the biggest steadily growing industries, especially in the developing countries with a large human resource pool owing to the multiple advantages and benefits that it offers (American Outsourcing Institute, 1998).Perhaps the greatest advantage of outsourcing is the full utilization of external suppliers investments, innovation and specialized professional capabilities that otherwise would have the case, which for any one organization would be prohibitively expensive to replicate. However, transferring fixed costs into variable costs by selling assets to an outsourcing vendor is

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considered an advantage for many organizations. The company receives cash payment and transfers fixed costs into variable overheads (Wilcoks and Fitzgerald, 1994).

2.6 Risk and Limitations of outsourcing

Outsourcing does encounter some pitfalls and problems. First of all, outsourcing usually reduces company's control over how certain services are delivered, which in turn may raise the company's liability exposures. Companies that outsource should continue to monitor the contractor's activities and establish constant communication (Guteri, 1996).Another big problem with outsourcing comes from the workers themselves, as they fear loss of jobs. Harrison (1994) argues that outsourcing can also lead to a decline in the morale and performance of the remaining employees. Furthermore, operation managers who embark on a re-evaluation and comparison of internal operations with foreign options must be aware of the risks involved in dealing with firms that operate in different legal and cultural environments. Problems can rise regarding confidentiality, security and time schedules (Quinn and Hilmer, 1994). The coordination and supervision required when a company outsources activities be a challenge. The Boston Consulting Group found "co-ordinating a gaggle of subcontractors is often more time-consuming and costly - than managing in-house manufacture of the parts in question". If the lack of coordination results in poor communications then this could also have "severe effects on workplace safety". (Koori, 2006).

Organizations risk become dependent on outsourcing suppliers for services, failing to realize the purported hidden cost savings to outsourcing, losing control over critical functions, having to face the prospect of managing relationships that go wrong and

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lowering the morale of permanent employees (Wilcoks and Fitzgerald, 1994).Moreover, outsourcing can generate new risks, such as the loss of critical skills or developing the wrong skills, the loss of cross-functional skills, and the loss of control over supplier's priorities do not match client needs. Short-term contracts, based on the principle of the lowest winning bid, are claimed to stifle incentives to innovate because rewards for innovation cannot be captured by the contractor (Domberger, 1998).

2.7 Growth of Call centre industry in Kenya

The growth of the call centre industry has received considerable attention for the past years. The trend is basically to outsource this service to countries where labour costs less but the quality is up to par with those of Western countries. The Philippines and India are two of the countries mostly preferred when outsourcing call centre agents. Both countries speak good English as they were both former colonies of English speaking countries such as the United States and Great Britain respectively. A call centre is operated by a company to administer income product support or information inquiries from customers. Outgoing calls for telemarketing clientele and debt collection are also made. In addition to a call centre, collective handling of letters, faxes, and e-mails at one location is known as call centre. A call centre is often operated through an extensive open workstation, with work stations that include a computer, a telephone set/head set connected to a telecom switch, and one or more supervisor workstation. It can be independently operated or networked with additional centre often linked to a corporate computer network, including mainframe, micro computers and local area networks (Chanzu, 2002) Call centres are quickly becoming a major point of call for servicing customers and generating new

revenue in variety of industries. Call centres provide the single most call point for customers on all their requirements and hence improve service in terms of communication, response time and quality of delivered service for any organization.

The Kenya Business Process Outsourcing Call Centre of Kenya Society (KBPOCCS) is leading in the growth of the business process outsourcing and call centre industry in Kenya. KBPOCCS has been identified as one of the main vehicles that will be used for the rapid development of the Kenya's economy and employment especially for the youth.KBPOCCS note that the two major factors that will drive growth in this sector are mostly increased bandwidth and connectivity in telecommunications (Pricewaterhousecoopers,1999).The other players in the industry include the Kenya Information and Communications Technology Service Exporters (KICTSE) which represents the call centre private sector initiatives in the country.KISE was formed for the sole purpose of regulating and overseeing the growth and development of the call centre sector in Kenya. The other important industry player is the Communications Commission of Kenya (CCK) which is responsible for developing and co-coordinating policies and strategies with respect to development and operation of Telecommunications services in Kenya (Pricewaterhousecoopers,1999).The commission licenses telecommunications operators and service providers and monitors performance on a continuous basis to ensure that they discharge their obligations as stipulated in their licenses and in keeping with the provision of the Kenya Communications Act 1998 and the Kenya Communications Regulations 2001.The Kenya's call centre industry is in the introductory stages and contributes to a small proportion of the KBPOCCS industry (Chanzu, 2002).

According to the 2006/2007 Communications Commission of Kenya (CCK) annual report; there are a total of 19 call centres operators who have registered for licenses with CCK from various sectors of the economy. The call centre industry has employed a total of 3,000 employees from different sectors of the economy and industry. Seventy per cent (70%) of the Kenya's call centre business is conducted in-house while thirty per cent (30%) is outsourced internationally to countries such as India and Philippines (Chanzu, 2002).If Kenya addresses the competitive strategies it is facing, the call centre industry by end of year 2011 could represent a market with over 1,600 call centres, 114,500 agents and contribute to the Gross Domestic Product (GDP) of the economy with annual revenue of $ 19.3 Million (Frost and Sullivan, 2008).Kenya's vision in the 1990's was to become a significant force in the information and Communications Technology(ICT) but as a country works towards Vision 2030,increased ICT developments will enable the country to become a significant player in the global outsourcing and call centre market. Currently; there is a worldwide acknowledgement of Kenya's transformation into a regional hub for call centres related activities. Many entrepreneurs have cited its growth potential, improving good infrastructures, increased liberalization and high levels of education to justify planned or continued investment in the call centre (Kinyua, 2000).

Horizon Call Centre is East and Central Africa's fully on demand International Call Centre and Business Process Outsourcing (BPO) Company. It is a world class facility within Nairobi (Kenya), fully enabled to service the global market by deploying the best of breed technology to run its operations 24hours a day, 7 days a week. The company was

formed when a group of international and local investors saw that the future in Kenya's ICT sector lay in its ability to be a competitive player in the BPO space. Their strong operating culture defines their process effectiveness that aims at delivering real business results and strategic value to their clients. They integrate their capabilities with those of their clients to drive business process effectiveness with the objective to increase efficiencies and improve business outcomes. Horizon processes, Infrastructure and Technology have been designed and built specifically to create a Call Centre and BPO environment conducive to efficiency and effectiveness.

The Horizon Management Team has a combined experience of over 60years in the Outsourcing/BPO sector. They have collectively amongst themselves implemented, operated and managed Call Centres and BPO's in the UK, USA, South Africa, India and for the last four years; Kenya with great success. The training and recruitment department of Horizon is widely spread. This enables it to process large intakes of staff and accommodating them in a modern and well equipped environment to ensure continuous skills development for its best in class workforce. They provide their staffs with state of the art tools and technology to achieve their objectives and more importantly, be successful in servicing their clients and partners.

Therefore, the company should outsource activities if to carry them out internally would require excessive investment to get the lowest unit cost.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology was a road map that guided the process of the study and was
to ensure that the objectives were met through the answering of the research questions.
This chapter was to cover the research design, data collection and analysis.

3.2 Research design

The research was in the form of a case study. This was to allow in depth study since the
research required an investigation to determine various factors that influence BPO
services by Horizon Call Centre Nairobi Kenya which was best obtained by case study. A
case study is a very popular form of qualitative analysis and involves a careful and
complete observation of a social unit be that unit a person, a family, an institution, a
cultural group or even the entire community (Chanzu, 2002).The advantage of using a
case study include facilitating intensive study of concerned unit which was not possible
with other methods and possibility of obtaining the inside facts from the experienced
employees. According to (Ogachi, 2002) a single, well designed case study provided a
major challenge to a theory and provided a source of new hypothesis.

The limitations of the case study included the danger of false generalization which was
experienced because of lack of set rules to follow in collection of information, it was time
consuming and expensive, the researcher would be subjective and it was used in a limited
sphere not in a big society. Despite the above limitations, the study was based in Nairobi
and the researcher interviewed the Chief executive officer (CEO), Deputy Chief

Executive Officer, the five (5) Head of departments and five (5) unit heads from each department of Horizon Call Centre. The Company Departments are: Operations, Information Technology (IT), Human Resources, Business Development and Business Analytics department.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected through personal interview using the interview guide that is attached in appendix 2. The interview guide enabled the coverage of all factors that influence business process outsourcing services, benefits and challenges under research. The interview method used was a direct personal investigation which aimed to collect the information from all sources targeted. In the structuring of the question, closed ended questions that would limit the respondents' answers were avoided in an effort to minimize the risk of subjective answers. Secondary data was obtained from Horizon call centre website, annual board papers, internal news letter, brochures and any relevant document was also utilized to compliment information from the interview

3.4 Data Analysis

Content analysis was done since the data collected was mainly qualitative in nature. Content analysis measured the semantic content or what aspect of the message. Its breadth made it flexible and wide-ranging tool that was used as a methodology or a problem specific technique (Koori, 2006).The content analysis was described as a research technique for the objective, systematic and qualitative description of the

manifest content of communication (Ogachi, 2002). Content analysis guarded against selective perception of the content, provided for the rigorous application of reliability and validity criteria, and also amenable to computerization. Case studies yielded information that would not be obtained using other methods. Content analysis of data was based on analysis of meanings and implications emanating from respondent's information and documented data on factors that influence BPO services by Horizon Call Centre.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the analysis of data collected through interviews with the seven (12) interviewees. The interviewees consist of the Chief executive officer (CEO), Deputy Chief Executive Officer and the five (5) Head of departments and five (5) units' heads of Horizon Call Centre. The data was analyzed using content analysis based on meanings and implications emanating from respondents information and documented data. Specifically, it starts with the analysis of the general information of the company then proceeds to results on the factors that influence business process outsourcing services by Horizon Call Centre, benefits and challenges. The researcher interviewed 12 respondents. The study sought to determine factors that influence business process outsourcing, in Horizon Call Centre, Nairobi Kenya. It also sought to determine benefits and challenges on BPO services/activities.

4.2 General information of the firm

This section represents the general information about Horizon Call Centre. This includes the ownership, communications of objectives, whether or not the company embraces outsourcing as one of their strategies, basic requirements an investor needs to operate a call centre and current outsourcing activities.

The researcher found out from the study that the Company is headed by one (1) Chief Executive Officer, assisted by one (1) deputy CEO. There are Five (5) Heads of Departments (HODs) who heads Departments and five (5) unit heads that operates under

the HODs.The five departments are: Operations, Information Technology (IT), Human Resources, Business Development and Business Analytics department. The Company started with six (6) staffs, but currently it has Three Hundreds (300) staffs majority being deployed in Operation and few in Business Analytics department.

4.2.1 Ownership of the Company

The researcher found out from the study that the Company does not have any other Branch locally; however it has a Mega Branch in India. In addition, the researcher found out that the Company was jointly owned, where 75% is largely foreign owned whereas 25 % is largely locally owned as shown in Table 1 below.

Table 1: Company Profile by Ownership.

	N=12	
Company Ownership	Frequency (No.)	Percentage (%)
Wholly local owned	3	25 %
Largely foreign owned	9	75 %
Total	12	100%

Source: Research Data

4.2.2 Communication of Objectives

The interview guide sought response on how corporate objectives of the company were communicated to the staffs. From the responses received from the interviewees, it was

clear that the corporate objectives were entrenched in the strategic plan of the organization where each department had its objectives that had to be met. All the departmental objectives were congruent with the overall companywide objectives. The staff members are also constantly reminded of their objectives during meetings carried out between managers and other staff members to review their performance during and over a certain specific period of time. The study also indicates that there is awareness and involvement as the outsourcing strategy was being embraced by each of the respondents.HODs was involved in formulation and implementation of the strategy.

4.2.3 Basic requirements for operating a Call Centre

The researcher established that in order for one to successfully start a call centre, financial requirements are as important as Physical and Structural facilities.

The researcher further established that the Call Centre was in a well designed work space that allows for free movement and interaction of staffs. The building was well air-conditioned and proper civil and structural measures was well taken to ensure that the building is able to support all the staffs at any given time. The building was secured as the call centre operations are twenty four hours and staff working on the night shift need to feel safe and secure. Good quality office furniture such as chairs and work stations were being used as the call centre agents normally sit down for reasonably long hours and this helps boosts the staff morale when working. For example, a comfortable seat is very valuable to enhancing the agent's comfort and ability to understand the messages being conveyed. The rest rooms were easily accessible, clean drinking water and refreshments were readily available for the call centre agent. Storage space for officials and personal

goods were also provided. It was also established that an Average of Kshs.2, 000,000 is required as a startup capital with one stating that it costs Kshs.400, 000 per call centre work station. This was sufficient for establishing a medium sized call centre with up to 50 computers. However, it was noted that this was an approximation from the already existing firm and the value was subject to change depending on the type of equipments to be installed. The more sophiscated the equipments are, the more the set up cost would be. This was to vary with the level of expertise recruited by the firm; this however affects the initial quality of work delivered by the staffs.

4.2.4 Current Outsourcing Activities.

The researched wanted to find out whether there was any particular area frequently outsourced by the call centre company. The findings therefore indicated that Information Technology is currently being outsourced by the company to a very great extent closely followed by transport activities which is outsourced to a great extent. Facility management and policy management were found to be moderately outsourced as one way of improving the efficiency of service. Human resource (HR) services are outsourced to a small extent as the company recruit for itself however training of these newly recruits is outsourced to a moderate extent. The study revealed that HR outsourcing has a great future potential as a key management strategy in the organizations. This is because the organization was able to reduce their high wage costs and improve the management of payroll for internally employed employees. The researcher further found that financial management service is not outsourced at all. The contractor ensures that the activities are performed at an optimal level and that the quality of service is high as the service level

agreement are drawn and signed by both parties. The respondents were confident that outsourcing has the capacity to increase the organizations effectiveness and efficiency.

4.3 Factors that influence business process outsourcing services

During the Interview, the respondents were asked to choose only ten (10) out of the twelve (12) factors provided that they feel contribute to BPO services in their company. Majority of respondents identified access to world class capabilities and change in Technology as the main factors that highly influence BPO services. Need to concentrate on Core Activities, need to reduce operational cost and need to free resources for other purposes followed to be the factors that influence BPOs. Some respondents further felt that other factors that influence the choice of what to outsource includes: need to improve institutional focus, ease of activity control need to improve efficiency and need to reduce risks. Some respondents did not consider management style and availability of human resource skills as important factors that determines BPO services. All respondents did not consider Government Policy as an important factor to be considered at all. With regard to any additional factor influencing BPO services, the study revealed that most of the respondents considered choice of an external service vendor as an important factor. The various attributes of the vendor which were considered as important includes professionalism, competence, quality of service, contract term, credibility, cost and flexibility. The study also revealed that some respondents did not consider certain factors as important while selecting the external vendor. These were: size of the vendor, qualification of the vendor and vendor's flexibility. Majority of the respondent felt that it

was not cost effective to handle some activities/ services internally as the required skills were lacking and hiring them would cost more that delegating them to a third party. The company therefore needs to improve on technology and services quality so as to highly access world class capabilities.

4.4 Benefits of Business Process Outsourcing

From the study, the second objective was to determine the benefits of BPO services. The respondents were asked to identify the benefits of outsourcing in their company from the list provided. The List of benefits provided included: flexibility, increased productivity, eases workload, enhancement of job security for core employees, accessibility of specialized experts at a reduced cost, increased customer satisfaction and reduction of staff numbers which translates to reduced staff costs. This section presents the findings on the perceived benefits of BPO services by Horizon Call Centre.

The researcher found out that the respondents identified the main benefits of outsourcing are: increased productivity and core competency exploration. The respondents also identified flexibility and access to superior / "best in the world" quality appropriating final product value as benefit also enjoyed by Horizon Call Centre. Some benefits were considered by majority of the respondents not to be very beneficial to the company, these were: increased customer satisfaction, reduction of staff numbers hence cost effective, need to develop the organization's own sourcing strategy and ability of the company to access specialists' expertise at lower cost. In addition, the study revealed that all respondents did not consider ease of work load, Leverage/ reduction in their functional scope of the organization and enhancement of job security for core employees as a

benefit of outsourcing services. Most respondents identified that with outsourcing, cost estimation was enhanced since the contracts entered into with the third party agents have a fixed charge per unit creating an element of predictability. Standard costing was therefore made that easy, as the unit costs were known. It was the responsibility of the supplier to ensure that the quality standards agreed on were met. Production schedules were also agreed on thus ensuring over-stocking and stock-out situations are avoided.

4.5 Challenges to Business Process Outsourcing

The respondents were asked to state the challenges encountered during BPO services. Most respondents stated that BPO is not without challenges; the study revealed that by outsourcing an activity, a company loses both the ability to learn from the activity and the opportunity to transform it into a distinctive competency to a very great extent. That means the company may fail to build a valuable external competency in the service outsourced and this may place it at a competitive disadvantage, in regard to other similar companies that have such a competency. The company may also become too dependent on a particular supplier to a great extent; in the long run, this may hurt the company if the performance of that supplier starts to deteriorate, or if the supplier starts to use its power to demand higher prices from the company. The study also revealed that contract administration requirements may well give birth to the contracting bureaucracy in the contractee to a moderate extent. Moreover, co-coordinating a gaggle of subcontractors is often more time-consuming and costly than managing in-house manufacture of parts in question.

Some respondents had a very great concern in that in the company's enthusiasm for strategic outsourcing; a company might go too far and outsource value creation activities that are central to the maintenance of its competitive advantage. By doing so, the company might well lose control over the future development of a competency, and as a result its performance might ultimately decline. Another great concern raised is loss of critical skill and developing the wrong skills leading to possible mismatch between the skills selected for emphasis today and those required in the future.

4.6 Discussions of Results

Business Process Outsourcing can achieve a wide spectrum of objectives ranging from doing the same things at a lower cost that is traditional outsourcing, to achieving new things in new ways in other words transformational outsourcing. If the objectives are clear and achievable, an outsourcing strategy can articulate the achievement of these objectives. One component of this strategy must be to fit the deal structure and the relationship to the objectives. According to (Kinya, 2000) the main factors behind today's BPO includes need to: accelerate resources for other purposes, avoid the function since its difficult to manage or out of control, improve company focus, make capital finds available, reduce operational costs, reduce risk and accessibility of world class capabilities. The findings of this research concur with these factors that were identified as having influenced BPO activities. In this study, majority of the respondents stated that access to world class capabilities was the main factor behind BPO services closely followed by change in technology. The respondents felt that Government Policy is not among the factor to consider when outsourcing. Given today's rapid technology

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advances, many enterprises find they can lower their risks and leverage their assets substantially by availing investments in vertical integration and managing intellectual systems instead of workers and machines. The core strategy of coordinating the entire system of the Company becomes "do those entire things in-house that contribute to your competitive advantage, and try to source the rest from the world's best suppliers."

There are various benefits associated with BPO services, these benefits includes increased productivity, ease of workload, enhancement of job security for core employees, accessibility of specialized experts at a reduced cost, and increased customer satisfaction. Having a clear approach to governing the relationship mutually defined and widely accepted will act as an accelerator for success. They must also be built in flexibility and one eye on change as it's inevitable in most cases of BPO. In fact outsourcing in itself is a form of change for an organization and the arrangement needs to have an appropriate level of built in flexibility to ensure the service and relationship continually functions efficiently. This is especially critical for transformational outsourcing, where the business change team, the new technology team and the service delivery team must be aligned in their objectives and approach. The study revealed that HR outsourcing has a great future potential as a key management strategy in organizations. This is because the organization was able to reduce their high wage costs and improve the management of payroll for internally employed employees. The respondents were confident that outsourcing has the capacity to increase the organizations effectiveness and efficiency. Despite the potential that BPO offers, a very large proportion of firms that have outsourced are not satisfied with the results. One of

the main reasons is that firms outsource for short-term cost and headcount reductions. Such firms tactlessly outsource some of their core activities on an adhoc basis to gain short term advantage, while others found that they were being leveraged by their suppliers to pay higher rates. In another instance, a firm may focus on a definition of the core that may have been justified at the time but fail to take into account of the future.

Many companies have discovered that outsourcing often results in higher costs and service levels from outside vendors often do not match the level formerly provided by the company's own staff. Companies that previously focused on size, specialization, job descriptions and price, now emphasize speed, integration, job flexibility and value. This in turn has ignited an enormous trend of organizational change where corporate change is the rule of the day (Gauther, 1997).Some of the resulting consequences are visible and easily quantifiable, whilst others are subtle and less visible, such as the impact on organizational culture, values and ways of working. These less visible changes are more difficult to recognize and to communicate, as they represent a basic shift in the environment, such as alterations in management expectations or preferences towards an organizational service or product. It is held that these less visible or qualitative changes represent a paradigm shift, where one way of looking at the world is replaced by another, rather than by any slow process of rational re-appraisal (Kuhn, 1970)

As stated in our increasingly uncertain economic climate and with an emerging globalization, accompanied by a lowering growth rate, world-wide proliferation of monopolistic (or oligopolistic) multinational corporations, capital utilization effectiveness and the rapid proliferation of information technology have caused organizations to re-

evaluate how they operate in the market place. To cope with these environmental pressures, enterprises are attempting to reposition themselves higher on the value chain so as to gain competitive advantage in an uncertain World (Sweezy, 1997).To do this; corporations are undergoing organizational change with the emphasis on flexible "lean and mean" structures and a focus on "core competencies". As part of the process of progressing up the value chain, organizations are striving to reduce costs and improve efficiency and thereby utilize a variety of outsourcing arrangements. Many large firms are streamlining their operations and moving away from the traditional vertically integrated organizations toward the provision of external contracts of key activities, thus generating a portfolio of relationships. Helper and Sako (1995) argue that managers need to move from arm's length business relationship towards long-term, collaborative, strategic partnerships with external business partners.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objectives of this study were to determine factors that influence business process outsourcing services, its benefits and challenges encountered by Horizon Call Centre when outsourcing. The objectives of the study were met since the research was able to establish that Horizon Call Centre had been influenced by a number of factors as highlighted in chapter four and that there are benefits and challenges to outsourcing services/ activities. Horizon Call Centre is jointly owned and it's headed by a CEO assisted by a deputy CEO and Five Head of Departments who work hand in hand with the five (5) unit heads. The company has well documented corporate objectives which were entrenched in the strategic plan of the organization where each department had its set objectives. All the departmental objectives were congruent with the overall companywide objectives which are communicated to employees and external stakeholders in both written and spoken form. The Chief Executive Officer is involved in communicating the corporate objectives.

To start a call Centre, the basic requirements are financial, structural and Physical facilities. At Horizon Call Centre, the services that are mostly outsourced are Information Technology closely followed by Transport services.

5.2 Summary of the results

The study revealed that there are various factors that influence business Process Outsourcing services by Horizon Call centre. The factors that were revealed from the

study comprises of: access to world class capabilities, change in Technology, need to concentrate on core activities, need to reduce operational cost, availability of human resource skills, easiness of activity control, need to improve institutional focus, need to free resources for other purposes, need to improve efficiency, choice of an external service vendor, need to reduce risks and management style. The study also revealed that the benefits of outsourcing are: increased productivity, core competency exploration, access to superior / "best in the world" quality appropriating final product value, flexibility, increased customer satisfaction, reduction of staff numbers hence cost effective, need to develop the organization's own sourcing strategy, the ability of the company to access specialists' expertise, critical skills and knowledge at lower cost. In addition, most respondents indicated that with outsourcing, cost estimation was enhanced. The contracts entered into with the third party agents have a fixed charge per unit creating an element of predictability. Standard costing therefore was made easy since the unit costs were known. It was the responsibility of the supplier to ensure that the quality standards agreed on were met. Production schedules were also agreed on thus ensuring over-stocking and stock-out situations are avoided.

The respondents stated that outsourcing is not without challenges; the study revealed that by outsourcing an activity, a company loses both the ability to learn from the activity and the opportunity to transform it into a distinctive competency, the company may become too dependent on a particular supplier, contract administration requirements may well give birth to the contracting bureaucracy in the contractee, co-coordinating a gaggle of subcontractors is often more time-consuming and costly than managing in-house

manufacture of parts in question, firm managers exert control over the firm's employees making the relationship more hierarchical and authoritarian. Some respondents had a concern in that in the company's enthusiasm for strategic outsourcing; the company might go too far and outsource value creation activities that are central to the maintenance of its competitive advantage.Moreover, a possible mismatch may occur between the skills selected for emphasis today and those required in the future. Outsourcing may also lead to loss of critical skill within the company and there is a possibility of developing wrong skills.

5.3 Conclusions

From the findings of this study, it can be concluded that Horizon Call Centre outsource IT services to a great extent. This can be explained by that fact that it has taken advantage of the rapid technological advancement to expand their business .This can be explained further by the rapid growth of the company where when it started, the staffs employed were six (6) and currently they are over Three Hundred employees (300).The main factor that drive the company is mainly the need to gain access to world class capabilities. Other factors that drive the company BPO services are such factors as: need to concentrate on core activities, the need to reduce operational costs and need to free resources for other activities. Based on the above factors, the company has been able to make strategic Business Process Outsourcing decisions that have enabled them to achieve their core objectives. Indeed outsourcing has had a positive effect on the level of performance for each of the seven respondents. Key amongst this is enhancement of cost estimation. The other positive results registered with outsourcing include enhanced growth in market

share, positive returns on asset, increased staff morale and satisfaction, increased customer satisfaction, increased supplier satisfaction, increased product availability, positive effect on return on investment, reduced field complaints, customer returns to increased organizations effectiveness and efficiency.

5.4 Recommendations

In view of the findings of this study, the following recommendations are made.

Horizon Call Centre should incorporate fully BPO as a Competitive strategy and increase areas in which they outsource. There should be a clear policy on the most important factors to consider when making Business Process Outsourcing decisions. This would help the management in knowing clearly when to outsource and when not to outsource. The CCK can put down clear policy guidelines on when a company can outsource and how to do it, this is because at the moment, there is no clear guideline on when to outsource and how to do it.

5.5 Limitation of the study

The research met with various challenges when conducting the research that included the fact that Private Companies ordinarily do not want to give information due to client confidentiality. In addition, some of the interviewees would not find the subject to be of interest. Additionally, some respondents would not want to give the information as they considered it of competitive importance. The respondents being normally very busy people may not have found a lot of time to be interviewed. Since the research was conducted via open-ended interviews, a large amount of time was needed to collect

information from the respondents. Time limitation made it impractical to include more respondents in the study. This study was also limited by other factors in that some respondents may have been biased or dishonest in their answers. More respondents would have been essential to increase the representation of Horizon Call Centre team in this study and allowed for better check of consistency of the information given. However, the researcher did look for contradictions in the information given and no inconsistency were found.

5.6 Suggestions for further research

Business Process Outsourcing activities is widely embraced in the developing countries such a Kenya. In Kenya, it has gained acceptance mainly in the private organizations, however government organizations are also incorporating it as a key management strategy though at a sluggish pace. Given that this study only covered factors that influence BPO in a private call centre jointly owned in Nairobi Kenya, there may be other private organizations in major towns in Kenya both locally and foreign owned not covered. There is therefore room for a similar study to cover all call centre in the major towns in Kenya whether locally or foreign owned. This is timely, given the today's rapid technology advances and the increased emerging of Call Centres in the country. There is need to consider which activities are to be outsources in various region of the country and determine factors that influence the Business Process Outsourcing of these services in the various regions. This would probably optimize the use of the advanced technology countrywide and cut down on operational costs.

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Appendix 1: LETTER OF INTRODUCTION

University of Nairobi

School of Business

The CEO,

Horizon Call Centre

Date: July 15, 2011

Dear Sir/ Madam,

RE: REQUEST FOR PARTICIPATION IN MY RESEARCH WORK

I am a postgraduate student studying at the University of Nairobi, currently undertaking a research on: Determine factors that influence Business Process Outsourcing services by Horizon Call Centre Nairobi, Kenya. Your organization is the main focus of the study based on its corporate image and its pursuance of excellence. I kindly request your assistance by availing time for an Interview (Not more than 30 minutes) which will be based on the interview guide enclosed herein. In addition, am also requesting you to allow me to interview your deputy CEO and the five (5) Head of Department based on the same interview guide. Any documentations, strategic plans, reports or journals that you may have that are relevant to this topic of study may be availed to me at your discretion. A copy of the final report will be made available to you at your request.

Your assistance will be highly appreciated.

Yours faithfully,

Kellen N. Maami (Student)

CC. Dr. John Yabs (Academic Supervisor)

APPENDIX 2: INTERVIEW GUIDE

PART A: General information

1. How are the corporate objectives communicated to the staffs in your company?

2. When was your firm started?

3. For how many years have you been operating in the Kenyan Market?

4. How much capital did you use to start the business?

5. What is the nature of ownership of your Business (Please tick appropriately)

    a. Local   (   )

    b. Foreign   (   )

    c. Joint Ownership (Local and Foreign)   (   )

6. How many employees did you have when you started operating and how many do you have currently?

7. Does an investor need the below listed requirements to operate a call centre?

    a) Financial requirements

    b) Physical and Structural facilities

PART B: Outsourced services/ activities, Factor that influence BPO, Benefits of Outsourcing and Challenges encountered.

8. In your own opinion, has your institution outsourced services listed below during the past two years? (a) Financial Management (b) Policy Making (c) Transport (d) Human Resources (e) Information Technology

9. Which of the following twelve (12) factors listed below influences BPO services/activities in your company? Please tick (√) only the ten (10) out of twelve (12) factors provided that are applicable and identify any other one (1) factor not listed below that influence BPO in your company.

Factors that influence BPO services/ activities	Tick appropriately (√)
Access to world class capabilities	
Human Resources available internally	
Management style	
Need to free resources for other purposes	
Need to improve institution focus	
Need to reduce operational costs	
To concentrate on Core activities	
To improve efficiency	
Change in Technology	
As a Government policy	
Ease of activity control	
Need to reduce Risks	
Any other factor (please specify)	

10. From the list of benefits listed below, what are the benefits of outsourcing in your Company?

List of Benefits

i. Access to critical skills and knowledge

ii. Access to superior / " best in the world" quality appropriating final product value

iii. Reduction of staff numbers, hence cost effective

iv. Job security for core employees is enhanced

v. Productivity is increased due to high value creation

vi. Enable companies to access specialists expertise at lower cost

vii. Eases workload

viii. Need to develop the organization's own sourcing strategy

ix. Increases customer satisfaction

x. Flexibility

xi. leverage/ reduction in their functional scope of the organization

xii. Core competency exploration

11. Identify some of the challenges a company encounters when outsourcing services/ activities.

12. Based on your experience in outsourcing, what is the future potential

of outsourcing activities and would you recommend outsourcing as a key management strategy to other organization

Thank you for your responses.