STRATEGIC PLANNING FOR BUSINESS PROCESS OUTSOURCING (BPO) IN KENYA: THE CASE OF THE SAMEER BUSINESS PARK

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DECLARATION

This research proposal is my original work and has not been presented for a degree in any other university.

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This research proposal has been submitted for examination with my approval as a University Supervisor.

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My special appreciation goes to my supervisor Dr Regina Kitiabi for the advice and support throughout the period of writing this project.

My thanks also go to my husband John Wathuta and mum Emma Wathigo for their support and understanding throughout the entire course.
DEDICATION

To my love John Wathuta, daughter Shirleen Wambui and son Wesley Gathuya.

To my mum Emma Wathigo and my late dad Patrick Wathigo.
ABSTRACT

With the launch of the Vision 2030, Kenya was expected to quickly become the top BPO destination in Africa with the BPO industry in Kenya providing over 7,500 direct jobs with an additional GDP contribution of Kshs 10 billion. Through this ambitious plan Kenya was and is still expected to attract top international IT suppliers so as to create confidence in more investments, thereby attracting leading multinational corporations and foreign companies with top BPO brands. Despite this, Kenya and its other East African countries are conspicuously missing in the world’s top 50 most attractive global outsourcing destinations. The purpose of this study was to establish a strategic planning for business process outsourcing in Kenya. Taking into consideration that Sameer Business Park was established as the first BPO centre in the country and the region, the study thus focused on it with the view of learning why the venture had failed to take off.

The research employed a mixed methodological approach and used three sets of instruments which included; a questionnaire, interview schedule with key informants and document analysis guide. In total 44 participants were involved. The study established that though Kenya was a suitable destination for locating BPO’s, the industry was faced with a myriad of challenges. These included weak BPO incentives, poor infrastructure, high cost of operation, inadequate BPO facilities, ineffective marketing and comparatively expensive technology. Presence of manpower and skilled labour were found to be factors that could greatly enhance the BPO industry in Kenya. The study recommends that to attract foreign and local investors the government should not only provide a legal and regulatory framework for the industry, but also assist the growth of the BPO industry by providing the necessary incentives that encourage and motivate
entrepreneurs (both local and foreign) to take the risk and invest in Kenya. The principal proposition of this study is that there is need to implement a successful BPO strategy. The research recommends that further study be undertaken to determine the type and areas of incentives that the government can adopt to assist in the growth of the BPO industry and determine the effects of this kind of incentives towards motivating entrepreneurs into investing in the Kenyan BPO industry.
# TABLE OF CONTENTS

Declaration ................................................................................................................................. i  
Acknowledgement .................................................................................................................. ii  
Dedication ............................................................................................................................... iii  
Abstract .................................................................................................................................. iv  
Table of Contents.................................................................................................................... vi  
List of Tables ........................................................................................................................... ix  
List of Figures .......................................................................................................................... x  
List of Abbreviations and Acronyms ..................................................................................... xi

**Chapter One: Introduction** ................................................................................................. 1  
1.1 Background of the Study ................................................................................................... 1  
1.2 Research Problem .............................................................................................................. 3  
1.3 Research Objectives ........................................................................................................... 5  
1.4 Value of the Study ............................................................................................................. 5  
1.5 Conceptual Framework ...................................................................................................... 6

**Chapter Two: Literature Review** ....................................................................................... 8  
2.0 Introduction ....................................................................................................................... 8  
2.1 Business Process Outsourcing .......................................................................................... 8  
2.1.1 The potential of BPO in some Sub-Saharan Countries .............................................. 14  
2.1.2 BPOs in Kenya ............................................................................................................. 16  
2.2 Strategic Planning for BPOs ..........................................................................................20  
2.2.1 Advantages of Business Process Insourcing............................................................... 22  
2.2.2 Advantages of business process outsourcing (BPO) .................................................. 22
Chapter Three: Research Methodology ................................................................. 25
  3.0 Introduction...................................................................................................... 25
  3.1 Research Design............................................................................................. 25
  3.2 Population....................................................................................................... 25
  3.3 Sample Design............................................................................................... 26
  3.4 Data Collection............................................................................................... 26
    3.4.1 Questionnaire............................................................................................ 26
    3.4.2 Interview Schedules.................................................................................. 27
    3.4.3 Document Analysis Guide......................................................................... 27
  3.5 Data Analysis.................................................................................................. 28

Chapter Four: Data Analysis, Results and Discussion........................................ 29
  4.1 Introduction..................................................................................................... 29
  4.2 Inferences........................................................................................................ 30
    4.2.1 Response Rate............................................................................................ 31
    4.1.2 Gender of the Respondents...................................................................... 32
    4.1.3 Length of Service....................................................................................... 33
    4.1.4 Level of Education of Respondents......................................................... 35
    4.1.5 Suitability of Kenya as a BPO centre....................................................... 36
    4.1.6 Kenya’s Potential as a BPO Centre............................................................ 38
    4.1.7 Trend on the Number of BPO’s in Kenya over the Years......................... 39
    4.1.8 Potential of Kenyan BPO’s to compete with those of other countries..... 41
    4.1.9 Challenges Facing BPO’s In Kenya........................................................... 44
    4.1.10 Knowledge of Meaning of Strategic Planning......................................... 47
    4.1.11 Presence of an Effective National Strategic Plan for BPO’s.................... 47
    4.1.12 Approaches adopted by firms to pull clients towards their outsourcing services... 49
    4.1.13 Ways and Measures to Attract both Local and International Firms to Outsource to
           Kenyan Outsourcing Firms........................................................................... 50
Chapter Five: Summary, Conclusions and Recommendations ...................................52
5.1 Introduction...................................................................................................................... 52
5.2 Summary of Major Findings............................................................................................52
5.3 Conclusions..................................................................................................................... 54
5.4 Recommendations............................................................................................................ 54
5.5 Limitations of the Study ............................................................................................... 57
5.6 Suggestions for further Studies ......................................................................................57
References.............................................................................................................................58
LIST OF TABLES

Table 4.1 Response Rate of Respondents...............................................................30
Table 4.2: Gender of Respondents........................................................................32
Table 4.3: Length of Service of the Respondents................................................33
Table 4.4: Highest Level of Education of Respondents........................................35
Table 4.4: Suitability of Kenya as a BPO centre..................................................36
Table 4.5: Kenya’s Potential as BPO Centre........................................................38
Table 4.7: Trend of the Number of BPO’s in Kenya over the Years ...................39
Table 4.8: Potential of Kenyan BPO’s to compete with those of other countries.....41
Table 4.9: Challenges Facing BPO’s in Kenya......................................................44
Table 4.10: Knowledge of Meaning of Strategic Planning....................................47
Table 4.11: Presence of an Effective National Strategic Plan for BPOS.................47
LIST OF FIGURES

Figure 1.1 Conceptual Framework ......................................................................................... 6
Figure 2.1: Employment in BPO by 2008 ........................................................................... 10
Figure 4.1 Response Rate of Respondents .......................................................................... 31
Figure 4.2 Gender of Respondents ..................................................................................... 33
Figure 4.3 Length of Service of the Respondents ................................................................. 34
Figure 4.4: Highest Level of Education of Respondents ..................................................... 36
Figure 4.6: Rating of Kenya’s Potential as a BPO centre.................................................... 39
Figure 4.7: Trend of the number of BPOs in Kenya over the years ..................................... 40
Figure 4.8: Potential of Kenyan BPO’s to compete with those of other countries .......... 42
Figure 4.9 Challenges Facing BPO’s in Kenya ................................................................. 46
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPO</td>
<td>Business Process Outsourcing</td>
</tr>
<tr>
<td>G.O.K</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ICT</td>
<td>Information and communication technologies</td>
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<td>IFC</td>
<td>Institute for Collaboration</td>
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<td>SID</td>
<td>Society for International Development</td>
</tr>
<tr>
<td>TAG</td>
<td>The Tax and Finance Society of the Technology Association of Georgia</td>
</tr>
<tr>
<td>TEAMS</td>
<td>The East African Marine System</td>
</tr>
<tr>
<td>ITeS</td>
<td>IT-enabled Services</td>
</tr>
<tr>
<td>IPR</td>
<td>International Property Rates</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The economic pillar in the Vision 2030 identifies six priority sectors which have the greatest potential to drive growth in the Kenyan economy namely: agriculture, tourism, wholesale and retail trade, manufacturing, financial services, and business process outsourcing (BPO). These priority sectors were selected on the basis of their existing and potential contribution to economic growth and employment opportunity, as well as their capacity for growth and competition within the regional markets (SID, 2010).

BPO as cited in the Vision 2030 is a flagship project that was going to involve providing business services via internet to companies and organizations in the developed world e.g. USA, Canada, Britain e.t.c. Kenya was expected to quickly become the top BPO destination in Africa with the BPO industry in Kenya providing over 7,500 direct jobs with an additional GDP contribution of Kshs 10 billion. Through this ambitious plan Kenya was and is still expected to attract top international IT suppliers so as to create confidence in more investments, thereby attracting leading multinational corporations and foreign companies with top BPO brands.

Kenya is the largest economy in East Africa and is the regions financial, communication and transportation hub. After growing at sub-par levels following the 2007 political crisis, a prolonged drought and the global financial crisis, Kenya’s real gross domestic product (GDP) growth accelerated to 4.5% in 2010 (Economist Intelligence Unit, 2011). Given the large availability of a relatively well skilled, English proficient labour force and with an emerging sector of efficient software programmers, the BPO sector emerges as one
with a great potential. The BPO sector has potential for employment and business opportunities which will arise as investors venture into the sector thus giving Kenya a competitive edge in the market.

Despite this, Kenya and its other East African countries are conspicuously missing in the world’s top 50 most attractive global outsourcing destinations. In this list, India is at the top followed by China, Malaysia, Egypt, Indonesia, Mexico and Thailand. Other African countries on the list include Ghana and Senegal at positions 27 and 29 respectively (CIO/East Africa, 6th June 2012).

In April 2012, while addressing participants at Mobile Web East Africa 2012, the Permanent Secretary in the Ministry of Information and Communication stated that the government had changed its BPO strategy, focusing on correcting inefficiencies in its services sector and technology infrastructure, after five years of international marketing had failed to establish the country as a competitive outsourcing destination. The purpose building this capacity was going to enable the government to provide services to BPO areas that it had always targeted (CIO/East Africa April 26, 2012). The failure of the BPO industry to fully takeoff further came into the limelight when Sameer Business Park in Nairobi, a business park that had been created as a BPO centre, had to open its doors to other firms (Daily Nation, 26th July 2012).

This recent happenings are a clear indication that the BPO industry has not been as successful as initially anticipated and there are indications that the success of the venture is at risk. The researcher notes that to save this industry it is vital that fundamental decisions taking a long term plan of what the sector aims to achieve and how it will achieve this be undertaken. It with this in mind that researcher proposes to undertake a
research that incorporates strategic planning for business process outsourcing (BPO) in Kenya. The study will among others seek to determine ways in which strategic planning can be applied to enhance the success of BPOs in Kenya.

The world today has become an ever changing and competitive one. To keep up with this pace of change and development, governments and business organizations need to develop unique management strategies of their own that are unique and tailor-made for the industry in questions. The use of strategic management principles is key to chalk out core values and objectives of governments and companies which in turn leads to the setting of specific production targets. Strategic planning is often used where organizations or companies aim to gain an upper hand over its competitors. Strategic management policy easily leads to long run capacity building and resultant consolidations of an organization's competitive position. Strategic management policies sometimes lead to long run capacity building.

1.2 Research Problem

In today's competitive world, for not only to survive but also to stay at the top, each business organization needs a unique management strategy of its own. The principles of strategic management of a large business organization with diversified interests differ from those of the smaller business houses. Strategic management principles provide mission statements that are unique and tailor-made for the organization in question. Strategic management principles chalk out core values and objectives of the company, which in turn lead to the setting of specific production targets. The strategic vision helps in formulation of the policy to be followed for meeting the production target. Strategic
planning is often used by companies to gain an upper hand over its competitors. Strategic management policies sometimes lead to long run capacity building and resultant consolidation of the company's competitive position in the long run.

Despite the ambitious and optimistic plans by the government to enhance BPO as an economic segment that can enable the country progress and meet its goals of being a middle income country by 2030, the BPO industry in Kenya is stifling. As noted earlier, Sameer Business Park which had positioned itself as the epitome of BPO in Kenya has been forced to open its doors to other firms that do not deal with BPO development. The researcher notes that there was a mishap in the launch and implementation of efforts that could lead to the success of BPO in the country. The researcher attributes this to the lack of a clear roadmap of how the government intended to support and bring other players to support BPO development in Kenya. Even with the launch of the Kenya ICT board the BPO industry in the country is still struggling.

Methta et al (2006) illustrates how India has leveraged global contracts and alliances in the BPO service delivery to emerge a global leader in the global BPO market. Warutere (unpublished) in his Mphil Thesis Assignment on BPO Chain Analysis explores the emerging challenges and opportunities in BPOs. BPO being a young industry in Kenya, it would have been prudent for the government to define a clear roadmap for the industry by the time of launching Vision 2030. One that encompassed the overall approach and plan that would have facilitated the good management of Business Process Outsourcing in Kenya. The researcher therefore opts to fill this gap by undertaking a study of strategic planning for business process outsourcing in Kenya. The study will determine the suitability of Kenya as a BPO destination and seek to establish the challenges that face
the BPO industry in Kenya. The research will further seek to determine ways in which strategic planning can be employed to enhance the success of BPOs in Kenya. The researcher hopes to achieve this through a case study of the Sameer Business Park which is rooted to be the centre of Business Process Outsourcing in Kenya and East Africa.

1.3 Research Objectives

The objectives of the study will be to:

i. Determining the suitability of locating BPO’s in Kenya

ii. Establish the challenges faced by BPOs in Kenya

iii. To establish ways in which strategic planning can be applied to enhance the Success of BPOs in Kenya

1.4 Value of the Study

This study will provide the government and other players in the BPO industry an understanding of the perceptions and aspects that need to be changed to enhance the BPO industry in Kenya. It will also provide a database of information that can be incorporated in future plans by policy makers when formulating a blueprint for BPOs. The study will act as a point of reference for other scholars who will be undertaking studies on BPOs and strategic planning. For organizations and companies in the business of offering outsourcing services and those seeking outsourcing services, the study will provide a framework of how strategic planning can be integrated while undertaking these ventures. The study further seeks to layout strategic planning for business process outsourcing.
(BPO) in Kenya. It will create an overall approach based on the understanding of BPO, its function, strengths and weakness and the challenges bedeviling it and create a framework within which to BPOs in Kenya can be made successful.

1.5 Conceptual Framework

Figure 1.1 Conceptual Framework

Source: Author (2012)

The conceptual model above creates a pictorial presentation of the linkage that exists between strategic planning and the BPO industry. Organizations that seek to outsource focus on their challenges and then seek out for a provider for their particular tasks. The organizations offering the BPO services focus on their challenges, which in our model form are the independent variables. Strategic management acts as the intervening variable that analyses and synthesizes the operations of organizations that offer outsourcing
services and those that are seeking outsourcing services. Strategic planning synthesizes the needs and expectations of the two groups of organizations, alongside the challenges and gives an outcome that is suitable and one that enhances on the success of the BPO industry by satisfying all the players in the industry.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter will form the literature review and will discuss BPOs, giving its definition, reasons for outsourcing and services mostly outsourced. It will also look at the world view of BPO and discuss BPO in several countries. The researcher will thereafter introduce strategic planning indicating its importance and the various principles that govern it with a view of creating a linkage of how strategic planning is the solution to the faltering BPO industry in the country.

2.1 Business Process Outsourcing

Reduced international trade barriers and improved telecommunication and IT capability over the past decade has led to a situation where organizations across the world are increasingly interlinked with each other. This has resulted in intense global competition, challenging business managers across the world to find ways to reduce the cost of conducting business and accessing global resources in meeting the need of global markets. In such a context, the reorganization of business models to leverage benefits of outsourcing and focus on core competencies has become a key strategy pursued by large corporations across the world.

"Outsourcing" can be defined as the hiring of an outside company to perform a task that would otherwise be performed internally by a company, organization or government agency generally with the goal of lowering costs and/or streamlining work flow.
Outsourcing contracts are often several years in length (TAG, 2007). For the purpose this study, Business Process Outsourcing (BPO) is defined as the hiring of an external company to handle business activities that ordinarily could have been conducted in-house.

Although Business process outsourcing (BPO) is not a new management strategy, it has received heightened interest in the past several years because of its potential economic and strategic impact. Companies look to outsourcers to provide process efficiencies and economies of scale, as well as continued investment in the latest technology, which can be more effectively cost-justified when spread across multiple organizations (PricewaterhouseCoopers, 2005).

Outsourcing now has many dimensions to fit the globalized world we live in. Terms like ‘offshoring,’ ‘in sourcing’ and ‘shared services’ are becoming part of a global business lexicon that defines the multitude of options a company has so as to improve its operations. Off-shoring, as part of global business realignment, is considered the third wave in global expansion by companies, after global export and global production. These services can be provided locally, but they are increasingly being conducted “offshore,” as numerous functions are outsourced to low-cost locations like India, the Philippines among others. (Nasscom and McKinsey).

By the year 2008, the BPO as an industry had employed approximately 2.5 million globally. The largest players were India, employing 1.6 million, an equivalent of 64% of global employment in the sector, the Philippines, employing 400,000 and the rest of the world employed approximately 500,000. Current estimates for India’s BPO employment
stand at approximately 2.2 million, while data for the rest of the world is not known (Bryce et. al, 2011).

**Figure 2.1: Employment in BPO by 2008**

![Pie chart showing market share for BPO in the world. India is the leading market player enjoying 64% of the Business outsourcing opportunities in the world, while the Philippines is second and commands 16% of the market with the rest of world commanding a partly 20% of the market share.](image)

Source: Bryce et. al, (2011)

The figure above shows the market share for BPO in the world. India is the leading market player enjoying 64% of the Business outsourcing opportunities in the world, while the Philippines is second and commands 16% of the market with the rest of world commanding a partly 20% of the market share.

In terms of market size, global BPO exports in 2007 were $24 billion. However, there is approximately $196 billion in addressable demand that is not yet met. This is comprised of five primary market segments: Rules-based Decision-Making, Basic Voice, Basic Data, Knowledge Services, and Specialized Voice. Rules-based decision-making is defined as data activities that are based on business rules and guidelines and includes processing accounts payable and insurance claims. The addressable global BPO demand of this segment in 2008 was $77 billion. Basic voice involves scripted activities requiring
minimal training, such as telesales, taking sales orders, etc. ($67 billion in addressable global demand in 2008). Knowledge services are defined as activities not governed by standard rules and that require deep domain knowledge, such as research requests or automotive engineering ($67 billion in 2008). Basic data is simply understood as straightforward activities such as data entry, data conversion from one format to another, reconciling databases, etc. ($37 billion in 2008). Lastly, specialized voice is defined as specialized interactions that cannot fully be scripted and require some domain knowledge (e.g., cross selling, help desks, credit card collections) ($13 billion in 2008). Thus, given the size of the market and addressable demand, there is an opportunity for emerging economies looking to provide BPO services to the developed world (Bryce et al, 2011).

One of the major segments that business organizations have had to outsource is the IT sector. IT services include systems integration and information systems consulting, application development and support as well as IT training services. IT-enabled Services (ITeS) cover a wide range of services. The services include, back-office data entry and processing, customer contact services (such as complaints, tele-marketing, collections support), corporate support functions (such as HR, finance, procurement, IT services), knowledge services and decision-support (such as customer analytics, claims and risk management and consultancy), and Research and development services (such as engineering design, content development and new product design) (KPMG, 2004).

The decision to outsource is often made in the interest of lowering operational costs, redirecting existing staff energy to allow more direct attention on the core competencies of a particular business, or making more efficient use of labor, capital, technology and resources. For large global organizations, the practice of using business process
specialists is well established. The economic advantages of outsourcing have been recorded and examined closely, especially for the larger organizations (TAG, 2007). Cost and labour competitiveness are the primary factors to consider while deciding on an offshore location. Cost competitiveness consists of labour, infrastructure costs and currency exchange rates. Labour competitiveness consists of the size of the available labour, level of education, domain skills fluency in the English language, and cultural compatibility to western markets and attrition rates. Other factors which consist of existing business and political risks associated with the country geographical location (time difference), tax regime and regulatory considerations such as Data Security and IPR issues.

**India the Bright Star in the Global Business Process Outsourcing**

Despite a growing number of off-shoring location options available with organizations today, India has emerged as one of the most preferred locations for outsourcing. A country-level analysis of people and cost competitiveness reveals that India has greater attraction primarily due to the availability of adequately trained manpower. It offers a large (over a million graduates each year with 350,000 engineers), well-qualified English speaking labor force to off-shoring organizations. It is on this parameter that potential and existing outsourcers perceive it more favorable than other low-cost countries such as Brazil, Hungary, Philippines and China. (NASSCOM-McKinsey Report 2005). The cost advantages of off-shoring to India are significant. It costs less than US$ 7,500 annually to hire a call center agent in India (cost to company) as compared to US$ 19,000 in the
United States and US$ 17,000 in Australia. It is also estimated that the average annual salary of graduates in India is just US$ 2,400 as compared US$ 2,900 in Philippines.

Currently, the Indian BPO industry is going through a metamorphosis as it tries to retain its number one slot as the most favourable outsourcing destination. Factors such as wage inflation, non extension of the Software Technology Park (STP) of India scheme and transfer pricing have posed huge challenges to its growth. India's image as a preferred investment destination nosedived with the non extension of the STPI scheme in the Union Budget for 2010-2011. The STPI scheme offers 100 percent tax deduction on profits and would have continued to give tax benefits to the industry, if extended. Rising attrition and wage inflation are fast depleting the advantage of labour arbitrage that India used to offer. This will push the BPO players to find different value propositions now.

The players will have to specialize in whatever they do (Ayushman, 2011). India has emerged as one of the bright stars in the global Business Process Outsourcing market and has maintained its global competitiveness by offering the best combination of cost, quality and scalability (PricewaterhouseCoopers, 2005).
2.1.1 The potential of BPO in some Sub-Saharan Countries

A number of Sub-Saharan countries are active as BPO providers and some have made it into the league of the top 50 outsourcing hubs world-wide. However, detailed information about the type of services, the volume of contracts, or the expected market development is very sparse.

South Africa

South Africa is by far the strongest play in the BPO field in Africa. The prediction in 2007 was that South Africa was expected to nearly double the number of contact centres they had in 2003. The country was ranked 31 in the Kearny Index in 2007. However, South Africa dropped to rank 39 only two years later, loosing points on all the three Kearny categories. The deterioration of the infrastructure was the most striking one (Kearney Report, 2009). In 2006 DTI launched a Business Process Outsourcing Sector Support Programme in South Africa and which despite its success incurred a number of critical challenges. These challenges included a shortage of entry and middle managers leading to higher cost of operations than key competitors, negative perceptions of operational risks led to relative difficulty in setting up new operations in South Africa due to some restrictive regulations, a limited number of BPO service vendors with major anchor clients and an uncompetitive and comparatively expensive technology infrastructure with an ineffective marketing effort.
Mauritius

Despite having the smallest labour force in the Kearny index, Mauritius ranked well at 25 because of strong people skills and favourable business environment. According to the World Bank, it was the 24th most attractive business environment globally. Large companies like Accenture and Infosys also use Mauritius for their global delivery functions. Mauritius developed a National ICT Strategic Plan (2006 – 2010) to achieve the vision of the Government to make the ICT sector the fifth pillar of the economy and to make Mauritius a regional ICT hub.

Senegal

Senegal's strengths as an off-shore location are mainly due to its financial attractiveness and a favourable business environment, but it suffers under a low availability of people and skills. By 2008, there was a dozen call centres active in the country, most of which specialized in telemarketing. Altogether, they had 1200 seats and employed some 2200 staff. The largest one, the Premium Contact Center International (PCCI), accounted for 60% of seats, and employs about 1,000 people. The others were mainly medium-sized, ranging from 100 employees, Center Value, Africatel AVS, to 200, like Call Me. There were also smaller ones such as Senetel, 20 employees, and Quality Center, 40 employees, the latter being the only one not based in Dakar, but in St. Louis. The BPO sub-sector is not very developed and there are just few players active in database management, financial and accountant services and other back-office operation. The largest company in this segment is Global Outsourcing who employs more than 300 staff, while other players, like SESI, Jouvé Sénégal, Senescan, and Sinti Senegal have from 40 to 80 employees. PCCI as well, has recently diversified its activities to include some BPO
services (Centre Pour Le Developpmente de L’enterprise, 2009). The interest in this field is indeed increasing and large international players are more interested to open offshore facilities in the country. For instance, TRG—a group with 1,000 centres worldwide - inaugurated a 300-seats facility in Dakar to provide a vast range of BPO services.

2.1.2 BPOs in Kenya

Kenya’s BPO cluster essentially began to form in 2005 when Nik Nesbitt founded KenCall which was Kenya’s first call center that met international quality standards. KenCall experienced some fairly difficult initial years due to perception of poor quality and insufficient infrastructure stifling KenCall’s marketing efforts. However, in early 2007, BPO was named one of the six flagship clusters in Kenya’s Vision 2030. As a result, the BPO and Contact Center Society, the BPO cluster’s first Institution for Collaboration (IFC), formed in March 2007 and membership quickly grew to 33 members. Later in 2007, a second IFC was formed, the Kenya Information and Communication Technology (ICT) Board. While a part of the Ministry of Information & Communications of the Government of Kenya, the ICT Board operated like an IFC in the cluster (Bryce, Hartley, Kassam, Saloojee and Williams, 2011).

Within this period, the World Bank (WB) started offering subsidies to the Kenyan BPO firms’ bandwidth costs, so to enable the country compete with other global BPO players. As a result of these subsidies, multiple BPO providers entered the market primarily providing basic data and basic voice services. In March of 2008, KenCall won the Best Non-European Call Center at the CCF European Call Center award, a significant milestone not only for KenCall, but also for the cluster (Bryce et. al 2011). The major
milestone for the BPO industry came in May 2009 when the first undersea fiber-optic cable – SEACOM – connected South and East Africa. In June 2009, construction of The East African Marine System (TEAMS) fiber optic cable was completed, and in July 2010, the Eastern Africa Submarine Cable System (EASSy) fiber optic cable was completed. This resulted in the significant drop of bandwidth costs and as a result the WB subsidies came to an end. The government set its major milestones in August 2009, when the ICT Board officially launched its “Kenyan BPO Value Proposition” and thus began aggressive worldwide marketing efforts to market Kenya as BPO destination. This was followed by the government pledging $12 million annual funding for BPO related training and industry development while in March 2011, the government held its first Center of Excellence, a program that “trains BPO trainers” (Bryce et. al 2011).

In the Vision 2030, the government of Kenya noted that business process outsourcing and offshoring sector was small and new in Kenya, contributing only to 0.01 per cent of GDP and engaging about 1,000 employees. The vision of the BPO sector was to be the “top offshoring destination in Africa”. The sector was also expected to become the sector of choice for employing among the youth and young professionals. The goal of the BPO sector was to create at least 7,500 direct BPO jobs and to achieve this vision; four major strategies were laid out.

The first strategy was to focus BPO services along geographic areas, industrial processes and different industry segments with one major BPO park to be established around Nairobi. The government then planned to build an IT supplier base of international repute by encouraging world-class information technology (IT) suppliers to establish offices locally by improving infrastructure. The other strategy is to attract multinational company
subsidiaries and foreign BPO players to Kenya. This will be achieved through creation of several incentives aimed at improving the business environment such as ease of obtaining licenses and filling tax returns. The government will then build the capacity of local players by supporting entrepreneurs who invest in Kenya. Such capacity building would involve targeted training programmes around primary processes (e.g., customer contact) and industry specifics (e.g., back office data entry within financial services) will be conducted to build the required quality and size of the talent pool (G.o.K, 2007).

Despite the clustered progress, one of greatest milestones of the BPO industry in Kenya was to be achieved with the construction of a 7,500-seat BPO Park by the government in Athi River which was expected to be complete by the year 2012 – 2013 and which to date has never taken off. This in turn led to the Sameer Business Park to be considered as major BPO Park in the country. With the high expectations of the potential of BPO in Kenya, the president presided over the laying of the foundation in October 2008 for the foundation stone of the business park.

During the official opening of the park, in December 2011, the president was glad that park stood as an important landmark for the country and the region. Naushad Merali, chairman of Sameer Group noted that investors had been shunning Kenya due to the harsh environment of doing business which was occasioned by among other factors; the high cost of doing business rendering Kenyan products to be uncompetitive, both in the local and export markets; high energy costs which undermined the country’s competitiveness; unfavourable duty structures. He called on the government to check on the unconditional planning infrastructure development which he noted was destabilizing the real estate property (Daily Nation, 12th December, 2011, pg 26).
The key challenges facing the BPO sector include: poor telecommunication infrastructure; high cost and unreliable energy and inadequate dedicated BPO facilities. Other challenges include supply of BPO software and hardware, weak BPO incentive structure, low uptake of the BPO initiative and inadequate manpower. The constraints have led to high cost of transmitting data locally and internationally and low effectiveness of a country as a primary BPO destination contrary to aspirations in Vision 2030 and MTP (2008-2012).

Kiragu 2012 argues in an article, “KenCall hit by huge cashflow problems but says all is well” that Kenya’s largest business process outsourcing company KenCall had denied claims that it was folding up amidst reports of massive cashflow challenges. Though the company’s management denied being in the process of winding up, it did admit that it was facing problems meeting key obligations including paying its staffs. KenCall founder and chief executive Nicholas Nesbitt said that the challenges being faced by the company at the moment were by the time of the launch of Vision 2030 normal to operators in the contact centre business globally. (The Star, 10th January, 2012, pg 12).
2.2 Strategic Planning for BPOs

BPO provides many benefits to clients even though they have inherent risks. Sparrow 2003 advocates for BPO to be performed with a strategic mindset, whereby decisions are based on wider business context and help in gaining competitive advantages in the tough external environment. This is in addition to the short-term cost savings and operational efficiencies of their day to day running. Adler 2003 suggests that for effective BPO, an organization should segregate its business processes into two broad categories, the ones where its own core competencies are strong and which have strategic significance, and those that can be performed better by a vendor. In most cases, Adler 2003 notes, business processes that represent the client's core competencies and have high strategic stakes are best performed in-house. In order to identify its "core competencies," an organization needs to be very clear about where its own strengths lie and identify the processes that truly give the organization its business value.

In order to identify processes that are "strategic," the organizations need to identify processes that differentiate it from its competitors in the marketplace, or processes that gives it the competitive advantage (Porter, 1996). It is important to note that, the market is dynamic and demands and competition changes over time. Therefore, the core competencies or the strategic nature of associated business processes may change and thus organizations need to have a clear vision of their goals and future strategy in the dynamic marketplace. They should identify their business processes for outsourcing. Failure to do so can make an organization overly dependent on the BPO vendors for its core or strategic business processes, and it would effectively be at the mercy of vendors.
The key here is to have complete power and control over one's core and strategic business processes, while gaining maximum advantages out of the various vendors' strengths in noncore business processes.

The two basic strategies in sourcing business processes are in sourcing and outsourcing. While in business process in sourcing, a firm executes business processes on its own. The business processes are performed by the client itself or a client entity e.g a subsidiary or an internal department. When a firm decides to in source its business processes, there are two basic strategies namely "OK as is" and the fix and keep in-house strategies. "In Ok as is" strategy the client feels that the business processes are running efficiently and satisfactorily, and hence the strategy is to simply continue with the status quo. On the other hand in the "fix and keep in-house" strategy the client is a bit unsatisfied with the efficiency of its in-house business processes, but believes that in sourcing is still the best option, and decides to invest in the adoption of better practices to identify and fix the deficiencies (Dibbern. Goles, Hirschein, 2004).

Here, firms target the highest efficiency levels (achieved by competitors or vendors), set them as the benchmarks, and are self driven and motivated to achieve those high efficiencies in their business processes. In business process outsourcing (BPO) the client firm establishes a contractual relationship and hands over the responsibility of executing the business processes to a vendor. Put differently, a company "in sources" from within and "outsources" to an external company, that is, outsourcing is the sourcing of work across organizational boundaries.
2.2.1 Advantages of Business Process In sourcing

One of the main advantages of in sourcing is that it allows greater control over the strategic assets and resources that are used in the business processes. It safeguards against the possibility of opportunistic behavior of a vendor and is therefore best when there is high uncertainty associated with the business process. Many business processes require very high amounts of specific knowledge (business/technical) for their effective execution. Transferring such knowledge to a vendor not only takes time and effort, but may also compromise the confidentiality of the firm-specific knowledge. In sourcing also helps in negotiating intellectual property rights associated with business processes (with a vendor) that are always a tricky issue, hence reduces the risk of IP rights violations.

2.2.2 Advantages of Business Process Outsourcing (BPO)

One of the advantages of business process outsourcing is that it can lead to considerable cost advantages as the client does not have to invest in the infrastructure or the technology required to execute the business processes and hence saves on capital expenditure. The vendor's economies of scale and economies of scope help in reducing the costs of running the business processes. The very process of bidding for and negotiating the outsourcing contract makes the respective vendors give estimates on the costs involved in executing the business processes, which in turn makes the costs more predictable for the client. It also allows organizations to focus on its core business, and outsource the noncore business that take up a considerable amount of management time and resources. Outsourcing makes a client's transition to newer business processes easier, wherein the legacy or current business processes are outsourced to a vendor during the transition
period. BPO gives more flexibility in managing labor since any upsurge or downswing in the volume of business process work would entail variations in the required manpower. Therefore the client does not need to worry about this because the recruitment and staffing for outsourced business processes would be the vendor's responsibility. A vendor organization can more easily manage variations in manpower needs since it would be executing a huge number of business processes (for various clients) that involve a large number of vendor employees working on similar tasks. The vendor can easily balance out variations in staffing needs across its various BPO projects. To stay competitive, most vendors strive to adopt the best business process maturity models that can guarantee better quality and service. Hence, clients can benefit from the quality provided by the best-in-class vendors.

Apte and Mason 1995 proposed that the choice between in sourcing and outsourcing can be ascertained by the "strategic importance" and the client's "relative efficiency" in carrying out an activity in-house. In sourcing of business processes is suitable when both the strategic importance and the relative efficiency of performing the business processes in-house are high. However, if both these factors are low, the BPO is favorable. When the strategic importance is high and client's relative efficiency is low, the client has the following options:

1. Invest time, money, and effort into increasing the efficiency of these strategic or core competency business processes,

2. Ask external consultants or vendors to come to the client and suggest the necessary changes to infuse efficiency
3. Consider building a strategic alliance with a vendor who is an expert in executing the relevant business process.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter will focus on the research design, population, sample design, data collection and analysis.

3.1 Research Design

According to Borg and Gall (1996) a research design is a logical and valuable way of looking at the world. In this study, the researcher used a mixed methodology approach that enabled the researcher gather data with the intention of describing the nature of existing conditions or identifying standards against which existing conditions can be compared or determining the relationship that exist between specific events (Cohen L. and Marion, 2007).

3.2 Population

A population is a complete set of individual cases or object with some common observable characteristics. Mugenda (1999). The area of study for this research was the Sameer Business Park and focused on the BPO that have their offices in the park. The researcher targeted various respondents who were located within the Sameer Business Park. The researcher further sought information from selected organizations not based within the park so as to gather their views on outsourcing. Interview schedules with key informants involved targeting some of the managers of the Sameer Business Park.
3.3 Sample Design

According to Borg and Gall (1996) sampling is a research technique used for selecting a given number of subjects from a target population as a representative of the population. A sample population must represent the target population in all aspects. Sampling is significant since it is not possible to study every member in the whole population and thus it enables one to learn something about a large group by studying a few lists of the members thus saving time and money. This study involved 32 respondents who were selected through a stratified random sampling for the subordinate staffs and purposive sampling for those in the management positions. The researcher was also able to interview 12 key informants bring the total number of participants in the research to 44.

3.4 Data Collection

The study used a set of instruments namely: questionnaire, interview schedule and document analysis. Primary data was collected through the administration of questionnaires and carrying out of scheduled interviews. They were prepared in advance and were definite, concrete and preordained. The structured questionnaires were then used to initiate formal enquiry, supplementing and checking previously accumulated data.

3.4.1 Questionnaire

This is a research instrument that gathers data over a large sample. As stated by Orodho (2009) a questionnaire has a diverse number of merits upon which a researcher may opt to use it as an instrument to collect data. The researcher used the questionnaire because
it’s been ideal for collecting information from a large number of people and was also
easy to analyze. It is anonymous and helped produce more candid answers as compared
to the interview schedule and document analysis. It saves on time as a researcher is able
to administer them by leaving them with a respondent and collect it later once it is fully
filled. The instrument was used to collect data from various selected subordinate staffs of
various selected BPO companies located at the Sameer Business Park. The researcher
used both open ended and close ended questions.

3.4.2 Interview Schedules

The researcher used interview schedules with key informants in the BPO industry and
key policy makers in selected companies that had opted for outsourcing services. This
was important as the researcher was able to get a complete, clear and detailed
understanding of BPO in the area of study. The researcher collected information through
personal interviews in a structured way which involved the use of a set of predetermined
questions. The interviews were able to yield a high response rate in the survey research.
They also allowed the researcher to clarify ambiguous answers and when appropriate,
sought follow-up information. Their main shortcoming was that they were time
consuming and expensive.

3.4.3 Document Analysis Guide

Document analysis guide was used to collect in depth information on issues that need
confirmation such as the process of registering BPOs, laws and rules governing the BPOs
and a check on the existence of any existing policy framework or strategic plan that had
been formulated or was to be formulated to govern the management and operations of BPOs. They were used to gather an insight into the manner in which various government agencies carry out their duty in enhancing BPOs in the country.

3.5 Data Analysis

The data generated by questionnaires, interview and observation schedules was checked, edited organized and coded by computer to reduce the mass of data obtained into a form suitable for analysis. The coded data was then analyzed using Statistical Package for Social Science Programme (SPSS). The statistical analysis was then summarized into frequencies and percentages and presented in tables, bar charts and figures. Frequencies and percentages were adopted to present, discuss and interpret findings obtained. The research questions giving qualitative data were then analyzed using content analysis procedures. The findings obtained were discussed and formed the basis for the research findings, conclusion and recommendations.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The results of the data analysis on the strategic planning for BPO in Kenya are presented in this chapter. It focuses on the specific themes that emerged during the study and presents the results of the analysis of the interviews and questionnaires. The research findings are presented using both descriptive and inferential statistics. The structured questions in the questionnaires generated quantitative data while the unstructured questions in the questionnaires and data gathered through the interview schedules and document analysis guide generated qualitative data.

The quantitative data was analyzed using descriptive statistics and presented in the form of tables, percentages, graphs and charts. The qualitative data was analyzed through the use of content analysis. Results of the data analysis provided information that formed the basis for discussion, conclusion, and interpretation of the findings and recommendations of the study. The use of Statistical Package for the Social Science (SPSS) was extensively used by the researcher in statistical analysis, data management and data documentation. Descriptive statistics was attained through cross tabulation, frequencies, and descriptive ratio statistics. Cross tabulation involved the process of creating a contingency table from the multivariate frequency distribution of statistical variables.
4.2 Inferences

4.2.1 Response Rate

The researcher administered forty (40) questionnaires to respondents who were selected through random stratified sampling. The researcher, due to time constrains, administered these questionnaires with the help of three research assistants. The identified respondents were given the questionnaires and arrangements were made for the questionnaires to be collected after three days.

4.2.1 Response Rate

Table 4.1 Response Rate of Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>No Response</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)

The response rate was eighty (80%) percent for the questionnaires which was ideal for the study since a high percentage of the target respondents responded.
The researcher was also able to undertake interview schedules with several key informants at Knight Frank (who are the estate managers of the Sameer Business Park), Techno Brain BPO/ITES and Kenya Data Networks which has its offices based at the Park. Twelve key informants were interviewed and thus a total of forty two (44) participants for this study.
4.1.2 Gender of the Respondents

The table below shows the distribution of the participants, who were targeted through the use of questionnaires in terms of their gender.

Table 4.2: Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>13</td>
<td>40.6</td>
</tr>
<tr>
<td>Female</td>
<td>19</td>
<td>59.4</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)

Table 4.2 indicates that out of thirty two respondents, thirteen (40.6%) were male while nineteen (59.4%) were female. This presentation is further captured in the bar graph below (figure 4.2).
4.1.3 Length of Service

This section lays focus on the period or length of time that the respondents had served in their current organizations.

Table 4.3: Length of Service of the Respondents

<table>
<thead>
<tr>
<th>Length</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1 yr</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td>1 – 2 yrs</td>
<td>9</td>
<td>28.1</td>
</tr>
<tr>
<td>2 – 3 yrs</td>
<td>13</td>
<td>40.6</td>
</tr>
<tr>
<td>3 – 4 yrs</td>
<td>6</td>
<td>18.8</td>
</tr>
<tr>
<td>&gt; 4 yrs</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)
The table 4.3 above indicates that most of the respondents, 40.6% had served in their current organizations for 2 – 3 years, while those who had served for 1 – 2 years were 28.1%, those between 3 – 4 years were 18.8% and those who had served for less than one year were 12.5%. There was no respondent who had served in their current organizations for more than four years. This is an indication that BPO is a young industry in Kenya where most of the firms have not been in operation for a long time.

Figure 4.3 Length of Service of the Respondents

Source: Author (2012)
4.1.4 Level of Education of Respondents

Table 4.4: Highest Level of Education of Respondents

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NonFormal</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Primary</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>‘O’/‘A’ Level</td>
<td>8</td>
<td>25.0</td>
</tr>
<tr>
<td>Diploma</td>
<td>16</td>
<td>50.0</td>
</tr>
<tr>
<td>Degree</td>
<td>8</td>
<td>25.0</td>
</tr>
<tr>
<td></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)

From the findings of the study and as indicated in table 4.4 above, most of the respondents were Diploma holders having attained college or tertiary level of education while 25% of the respondents were Degree holders with a similar percentage having O/A levels as their highest level of education.
4.1.5 Suitability of Kenya as a BPO centre

Table 4.5: Suitability of Kenya as a BPO centre

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>84.4</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)

Table 4.5 clearly indicates that most of the respondents, 84.4% felt that Kenya was a suitable destination for locating BPO's while only 15.6% of the respondents felt that Kenya was not an ideal location for BPO's. Those who indicated that Kenya was not an ideal location for BPO's gave varying reasons for their answers. Majority of them
cited that the increase in the cost of doing business and a weakening shilling as some of the major reasons that make Kenya an unsuitable destination for BPO’s. One of the respondents cited the recent fluctuations of the Kenya shilling that saw the shilling trade at 105 against the dollar, sometime last year, as a major deterrent for international outsourcing companies to set camp in Kenya. Lack of full government support was also a key factor that was contributing to the slow growth of the BPO industry in Kenya.

Information obtained from the interview schedules indicated that Sameer Business Park was constructed with concept of making it a BPO centre. The Ministry of Information was to establish an ICT park in the premises as flagship project of the Vision 2030. The planned demolition of buildings along Mombasa Road towards the end of 2010 caused uncertainty over negotiations of leasing the park to potential clients thus resulting in many would be outsourcing firms opting not to locate their businesses in the park for fear of demolitions in the future. Despite this, all the key informants rooted Kenya as a suitable destination of locating BPO’s not only in East Africa but also in Africa. They noted that the high literacy rate of the Kenyan people and the cost of doing business compared to that of other countries in Africa was a fundamental backbone that could be utilised to attract foreign BPO’s into Kenya.
### 4.1.6 Kenya’s Potential as a BPO Centre

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>18</td>
<td>56.3</td>
</tr>
<tr>
<td>High</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Low</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td>Very Low</td>
<td>4</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)

Most of the respondents 56.3% rated Kenya’s potential as a BPO destination as being very high with 15.6% rating it highly. Cumulatively these gives it 71.9% of the respondents indicating that Kenya’s potential as BPO destination is high as compared to 15.6% and 12.5% of the respondents who rated it as being low and very low. Most of the participants in this study noted that Kenya has many advantages that give it distinction among other global BPO destinations, positioning the country as a BPO destination of choice for companies looking to outsource their business processes. Kenya offers a lower cost for setting up and running BPO services compared to competing locations like South Africa and India. The country was considered to have an excellent quality of service especially in sales and customer support.
Some of the key informants noted that all major BPOs in east Africa are located in Nairobi which is the region's hub for many NGOs and international organizations and this gives Kenya an edge over the other countries in the region thus making it the most strategic location for the BPO industry in Africa.

4.1.7 Trend on the Number of BPO’s in Kenya over the Years

Table 4.7: Trend of the Number of BPO’s in Kenya over the Years

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td>Reduced</td>
<td>3</td>
<td>9.4</td>
</tr>
<tr>
<td>Constant</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>I am not Sure</td>
<td>5</td>
<td>15.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2012)
The findings of the research and as indicated in table 4.7 above show that most of the respondents, 50%, were of the view that the number of BPO’s in Kenya had been on the increase while 9.4% were of the view that there number had decreased.

Figure 4.7: Trend of the Number of BPO’s in Kenya over the Years

Source: Author (2012).

25% indicated that the number had remained constant while 15.6% were not sure of the trend of the number of BPO’s in Kenya over the past years. This results clearly signify that the number of BPO’s firms in the country were on the increase a further proof of the potential of Kenya as a destination for BPO firms.
4.1.8 Potential of Kenyan BPO’s to compete with those of other countries

Table 4.8: Potential of Kenyan BPO’s to compete with those of other countries

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>25</td>
<td>78.1</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>21.9</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)

78.1% of the respondents viewed Kenyan BPO’s as being able to compete with those of other countries while 21.9% were of a contrary opinion. A strong and improving infrastructure which includes a rapidly developing road network, rapid growth in the ICT sector with modern fibre optic cables and significant reforms in the judiciary are some factors that the key informants indicated would lead the country into competing economically with other countries in the world. The fact that Kenya offered strong capabilities in the English language was a factor that the informants noted that if well utilized, could offer a competitive for Kenyan BPO’s. With the global industry spotlight on business process outsourcing, there is an opportunity for emerging economies looking to provide BPO services to the developed world. Therefore, Kenya by having recognized this fact should take advantage of the opportunity.
Figure 4.8: Potential of Kenyan BPO’s to compete with those of other countries

Source: Author (2012)

The services that most companies usually outsourced included;

**Administrative services** which includes data entry, document conversion, document scanning, indexing and forms processing,

**Financial and Accounting Services** like internal auditing, time and expense management, financial accounting, regulatory compliance documents (tax returns),

**Human resources and training services** mostly recruitment, training, attrition/retention and database management,

**Legal services; Supply chain management,**

**Product development** (mostly software development),
Publishing that is book design, book digitization, e-publishing, drawings and graphics, pamphlets and brochures,

Research and analysis

Sales and marketing (including telemarketing) which refers to delegating parts of sales and marketing functions such as cold calling, email pitches, telephone surveys, appointment setting and sales team management.

Most of the respondents were of the view that companies outsourced these services in order to focus on their core competence and reduce risks associated with managing various departments and chains of production hence allow flexibility. It integrates all the noncore tasks and streamlines business processes by improving operating performance, increase efficiency, productivity and control cost. This helps the management focus on increasing sales and market share, developing new and improved products and enhancing customer service and satisfaction. Other reasons as to why firms outsource included; to improve efficiency, gain access to experts and specialist in a certain field and so as to achieve better control offer difficult and complex functions by utilizing resources that are not available internally.

The firm can be viewed as a bundle of assets and resources that if employed in distinctive ways can create competitive advantage (Peteraf, 1993). Therefore, the outsourcing decision is influenced by the ability of an organization to invest in developing a capability and sustaining a superior performance position relative to its competitors. Processes in which the organization lacks the necessary resources or capabilities internally can be outsourced. Where organizations gain no advantage they
can access complementary capabilities from external providers rather than when they perform such processes internally (Barney, 1991).

### 4.1.9 Challenges Facing BPO’s In Kenya

**Table 4.9: Challenges Facing BPO’s in Kenya**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Cost of operation</td>
<td>16</td>
<td>9</td>
<td>7</td>
<td>0</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>50</td>
<td>28.1</td>
<td>21.9</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Difficulty in setting up BPO’s</td>
<td>6</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>18.8</td>
<td>40.6</td>
<td>28.1</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Restrictive Regulations</td>
<td>2</td>
<td>5</td>
<td>16</td>
<td>9</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>6.3</td>
<td>15.6</td>
<td>50.0</td>
<td>28.1</td>
<td>100</td>
</tr>
<tr>
<td>Limited number of BPO service vendors</td>
<td>6</td>
<td>9</td>
<td>13</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>18.8</td>
<td>28.1</td>
<td>40.6</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Uncompetitive and Expensive Technology</td>
<td>9</td>
<td>15</td>
<td>5</td>
<td>3</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>28.1</td>
<td>46.9</td>
<td>15.6</td>
<td>9.4</td>
<td>100</td>
</tr>
<tr>
<td>Ineffective marketing of BPO’s</td>
<td>10</td>
<td>13</td>
<td>8</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>31.3</td>
<td>40.6</td>
<td>25.0</td>
<td>3.1</td>
<td>100</td>
</tr>
<tr>
<td>Shortage of skilled labour</td>
<td>0</td>
<td>4</td>
<td>17</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>0.0</td>
<td>12.5</td>
<td>53.1</td>
<td>34.4</td>
<td>100</td>
</tr>
<tr>
<td>Poor Infrastructure</td>
<td>13</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>40.6</td>
<td>40.6</td>
<td>18.8</td>
<td>0.0</td>
<td>100</td>
</tr>
<tr>
<td>Expensive and Unreliable energy</td>
<td>8</td>
<td>12</td>
<td>8</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>25</td>
<td>37.5</td>
<td>25</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Inadequate dedicated BPO facilities</td>
<td>11</td>
<td>12</td>
<td>8</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>34.4</td>
<td>37.5</td>
<td>25</td>
<td>3.1</td>
<td>100</td>
</tr>
<tr>
<td>Poor supply of BPO software and Hardware</td>
<td>4</td>
<td>9</td>
<td>15</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>12.5</td>
<td>28.1</td>
<td>46.9</td>
<td>12.5</td>
<td>100</td>
</tr>
<tr>
<td>Weak BPO incentives</td>
<td>13</td>
<td>13</td>
<td>4</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>%</td>
<td>40.6</td>
<td>40.6</td>
<td>12.5</td>
<td>6.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)

From the findings of the study and as indicated in the table 4.9 above, it is evident that weak BPO incentives and poor infrastructure are some of the major challenges facing the BPO industry in Kenya. Most of the respondents, 40.6%, strongly agreed with a similar percentage agreeing to the two challenges. These were followed by
high cost of operation where 50% of the respondents strongly agreed and 28.1% agreed, Inadequate dedicated facilities came fourth with 34.4% of the respondents strongly agreeing and 37.5% of them agreeing. This was followed by ineffective marketing of BPO’s where 31.3% strongly agreed while 40.6% agreed. Uncompetitive and comparatively expensive technology was also another major challenge facing BPO’s in Kenya with 28.1% of the respondents strongly agreeing while 46.9% agreeing. Expensive and unreliable energy was also cited as another challenge bedeviling the BPO industry in the country. 25% of the respondents strongly agreed to this while 37.5% agreed. Difficulty in setting up of BPO’s also emerged as another challenge with 18.8% of the respondents strongly agreeing while 40.6% agreed.

It is clear that shortage of labour and manpower cannot be considered as a challenge to the BPO industry in Kenya. This is due to the fact that most of the respondents, 53.1%, disagreed while 34.4% of them strongly disagreeing to the presence of a shortage of skilled labour in the country. The same can be deduced for restrictive regulations where majority of the respondents, 50% disagreed while 28.1% strongly disagreed. Only 6.3% and 15.6% strongly agreed and agreed respectively. Poor supply of BPO software and hardware can be considered as minor challenge in the Kenyan BPO industry. 46.9% disagreed while 12.5% strongly disagreeing with only 12.5% strongly agreeing and 28.1% agreeing to the presence of poor supply of BPO software and hardware. As for the presence of limited number of BPO service vendors in Kenya most of the respondents, 40.6% disagreed, 12.5% strongly disagreed while 28.1% agreed and 18.8% strongly disagreed.
From the interview schedules and various document analysis, it is clear that the economic growth and the saturation of the markets has definitely made the competition pressures more pressing which is causing many corporations to look for innovative ways to deal with the new challenges and the changed economic landscape. They are faced with the challenge of providing quality services while controlling costs and meeting privacy and security standards. As organizational structures become more complex (better defined, but more complex), greater challenges exist for management to meet and handle the complexity. As a result, the management is faced with a daunting challenge of finding which model, or models,
will work best for their organization. Depending on the organization, some models will be more effective than others. This therefore has led to the incorporating of various management methodologies and industry standards in order to maximize the quality of products and services and gain competitive advantage in the market. An increasing number of companies have thus turned to BPO due to this process as BPO offers significantly lower costs without sacrificing quality and productivity levels.

4.1.10 Knowledge of Meaning of Strategic Planning

Table 4.10: Knowledge of Meaning of Strategic Planning

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>65.6</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>34.4</td>
</tr>
<tr>
<td>Total</td>
<td>32</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)

From the table above most of the respondents were conversant with the meaning of strategic planning and what it entailed. 65.6% of the respondents indicated to being aware of its meaning while 34.4% indicated to not being aware of the meaning of strategic planning.

4.1.11 Presence of an Effective National Strategic Plan for BPO's

Table 4.11: Presence of an Effective National Strategic Plan for BPOS

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>5</td>
<td>23.8</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>76.2</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2012)
Of the respondents who admitted to being aware of the meaning of strategic planning, 76.2% of them were of the view that there was no presence of an effective national strategic plan for BPO's in the country. Only 23.8% were of the opposite view: that there was an effective national strategic plan for BPOs in the Kenya. Through personal interviews with key informants, the researcher learnt that the country lacks a clear roadmap of how to undertake and manage the BPO industry. Sameer Business Park was seen as the first strategic measure that the government was undertaking to position the country as major BPO destination in the region and in Africa. There was the involvement of key government figures which included the President and the Prime Ministers during the ground breaking ceremony and inauguration of the Park. This was seen by many investors, as the government’s goodwill towards the BPO industry.

When the same government that had been involved in the inauguration of the Park, which was to be the BPO center in East Africa threatened to demolish it to pave way for expansion of the Mombasa Road, the effect was that this actions scared away would be investors into the park. This therefore resulted in many local and foreign outsourcing companies that had earmarked office space in the park shying aware with devastating results. The first Kenya BPO centre became a cropper and the BPO industry failed to take off. This is one clear indication of the absence of a clear national strategic plan on the BPO industry in Kenya. In this case the government was not quick enough to set up policies and support structures to facilitate the growth of the BPO industry in Kenya.
4.1.12 Approaches adopted by the firms to pull clients towards their outsourcing services

Organizations undertake outsourcing initiatives less frequently than the providers who deal with outsourcing services daily. For this reason, providers have developed sophisticated methodologies, sales techniques and contracts to gain an advantage in the market. For example Techno Brain BPO/ITES has taken up outsourcing of processes that are enabled by Information Technology. The company blends process expertise, information technology and analytical capabilities in diverse industries to provide a broad range of services using its global delivery platform. It has built its value proposition as a client partner rather than a service provider with the ability to provide customized delivery solutions based on the client's requirements and enabling process improvements using industry benchmarks and standard quality processes.

The software firms have focused on building core product consisting of a platform and product interfaces meeting their customers' solutions. This has entailed building a technological foundation that allows for further product development. After this they proceed further to build competences through project work building stronger relationships with clients by building competences on the functionalities of the products. Software firms are carefully and dynamically assessing the possibilities of using external resources to undertake product-development activities thus succeeding to maintain and woo more clients.
4.1.13 Ways and Measures to Attract both Local and International Firms to Outsource to Kenyan Outsourcing Firms

The implementation of a successful BPO industry in Kenya involves making the industry vibrant and active. Most of the respondents agreed that the government through the Ministry of Information made a mistake by pulling out off the Sameer Business Park where it had intended to establish the first ICT centre to foster growth of the BPOs. A major concern of this has been on the capabilities of the BPO industry in Kenya and its organizational abilities to influence its competitive position and performance in the region. It is vital that the government invests in developing a capability and sustaining a superior performance position in the capability relative to competitors.

From discussions with key informants it emerged that most of the participants blame the government for not doing enough to promote the BPO industry in Kenya. Several respondents were of the view that the government was in a position to impact on the BPO industry by being in the forefront of outsourcing some of their services to local BPOs and as such create interest from other players. Government outsourcing was in a position to be a major driving force to the BPO industry. This will increase the volumes of transaction for the BPO industry and have an immense impact on the BPO industry in Kenya. This will be possible when the government becomes result oriented and thus government outsourcing will become increasingly prevalent. The feasible services for BPO in government include fleet management, payroll, bill collection, and cheque processing.

Though the Kenyan government has identified the Business Process Outsourcing as one of the sectors to stimulate growth as per vision 2030, the ministry of information should
introduce incentive programs to attract investment in the sector. These should be offered to local and foreign investors establishing projects that aim to serve offshore clients. Most respondents felt that part of the Economic Stimulus Programme (EPS) should be directed as a grant towards BPO start-ups and its expansion.

The estate managers at Knight Frank and who are currently managing the business complex indicated that the government acquires a business complex and earmarks it as BPO centre as it prepares to construct its intended BPO centre at Athi River. This will allow for the immediate rejuvenation of Kenya as a BPO centre and lessons and concepts attained will be adopted in any future designs for BPO centres.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study aimed at strategic planning for the BPO industry in Kenya. In this study, a questionnaire was used to collect the needed quantitative data from subordinate staff in the BPO industry. In addition, an interview schedule and document analysis was used to collect qualitative data from key informants. This chapter therefore presents the summary as well as the conclusions of the study. Recommendations and areas warranting further research are also highlighted.

5.2 Summary of Major Findings

Based on the results of this study, the following are the major findings:

1. Suitability of locating BPO's in Kenya

Kenya is a suitable destination of locating BPO's not only in East Africa but also in Africa. The findings of the research indicated that a high literacy rate of the Kenyan people and the cost of doing business compared to that of other countries in Africa was a fundamental backbone that makes Kenya one of the most suitable destination of locating BPOs not only in East Africa but also in the African continent. This is further strengthened by the excitement and optimism that hit the country after the landing of two undersea cables that have ensured that the country and the region has an international broadband capacity to compete globally.
2. Challenges faced by BPO's in Kenya

Despite Kenya being a suitable destination for the BPO industry, the study found out that are many challenges bedeviling the BPO industry. Top on the list is weak BPO incentives and poor telecommunication infrastructure coupled with a high rate of internet services compared to other major players in the world. The high cost of doing business, inadequacy of facilities dedicated for BPOs and lack of an effective marketing strategy for BPOs are other challenges facing the BPOs in Kenya. Uncompetitive and comparatively expensive technology was also another major challenge. The study further notes that from the onset, the government lacked a strategic plan for the BPO industry and this has been a major inhibitor to the success of BPOs in Kenya. BPO firms are faced with the challenge of providing quality services while controlling costs and meeting privacy and security standards. Therefore, despite the improved economic growth and the saturation of organizations in the Kenyan market, the country has failed to reap the full benefits of the industry.

3. Strategic Planning for BPO's in Kenya

Kenya entered into the BPO market without focusing on first laying the fundamental structures that would have formed the backbone of the industry. This has been clearly highlighted by the government’s failure to create bills and enact laws that would guide and protect the industry thus giving it the backing force of the law. Though Kenya has fast become the leader in Outsourcing in East Africa, the government has not done enough to give it a competitive edge in the market. Communication channels
as pertaining to BPO’s have not been well formulated and thus the enthusiasm of catapulting Kenya to compete with countries like India and South Africa is dwindling.

5.3 Conclusions

The findings of the study have clearly shown that Kenya is a suitable destination for the BPO industry. The BPO industry in Kenya took root without clear policy and legal framework to guide the sector. The major players in the BPO industry in Kenya did not take time to lay a solid foundation for the BPO industry and this is evident from the lack of a national strategic plan for BPOs. This has in the long run resulted in the industry being faced by major challenges that could have been mitigated had there been a strategic planning to cater for the BPO industry. The BPO industry in Kenya is yet to reach a critical mass of entrepreneurial drive and initiatives. Nevertheless, with the necessary investment, capacity development, marketing and effective service provision the Kenyan BPO industry can be propelled into international map as a centre of outsourcing excellence.

5.4 Recommendations

1. Suitability of locating BPO’s in Kenya

To attract foreign and local investors, the government should not only provide a legal and regulatory framework for the industry, but should further assist the growth of the BPO industry by providing the necessary incentives that encourages and motivates entrepreneurs (both local and foreign) to take the risk and invest in Kenya. Other ways in which the government can support this industry is to encourage and develop a
funding mechanism for the take off of the industry, as well as continued reforms in
the telecommunication sector, power sector and education sector. The government
can also support the industry by investing in Technical and IT education in the
country. This can be done in collaboration with the private sector through
establishment of IT training Institutes and centers of excellence where the capacity
needed to run this industry can be trained.

2. Challenges faced by BPO's in Kenya

There is need for the Kenyan government to formulate a plan for encouraging BPO to
invest in the country. The government should be at the forefront of outsourcing some
of it's none core functions as a way of increasing volumes and so as to build
confidence in the Kenyan BPO industry. Further, it should formulate a methodology
of cushioning start-up BPOs in the country against the high cost of starting a business
in the country. This can be in the form tax waivers for all BPO start-ups for a given
period of time. This will not only endear the country to foreign firms but will also
encourage the mushrooming of more local BPO firms. It is important for the country
to adopt a similar if not better approach of marketing the BPO industry like the one it
has adopted in marketing tourism in foreign countries. An effective marketing plan
will communicate and achieve positive results in attracting foreign forms to seek our
BPOs as their service providers.

The most important thing the Kenyan government needs to do is to ensure a stable
pro-IT environment where the BPO industry can flourish, essentially what this entails
is the creation and implementation of IT policies aimed at improving the infrastructural base, the legal and regulatory and the human capacity needed to man this industry. These policies will serve as the framework on which the industry will grow and the government will have to play a major role to play to ensure not just the successful implementation, but also the active growth and development of this industry.

3. Strategic Planning for BPO’s in Kenya

The researcher notes that the success of Kenya as a BPO destination lies in the country as a whole developing a strategic plan for the industry. Firms should take a strategic approach towards outsourcing, and continuously assess the possibilities of capitalizing on it as strategic tool which may help firms to prosper in an increasingly globalised and competitive market. Prior conceptualization of what the Kenyan BPO’s can offer is essential before decisions on venturing into BPO’s can be made. The principal proposition of this study is that there is need to implement a successful BPO strategy, a process which must involve an analysis of a number of dimensions including relative capability of the BPO industry, contribution of the industry, communication channels and approaches to be adopted to give the Kenyan BPO a competitive advantage and enhance its potential in the global arena. Local BPO’s should also be seek strategic partnership with other global outsourcing companies as way of penetrating the global market and as an avenue of attracting foreign BPO’s into the country.
5.5 Limitations of the Study

The major limitations encountered while carrying out the search were lack of a well established BPO centre and minimal literature on strategic planning for BPOs in Kenya. This was a challenge because there was little information available for the literature review as well as data collection.

5.6 Suggestions for further Studies

The research recommends that further study be undertaken to determine the type and areas of incentives that the government can adopt to assist in the growth of the BPO industry in Kenya. There is also need to determine the effects of this kind of incentives towards motivating entrepreneurs into investing in the Kenyan BPO industry. There is also a need to establish the legal and regulatory environment that is needed so as to support the industry must.
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APPENDICES

APPENDIX I

QUESTIONNAIRE

The questionnaire is aimed at collecting information on strategic planning for Business Process Outsourcing in Kenya. The information you provide is intended for academic purposes only. Respond to each item by putting a tick (✓) on the appropriate response and explaining/specificating where space is provided.

Section A: General Information

1) Organization ..............................................................

2) Department ..............................................................

3) Gender of the respondent
   a). Male [ ] b). Female [ ]

4) Age of the respondent..... .....................................years.

5) How long have you served in this organization?............. ..........................................................

6) Respondent's highest level of education
   a) Non formal [ ]
   b) Primary [ ]
   c) Secondary, A-level [ ]
   d) College [ ]
   e) University [ ]
Section B: Kenya as a BPO Centre

7) i) Is Kenya a suitable destination for BPOs?
   a) Yes  □  b) No  □

   ii) If No, please explain. ...........................................................................................................

   ..............................................................................................................................................

How can you rate Kenya’s Potential as a BPO destination?

   b) Very High  □
   c) High  □
   c) Low  □
   d) Very Low  □

8) What can you say about the number of BPOs in Kenya over the years?
   a). Has increased  □
   b). Has reduced  □
   c). Remained constant  □
   d). I am not sure  □

9) What is your view of the competitiveness in the current BPO markets?

....................................................................................................................................................

....................................................................................................................................................


10) Which business services do companies usually outsource?

....................................................................................................................................................

....................................................................................................................................................

63
11) Why do you think they usually outsource these services?

........................................................................................................................................

........................................................................................................................................

12) i) Do Kenyan BPOs have the potential to compete with those of other countries?
   a) Yes □  b) No □
   ii) If no, explain. ...........................................................................................................

........................................................................................................................................

13) i) Do you think the country has a developed an effective strategic plan for BPOs.
   a) Yes □  b) No □
   ii) Why? ......................................................................................................................

........................................................................................................................................

........................................................................................................................................
Section C: Challenges facing BPOs in Kenya?

14) Below are some of the challenges facing BPOs in Kenya. Please indicate the degree to which you agree or disagree with each of the given challenge by putting a tick on the box of your choice.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>High cost of operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difficulty in setting up of BPOs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Restrictive regulations (government)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Limited number of BPO service vendors</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Uncompetitive and comparatively expensive technology</td>
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<td>Ineffective marketing of BPOs</td>
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<tr>
<td>Shortage of skilled labour</td>
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<td></td>
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<tr>
<td>Poor telecommunication infrastructure</td>
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<tr>
<td>Expensive and unreliable energy</td>
<td></td>
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<td>Inadequate dedicated BPO facilities</td>
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<td>Poor supply of BPO software and Hardware</td>
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<tr>
<td>Weak BPO incentives structures</td>
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<td></td>
<td></td>
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<tr>
<td>Inadequate manpower</td>
<td></td>
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</tr>
</tbody>
</table>

15) Which other challenges do you think BPOs in Kenya face?..
16) How do these challenges impact on the BPOs?

17) i) Do you know what strategic planning is all about?
  a) Yes □  b) No □
  ii) If yes, briefly explain

Section D: Ways in Which Strategic Planning can be Applied

18) Which approaches have your firm adopted to attract firms to opt for your outsourcing services?

19) How should Kenyan BPOs strategise so as to enable them gain a competitive strategy in the outsourcing industry?
  a). End-market assessment
  b). Determine strategy for creating competitive advantage
  c). Plan for sustaining competitiveness

20) In your own opinion, how can Kenyan BPOs strategise to so attract both local and international to outsource their services to them?
21) What measures should the government put in place so as to support the growth of BPOs in Kenya?

22) How will the measures you have stated above help in the growth of BPOs in the country?

Thank you for taking your time to fill this questionnaire.