

FACTORS AFFECTING THE ADOPTION OF BUSINESS

PROCESS OUTSOURCING IN KENYA'S MOBILE PHONE COMPANIES

BY

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the Award of the Degree of Masters of Business Administration, School of
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DECLARATION

This research project is my original work and has not been submitted for examination in this or any other university.

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DEDICATION

This work is dedicated to the almighty God, my wife Cecilia Okumu, my son Bernanke Ogubi, my daughter Dorothy Ogubi, my father Joseph Ogubi and mother Dorothy Anyango Ogubi for having inspired me never to give up.

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First and foremost, I thank the Almighty God for giving me the grace to read. I wish to express my sincere appreciation to my family.

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LIST OF ABBREVIATIONS

BPO	Business Process Outsourcing
CCK	Communication Commission of Kenya
GDP	Gross Domestic Product
ICT	Information Communication Technology
NSE	Nairobi Securities Exchange
USA	United States of America

ABSTRACT

This research is concern with investigating the factors that affect adoption of Business Process Outsourcing in mobile phone companies in Kenya. The study was motivated by the low level of Business Process Outsourcing adoption in these companies amidst high operations cost and shrinking profitability as reported by Communication Commission of Kenya (CCK). The study had three objectives: to determine the extent of Business Process Outsourcing adoption, to establish the enablers of Business Process Outsourcing adoption and to establish the barriers of Business Process Outsourcing adoption by mobile phone companies in Kenya.

Twenty eight questionnaires were administered to employees of the four Mobile phone companies in Kenya. In addition there were four interviews. The respondents were selected using stratified and judgmental sampling. The respondents were departmental heads from each of the four companies and interview was administered to individuals with vast experience about the organization and was involved in the company's decision making. Data collected from the questionnaires was analyzed using descriptive statistics and presented using frequency tables. Where data collected from the interviews was analyzed using content analysis. The findings from the study indicate that adoption of Business Process Outsourcing has been adopted by these companies to a very small extent as most of the services produced a mean of more than 2.5. The key enablers to adoption of Business Process Outsourcing were: quality, security & trust to information and profitability. Whereas the main factors that pose as challenges included: cost of Business Process Outsourcing, sales and marketing barriers

In view of the findings, several recommendations were made which may be useful for key decision makers in the mobile phone sector. Mobile phone companies should see adoption of Business Process Outsourcing as a long term investment rather than as a short term investment. In addition there is need for key decision makers to realize that most of the vendors provide security and confidentiality to client information.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Productivity is one of the most widely used measures of operations efficiency as dependent on improving production. According to Eisenhardt (1989) the major reason to continuously improve productivity is for an organization to have a competitive edge in the industry. The benefits that the organization accrues from improved productivity are: reduced cost, reduced wastages, long-term survival and improved profits. Production can be used as an indicator of management competence. Productivity can be improved through: effectiveness, efficiency, employee morale and through improved process (Jorg, 2008). According to (Taylor, 1993) to improved productivity, organizations should produce in the most effective and efficient way albeit focusing on their core competencies. One of the ways organizations can achieve this is through Business Process Outsourcing through which a firm focuses to its core activities hence producing in the most efficient way.

Separate studies done by Duening & Click (2005) and Merino & Rodriguez (2007) conclude that when a firm focuses more on core competences it is able to improve production, customer care, profitability and employee morale significantly. In addition, outsourcing can help reduce costs significantly through efficiency and hiring of competent individual from different location (Jabbour, 2007).

1.1.1 Business Process Outsourcing

According to the International Data Corporation (2009) Business Process Outsourcing is

whereby some or the entire business process is given to an external company to provide it. Business Process Outsourcing can also be defined as the hiring of an external company to handle business activities that ordinarily could have been handled within the company (Jorg, 2005). In respect to this definition, studies by Willcocks, Hindle and Freeny (2004) indicate that the distinctive features of Business Process Outsourcing are threefold compared to other types of outsourcing: first, a given level of risk is transferred to the external firm which runs the process on behalf of the outsourcer. The external firm not only takes over administrative responsibility for a technical function, but also assumes strategic responsibility for the execution of a complete core function. Second, the business connection between firm and subcontractor is individual, so that the external provision of low-level services like - cleaning, computer repairs and security - is not categorized as Business Process Outsourcing (Smith, Mitra and Narasimhan, 1999). A third feature of Business Process Outsourcing is involvement of the service provider in long term strategic and operational success of the outsourcing firm. Duening and Click (2005) define Business process outsourcing as the movement of business processes from inside the organization to an external service provider.

The outsourcing benefits of improved internal efficiencies, reduced cost per unit product, improved customer satisfaction and improved organizations value, is accompanied by loss of competitive advantage to the firms competitors depending on the criticality of the outsourced service and increased governance risks Feeny & Lacity (2004); Gewald, Wüllenweber & Weitzel (2004); Willcocks et al. (2004) and Jorg (2005). Business Process Outsourcing is profitable as it relates to shareholder value and optimizes business performance to accomplish value creation through lessening costs while amplifying

service quality (Daityari, Sanai and Gupta, 2008). Organizations are progressively relying more on Business Process Outsourcing partners for myriad operations. In some cases, organizations are outsourcing their complete global back-office functions, including human resources, to leverage the cost and time advantages. Business Process Outsourcing suppliers not only help reduce clients' costs, but also provide expertise, help improve clients' services, and increase clients' profits (Gupta, 2002).

1.1.2 Success Factors in Business Process Outsourcing

Grossman and Helpman (2005) noted that Business outsourcing is a process that relies heavily on telecommunications infrastructure for real time provision of services and the services delegated must be Information Technology intensive business functions. Lee, Kwon and Schuman (2005) identify the key success factor to adoption of Business Process Outsourcing to be cost, operational excellency, marketing ability, good governance framework, experience, alignment in vision, efficiency and quality adherence. Most policy makers on adoption of Business Process Outsourcing rely on at least one Key success factor when making outsourcing decision (Jabbour, 2007).

According to Waema (2009); Baldia (2010) and Deloitte & Touché (2006) the most common outsourcing drivers include: work culture, quality service delivery, cost reduction, innovative business models, technological expertise, culture alignment, innovative business model, security, performance, customer service, flexible service level agreement, reliability, staff resources, disaster recovery, financial consideration, governance and data privacy. Gupta (2002) acknowledges that the key drivers to outsourcing is for a firm to meet its objective both in the short run and long run through

improved productivity, cost reduction, profitability and improved customer care.

Separate studies by Gorg & Hanley (2004) and Hall & Liedka (2005) have also identified the need to transform the barriers to adoption into opportunities over the peer. Countries like India, Philippines and Mauritius have greatly transformed the barriers into opportunities hence enabling them have a competitive advantage over. According to Waema (2009) India and Mauritius have developed their infrastructure, provided tax incentives and produced skilled workforce to enable them have a competitive edge over their counterparts.

1.1.3 Mobile Phone Telecommunication Sector in Kenya

There are four main players in the mobile phone industry in Kenya: Safaricom, Airtel, YU and Orange mobile phone companies. According to Deloitte and Touché (2011) competition in the mobile phone industry has reduced prices by over 70% and mobile coverage has increased to 96% of the country. The contribution of the mobile sector to the Kenyan economy represents over 5.6% of GDP and up to a further 1.9% from intangibles. The report states that in the year 2011 the mobile communications industry contributed over Kenya shillings 300billions and up to a further Kenya shillings 100billion from intangible benefits to consumers. Additionally, the estimates indicate that in 2011 the mobile communication industry as a whole employed almost 250,000 people in Kenya, from which the Kenya government received over 41 billion in taxes. The payment system provided by Mobile Phone such as Mobile banking and M-agriculture has been significant contributors to Kenya economic growth.

Issues facing Mobile phone companies include: operational costs, human resource, infrastructure, reducing revenue, shrinking market and heavy taxation on inputs. ABI Research predicts annual energy expenditure globally for powering on-grid base stations will grow from \$15.8billion in 2007 to \$21.9billion by 2013, a major contributor to an operator's costs. Due to high cost of providing the services and the need to improve profitability, most mobile phone companies have been providing low quality services. Another challenge faced by most mobile phone companies is over reliance on foreign expatriates and infrastructure. Safaricom relies on Vodafone South Africa to maintain its M-pesa service and Airtel relies on Airtel India on strategy formulation and expertise. High cost of services offered by mobile phone companies are making users to bypass them and use the Wi-Fi on mobiles to access services and content. In retrospect, these companies can achieve greater quality service, more profit margins, cheap labour and low operational costs by adopting Business Process Outsourcing. Studies by Jorg (2005) and Gupta (2002) indicate that companies that adopted Business process Outsourcing were able to significantly lower their operation costs to over 60%, increase profitability by almost a similar margin albeit improving customer responsiveness.

1.2 Research Problem

Companies that have adopted Business Process Outsourcing have shown great improvement in value creation, efficiency, effectiveness and customer responsiveness Gewald et al. (2004) and Willcocks et al. (2004). The adoption of BPO has greatly helped industry improve usage of ICT infrastructure in their organizations. In addition companies are able to significantly reduce costs that were previously incurred through

employing skilled and specialized workers which is said to reduce operational costs up to 60 per cent (Gupta, 2002). This trend explains why most companies globally are adopting the use of BPO.

Mobile phone companies in Kenya are experiencing turbulent environment as a result of cut-throat competition between players, high operational cost, heavy taxation, inadequate skilled manpower, inadequate infrastructure, shrinking profits and provision of similar services to a shrinking market within the industry in Kenya. Stiff competitions between players in the market and an active regulator have pushed calling rates to its lowest. According to CCK (2011) termination calling rates have been pushed further from Kenya shillings 1.44 to Kenya shillings 1.15 leaving companies to enjoy a gross profit after tax ranging from Kenya shillings 2.56 to Kenya shillings 1.56 (exclusive of costs). High operational costs and poor quality services remain the main deterrents of productivity in the industry. Safaricom Limited one of the private companies that is listed in the Nairobi Securities Exchange (NSE) has seen the company share drop by year from when the shares were first floated to the public at around Kenya shillings 5, the share price has since dropped to Kenya shillings 3.6. Orange Kenya was recently seeking financial bailout from the Kenyan Government to enable it pay its debts accruing to over Kenya shillings 2 billion. Since its entry into the industry, YU mobile has never made profit despite massive marketing drives. Apart from Safaricom the major market player, the rest of the players in the industry continue to make loses every year CCK (2011).

Studies done in India, German and Philippines concluded that companies that have resorted to adopting Business Process Outsourcing have realized great improvement in

value creation, efficiency, effectiveness and customer responsiveness (Gewald et al., 2004 and Willcocks et al., 2004). In addition, companies are able to significantly reduce costs that were previously incurred through employing skilled and specialized workers which reduces operational costs up to 60 per cent (Gupta, 2002). This trend explains why most companies globally are adopting the use of Business Process Outsourcing. Business Process Outsourcing can help reduce customer complains, improve profitability, improve market share and enable a firm achieve a competitive edge in the industry (Gorg and Hanley, 2004). Business Process Outsourcing has also helped reduce operations cost previously incurred at Safaricom limited by more than 25% Kiiru (2011). In another study by Gathuma (2011) at Zain Kenya, the company was able to reduce the labour cost by over 18% while utilizing the best expatriate knowledge in their strategic planning.

According to Willcocks et al. (2004) Business Process Outsourcing adoption by companies in India, China, Philippines, USA and Europe has helped companies improve productivity. The case in Kenya is different, most firms believe adoption of Business Process Outsourcing will make them loose control especially on provision of some services that could easily be used against them yet Gene and Helpman (2005) have indicated that, if well benchmarked and the systems reengineered to suit the application, it can greatly help improve customer responsiveness and reduce operation costs. It is because of this that the researcher poses the questions: To what extent has Business Process Outsourcing been adopted by mobile phone companies in Kenyan, what are the barriers and enablers of Business Process Outsourcing adoption in Mobile phone companies in Kenya?

1.3 Objectives of the study

The objectives of the study were as follows:

- i) To determine the extent of Business Process Outsourcing adoption by Mobile phone companies in Kenya.
- ii) To establish the enablers of Business Process Outsourcing adoption by mobile phone companies in Kenya.
- iii) To establish the barriers of Business Process Outsourcing adoption by mobile phone companies in Kenya.

1.4 Value of the study

Mobile phone companies will find this study helpful especially in trying to find ways of providing cheaper and quality services to Kenyans. Other studies have found that low overhead costs, low cash reserves, high debt, and declining growth rates determine outsourcing decisions (Smith, Mitra & Narasimhan, 1998 and Hall & Liedtka, 2005). Fritsch and Wüllenweber (2007) analyzed determinants of business process outsourcing in the German banking market, draw a different conclusion based on their findings. They are able to show that while Business Process Outsourcing is still an element of cost cutting strategies it is also pursued by well-performing banks with a high revenue diversification. Thus they conclude that Business Process Outsourcing is used as a strategic element in market differentiation strategies to gain further competitive advantage. This study is aimed at benefiting mobile phone companies by helping them reduce overhead cost, increase revenue collection albeit increasing customer responsiveness through provision of quality services.

Institutions of higher learning will start to see the value importance of Business Process Outsourcing in ensuring sustained economical gains. Researchers will also benefiting a lot as this forms the basis for further research in the wide scope of Business Process Outsourcing and its importance; they will also realize that organizations can improve their value through outsourcing the services to well established and experienced firms.

Government bodies like Communication Commission of Kenya will be in a position to advice players in the industry on the best way of providing cheap services whilst not compromising on the quality. The government will also receive more income since customers will make more calls due to reduced prices. Business Process Outsourcing is profitable as it relates to shareholder value and optimizes business performance to accomplish value creation. Organizations are progressively relying more on offshore Business Process Outsourcing partners for myriad operations. In some cases, organizations are outsourcing their complete global back-office functions, including human resources, to leverage the cost and time advantages. Business Process Outsourcing suppliers not only help reduce clients' costs, but also provide expertise, help improve clients' services, and increase clients' profits. (Gupta, 2002).

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a discussion of relevant literature in order to help understand the problem under study. Literature on Business Process Outsourcing adoption, Business Process Outsourcing measurable variables, the enablers and challenges to adoption of Business Process Outsourcing is reviewed. The various indicators were also identified to help adhere to the objective of the study.

2.2 Adoption of Business Process Outsourcing

Jorg (2005) identified some of the key measures of Business Process Outsourcing as revenue, employment and cost. Kiiru (2011) study at Safaricom Limited noted that the most common outsourced service by mobile phone companies include: internal auditing, product development, human resource, transmission services and maintenance. The researcher did not document whether the same measure for Business Process Outsourcing could be used in other industries. The research also does not document if the measures were exhaustive to measure all the units in a given department. Li and Meissner (2004) identify the key indicators to Business Process Outsourcing to be: reliability, conformance, flexibility, responsiveness, security, tangibles, assurance and empathy.

Slack, Chambers and Johnston (2004) identify quality improvement as a key driver to adoption of Business Process outsourcing. Other researchers have developed different quality frameworks. For example, Garvin (1987) developed a quality framework considering an eight dimension product quality and Parasuraman et al. (1991) derived a

five dimension model of service quality. Unfortunately, their study fails to realize that measuring service quality is difficult due to three unique natures of services: intangibility, service cannot be measured, counted, inventoried, tested and verified in advance of sale; heterogeneity - the consistency of service from a personnel is difficult to measure; and inseparability - the difficulty in separating consumption from production (Ma et al., 2005). Zeithaml et al. (1993) states that customers not only judge service quality based on the outcome of the service but also consider the process of service delivery.

Other researchers have also carried out research on quality framework but the studies do not relate to Business Process Outsourcing hence this framework may not directly be used in the Business Process Outsourcing context. Grover et al. (1996) explained that outsourcing involves the quality expectations of both the service provider and the service receiver, and that service quality is measured with tangibility and reliabilities. Additionally, Ma et al. (2005) implemented an exploratory study on service quality of Service Providers and identified seven factors to measure service quality: features, availability, reliability and assurance, empathy, conformance and security. Despite of the similarities between Business Process Outsourcing and Service Providers, their differences are evident.

Terra (2005) showed that 73% of customers surveyed believe in improving their outsourced processes. The study concludes that most firms outsource in order to improve efficiency and effectiveness. In order to deliver a quality and stable service, the provider has a business model, the needed infrastructure, people, and skills, technology, and metrics capabilities. Among those requisites, the technological and communication

advances is the fundamental factor leading to the wide spread adoption of Business Process Outsourcing. The Internet and the low cost of communication, in addition to the move into a more standardized applications, open information technology platforms, and more integrated systems gave Business Process Outsourcing the tools needed to advance and spread. All this will and has been helping the adoption of Business Process Outsourcing by reducing risks, increasing the transparency, and improving the process quality while lowering costs.

International Data Company (2009) predicts that Business Process Outsourcing will grow at a compound annual rate of 10.9%. With \$382.5 billion in annual sales in 2004, global Business Process Outsourcing will likely grow to over \$1.03 trillion in 2015 (Gibson, 2010). Moreover, nearly all processes outsourced are highly IT intensive and these demonstrate how IT should be involved in deciding where Business Process Outsourcing investments go (Erlanger, 2006). The sustainable success of any Business Process Outsourcing process depends on technology. As technology impacts almost every area of operations management (Slack et al., 2004), technology profoundly affects Business Process Outsourcing services adoption. Unfortunately, those studies fail to validate if information technology helps other outsourcing services that are not IT intensive.

2.3 Business Process Outsourcing measurable variables

As Kumar (2004) points out operational excellence, product or service leadership and highly effective client relationship management are keys to assuring superior service delivery. The service provider must have a clearly defined service vision in line with

firm's priorities and can help measure a firm's value Li and Meissner (2004). They then developed a quality structure which had seven dimensions: reliability, conformance, flexibility, responsiveness, security, tangibles, assurance and empathy. They conclude that each dimension, the sub-measures are identified based on the nature of Business Process Outsourcing service. These criteria are strongly acknowledged as some of the main factors leading to Business Process Outsourcing success. Ma et al. (2004) define reliability as the ability to perform the promised service dependably and accurately. Grover et al. (1996) suggested that the success of outsourcing is heavily dependent on the reliability of the service a service provider provides. The measurable variables are real time, accurate, accessible, correct historical record and robust disaster recovery of information (Li and Meissner, 2004).

Tangibility includes the physical evidence of service and Garvin (1987) technology is the first visible quality feature in Business Process Outsourcing. Technology and applications allow the monitoring of process operations. According to Slack, Chambers, and Johnston (2004) technology adds to the Business Process Outsourcing quality and success by making the operations more visible by different views suited for different role-based levels in the client's organization. Dimensions of Business Process Outsourcing service quality indicators include advanced technology, global expertise, application's friendly user interface, ease of data reporting and extracting, application scalability and application interoperability (Li and Meissner, 2004).

Kettinger and Lee (1997) define responsiveness as the willingness or readiness of

employees to provide service. Customer-facing staff can be brought up to speed with new offerings far more rapidly, and brand service values can be communicated to customer touch points more efficiently and consistently Terra (2005). Providers cannot escape errors at any stage of BPO service, so the ability to discover errors swiftly and track down their causes is important. This will result in the quick operation restoration, and thereby increase client satisfaction due to minimum interruption and early discovery of problems. This is aligned with Erlanger's (1998) arguments regarding how effective service recovery from failure is one of the major demands that customers expect. This can be determined by speed, competence, ease of repair and customer relationship (Li and Meissner, 2004).

Outsourced business process often interacts with other business processes of the customer, or intervene important or confidential business information. Business Process Outsourcing service has to guarantee the security of the customer business. According to Parasuraman, Berry and Zeithaml (1991) concretely, the quality of security should be analyzed from the following aspects: confidential data and information, security auditing; encryption and anti-virus protection and secure physical environment (Terra, 2005).

Assurance and empathy are both client focused quality criteria. Li and Meissner (2004) define assurance is reflected by the knowledge and courtesy of employees and their ability to instill trust and confidence and empathy is the degree of individualized attention the service provider gives its customers. According to Erlanger (2006) assurance and

empathy help improve the perceived service quality, customer value and customer satisfaction. and a trusted relationship between Business Process Outsourcing service providers and their clients should be built around open communication, fairness, belief in the mutual benefit and interdependence. Assurance and empathy can be measured in terms of: shared approach to problem solving, helping customers in improving their entire operations quality assurance systems or tools, expertise availability and knowhow and fit of work practices with that of customers (Kumar, 2004).

Flexibility is another key measurable indicator. To achieve sustainable quality, Business Process Outsourced service providers need to cope with scope or scale changes including clients' organizational restructuring, Merge and Acquisition activities or even the sourcing strategy change Berry and Zeithaml (2004). In other words, flexibility is one of the important qualities of Business Process Outsourced service. Business Process Outsourcing agreements should be designed to allow for adaptability. Contracts should enable elements to evolve and adapt to organizations' service level requirements, like service level improvement clauses with incentives schemes. The most common measurable scale for Business Process Outsourcing include: re-scalability, upgrade, innovation and transition.

Gibson (2010) Define conformance as the degree to which the design and operation of an application of service meets its established standards. Although Business Process Outsourcing is usually considered service first, it is actually providing applications to organizations. Any outsourced business process involves some specifications which are usually restricted by a contract. The Business Process Outsourced activities should align

the outsourcing objectives with the appropriate contract reviews, performance monitoring and measurement systems Kettinger and Lee (1997). They also explain that, quality Business Process Outsourced service should provide the needed framework for driving the behavior of the BPO provider towards sustaining the quality level of service required. Conformance can be measured through: systematically process design, consistent process delivery and manage, efficiency and Effectiveness and added value.

2.4 Enablers to Adoption of Business Process Outsourcing

According to Gupta (2002), there are key drivers to the utilization of Business Process Outsourcing by firms, and many theories have been developed to explain this trend: firms may be driven by the need to reduce costs, improve customer responsiveness, concentrate on core activities, improve quality, improve security, profitability or to achieve a combination of these benefits. Traditionally, outsourcing was a means to lower the costs of production and processes, and even today, economies of scale is cited as a major motivation to outsource. Jörg (2005) behooves us to believe that some firms have decided to adopt Business Process Outsourcing as a way of accessing specialized skills and saving on overhead through short-term cost savings. Other firms decide to adopt this trend as a result of globalization that forces firms to concentrate on their core competencies so that they continue enjoying the market share irrespective of the global forces. The most outlined benefits of Business Process Outsourcing are listed below:

Reeves and Bednar (1994) state that quality is regarded as one of the major drivers of competitive strategy in every industry and the Business Process Outsourcing service industry is not an exception. Jorg (2005) reiterates that outsourced business process helps

improve efficiencies that result in improved quality in companies. Companies that outsource their business processes are often able to capture new efficiencies and in the process improve upon their productivity. These companies are in a better position to reallocate their resources to other important projects. This also helps their employees to increase their efficiency and productivity. Availability of highly qualified skill pool and faster adoption of well-defined business processes leads to productivity improvements without compromising on quality (Gupta, 2002). Kumar (2004) pointed out service excellence has become the basic instinct and real value differentiator that drives client choice. Therefore, for a quality Business Process Outsourcing service, it is important to identify the quality criteria from the perspective of the customer so that effective services are provided to satisfy and surpass the customer's expectations.

Earlier researches by Girma and Gorg (2004) concluded that a firm's competitive advantage is derived from those capabilities that are unique, inimitable, and non-substitutable. These capabilities constitute the awareness and core competencies of the firm. According to the competence approach, a firm may outsource activities other than its core competencies. Business Process Outsourcing gives tremendous help to the companies to concentrate more on the core areas of their business. Business process management utilizes technology aimed at revamping the process, trimming down unnecessary steps, and eliminating redundancies. (Willcocks et al., 2004).

The rationale for the existence of the firm as delineated in the theory of the firm is primarily based on considerations of transaction cost and production cost efficiencies

(Williamson, 1971; Alchian and Demsetz, 1972). The transaction cost approach to the theory of the firm hypothesizes that firms are organizational innovations born out of the costs involved in market transacting in order to reduce those costs. A 'transaction' here represents the transfer of a good or service across a technologically separable interface (Williamson, 1971). Business Process Outsourcing provides quantifiable benefits through improved efficiencies that result in lower overhead costs and fewer capital investments. The companies that outsource their work have access to the best of talent and expertise in the Business Process Outsourcing field and that too at very low wages (Gupta, 2002). The main objective of outsourcing was the reduction of labor costs and an increase in labor productivity and achieving better efficiencies, which was indeed achieved (Jorg, 2005).

Outsourcing firms hire individuals who are well qualified in their areas of specialty and this greatly ensured that service provision is above board for their customers. In addition most of this Business Process Outsourcing has vast experience in these areas where they deal in and this greatly help improve customer responsiveness. Furthermore, According to Kiiru (2011) companies can gain improved profitability through focusing to core competences. The researcher also concludes that the company gains improved operation flexibility, focuses on strategy, improved network clarity, improved research and product development, cost reduction, enhanced staff skills and improved customer base.

Most Business Process Outsourcing firms have innovative business models that can help companies achieve improved market, profitability, reduce costs and improved customer service (Waema, 2009) and Gilley & Rasheed (2000). They mostly employ highly skilled manpower in their areas of specialty and this makes them deliver quality services.

According to Daityari et al. (2008) and Smith et al. (1999) most companies are driven by security and privacy issues to adopt Business Process Outsourcing. Outsourcing companies employ individuals with vast knowledge and highly qualified individuals in their areas of specialization hence being able to provide water tight mitigation on firm's information.

2.5 Barriers to Adoption of Business Process Outsourcing

Although Business Process Outsourcing can help an organization have a competitive edge, it is also associated with some risks; Willcocks et al. (2004); Gewald et al. (2004) and Willcocks et al. (2004) stress the knowledge potential of Business Process Outsourcing as the processes are often close to the outsourcer's core business. Thus by leveraging the core capabilities of both the outsourcer and the vendor, Business Process Outsourcing can even be a source of competitive competition. It will be very important to also realize at this point that a company achieves competitive advantage through its core competency hence if they leverage them then they may lose the some market share to the competition. Business process outsourcing challenges can be summarized in six fold.

According to Waema (2009) human resource challenges is key barrier to adoption of Business Process Outsourcing. In the effort of trying to provide low cost services. most employees are lowly paid hence resulting high staff turnover, Due to high staff turnover; the firms replace the employee's resulting in high cost of training. In addition, most Business Process Outsourcing firms losing the most experienced employees to the clients due to poor human resource incentives and payment hence are leaving them vulnerable.

Another major challenge is lack of adequate and skilled human resource manpower; India produces over one million graduates per year compared to 30,000 graduates in Kenya. Most of the Kenyan population speaks one international language – English – as compared to Mauritius that speaks both English and French. Separate studies by (Kangaro, 2010; Gathuma, 2011 and Kiiru, 2011) pointed that Business Process Outsourcing are associated with high initial setup costs, technological barriers, sales and marketing constraints. Another barrier associated with Business Process Outsourcing is security and trust to information. Although, the USA is the major outsourcing destination, its security and privacy to information varies greatly with other countries like: China, India and Mexico (Jorg, 2005).

Studies by Waema (2009) and Jabbour (2007) indicate that most Business Outsourcing applications rely on technological platform. Most outsourcing destinations like Kenya, Mexico and South Africa lack adequate infrastructure or rely on expensive infrastructure thereby making them less competitive in the market. High bandwidth prices and telecommunication prices makes the cost of outsourcing very expensive.

Awareness is another barrier to adoption of Business Process Outsourcing in most developing countries. Poor sales and marketing challenges limited choice of providers, existence of traditional “Face to face” culture limits acceptance by buyers, poor marketing skills and lack of knowledge (Gupta, 2002). Most of the firms in developing countries lack access adequate information about Business Process Outsourcing.

Separate studies by Waema (2009); Rodriguez (2007) and Odera (2011) suggest that

most countries remain unattractive for Business Process Outsourcing due to heavy taxation. India, Kenya, Philippines and Mauritius remain attractive due to their tax policy that offers incentives to Business Outsourced services. The tax incentive policy in India offers 100% tax holiday for the first 5 years and 50% for next 5 yrs, Kenya offers a 10 year corporate income tax holiday for EPZ companies. In India also, 90% profits of software exports is exempted from tax. Mauritius interestingly abolished all tax incentives except a 15% corporate tax, one of the lowest globally.

2.6 Critical success factors in adoption of Business Process Outsourcing

The most critical success factors are fourfold: Business process outsourcing policy and regulatory frameworks in a country can greatly determine the levels of adoption. An analysis into countries whose level of adoption is high has put in place measures to attract investment into the sector like policies to spur Business Process Outsourcing growth, integrating Business Process Outsourcing into national vision and incentives to attract investors. These countries have also adapted to international laws of data protection and international quality standards.

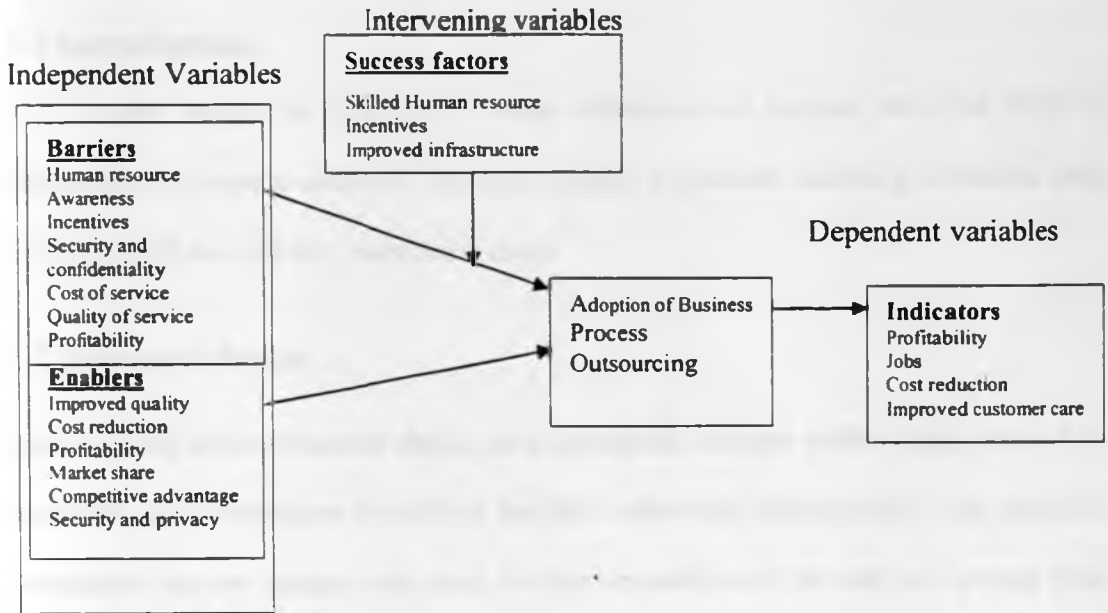
India, Philippines and Mauritius remain the most favoured Business process outsourcing destination because they offer tax incentives like: tax holiday for first 5 yrs, excise duty and service & sales tax exemption, removal of domestic air travel tax, zero customs duty for software imports, zero duty on import of hardware for export projects 15% corporate tax, customs duty is based on world custom's structure, stamp duty exemption on legal instruments and 100% foreign ownership permitted

India, Philippines, Mauritius and South Africa have developed advanced infrastructure to help meet the high demand associated with Business Process Outsourcing. This infrastructure may include: low cost telecoms, advanced domestic satellite systems, submarine cables with different landing sites, good road network in the world, software development parks with special IT- specific infrastructure, incubation center for ICT services, most modern telecommunication

Another key success factor is labour. Countries that have performed well in attracting outsourcing business continuously train their staff, high number of graduates, technology savvy workforce. In addition they offer their staff with incentives like performance, recognition, staff retention program, trains its population to speak both neutral English and French. In addition countries like India produce a high number of graduates yearly and this a major boost to the Business Process Outsourcing industry. In addition a high number of the graduates are computer literate.

In order to achieve high levels of adoption, the barriers to adoption of Business Process Outsourcing must be avoided or used to help achieve the objective of adoption. Furthermore, the drivers must be used carefully to enable them sustain the adoption process with the aim of providing expected results. The critical success factors if well utilized can help can help improve profitability, reduce operational costs and improve customer responsiveness.

Figure 2.1: A Conceptual Adoption Model



Source: Literature review

The research was concerned with establishing the factors that affect the adoption of Business Process Outsourcing. This problem was analyzed through: establishing the enablers and the barriers to Business Process Outsourcing. This illustrates how the barriers to adoption of Business Process Outsourcing if well utilized can be enablers to a successful adoption of BPO and if poorly incorporated can work to the detriment of the organization.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the structure of data collection and analysis with the view of answering the research questions. Research design, population, sampling technique, data collection and analysis are presented thereof.

3.2 Research design

Kaiser (2002) defines research design as a conceptual structure within which research is conducted and constitutes blue print for data collection, measurement, and analysis. Descriptive survey design was used in this research with the aim of getting both quantitative and qualitative data. Descriptive survey is appropriate when the need is to determine employee's opinions, habits, behavior on Business Process Outsourcing and it is also important in fact finding investigation with the aim of achieving accurate information (Mugenda and Mugenda, 2003).

3.3 Population

The study population was all the four mobile phone companies in Kenya – Safaricom, Orange, Airtel and YU mobile phone companies.

3.5 Data collection

Primary data was collected using a questionnaire and through interview. Four strategic managers – who are involved in companies' strategic planning and have vast experience in the organizations operations - from each of the four mobile phone companies were interviewed. A manager in a strategic position was selected based on his or her overall

knowledge about the organization. One manager was selected since the information provided was as per the company's position hence no need to interview several employees from the same department. Interview question – Appendix 2 - also played a vital role in collecting qualitative. The interview schedule had three sections: section A captures organizational data in relation to adoption of BPO; section B captures data on technological data in relation to BPO adoption and section C captures data about other dimensions that affect innovation diffusion of BPO.

Questionnaires were also administered using drop and pick later method. A total of 28 questionnaires were administered to seven departmental heads: Internal audit and Accounting services, transmission, network management, communication, equipment hiring, new product development, customer services and marketing from all the four Mobile phone companies. The information they gave was as per the company's position in their department rather than personal opinions. The structured questionnaire was sent to respondents through drop and pick later method. The information collected under the questionnaire – Appendix 3 - had been divided into three sections. Section A captures demographic data about the respondents. Section B captures information on the extent of adoption of the various services. Section C captures information on enablers of Business Process Outsourcing and section D captures information on barriers associated to adoption of Business Process Outsourcing by Mobile Phone companies in Kenya.

3.6 Data analysis

Quantitative data such as the demographic characteristics of the respondents was analyzed using descriptive measures, that is mean and standard deviation. The data was

then presented using frequency distribution tables. Qualitative data on the other hand was analyzed using content analysis by extracting themes and sub themes. In analyzing the data on the first objective - to determine the extent of adoption by Mobile phone Companies in Kenya - the data on extent of adoption by various services offered by mobile phones companies was analyzed using mean and standard deviation. To analyze the second and third objective – establish the enablers and barriers to adoption – data on various variables was analyzed using mean and standard deviation. Interview data was analyzed through content analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data findings from the field, its analysis and interpretation. The data was gathered through a questionnaire and interview.

4.2 Samples Characteristics

All the 28 questionnaires were received and completely filled. Three respondents were interviewed except one from Airtel Kenya. Despite this, the data collected was satisfactory basing on Mugenda and Mugenda (1999) that a response rate of at least 50% is sufficient enough for analysis.

4.3 Overview of background information

This section presents a summarized analysis of the background information and of great interest was: respondents experience in the organization, level of education, extent of computer and Internet usage at their departments.

4.3.1 Working experience

From the data presented in table 4.1, 39.3% of respondents have their experience between the age range of 1-5 experience, 14.3% between age range of 6-10 years experience, 28.6% between 11-15 years of experience and only 7.1% have experience of over 20 years. Over 50% of the employees have experience of over 5 years in the industry. This shows that most of them have solid knowledge about the operation efficiency of their organizations hence they are able to make sound decision.

Table 4.1: Working experience

Experience (years)	1-5	6-10	11-15	16-20	Over 20	Total
Freq.	11	4	8	3	2	28
%	39.3	14.3	28.6	10.7	7.1	100

Source: Research data

4.3.2 Level of education

Data in table 4.2 shows that 75% of the respondents have a master’s degree, 25% have a first degree and none has a PhD. It is evident that most of the respondents are literate hence they should be aware or able to understand how BPOs work.

Table 4.2: Level of education

Level of education	1-5	6-10	11-15	16-20	over 20	Total
Freq.	11	4	8	3	2	28
%	39.3	14.3	28.6	10.7	7.1	100

Source: Research data

4.3.3 Computer usage

Table 4.3 indicates that 7.1% of the respondents use computers to a small extent, 21.4% to a medium extent and 60.7% to a large extent. It is evident that almost 90% of the respondents use computers and are knowledgeable about them. Since most of Business Outsourcing processes are ICT intensive, this shows that most of the employees may not need a lot of training when the organization adopts BPO and decides to reengineer the processes.

Table 4.3: Computer Usage

Computer usage	Small extent	Medium extent	Large extent	Others	Total
Freq	2	6	17	3	28
%	7.1	21.4	60.7	10.7	100

Source: Research data

4.3.4 Internet usage

Table 4.4 shows that 7.1% of the respondents use internet to a small extent, 78.6% to a medium extent and 10.7% to a large extent. Business Process Outsourcing relies on the internet for faster, reliable and real-time transactions and since most of these organizations already have Internet infrastructure, they may not need to reinstall a new platform before adopting BPO. In addition since over 95% of the respondents use the internet it means they are aware of the BPO.

Table 4.4: Internet Usage

Internet usage	Small extent	Medium extent	Large extent	Others	Total
Freq	2	22	3	1	28
%	7.1	78.6	10.7	3.6	100

Source: Research data

4.4 Adoption of Business Process Outsourcing

This section addresses the first objective on the extent of Business Process Outsourcing adoption. This was achieved through analyzing the adoption of various outsourced services in the telecommunication companies. The results are in table 4.5.

Table 4.5: The extent of adoption of BPO

Services offered by current forum	Mean	Standard deviation
Equipment hiring	2.75	0.44
Transmission	3.25	1.32
Network management	3.25	0.44
Internal audit and Accounting services	3.75	1.11
New product development	4.75	0.44
Customer service and marketing	5.00	0.00
Others (please specify)	0.00	0.00
Mean	3.25	0.536

Source: Research data

The level of adoption was classified as: very large extent – 1, large extent -2, small extent – 3, very small extent -4 and no extent -5. From table 4.5 it is evident that the level of Business Process Outsourcing adoption is very low. Equipment hiring has a mean of 2.75, transmission, network management both have a mean of 3.25 and internal audit and accounting services a mean of 3.75. Equipment hiring, transmission and network management are the most adopted services. This is so because there is inadequate or expensive engineers and costly equipments involved. Customer service and new product development are outsourced to a low extent because most companies are using them as strategic services towards their competition. With a mean of 3.25, it means that the level of adoption of Business Process Outsourcing within the telecommunication sector is still low.

4.5 Enablers of Business Process Outsourcing

This section is aimed at addressing the second objective of the research, that is, to

establish the enablers of Business Process Outsourcing adoption by mobile phone companies in Kenya. The respondents were asked to indicate the extent to which they agree to various variables as affecting the adoption of Business Process Outsourcing.

The responses were classified as: strongly agree – 1, agree -2, undecided – 3, disagree extent -4 and strongly disagree -5

4.5.1 Awareness

Table 4.6 indicates that awareness had a mean of 2.91 in relation to enablers to adoption of Business Process Outsourcing. Awareness is the initial stage in deciding whether to adopt Business Process Outsourcing. Awareness also has a great impact on the adoption of Business Process Outsourcing and it could also be a major constraint to outsourcing decision. With a mean of 2.91, it shows that most respondents are aware of BPO.

Table 4.6: Awareness

Awareness	Mean	StDev
BPO service are easily evident	2.73	1.07
Information on BPO is available	3.09	0.75
Average	2.91	0.91

Source: Research data

4.5.2 Cost of BPO

From the data presented in table 4.7, the decision for the company to adopt BPO had a mean of 2.97 and the current cost of BPO being cheaper had a mean of 3.15. The cost of BPO had an overall mean of 3.06. Decision on whether to adopt BPO are mostly backed by the idea to reduce cost and this shows that at least half of the respondent’s support that, adopting BPO is synonymous to reducing cost.

Table 4.7: Cost of BPO

Cost	Mean	StDev
The company decision to adopt BPO was influenced by cost reduction	2.97	0.50
Current services offered by BPO are cheaper	3.15	0.75
Average	3.06	0.625

Source: Research data

4.5.3 Customer care

Table 4.8 shows that Customer care is a major enabler to adoption of BPO with a mean of 2.69. Adopting BPO improves customer care had a mean of 2.41. It is also evident that adopting BPO helps improve Turnaround time (mean of 2.97). High customer base pose a challenge to delivering quality services to customers and outsourcing the services can greatly help improve customer care. It is evident that customer care is a major enable to adoption of Business Process Outsourcing.

Table 4.8: Customer care

Customer care	Mean	StDev
Adopting BPO improves customer care	2.41	1.22
Adopting BPO improves Turn Around time	2.97	0.92
Average	2.69	1.07

Source: Research data

4.5.4 Quality

Statistics from table 4.9 indicate that adopting BPO will improve efficiency slightly with a mean of 3.80. In addition adopting BPO can help improve quality of services offered (3.68). The overall mean for quality was 3.74. Most respondents do not agree that

Adopting BPO can help improve quality in the operation. It is important to note that quality can be improved significantly by the organization through specific controls in the operations.

Table 4.9: Quality

Quality	Mean	StDev
Adopting BPO improves efficiency	3.80	0.73
Adopting BPO improves quality services offered	3.68	0.77
Average	3.74	0.75

Source: Research data

4.5.5 Security and trust to information

Statistics from table 4.10 indicate that Security and trust to information had a mean mark of 3.68 this shows that adopting BPO can slightly help improve security and confidentiality to information. Since the four mobile phone companies provide a platform through which money is transferred between users or to other players like banks, this could be the reason why the adoption is still low. Therefore allowing a second party to access such sensitive information can cause lawsuits between the company and customers. In addition BPO has been associated with cases of intrusion by foreign parties through the Internet.

Table 4.10: Security and trust of information

Security and trust of information	Mean	StDev
The services offered by BPO are trustworthy	3.75	0.75
BPO service provide confidentiality to company information	3.68	0.77
The services offered by BPO are trustable	3.60	0.77
Average	3.68	0.76

Source: Research data

4.5.6 Profitability

From table 4.11, profitability had a mean of 3.06. Most interviewed respondents indicated that profitability is an enabling variable to adoption of Business Process Outsourcing, although they didn't indicate it as a major determinant maybe because of the high initial costs involved. It is also evident that profitability is a major determinant to organizations performance (mean – 2.82).

Table 4.11: Profitability

Profitability	Mean	StDev
BPO improves performance	2.82	1.25
The decision to adopt BPO was influenced by the managements decision to focus on strategy	3.07	0.72
Adopting BPO improves revenue	3.30	0.68
Average	3.06	0.88

Source: Research data

4.6 Barriers to Business Process Outsourcing

This section is aimed at addressing the third objective of the study which was to establish the challenges of Business Process Outsourcing adoption by mobile phone companies in Kenya. The respondents were asked to indicate the extent to which the variables pose a challenge in adopting Business Process Outsourcing by their companies. The responses were classified as: strongly agree – 1, agree -2, undecided – 3, disagree extent -4 and strongly disagree -5. The major barriers to adoption of BPO are cost of BPO with an overall mean of 2.65, security and trust to information 2.68 and technological barriers with a mean of 2.71. Whereas sales and marketing barrier which had a mean of 3.18 pose least challenge to adoption of BPO.

4.6.1 Human resource

Human resource posted a mean value of 2.85, this shows that the variable is a barrier to the adoption of Business Process Outsourcing. It is evident that training cost for BPO is high (mean – 2.71). The initial cost involved in adopting BPO is very high since the application developed are custom made and hence they may require every staff member to be trained.

Table 4.12: Human resources

Human resource	Mean	StDev
BPO has resulted in high staff turn-over	3.00	0.61
BPO involves high cost of training	2.71	1.08
Average	2.85	0.85

Source: Research data

4.6.1 Security and trust

From the results in table 4.13, security is a major challenge to adoption of BPO having posted a mean of 2.86. Business Process Outsourcing may involve the vendor to access confidential information about the organization or its customers and this may result in loss of competitiveness by the company or lawsuits and reduced customer responsiveness. Business Process Outsourcing has been associated with security and privacy issues especially in the banking industry and it is important that the best choice is made since most of the mobile phone companies now days provide a platform for customers e-money accounts.

Table 4.13: Security and trust

Security and trust to information	Mean	StDev
BPO is associated to security and confidentiality issues	2.86	0.59
Average	2.86	0.59

Source: Research data

4.6.3 Technological barriers

Technological barrier has a mean score of 2.71 which is the lowest. It shows that most respondents agree that setting up a BPO platform is a costly venture especially in the short run. Cross border connection may involve deployment of expensive platform and costly telecommunication tariffs. BPO has been defined as a unique kind of outsourcing that is IT intensive and need dedicated lines for reliable and faster transfer of data.

Table 4:14 Technological barriers

Technological barriers	Mean	StDev
BPO involves expensive integrated IT system	2.71	1.08
Average	2.71	1.08

Source: Research data

4.6.4 Cost of BPOs

From the results in table 4.15, cost of Business Process Outsourcing posted an overall mean of 2.65. This shows that the cost of BPO is a major determinant to the adoption of BPO. BPO involves high initial costs: cost to train staff, infrastructure cost, software development and business process re-engineering cost.

Table 4.15: Cost of BPO

Cost of BPO	Mean	StDev
BPO services are highly priced	2.93	0.54
BPO involves high bandwidth cost	1.96	0.96
BPO involves high telecom costs	3.07	0.72
Average	2.65	0.72

Source: Research data

4.6.5 Sales and Marketing barriers

From the results in table 4.16, sales and marketing barrier has a mean of 3.18. Although the overall mean is high, it is evident that face to face communication could play a major role when opting to adopt BPO (mean of 2.71). Generally majority of the respondents disagree that sales and marketing is a big barrier to adoption of BPO since most of them had earlier indicated that they are aware of its existence.

Table 4.16: Sales and marketing barriers

Sales and marketing barriers	Mean	StDev
There are limited choices for BPO	3.75	0.75
Existence of Face to face culture limits adoption of BPO	2.71	1.08
Poor marketing skills are associated with BPO adoption	3.07	0.72
Average	3.18	0.72

Source: Research data

4.7 Content analysis

Most respondents in the interview indicated that high cost of employing technicians and purchasing expensive equipments has caused them to outsource. All the respondents also indicated that they were outsourcing equipments and experts to maintain their systems. It

was evident that Kenya lacks adequate programmers and engineers to maintain and develop new applications to enable them remain ahead of the pack. Some companies frequently send their engineers to go overseas for training especially those managing 3G platform. These companies were unwilling to outsource new product development since this department remains strategic to them and outsourcing may expose them to competition. In addition, most respondents were unwilling to outsource customer service and marketing since it would expose them on the strategy they use to sell their products.

It was evident that users of existing BPO platforms do not know how to use them. As a result they believe that the adoption of Business Process Outsourcing may not be very helpful. According to the respondents interviewed; organizational policy, reduce operational cost, lack of adequate skilled staff, expensive hardware and profitability are the major enablers to adoption of BPO. Whereas the initial cost of BPO and security to information are the major barriers to adoption of Business Process Outsourcing. The challenges have been caused by high taxation on imported hardware and software. It was evident that these organizations prefer outsourcing non core activities like: accounting services and auditing services. Most respondents stated that they have limited outsourcing needs like transmission equipment. From the respondents the security of most outsourcing platforms is frequently compromised hence they cannot be trusted with sensitive information.

High government taxation on hardware and software is a major cause for outsourcing. Other respondents indicated that decisions on whether to outsource are determined by

shareholders and hence they have very limited influence. Although the government has waived taxes tax on outsourced services and products, these companies are still reluctant to adopt Business Process Outsourcing.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This section presents the summary of the findings, relevant conclusion and recommendation of the research. To recap, the study had three objectives: To determine the extent of Business Process Outsourcing adoption by Mobile phone companies in Kenya; to establish the enablers of Business Process Outsourcing adoption by mobile phone companies in Kenya and to establish the barriers of Business Process Outsourcing adoption by mobile phone companies in Kenya. The data was collected using a questionnaire and an interview. The data was analyzed using descriptive measures and content analyses.

5.1 Summary of the findings

From chapter 4 majority of the respondents experience was between (1-5years) at 39.3% followed by those in the age bracket (11-15years) at 28.6%. Separate studies by Weinberg (2004); Daityari et al. (2008) and Jenkins (1995) indicate that employees willingness to approve adoption of given technology is mostly determined with the level of experience. The studies also show that employees with more experience have higher propensity to adopting a given technology. In reference to education level, majority of the respondents had a Masters degree 75% while those with undergraduate degree represent 25%. In relation to computer usage, it is evident that most respondents have access to computers 60% to a large extent, 21% medium extent. From the table 4.4, most respondents have access to internet 78.6% medium extent and 10.7% large extent. Sathye

(1999) and O'connel (1999) found that adoption of computers result in adoption of the Internet. Jenkins (1995) also found that adoption of Business process Outsourcing in telecommunication companies heavily depends on internet usage since most of the services are transacted online. Majority of respondents have minimum knowledge and access to information that can help them make sound decision.

In answering the first objective of the study: to determine the extent of Business Process Outsourcing adoption by Mobile phone companies in Kenya, the researcher answered this question through establishing the extent to which the companies have adopted some services. The findings in chapter 4 indicate Internal audit and Accounting services - 3.75 which indicate a very small extent of adoption, transmission – 3.25, network management – 3.25 which indicate a very small extent of adoption, equipment hiring – 2.75 which indicate a small extent of adoption, new product development – 4.75 which indicate a no extent of adoption and customer service and marketing - 5.00 which indicate no extent. In a nutshell the overall mean of all services adopted is 3.25 which fall in the bracket of very small extent of adoption hence the adoption of Business Process Outsourcing by mobile phone firms is still very low.

In answering the second objective: To establish the enablers of Business Process Outsourcing adoption by mobile phone companies in Kenya the findings indicate that awareness and customer care are the major enabler to Business Process Outsourcing with a mean of 2.91 and 2.69 respectively. Swoyer (2004) supports the adoption of Business Process Outsourcing as it provides access to high quality resources (customer care) not available internally or helps to free up internal resources which enhances the sourcing

firm's overall productivity. Security and trust to information ranked poorly because the companies are unwilling to outsource since they want to have full control over their system security. It has also been suggested that trust is crucial for all business relationships as it enables more open communication, increased performance, higher quality deliverables and greater satisfaction in the decision making process (Kanawattanachai & Yoo, 2002 and Rousseau et al., 1998).

All the mobile phone companies in Kenya act as virtual banks (e-money) and if some services are outsourced then the vendor may have access to client information. If this information is not taken care of properly it could result in law suits and poor customer responsiveness. In addition due to high competition among players in the sector, if a company's product is accessed by another it may as well mean loss of a competitive edge.

In answering the third objective: to establish the challenges of Business Process Outsourcing adoption by mobile phone companies in Kenya the findings indicate that Cost of BPO had a mean of 2.65 and technological barriers had a mean 2.71 hence they pose as the major barriers to adoption of Business Process Outsourcing. The initial cost of adopting outsourcing is very high and this discourages most companies to adopt. A study by Li and Meissner (2004) has indicated that technological and communication advances help realize the wide spread adoption of Business Process Outsourcing, due to their cost improvements. Sales and marketing barriers had an average mean of 3.18 hence posing the least challenge to adoption of Business Process Outsourcing. The companies do not intend to outsource their marketing and sales department hence the low mean.

5.2 Conclusions

The main objective of the study was to find out the factors affecting the adoption of Business Process Outsourcing by mobile phone companies in Kenya. This research was successful since it was able to identify the factors that enablers and barriers to adoption of Business Process Outsourcing. In addition, it was also evident that most of the respondents were literate and also had access to computer and internet to a medium extent. It was also evident as shown in table 4.6 and table 4.8 awareness and customer service are the major enablers to Business Process Outsourcing while quality and security are the are the least enablers. In relation to barriers to adoption of Business Process Outsourcing, Cost of Business Process Outsourcing and technology pose the greatest challenges to adoption of Business Process Outsourcing while sales and marketing pose little challenge to Business Process Outsourcing decision making.

From the respondents view it is evident that although the awareness is high, adoption is still low and this could be attributed to lack of trust in the security systems of the providers due to the sensitivity of the information being handled by the companies. The respondents interviewed indicated unwillingness of the organization to have their strategies shared by third parties. Hence this could be the major reason why levels of adoption by mobile phone companies are still low.

5.3 Recommendations

Given the dynamic trends in Business Process Outsourcing technology, it would be important to carry-out regular studies to ascertain the current position thereby increasing

the potential clients to adopt the technology. Although majority of the respondents cited security and trust to information as a major reason when outsourcing, most vendor have placed major emphasis in ensuring that trust and access to information is watertight. In addition the vendors take responsibility for any damages caused incase of intrusion on their side hence companies should not place too much emphasis on the security and confidentiality to information.

To improve the diffusion of Business Process Outsourcing by Mobile phone companies, these organizations owe to overlook the initial cost of outsourcing and consider the long term benefits. Most of the costs involved in outsourcing are incurred once yet the benefits are enjoyed for a long period of time. Training, software and hardware cost are incurred once yet they could benefit the organization for a long period of time, hence companies should see this costs in the long term.

Diffusion of Business Process Outsourcing is greatly determined by the quality of services offered by the vendor. It will be interesting to note that most Business Process Outsourcing have vast knowledge in their area of expertise hence they can deliver quality services with great efficiency and quality. If this organization want quality service then it would be better to outsource. In addition the organization can benefit from their experienced staffs who work with other world leading companies in the same industry.

5.4 Limitations of the study

The research suffers from the quality of the composition of the sample. By virtue of consisting of one individual per department, the sample was not sufficiently

heterogeneous. The limited heterogeneity in respondents' characteristics could have affected both the nature and the extent of the predictor variables. Also it is possible that the respondents were not the principal decision makers in relation to Business Process Outsourcing.

The large scope of this research project and the complex multidisciplinary nature of the study was also a major challenge. In addition this research did not consider all outsourcing services like: cleaning, dusting and painting. The researcher recognizes that the research efforts were limited by what is available and accessible to the respondents. In addition, answers from respondents were considered to be as per the organizations position.

5.5 Suggestions for further study

To conduct similar research in other industries to see if the conceptual model still holds and if the factors will be ranked similarly. Similar studies should be done in other developed countries and see if the same factors still hold same effect. In addition, the study should involve larger sample to see if the findings will be the same. Furthermore, other studies should also be carried out to include other players like the government and shareholders and see the effect they have. Studies should also be carried out in developed countries where mobile phone companies are not involved in transfer of money and see how the outcome would compare with these findings.

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Appendix 1: Introduction letter



UNIVERSITY OF NAIROBI

MOMBASA CAMPUS

Telephone: 020-2059161
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P.O. Box 99560, 80107
Mombasa, Kenya

DATE: 24TH AUGUST, 2012

TO WHOM IT MAY CONCERN

The bearer of this letter, Hudsum Barasa Ogubi of Registration number D61/60896/2010 is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on **Factors Affecting the Adoption of Business Process Outsourcing in Kenya's Mobile Phone Companies**. We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

A handwritten signature in black ink, appearing to read 'Job Mwanyota'.



Mr. JOB MWANYOTA
ASSIST. CO-ORDINATOR, SOB, MOMBASA CAMPUS

Appendix 2: Interview questions

A. Technological dimension

1. What Business Process Outsourcing services do you have access to?
 - a) Internal audit and Accounting services
 - b) Transmission
 - c) Network management
 - d) Communication
 - e) Equipment hiring
 - f) New product development
 - g) Customer services and marketing
2. How would you describe the services in terms of?
 - a) Ease of use
 - b) Usefulness
 - c) Previous experience
 - d) Trust and security

B. Organizational dimension

- 1 a) What are the enablers to adoption of Business Process Outsourcing at your organization?
- 2 a) What are the challenges facing adoption of Business Process Outsourcing at your organization?
 - b) What has caused these challenges?
- 3.a) What are the outsourcing needs in your organization?
 - b) What are the priorities?

4. a) What are the Outsourcing strategies employed at your organization?

b) To what extent do these strategies affect extent of adoption?

C. Other dimensions

1. How do the government policies affect Outsourcing decisions?

2. How does the shareholders decision affect outsourcing decisions?

Appendix 3: Questionnaire

QUESTIONNAIRE CODE.....

QUESTIONNAIRE

DATE

TIME

This survey is designed to understand Mobile phone companies' perspectives on Business Process Outsourcing, their experience, and their expectations of Business Process Outsourcing services. Please give appropriate responses in the questionnaire in relation to your use of Business Process Outsourcing adoption.

Section A

Section A Demographics - Personal Background Information on the Respondent as Users of Business Process Outsourcing services and data about the company.

1) What is your experience in the organization?

1-5 [] 6-10 [] 11-15 [] 16-20 [] Over 20 []

2) State your highest level of education

PhD [] Masters Degree [] Under graduate degree []

4) Please rate your department in terms of Computer Usage.

Small extent [] Medium extent [] Large extent [] others specify []

5) Please rate your department in terms of Internet Access.

Small extent [] Medium extent [] Large extent [] others specify []

SECTION B

The following are Business Process Outsourcing services being offered in the mobile telecommunication sector. For each service please tick in the appropriate boxes to indicate the extent of adoption.

Services offered by current forum	Very large extent	Large extent	Small extent	Very small extent	No extent
Internal audit and Accounting services					
Transmission					
Network management					
Equipment hiring					
New product development					
Customer service and marketing					
Others (please specify)					

Overall, how satisfied are you with current Business Process Outsourcing services?

Comment

SECTION C

The following statements relate to the enablers in adoption of Business Process Outsourcing by mobile phone companies in Kenya. Please tick in the appropriate boxes to indicate the extent to which you agree with each statement as having influenced your adoption of Business Process Outsourcing at your.

Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Awareness					
Business Process Outsourcing services are easily evident					
Information about Business Process Outsourcing is available					
Cost					
The company decision to adopt Business Process Outsourcing was					

influenced by cost reduction				
Current Service offered by Business Process Outsourcing are cheaper				
Customer service				
Adopting BPO improves customer care				
Adopting BPO improves Turn Around time				
Quality				
Adopting BPO improves efficiency				
Adopting BPO improves quality services offered				
Security and Trust to information				
The services offered by Business Process Outsourcing are trustworthy				
The services offered by the Business Process Outsourcing system are trustable				
Business Process Outsourcing service provide confidentiality to company information				
Profitability				
Business Process Outsourcing services improves our performance				
The company decision to adopt Business Process Outsourcing was influenced by management focusing on strategy				
Using Business Process Outsourcing services improves revenue growth				

SECTION D

The following statements relate to the challenges in adoption of Business Process Outsourcing by mobile phone companies in Kenya. Please tick in the appropriate boxes to indicate the extent to which you agree with each statement.

Statement	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
Human resource					
Business Process Outsourcing has resulted to high staff turnover					
Business Process Outsourcing involves high cost of training					
Security and trust					
Business Process Outsourcing is associated with security and confidentiality issues					
Technological barriers					
Business Process Outsourcing involves expensive Integrated IT systems					
Cost of Business Process Outsourcing					
Business Process Outsourcing services are highly priced					
Business Process Outsourcing involves high telecom costs					

Business Process Outsourcing involves high bandwidth costs					
Sales and marketing barriers					
There are limited choice of Business Process Outsourcing providers					
Existence of traditional "Face to face" culture limits acceptance of Business Process Outsourcing by buyers					
Poor marketing skills are associated with low Business Process Outsourcing adoption					

Thank you for your participation.