STRATEGIC OUTSOURCING PRACTICES BY MOBILE SERVICE PROVIDERS IN KENYA

BY

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DECLARATION

This Research Project is my original work and has not been presented for a degree in any other college, institution or university.

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This research report has been submitted for examination with my approval as University Supervisor

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DEDICATION

This project is dedicated to my wife Zainab Moez Hassanali and son Ahmed for their continued love, tolerance, moral support and encouragement as I undertook the course.

To my parents for their continued support, encouragement and for instilling in me the values of life.

To Dr. Syedna Mohammed Burhanuddin Saheb (T.U.S) for his prayers, love, teachings and as one who has guided us from childhood to what we are today. May Allah (SWT) grant him a long and healthy life. Ameen.

ABSTRACT

Business process outsourcing is a process whereby a company outsourcers its operations to a service provider, whose core competence is centered on those processes. The company is likely to experience service improvements that can be turned into competitive advantages over rivals and offer cost benefits, flexibility and reduced capital investment. Business process outsourcing is used to deliver value to customers or as the movement of business processes from inside the organization to external service providers, hence the company retains only processes that it considers core to its operation.

The purpose of this study was to determine the application of outsourcing strategy in the overall operation of mobile phone operators in Kenya, to determine the benefits and challenges of this form of outsourcing and how these challenges are being dealt with. The research design used was the census descriptive survey method and data was collected from all the four existing mobile phone operators. The respondents comprised of the various head of departments, the CEO, CTO and Chief Operating Officers (COO). A semi-structured questionnaire was used with close ended and open ended questions. Primary data was collected from the respondents and analyzed using frequencies and percentages. The findings were presented in form of tables and figures.

The Study found that top level management was involved in the outsourcing decision making. Focus on core business was considered highly while cost reduction, improved quality of service, increased competitiveness, and increased flexibility were key factors when deciding on the outsourcing strategy. Outsourcing was considered a long term strategy to reach certain objectives as opposed to a short term solution. Cost - Benefit analysis, case study and prioritization were the most common tools used to formulate an outsourcing strategy. Horizontal communication was used mostly to effectively communicate the outsourcing intent, while the mode of business process outsourcing that had been mostly adopted was onshore. On the challenges in outsourcing strategies, the study concludes that there were numerous outsourcing challenges encountered in outsourcing strategies, most respondents strongly agreed that the fear of job loss and fear of change was an outsourcing challenge, hidden costs and risks was agreed to be a challenge encountered in outsourcing strategies. On the ways of dealing with these challenges, a number of methods were adopted; flexible contract terms, deadlines, Service Level Agreements (SLA), contracts and imposing penalties were the most common methods used.

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ABBREVIATIONS

3G	Third Generation
BPO	Business Process Outsourcing
CCK	Communications Commission of Kenya
CEG	Commodity Expert Group
CEO	Chief Executive Officer
CRBT	Color Ring Back Tone
COO	Chief Operations Officer
CTO	Chief Technical Officer
HoD	Head of Department
IT	Information Technology
KPTC	Kenya Posts and Telecommunications Corporation
MMS	Multi Media Service
NEC	NEC Corporation
NGO	Non Governmental Organization
PR	Public Relations
SBU	Strategic Business Unit
SLA	Service Level Agreement
SMS	Short Message Service
TKL	Telecom Kenya Limited
UK	United Kingdom
VAS	Value Added Services
VKL	Vodafone Kenya Limited

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The world has been changing rapidly in the past decade. The development of information technology has decreased the significance of physical distance and companies have been eager to take hold of the opportunities that the changes have been bringing. In the recent times, business process outsourcing has become an important business phenomenon. Companies have been focusing more and more on their core business and outsourced other functions to be performed by external service providers.

Business process outsourcing encompasses call centre outsourcing, human resource outsourcing, finance and accounting outsourcing and claims processing outsourcing. Business processes are outsourced to vendor companies that are specialized in the required activities. As the location where work is performed has become less essential, many companies have outsourced activities to other companies also in other parts of the world.

With the Internet becoming the vehicle for customer contact and innovation, business is changing from being inwardly focused in its IT infrastructure to becoming more customer and partner-centric. Customers are more demanding and expect more personalized treatment. Loyalty and retention of customers is achieved through excellent and differentiated customer service, which, to a large extent, hinges on personalization of service.

According to telecommunications industry marketplace study firm, Infonetics Study, in a report released on the 21st of December 2009, telecommunication services providers have been increasingly adopting outsourcing as a way to cut costs and to stay competitive. Stéphane Téral, Infonetics research principal analyst states that, “Fierce competition among telecom service providers around the world is driving them to boost operating expenses, and that in turn is forcing service providers to outsource more of their network tasks” (Infonetics, 2009).

In recent years, tougher competition and tighter margins have pushed organizations of all sizes to consider the strategic implications of divesting more and more business functions. As organizations seek to enhance their competitive positions in increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core business (Sinderman,1995).

With the bid to remain competitive in the market driving telecommunications outsourcing in Kenya, we will likely see the trend to continue on in the coming year. It is likely that we will see mobile operators outsourcing to expand outwards towards other outsourcing verticals as telecommunications businesses focus even far more on core activities to bring down costs from non core activities (Accounting Outsourcing, 2011).

1.1.1 The Concept of Strategic Outsourcing

Outsourcing is the devolution of day to day performance of services to an external agency, usually under a contract with agreed standards, costs and conditions, but with responsibility for those services remaining with the organization, outsourcer (Quinn, 1999). The outsourcer also referred to as the supplier or vendor may be an independent entity or wholly owned subsidiary. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to produce the services from the supplier for the term of the contract. According to Quinn and Hilmer, (1994) the strategic literature positions that, the outsourcing of goods and services should be integral to an organization's overall strategy formulation process (Quinn and Hilmer, 1994).

The key strategic factors that influence a firm's decision to outsource revolve around costs, technological innovation and knowledge enhancement considerations. An enterprise would consider outsourcing when in-house performance falls below the performance of an external supplier. The reasons for outsourcing are shifting from primarily cost disciplines to strategic re-positioning, core competence enhancement, greater service integration and higher value creation (Quinn, 1999). Most recently, companies have started outsourcing their entire back offices, doing tasks like customer order processing, payroll, accounts receivables, and accounts payables through outside specialists. Nowadays it would be difficult to find any organization that is not outsourcing.

In fact, more than 90 percent of companies say that outsourcing is an important part of their overall business strategy (Corbett, 2004b). Harvard Business Review lists it as one of the most important new management ideas and practices of the 20th century (Sibbet, 1997). The conclusion many managers reach when they realize they need to eliminate inefficient internal service units, is to outsource it. They see moving the problem out of the organization as the easiest course of action (Fahy, *et al.*, 2005, 218.).

1.1.2 Business Process Outsourcing

Business process outsourcing (BPO) has emerged as one of the leading business and economic issues currently. When a company outsourcers operations to a service provider, whose core competence is centered on those processes, the company is likely to experience service improvements that can be turned into competitive advantages over rivals. Business process outsourcing is defined working across the organization to deliver value to customers or as the movement of business processes from inside the organization to external service providers (Click & Duening 2004, 4).

There are three types of business process outsourcing: offshore, onshore, and near shore. The names refer to the physical distance between buyer and vendor. Offshore BPO means business process outsourcing where the service provider is in another part of the world, which began with the factory jobs moving overseas. Onshore means close to the physical location of the company, in the same city for example. Near shore means business process outsourcing taking place in a neighboring country or close by, which allows companies to test BPO without the level of risk associated with going offshore. Firms that go with a near shore strategy are often seeking cost savings (Wikipedia, 2011).

In many ways, business process outsourcing is resulting from three very powerful forces getting together: the Internet, software applications, and process-centric thinking. Speed has emerged as an essential factor in the success of any business, and the common systems working over the Internet is an approach that can dramatically cut the time it takes to bring them online (Corbett 2004, 32).

1.1.3 Telecommunications Industry in Kenya

In 1948, the East African Posts and Telecommunications Corporation, responsible for postal and telephone services in three East African countries was set up. The joint administration and operation of the post and telecommunications services was set up. The joint administration and operation of the post and telecommunication services continued till 1977, when the East African Community collapsed and a separate Kenya Posts and Telecommunications Corporation was established under the Kenya Posta and Telecommunications Act (Muriu, 2002).

The introduction of mobile telephony in Kenya can be traced to the mobile calls and paging services offered by the Kenya Posts and Telecommunications Corporation (hereinafter KPTC) in 1980's. This was followed by a full cellular service in southern Kenya in 1992, that was offered in collaboration with NEC Corporation. The initial research conducted in this period indicated that if the mobile phone was introduced, it could attract between 5000 to 10000 subscribers within the first year of introduction (Noam, 1999).

The first mobile telephony in Kenya was offered by the state corporation KPTC. It was characterized by high tariffs that were out of reach by the common man. To address this, Safaricom was set up in 1997 and became a joint venture between TKL and VKL (a subsidiary of Vodaphone Group Plc.) This was followed by Celtel Kenya Ltd. In the year 2000. Following the entry of the second operator, the number of mobile phone users has grown significantly and so has the geographical coverage area by the mobile networks. The number of mobile telephony subscriptions has continued to overtake the number of fixed telephony users. Kenya has since experienced an increase in teledensity to 58.5 mobile subscribers per 100 population in 2010 compared to 13.5 in 2005 and 7.8 in 2005 (UNCTAD report, 2010).

Currently there are two more licensed operators namely Orange and Essar Communications that trades as the YU brand. Celtel has since rebranded to Zain and most recently to Airtel. These companies have diverse backgrounds, for instance Safaricom is partly owned by Vodafone of the UK, Airtel and Essar has its origins in India, while Orange is owned by the French. These operators have evolved from being majorly voice based operators to becoming data based, by offering 3G networks for Orange and Safaricom. Value added services have also been introduced which include award winning financial services like M-Pesa. Other VAS services include CRBT, SMS, MMS etc.

The Communications Commission of Kenya (CCK) was established in February 1999 to license and regulate telecommunications, radio communication and postal services in Kenya. The mandate of the commission is governed by the legal framework under which the Commission operates is spelt out in the Kenya Communications Act, 1998 (the Act), and the Kenya Communications Regulations, 2001. The Act provides the framework for regulating the communications sector in Kenya. The Act provides a legal framework for the implementation of the Postal and Telecommunications Sector Policy Statement (the Policy Statement), which had been issued by the then Ministry of Transport and Communications in January 1997. The Kenya Communications Regulations 2001 clarify and expound on the Act. The Policy Statement defines the policy backdrop within which the telecommunications, radio communication and postal services are operated and provides a framework for the introduction of structural changes in the sector. The policy framework was set out against a deliberate move by the government to optimize the sector's contribution to the development of the economy as a whole by ensuring the availability of efficient, reliable and affordable communications services throughout the country.

The following are the goals and objectives of the Commission: To ensure prudence in financial management, to ensure optimal management of scarce Frequency Spectrum and Numbering resources, to foster growth, competition and investment in the sector, to ensure operators' compliance with the Act, Regulations and license conditions, to ensure the achievement of Universal access in communications services countrywide, to ensure the development and formulation of adequate standards for the communications sector in the country, to protect the rights of users of communications services, to promote development of communications systems and services in accordance with recognized international standards, practices and public demands, to further the advancement of technology relating to the communications sector and to contribute to overall Government objectives towards human, social, and economic development (CCK, 2011).

1.2 Research Problem

Outsourcing as a contractual agreement between the customer and one or more suppliers to provide services or processes that the customer is currently producing internally is regarded as a strategic issue (Efling and Bave, 1994). It allows the organization to concentrate on those aspects of their business processes which give them a competitive advantage, also referred to as core business. This gives them the possibility of contracting out or shell out the non core aspects of their business processes. It was observed through literature survey that around 85 percent of companies have realized that outsourcing is critical to support services and can enhance their competitive edge, without the need to invest in specialized infrastructure (Kodwani, 2007).

There have been a lot of changes in the telecommunications industry in Kenya. Fierce competition in this industry has seen mobile operators engage in fierce price wars. The drop in tariffs arose from CCK cutting interconnection rates, leading to severe competition among operators. Network outsourcing offers the best of both worlds: Companies can reap the benefits of a global network without the headaches of ownership. The high fixed costs discourage network expansion and improvements. Network outsourcing would mean that operations are handed over to service providers and telecommunication vendors which have been previously considered as a core activity by most operators. Cost benefits can be realized from the fact that service providers offer specialized services in the areas outsourced, hence eliminating the need to invest in costly infrastructure, which can become obsolete in the span of a few years, reducing operating costs and ultimately reduced total cost of ownership.

This study arises from the need to identify outsourcing practices among mobile operators in Kenya, which telecommunication infrastructure is being currently outsourced and what are retained. The study seeks to identify which telecommunication activities are considered core to the business and which activities or functions are considered non-core to the mobile telephony industry. It is seen that there are many benefits and pitfalls of outsourcing and each will impact differently to each operator. Some may choose a specific outsourced activity over others. Hence, it is deemed important to identify those activities that are deemed core to mobile phone operators in Kenya. It is also important to find out if outsourcing has actually benefited operators or it has led to unforeseen problems and difficulties. Study if the outsourced services better performing than previously when it was in-house.

Many studies that have been carried out on outsourcing as a strategy for example Maende (2010) studied human resource practices among NGO's in Nairobi, Malachy (2010) researched on the influence of corporate strategies on services outsourced in the banking industry, Mwanje (2010) researched on the applications of outsourcing in British Airways. Wairimu (2010), Solomon (2010), Bosire (2010), most of the above concentrate on human resource outsourcing, with many concentrating on the banking industry and NGO's. Other literature relates to different business process outsourcing activities in different organizations, and their benefits and challenges to the organization. A number of studies have been done on outsourcing, but none has focused on its application in the mobile phone industry in Kenya. This research therefore seeks to answer the following question: How have mobile operators applied outsourcing strategy in Kenya? What are the benefits and challenges of outsourcing to mobile operators in Kenya?

1.3 Research Objectives

The Objectives of the research are:

i) To determine how outsourcing strategy is applied in the overall operation of mobile phone service providers in Kenya.

ii) To determine the benefits and challenges that are faced by mobile phone service providers while implementing these outsourcing strategies and how they are dealt with.

1.4 Value of the Study

This study underscores the importance of outsourcing and business process outsourcing in the successful formulation and implementation of strategy. This will result in outsourcing being appreciated by consultants and strategic management practitioners as an important factor in strategic management practice. The study will also contribute to the available body of knowledge in the area of outsourcing. In addition, it can be used by other scholars, in furtherance of studies on strategic outsourcing practices in organizations and their related benefits and challenges.

The research study will assist the management of mobile operators in Kenya and other countries of the world, to appreciate the importance of outsourcing, its benefits and pitfalls. They will in turn be able to align it with strategy in order to boost organizational efficiency and to identify and select key business processes from other non-core activities.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter seeks to highlight the concept of outsourcing and business process outsourcing. The chapter seeks to define and expound on the approaches to strategic outsourcing, defining what activities are likely to be outsourced. It seeks to identify which activities are considered core activities to the mobile phone operators and which activities can be strategically outsourced to maintain quality and cut down on costs. The last part of this chapter looks at the factors that influence outsourcing in an organization and the likely benefits and challenges faced while undertaking outsourcing strategies.

2.2 The Concept of Outsourcing

There is much debate in management literature on defining business process outsourcing and outsourcing in general (Gilly & Rasheed, 2000). Some definitions relate to sourcing activities that were previously done in house. Lei and Hitt (1995) defined outsourcing as reliance on external sources for manufacturing components and other value-adding activities. Perry (1997) focused on employment defining outsourcing as another firms employees carrying out tasks performed by one's own employees. Sharpe (1997) defined outsourcing as turning over to a supplier those activities outside the organizations chosen core competences.

In fact, more than 90 percent of companies say that outsourcing is an important part of their overall business strategy (Corbett, 2004a). Harvard Business Review lists it as one of the most important new management ideas and practices of the 20th century (Sibbet, 1997). The world today is very competitive. The competitive advantage of a company lasts for a shorter and shorter time in today's world. It means that every company can not have the best expertise in every area of its operation. Frontiers and physical distance are more and more losing their significance as information technology can reach any place quickly regardless of the location. What customers are choosing anywhere in the world affects companies and new technology has made it easier for newcomers to enter into the global competition. Companies are increasingly focusing on their competitive advantage. Specialists are brought in for complementary activities (Corbett, 2004a).

This broad definition is the one used to treat outsourcing in a more strategic, holistic way than previous definitions. According to Andrews (1997), strategy is a pattern of objectives, purposes or goals and the major policies and plans for achieving these goals are stated in such a way as to define what business the company is in or is to be in and the kind of company it is to be. Strategy therefore, not only focuses on the goals and objectives of the organizations and the means of achieving them, but also gives an indication on the nature of the company and its business, both in the present and in the long-run. Due to the scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organization goals and objectives. Quinn (1990) identifies a strategy as a plan that puts together an organization's major goals, policies and actions sequences.

We face the dilemma of outsourcing even in Telecom Industry. There are various views on outsourcing and the arguments of the proponents and opponents are equally convincing. Kenyan companies like Bharti Airtel, Safaricom, Vodafone Essar and

Orange Kenya have outsourced some of the functions like network and IT which is still considered as core by many telecom operators in the western world (Agrawal, 2010).

2.3 The Concept of Business Process Outsourcing (BPO)

Business process outsourcing (BPO) has emerged as one of the leading business and economic issues currently. When a company outsourcers operations to a service provider, whose core competence is centered on those processes, the company is likely to experience service improvements that can be turned into competitive advantages over rivals. Business process outsourcing is defined working across the organization to deliver value to customers or as the movement of business processes from inside the organization to external service providers (Click & Duening 2004, 4).

In the nineteenth century there was a great change from agrarian age to industrial age and people began moving from countryside to cities to work in factories. In the latter half of the twentieth century many factory jobs were exported to other countries where manufacturing and labor was cheaper. Closer to the end of the twentieth century came the information age and many were beginning to find jobs in the service sector instead of factory work. With business process outsourcing a similar kind of change is taking place. Business processes that were formerly performed in the Western countries are now being exported to other countries. Technology development plays a big part in this.

Since Adam Smith, specialization has been said to be the key to productivity. A big company might have large administration costs and costs that are not directly involved with the core competencies and could be expensive. Accounting, payroll administration, human resources, and other processes are all necessary for the business to operate. If a business truly focused only on its core competence, it would not operate those units that are not tied directly to meeting customer needs and generating revenue. The potential for B2B firms to exist and to provide the specific services they do is based entirely on their ability to add value to their clients' businesses. If these firms were not able to provide high-quality, lower-cost services, they would not exist (Click & Duening 2004, 18).

There are three types of business process outsourcing: offshore, onshore, and near shore. The names refer to the physical distance between buyer and vendor. Offshore BPO means business process outsourcing where the service provider is in another part of the world, which began with the factory jobs moving overseas. Onshore means close to the physical location of the company, in the same city for example. Near shore means business process outsourcing taking place in a neighboring country or close by, which allows companies to test BPO without the level of risk associated with going offshore. Firms that go with a near shore strategy are often seeking cost savings.

2.4 Approaches to Strategic Outsourcing

BPO is not a technology or a technology system; it is a business strategy. Today, there is a shift from primarily large companies using BPO to small and medium sized companies using BPO as well. As outsourcing non-core business competencies has become more common, many companies are now using their best-in-class capacity in non-core business processes to earn additional revenue.

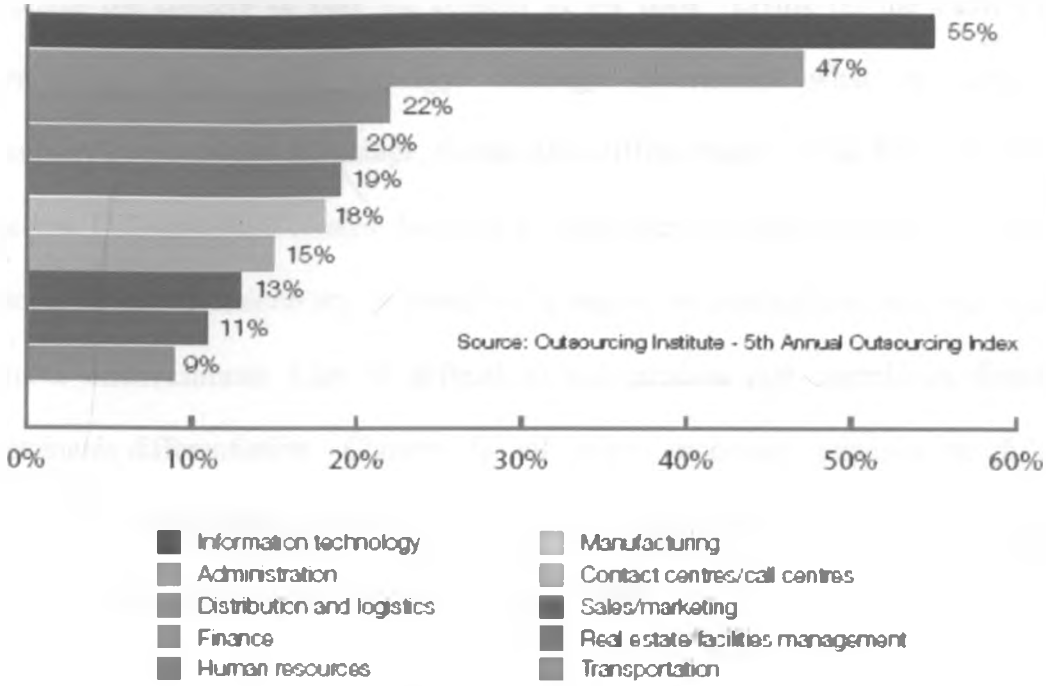
There are many reasons why companies use BPO. Cost savings take place in many cases as a result of moving processes to countries with lower wages. BPO is also used to transfer service functions to specialized providers to gain competitive advantage. Even though costs would rise, eventually the better service quality has the potential to bring increased revenues, which increases the competitiveness of the company in the market.

Finance and information technology functions along with back-office functions such as payroll and benefits administration, customer service, call center, and technical support are some of the areas that have been outsourced to vendors who specialize in those areas. BPO shifts the focus of traditional outsourcing and the way the relationships with outside specialists are defined towards more process centric, end-to-end view of the business activities. With business process outsourcing, providers operate across the customer's value chain often straight to the customer's customer. Business process outsourcing means working with the outside specialist to examine the current process, reengineer it, and then manage the new, reengineered process all as part of the same initiative. Decisions in the BPO initiative are made from the customer's perspective with the goal of improved customer satisfaction and increased revenue (Corbett 2004b, 23).

The competitive advantage of a company lasts for a shorter and shorter time in today's world. It means that every company can not have the best expertise in every area of its operation. In responding to this, companies are becoming more focused and specialized. Each activity is viewed from the perspective if it brings competitive advantage or not. Those areas of the company function which do not respond to that need, are likely to be eliminated entirely or an external service provider can be used, which is called outsourcing. It corresponds to the realities of the modern world. It is best to outsource those activities that need to be performed but which the organization gains little unique competitive advantage by doing itself (Corbett 2004b, 4).

As technology advances quickly and it would be a considerable risk to invest in high technology that soon loses its value. Outsourcing non-core operations that require high technology reduces that risk. Even in non-core operations a company should seek to perform better than its competitors or have better outsourcing providers than the competitors. The standard of performance has become higher. Outsourcing has the potential to improve the performance and lower the costs in areas that do not bring competitive advantage. The areas of the company that bring competitive advantage are called core competencies (Hamel& Prahalad 1990, 79-91). Tom Peters, an authority in the outsourcing field, has said "Do what you do best and outsource the rest" meaning that companies should focus on their core competencies and outsource every other part of their operation (Deloitte S2G new employee training manual 2007).

Figure 2.1 How different industries are outsourcing



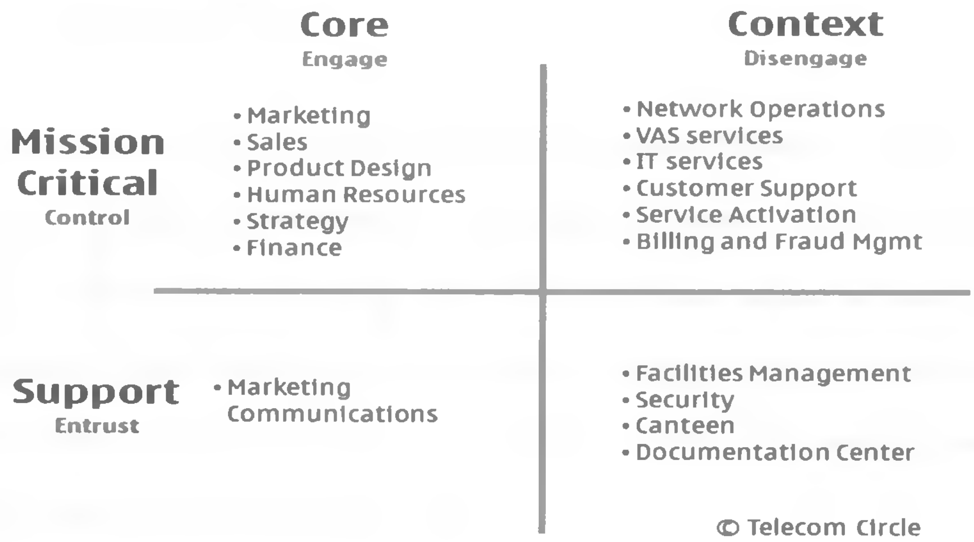
Source: Outsourcing institute - 5th Annual Outsourcing Index, (2005)

The industry that most uses outsourcing is information technology, closely followed by administration. These two areas are considerably more towards outsourcing than any other area of company activities. In distribution and logistics, finance, human resources, manufacturing, call centres, marketing, real estate and transportation outsourcing is used, but not in a remarkable way.

Outsourcing is an important decision and it cannot be decided without giving proper thought to it. A framework is needed to help the operators decide on the contentious issue of outsourcing. If a function is core to the success of a company, then it cannot be outsourced but the problem is how we identify the core. According to Moore (1998), he explains the concept of core vs. context in his book “Living on the Fault Line” - Everything begins with strategy. Strategy determines what is core to a company’s competitive advantage. Sustainable differentiation is the basis of economic success. Differentiation creates the basis for customer preference and gives a company pricing power. Sustainability is based on a barrier to competition and increases the returns on investment. Core is defined as any process that contributes directly to sustainable differentiation. Context is all other processes required to fulfill a company’s commitments to one or more of their stakeholders. Everything that gets done in a company is either core or context (Moore, 1998).

Moore, (1998) uses the 2×2 matrix to determine the functions that can be outsourced but also cautions on the way it should be outsourced. In this case we have taken the same matrix and applied on the Telecom Industry to arrive at the outsourcing framework for mobile operators (refer figure below).

Figure 2.2: 2×2 Matrix Core vs Context



Source: (Moore, 1998)

According to Moore (1998), the above becomes a very good framework to decide what needs to be outsourced and how. The companies cannot outsource the core that is mission critical. No operator can outsource its customers to any other company. Similarly, the development of employees cannot be outsourced as it is the employees that define culture of the company and they bring in the customers. Strategy and Finance functions should always be kept close to the heart as they certainly help a company differentiate itself from others.

Anything in the top right quadrant (context and mission critical) is difficult to outsource but can be outsourced as they do not differentiate the business from competitors. Network operations were probably core when the mobile services were being rolled out but now its being outsourced. If we continue to in-source network operations, we are likely to waste scarce resources and attention in an activity that does not give us any advantage (Moore, 1998).

IT services should also be outsourced as the companies do not have enough resources and cannot focus on development of cutting edge IT systems. Similarly, there could be other companies that can manage the VAS and customer support services better. One company's context can be core of some other company. It is always better to outsource the context functions to a company that treat them as core. This would ensure that the value keeps generating within the system.

Functions that are support or non-mission critical and context can easily be outsourced. The challenge here is to ensure day-to-day quality and period quality checks should give the desired results. For the context and yet mission critical quadrant, we need to have a very robust outsourcing strategy as the key challenge is keeping the control. Here, our focus would be on how to outsource and what should be strategy of the operators while outsourcing (Moore, 1998). BPO is not right for every company, nor is it right for every process in a given company. The reason for choosing BPO can be based on improving the company's performance in that process.

2.5 Factors Influencing Outsourcing

Quinn and Himler, (1994) suggests that the decision to outsource needs to focus upon the consequences for competitive advantage, with competitive advantage being based upon a matching of capability to conditions of the competitive environment. The model helps to provide a structure for the complex set of factors to be evaluated when outsourcing non-core activities. The factors that influence outsourcing decisions are detailed below.

One of the factors that influence outsourcing is competitive advantage. Determining how a process contributes to competitive advantage is central to the outsourcing decision. Processes that are critical to competitive advantage and in which the organizations possess a strong capability should remain internal and receive a considerable level of strategic attention to maintain such a position. Processes that are critical to competitive advantage have a major impact upon the ability of an organization to achieve competitive advantage either through the ability to achieve a lower cost position and/or create higher levels of differentiation than competitors. Processes that are not critical to competitive advantage have a limited impact upon the ability of an organization to achieve competitive advantage. Although these processes have to be performed well, any performance improvements achieved in such processes likely won't be a source of competitive advantage because customers don't see them as key differentiators when they decide to buy the product (McIvor, 2011).

Within the resource-based view of the firm, resources and capabilities are seen as the foundation of a firms long term strategy and profit (Grant, 1991). The core activities of a firm are essential parts of its supply chain, which may act to reduce waste throughout the chain, improve flexibility and learning. However the supply environment may also be problematic. Uncertainty in the market may provide a motive for vertical integration by limiting the ability to accurately define contracts.

In relationship to the model in figure 2.2, in optimizing resources, the goal in core is to create competitive advantage. Differentiation is critical here. This is the place to invest human and financial capital. On the other hand, with context activities, the goal is to meet market standards. Differentiating on context is a mistake and one that is costly. The key is to extract human and financial capital from context wherever possible and repurpose for core activities

2.6 The Benefits of Outsourcing

Many at times we have heard a business leader state that by outsourcing the non-core activity, the company can free up valuable resources to focus on brands, customers products and critical issues? This is just one of the many claims made by top management as they consider moving services out of house (Peters and Waterman, 1996). Organizations that are seeking to outsource their business processes are seeking to realize benefits or to address one of the following issues.

Outsourcing the supporting processes gives the organization more time to strengthen their core business process. In rapid growth periods, the back-office operations of a company will expand also. This expansion may start to consume resources (human and financial) at the expense of the core activities that have made your company successful. Outsourcing those activities will allow refocusing on those business activities that are important without sacrificing quality or service in the back-office. Outsourcing allows concentration on core activities, decreases internal costs, reduces time delays and prevents political pressures which may lead to a more compact organizational structure, sharper focus in terms of recruiting, complimenting hierarchy, establishing and motivating key personnel in terms of core competencies and competitive advantage. Peters, & Waterman (1996) observed that, outsourcing leaves business managers more time to focus on the company's primary lines of business resources. Quinn *et al.* (1990) emphasized the benefits of outsourcing provided increased focus upon a set of core activities and reduction in the functional scope of the organization, hence enabling a more focused organization.

Cost reduction has been the main objective for outsourcing (Ford *et al.*, 1993). While outsourcing contracts commonly target fifteen to twenty-five percent cost savings, failure to achieve cost improvements is a frequently occurring aspect in outsourcing. Outsourcing mostly removes the need to hire individuals in-house; hence recruitment and operational costs can be minimized to a great extent. This is one of the prime advantages of outsourcing.

In principal, outsourcing can provide access to the best in the world quality for particular activities or components (Quinn *et al.* 1990). However in the absence of a comprehensive SLA, it can become difficult to achieve continued quality and best case scenarios. Most of the times, tasks are outsourced to vendors who specialize in their field. The outsourced vendors also have specific equipment and technical expertise, most of the times better than the ones at the outsourcing organization. Effectively the tasks can be completed faster and with better quality output (Wikipedia, 2011).

On of the most crucial factors determining the outcome of a campaign is risk-analysis. Outsourcing certain components of your business process helps the organization to shift certain responsibilities to the outsourced vendor. Since the outsourced vendor is a specialist, they plan your risk-mitigating factors better (Wikipedia, 2011).

According to Quinn *et al.*, (1990), outsourcing presents organizations with the opportunity to avoid the constraints of their own productive capacity in meeting changes in the volumes of sales. In situations where the pattern of sales displays seasonal or cyclical characteristics the penalties of under used in-house capacity may be avoided. Care has to be taken to ensure that a viable supply base is maintained that is capable of meeting peak levels of demand. Other benefits of outsourcing include capacity management, reduced time to market, tax benefits, free up the cash flow, save on investing in the latest technology, catalyst for change in an organization.

2.7 The Problems of Outsourcing

A much as outsourcing can have its benefits to the organization, if the outsourcing disadvantages outweigh the advantages of outsourcing, then you should avoid outsourcing those operations. Outsourcing agreements can fail to achieve intended benefits due to poor planning and execution. There is also a feeling that the business processes of the organization have been hijacked by others who do not share the same core values of the organization.

An organization's management may have the concern of avoiding outsourcing the core or near core activities (Jennings, 1997). The frequent absence of formal policy guidelines can allow the incremental loss of key competence to take place and hence undermine capability leading to loss of critical skills. Whether you sign a contract to have another company perform the function of an entire department or single task, you are turning the management and control of that function over to another company. True, you will have a contract, but the managerial control will belong to another company. Your outsourcing company will not be driven by the same standards and mission that drives your company. They will be driven to make a profit from the services that they are providing to you and other businesses like yours (Bucki, 2011).

According to Bucki (2011), an organization will sign a contract with the outsourcing company that will cover the details of the service that they will be providing. Any thing not covered in the contract will be the basis for you to pay additional charges. Additionally, the organization will experience legal fees to retain a lawyer to review the contracts signed. Remember, this is the outsourcing company's business. They have done this before and they are the ones that write the contract. Therefore, it will be at a disadvantage when negotiations start. The life-blood of any business is the information that keeps it running. If you have payroll, medical records or any other confidential information that will be transmitted to the outsourcing company, there is a risk that the confidentiality may be compromised. If the outsourced function involves sharing proprietary company data or knowledge (e.g. product drawings, formulas, etc.), this must be taken into account. Evaluate the outsourcing company carefully to make sure your data is protected and the contract has a penalty clause if an incident occurs (Bucki, 2011).

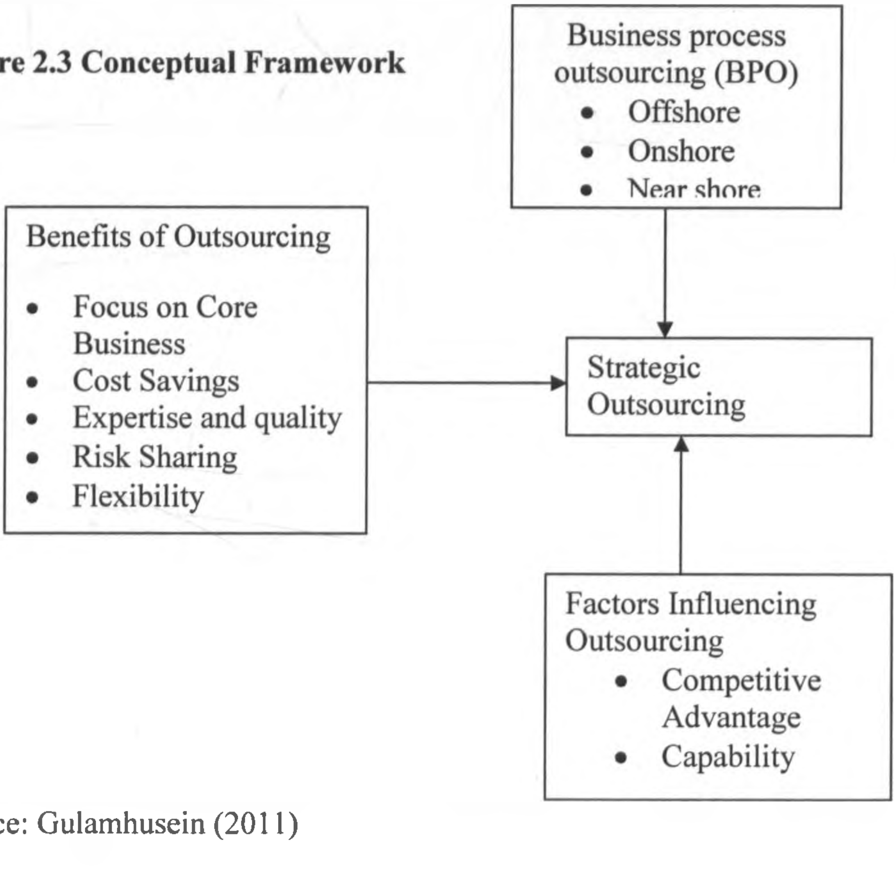
Quality of service is measured by an SLA in the outsourcing contract. In poorly drafted contracts there is no measure of quality or SLA defined. Evan where an SLA is defined, it may not be at the same level as previously enjoyed. This may be due to lack of proper information and accurate measurement while drafting the SLA. It may also be of lower quality through design to match the lower price (Jennings, 1997). The outsourcing company will be motivated by profit. Since the contract will fix the price, the only way for them to increase profit will be to decrease expenses. As long as they meet the conditions of the contract, you will pay. In addition, you will lose the ability to rapidly respond to changes in the business environment. The contract will be very specific and you will pay extra for changes (Bucki, 2011).

The word "outsourcing" brings to mind different things to different people. If you live in a community that has an outsourcing company and they employ your friends and neighbors, outsourcing is good. If your friends and neighbors lost their jobs because they were shipped across the state, across the country or across the world, outsourcing will bring bad publicity. If you outsource part of your operations, morale may suffer in the remaining work force (Bucki, 2011).Since part of the operations of your business will be turned to another company, you will now be tied to the financial well-being of that company. It wouldn't be the first time that an outsourcing company could go bankrupt and leave you holding-the-bag (Bucki, 2011).

2.8 Conceptual Framework

In a conceptual framework, descriptive categories are systematically placed in a structure of explicit propositions, statements of relationships between two or more empirical properties to be accepted or rejected. It comprises of independent variable and dependant variables. An independent variable or the exploratory variable is the presumed cause of changes in the dependent variable. It is caused or influenced by the dependent variable(s). Dependent variable is the variable the researcher wishes to explain. It is also called criterion or predictor variable (Kothari, 2004). Drawing from the literature reviewed, the conceptual framework for this study is based on three independent variables, benefits of outsourcing, factors influencing outsourcing and business process outsourcing that the researcher considers to be major variables affecting strategic outsourcing processes.

Figure 2.3 Conceptual Framework



Source: Gulamhusein (2011)

Companies have many times worked with only one outsourcing vendor. Now in order to diversify the risk they have the possibility to create several outsourcing relationships as the number of suitable vendors has been increasing. Multi sourcing, to create competition between the service providers is a good way to produce even better cost savings. New business models have emerged, the BPO industry is maturing. In the future more and more development is likely to take place. Approaches to BPO can become more diverse or on the other hand certain best practices and ways to do things could become the only ways to do BPO.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology of the study. It describes the way the methods that were used by the researcher to collect data. These methods include research design, target population, sampling design, data collection procedures and data analysis procedures that were used.

3.2 Research Design

The researcher used descriptive census design. This research design enhances the validity of research findings by controlling potential sources of distorting biased findings (Sharpe, 1997). It allowed the researcher to collect quantitative data that can be analyzed quantitatively using descriptive and inferential statistics. The data is easily comparable and was used to suggest possible reasons for particular relationships between variables.

3.3 Population

The population of the study comprised of all firms that provide mobile phone services in Kenya. There were four licensed mobile phone companies operating in Kenya as at 2011. These four firms that were surveyed include: Bharti Airtel Kenya, Safaricom Kenya Limited, Orange Kenya, and Essar Kenya (YU). These were used to form the target population.

3.4 Data Collection

Both primary and secondary data was collected by using a semi-structured questionnaire consisting of three sections, Section I, II and III was used. Section I covered items pertaining to the profile of the respondents, Section II contained information related to practices and application of outsourcing, while section III collected information on the challenges of outsourcing and how mobile operators in Kenya manage them. Close ended questions were presented on a Likert scale. According to Sclove, (2001) the Likert type scale being commonly used in business research, was applied because it allowes participants to respond with degrees of agreement or disagreement.

The questionnaire was distributed by dropping and picking them from the respondents and through e-mail in form of an online version, whichever was most convenient for the respondents. A letter of introduction, stating the purpose of the study was also attached to each questionnaire. In addition, the researcher made telephone calls to the respective respondents to make a follow-up. Once completed, the researcher personally collected the hard-copy questionnaires. This gave the researcher the opportunity to clarify any issues arising from various responses.

3.5 Data Analysis

The research was both quantitative and qualitative in nature. Once the data was collected it was checked for completeness and ready for analysis. The data from the field was first coded according to the themes researched on the study. Analysis was done with aid of the statistical software. Descriptive statistics generated such as percentages, mean scores and proportions is presented in tables and figures, bar graphs and pie charts. Qualitative data from open questions was presented on purpose, hence allowing a broader view of the topics being studied.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section presents the analysis and findings from the primary data that was gathered from the respondents who were the employees in the telecommunications industry. All completed questionnaires were edited for completeness and consistency.

This study was guided by the following specific objectives:

i. To determine how outsourcing strategy is applied in the overall operation of mobile phone service providers in Kenya.

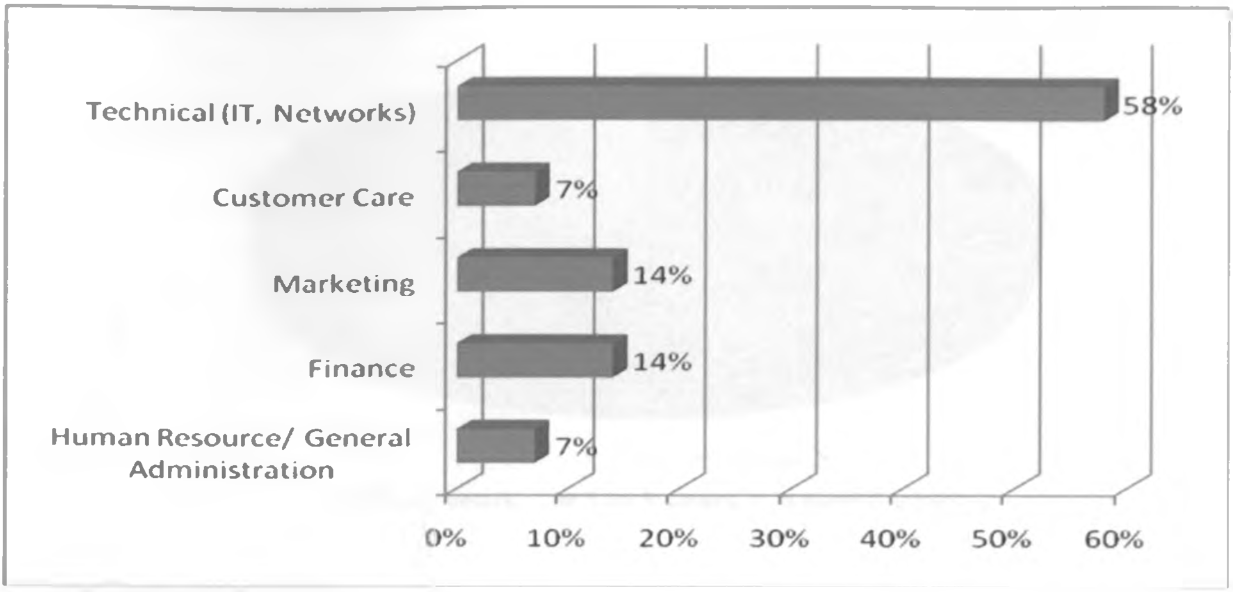
ii. To determine the benefits and challenges that are faced by mobile phone service providers while implementing these outsourcing strategies and how they are dealt with.

4.2 Background Information

4.2.1 Department of Work

The respondents were asked to state the departments in which they did work. The feedback is as presented in Figure 4.1.

Figure 4.1: Department of work



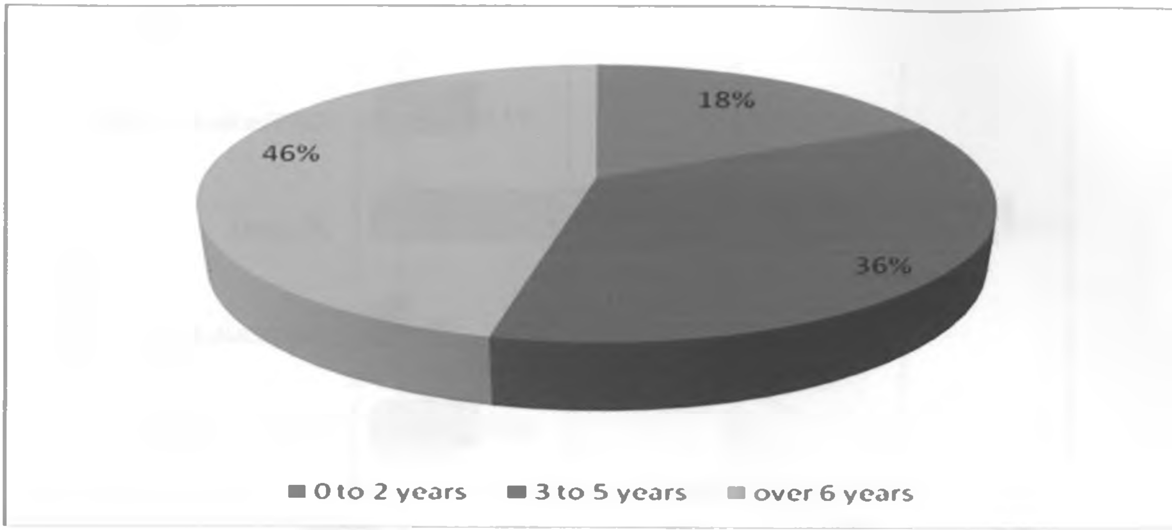
Source: Researcher (2011)

Amongst the several departments in which employees were working, the majority of the respondents, 58% were in the Technical (IT, Networks) department. A proportion of 14%, each was either in finance or marketing department, whereas 7%, each, the minority, was either in customer care or Human Resource/General Administration department.

4.2.2 Duration of Work in Current Departments

This section sought to establish the duration of work that the respondents had within the telecommunication industry. The findings were as presented in Figure 4.2.

Figure 4.2 Duration of Work in Current Departments



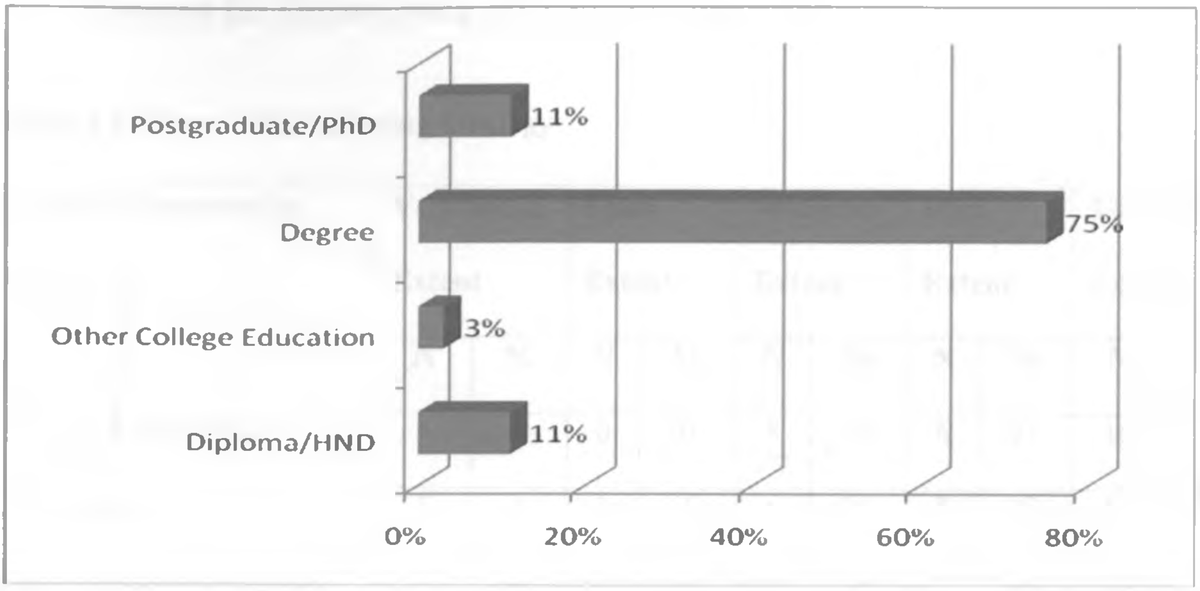
Source: Researcher (2011)

The study showed that generally, the workforce at telecommunication industry had stayed so long in their current departments. This was reflected by the fact that most respondents (46%) had been in the current departments industry for more than six years. This was followed by those who had been in the departments for between three and five years, at 36%. Only 18% of the respondents had worked in the current department for the shortest period, two or less years.

4.2.3 Level of Education

This part of the study sought to establish the qualifications of the respondents in terms of their level of education. The results are as depicted in Figure 4.3.

Figure 4.3 Level of Education



Source: Researcher (2011)

The study disclosed that the staff was adequately educated, with the majority, 75% being degree graduates. A section of 14%, each either possessed a Diploma/ HND level of education or a Postgraduate/PhD. Those from Other College Education were the minority and constituted 3%.

4.3 Outsourcing Strategy

The respondents were asked to indicate the extent to which they consider the option of outsourcing in their operation. The response was as follows.

4.3.1 Reasons for Outsourcing Strategy in Operation

Table 4.1 Extent of Outsourcing Strategy

Extent of Outsourcing Strategy	Very Small Extent		Small Extent		Moderate Extent		High Extent		Very High Extent	
	N	%	N	%	N	%	N	%	N	%
Focus on core business	1	4	0	0	5	18	6	21	16	57
Cost reduction	1	4	1	4	6	21	8	29	12	43
Improve quality of service	1	4	4	14	8	29	5	18	10	36
Increased competitiveness	1	4	1	4	5	18	13	46	8	29
Increase flexibility	3	11	0	0	8	29	11	39	6	21
Risk Sharing	5	18	7	25	7	25	4	14	5	18

Source: Researcher (2011)

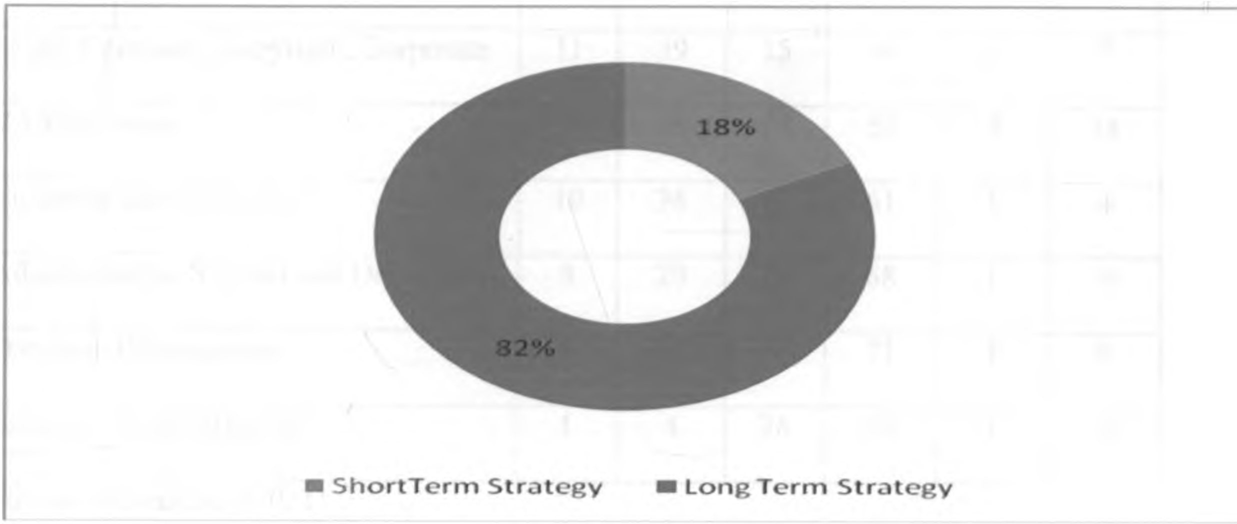
The study revealed that most respondents considered focus on core business option for outsourcing in their operation to a very high extent and also high extent, as represented by 57% and 21% respectively. Cost reduction was considered as an option of outsourcing in operation to a very high extent (43%) and also to a high extent (29%). Moreover, for most respondents, improving the quality of service was seen as the reason for outsourcing to a very high extent (36%) and also to a high extent (18%). Similarly, increased competitiveness was considered as an option of outsourcing to a very high extent (29%) and also to a high extent (46%). Still, the respondents rated increased flexibility to be the reason of outsourcing to a very high extent and also a high extent as represented by 21%

and 39% respectively. However, risk sharing was seen to be a cause of outsourcing only to a either small extent or moderate extent, as represented by 25% each.

4.3.2 Duration of Outsourcing Strategy

This section of the study required the respondents to indicate whether outsourcing was a short term solution to today's problems or a long term strategy to reach certain objectives.

Figure 4.4 Duration of Outsourcing Strategy



Source: Researcher (2011)

The majority, 82% stated that outsourcing was a long term strategy to reach certain objectives as opposed to a short term solution to today's problems.

4.3.3 Outsourced Processes

The respondents were asked to indicate the business processes or services that were being outsourced currently in their departments. The response was as illustrated in Table 4.2.

Table 4.2 Outsourced Processes

Outsourced Processes	Yes		No		No Response	
	N	%	N	%	N	%
Security	21	75	6	21	1	4
Web Design and Development	16	57	11	39	1	4
Call Centre	15	54	12	43	1	4
Networks operations	13	46	14	50	1	4
Legal, Contracts, Copyright, Corporate	11	39	15	54	2	7
VAS Services	10	36	14	50	4	14
Customer care services	10	36	17	61	1	4
Administrative Support and Data Entry	8	29	19	68	1	4
Database Development	7	25	20	71	1	4
Sales and Telemarketing	1	4	26	93	1	4

Source: Researcher (2011)

The study revealed that most respondents currently outsourced security, web design and development, and call centre business processes or services in their departments. This constituted 75%, 57% and 54% correspondingly. On the contrary, most of the highlighted business processes or services were not outsourced, as revealed by most respondents. As such, sales and telemarketing, database development, administrative support and data entry, customer care services, and legal, contracts, copyright, corporate were not outsourced according to the opinion of the majority; 93%, 71%, 68%, and 54% respectively. For networks operations and VAS services, the respondents were like indifferent, since only 50% declined that these business processes that were being currently outsourced in their departments. Other business processes or services outsourced were; advertising, promotion and public relations, cleaning services, and tax management

4.3.4 Personnel Involved in Outsourcing Decision Making

The study revealed that it's the top level management team that was majorly involved in the outsourcing decision making. These include; Board of directors, The company's Head Quarters, Head of information technology and networks, Chief Financial Officer, Head of Procurement, Chief Executive Officer and Managing Director, Human Resource Manager, Project Manager and Operations Manager. Also, Commodity Expert Group (CEG) was also involved in outsourcing decision making. A few of the respondents had no idea on who are involved in outsourcing decision making, thereby raising the issue of employee involvement in company operations.

4.3.5 Usage of Tools to Formulate Outsourcing Strategy

This section of the study sought to find out the tools used to formulate an outsourcing strategy. The responses were as presented in Table 4.2.

Table 4.3 Usage of Tools to Formulate Outsourcing Strategy

Extent of Usage of Tools to Formulate Outsourcing Strategy	Very Small Extent		Small Extent		Moderate Extent		High Extent		Very High Extent	
	N	%	N	%	N	%	N	%	N	%
Cost - Benefit analysis	0	0	0	0	3	11	12	43	13	46
Case study, business case analysis	3	11	4	14	5	18	10	36	5	18
Prioritization	1	4	0	0	4	14	9	32	14	50
SWOT analysis	0	0	2	7	9	32	8	29	8	29
Risk Benefit chart of outsourcing operations	5	18	2	7	6	21	8	29	6	21
Desk research	6	21	10	36	6	21	2	7	3	11

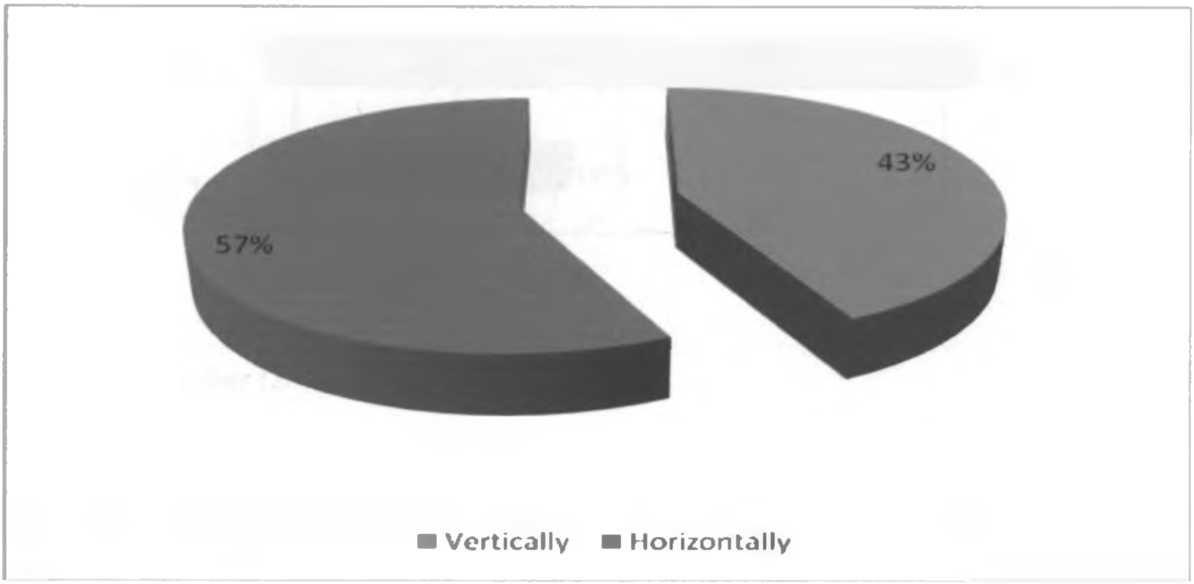
Source: Researcher (2011)

From Table 4.2, most respondents admitted that Cost - Benefit analysis was the tool used to formulate an outsourcing strategy to a high and very high extent, as represented by 43% and 46% respectively. Case study, business case analysis was considered as a tool used to formulate an outsourcing strategy to a high extent (36%), very high extent (18%) and moderate extent (18%). Moreover, most respondents stated that prioritization was a tool used to formulate an outsourcing strategy to a high extent (32%) and to a very high extent (50%). Meanwhile SWOT analysis was considered as a tool used to formulate an outsourcing strategy to a high extent (29%) very high extent (29%) and moderate extent outsourcing strategy to a high extent (29%) very high extent (29%) and moderate extent (32%). On the other hand, desk research was seen to a tool used to formulate an outsourcing strategy to a small extent (36%) very small extent (21%) and moderate extent (21%).

4.3.6 Outsourcing Communication Method

The respondents were asked to indicate how they effectively communicated the outsourcing intent, consequences and approach within the organization. The responses were as follows;

Figure 4.5 Outsourcing Communication Method



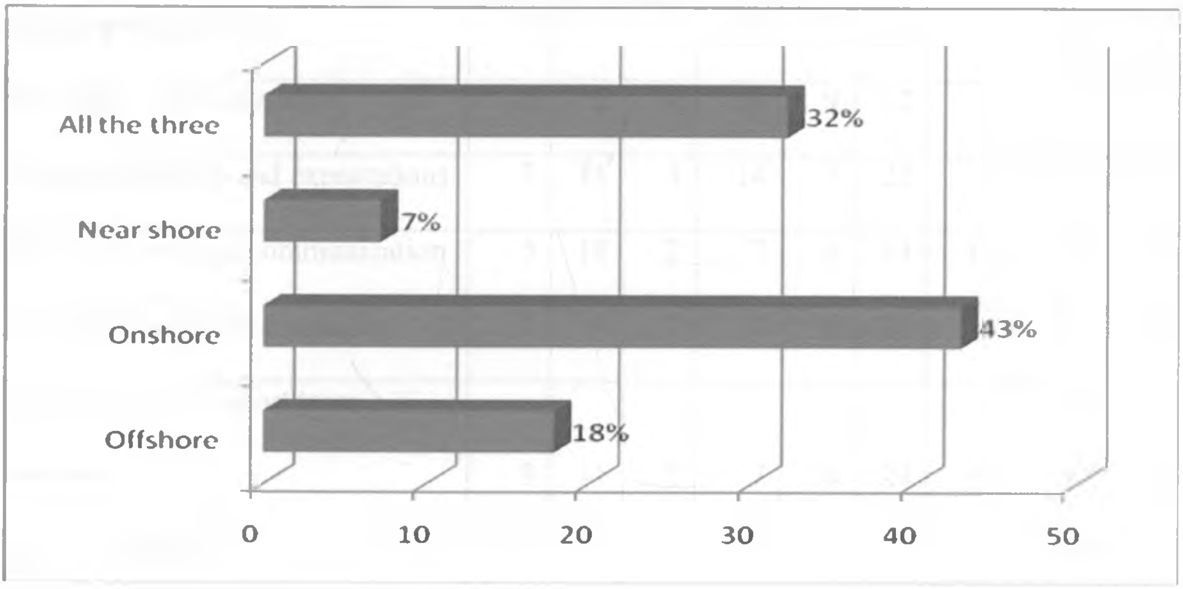
Source: Researcher (2011)

From Figure 4.5, it was found out that horizontal communication was used mostly to effectively communicate the outsourcing intent, consequences and approach within the organization (57%). Vertical communication was used at 43%.

4.3.7 Business Process Outsourcing Adopted

The respondents were asked to indicate the types of business process outsourcing they had adopted.

Figure 4.6 Business Process Outsourcing Adopted



Source: Researcher (2011)

The study revealed that the types of business process outsourcing that had been mostly adopted is onshore, 43%. This was followed by those who were of the opinion that a mixture of onshore, offshore and near shore was the types of business process outsourcing adopted, 32%, while 18% of the respondents considered the offshore strategy.

4.4 Challenges of Outsourcing Strategies

Table 4.4 Challenges of Outsourcing Strategies

Challenges in Outsourcing Strategies	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly agree**	
	N	**%**	**N**	**%**	**N**	**%**	**N**	**%**	**N**	**%**
Fear of job loss and fear of change	4	14	2	7	6	21	3	11	13	46
Hidden costs and risks	0	0	5	18	7	25	8	29	8	29
Inadequate control systems	0	0	4	14	9	32	8	29	7	25
Unclear objectives and expectations	3	11	4	14	7	25	8	29	6	21
Poor organizational communication	5	18	2	7	4	14	11	39	6	21
Conflict of interest for vendors	1	4	2	7	6	21	14	50	5	18
Over emphasis on short term benefits	3	11	2	7	8	29	10	36	5	18
Lack of flexibility	1	4	4	14	6	21	13	46	4	14
Poor choices of outsourcing partners	0	0	7	25	4	14	13	46	4	14
Cultural, legal and economic issues	2	7	6	21	7	25	9	32	4	14
Lack of supporting infrastructures	0	0	9	32	7	25	8	29	4	14
Incompatibility across the system due to acquisitions	3	11	7	25	7	25	7	25	4	14
Little support from the top level management	3	11	5	18	10	36	7	25	3	11

Source: Researcher (2011)

From Table 4.3, most respondents strongly agreed and also agreed that the fear of job loss and fear of change was outsourcing challenges encountered in outsourcing strategies, as represented by 46% and 11% respectively. A proportion of 29% each, either strongly agreed or agreed that hidden costs and risks was a challenge encountered in outsourcing strategies. On inadequate control systems, there were mixed reactions; 32% neither agreed nor disagreed, 29% agreed and 25% strongly agreed. Similarly, unclear objectives and expectations was a challenge as agreed by 29%, strongly agreed by 21% and neither agreed nor disagreed by 25%. Moreover, on poor organizational communication, there was an agreement, 39% and a strong agreement, 21% that it posed a challenge in outsourcing strategies. Conflict of interest for vendors was an outsourcing challenges encountered in outsourcing strategies as agreed by 50% and also strongly agreed by 18%. Meanwhile, lack of flexibility and poor choices of outsourcing partners were challenges encountered in outsourcing strategies as agreed by 46%, in each case. On the contrary, 32% disagreed and 25% neither agreed nor disagreed that lack of supporting infrastructures was a challenge. Little support from the top level management received a neutral response at 36%.

4.4.1 Dealing with Challenges of Outsourcing Strategies

There were various proposals that were enlisted as mechanisms to dealing with challenges of outsourcing strategies. These include;

Clearly indicating the objectives and expected outputs to avoid unrealistic expectation by the given company was seen as a way of dealing with challenges of outsourcing strategies. Further, a detailed cost-benefit analysis to clearly boost on organization's competitive advantage ought to be performed and flexible contract terms and deadlines agreed on hence SLA in Contract and imposing penalties. In addition, choosing a competent firm for the outsourced process and clearly observing that outsourcing neither compromises on the quality of services nor expectations to meet delivered services is vital.

It was suggested that there was need to investigate/vet the outsourcing partners to validate their competences, capability, reputation and reliability and consequently developing a standard policy of selecting and managing outsourcing partners which applies equally to all partners and to all operations globally. This also means that service provider should be able to understand the business operations.

Communication across the organizational structure was found to be inevitable. As such organizations should involve the entire organization as required and where relevant in the process of drafting the strategy, as well as proper management of subsequent change. This involvement could create or improve the supportive structures to achieve the expected results. Proper education, research before getting into the real exercise, seeking advice from those who have gone through it is critical. Further, training of the developers and technical staff on business outsourcing and its implications was highly implored.

Analysis of the impact of each strategy to the specific department should be carried out so as to understand and articulate the value to be accrued from the outsourcing. Each challenge posed by outsourcing strategies ought to be addressed on an individual basis to determine its potential harm in implementing the strategies and then a consideration be made in totality for all the challenges to gauge the cumulatively harm.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion and recommendations from the research findings as per the objective of the study. Based on the findings, recommendations have been given.

5.2 Summary of the Findings

5.2.1 Background Information

The study revealed that majority of the respondents, 58% were in the Technical (IT, Networks) department, and the employees had stayed so long in their current departments; for more than six years (46%) and between three and five years (36%). that the staff was adequately educated, with the majority, 75% being degree graduates. A section of 14%, each either possessed a Diploma/ HND level of education or a Postgraduate/PhD.

5.2.2 Outsourcing Strategy

The study revealed that most respondents considered the focus on core business option for outsourcing in their operation to a very high extent and also high extent, as represented by 57% and 21% respectively. Cost reduction was considered as an option of outsourcing in operation to a very high extent (43%) and also to a high extent (29%). Moreover, for most respondents, improving the quality of service was seen as the reason for outsourcing to a very high extent (36%) and also to a high extent (18%). Similarly, increased competitiveness was considered as an option of outsourcing to a very high extent (29%) and also to a high extent (46%). Still, the respondents rated increased flexibility to be the reason of outsourcing to a very high extent and also a high extent as represented by 21% and 39% respectively. However, risk sharing was seen to be a cause of outsourcing only to a either small extent or moderate extent, as represented by 25% each.

Outsourcing was considered a long term strategy to reach certain objectives as opposed to a short term solution to today's problems by a majority of 82%. The study revealed that security, web design and development, and call centre business processes or services were currently outsourced in the departments, at 75%, 57% and 54% correspondingly. Other business processes or services outsourced were; advertising, promotion and public relations, cleaning services, and tax management. On the contrary, most of the highlighted business processes or services were not outsourced, as revealed by most respondents. As such, sales and telemarketing, database development, administrative support and data entry, customer care services, and legal, contracts, copyright, corporate were not outsourced according to the opinion of the majority; 93%, 71%, 68%, and 54% respectively. Indifference arose for networks operations and VAS services, since only 50% declined that these business processes were outsourced in their departments.

The top level management team was found to be majorly involved in the outsourcing decision making. These include; Head of information technology and networks, Chief Financial Officer, Head of Procurement, Chief Executive Officer and Managing Director, Human Resource Manager, Project Manager and Operations Manager. Also, Commodity Expert Group (CEG) was also involved in outsourcing decision making.

The study revealed that Cost - Benefit analysis was a tool used to formulate an outsourcing strategy to a high and very high extent, as represented by 43% and 46% respectively. Case study, business case analysis was also considered to formulate outsourcing strategy to a high extent (36%). Moreover, prioritization was a tool used to formulate an outsourcing strategy to a high extent (32%) and to a very high extent (50%). Meanwhile SWOT analysis was considered as a tool used to formulate an outsourcing strategy to a high extent (29%) very high extent (29%) and moderate extent (32%). On the other hand, desk research was seen to a tool used to formulate an outsourcing strategy to a small extent (36%) very small extent (21%) and moderate extent (21%).

It was found out that horizontal communication was used mostly to effectively communicate the outsourcing intent, consequences and approach within the organization (57%). The study revealed that the types of business process outsourcing that had been mostly adopted is onshore, 43%. This was followed by those who were of the opinion that a mixture of onshore, offshore and near shore was the types of business process outsourcing adopted, 32%.

5.2.3 Challenges in Outsourcing Strategies

The study disclosed that most respondents strongly agreed (46%) that the fear of job loss and fear of change was outsourcing challenges encountered in outsourcing strategies. A proportion of 29% each, either strongly agreed or agreed that hidden costs and risks was a challenge encountered in outsourcing strategies. On inadequate control systems, there were mixed reactions; 32% neither agreed nor disagreed, 29% agreed and 25% strongly agreed. Similarly, unclear objectives and expectations was a challenge as agreed by 29%, strongly agreed by 21% and neither agreed nor disagreed by 25%. Moreover, on poor organizational communication, there was an agreement, 39% that it posed a challenge in outsourcing strategies. Conflict of interest for vendors was an outsourcing challenges encountered in outsourcing strategies as agreed by 50%. Meanwhile, lack of flexibility and poor choices of outsourcing partners were challenges as agreed by 46%, in each case. On the contrary, 32% disagreed and 25% neither agreed nor disagreed that lack of supporting infrastructures was a challenge. Little support from the top level management received a neutral response at 36%.

Among the several proposals that were enlisted as ways of dealing with challenges of outsourcing strategies, indicating clearly the objectives and expected outputs to avoid unrealistic expectation by the given company was evident. Further, a detailed cost-benefit analysis to clearly boost on organization's competitive advantage ought to be performed and flexible contract terms and deadlines agreed on hence Service Level Agreements (SLA) in contract and imposing penalties. In addition, choosing a competent firm for the outsourced process and clearly observing that outsourcing neither compromises on the quality of services nor expectations to meet delivered services is vital.

It was suggested that there was need to investigate/vet the outsourcing partners to validate their competences, capability, reputation and reliability and consequently developing a standard policy of selecting and managing outsourcing partners which applies equally to all partners and to all operations globally. This also means that service provider should be able to understand the business operations.

Communication across the organizational structure was found to be inevitable. As such organizations should involve the entire organization as required and where relevant in the process of drafting the strategy, as well as proper management of subsequent change. This involvement could create or improve the supportive structures to achieve the expected results. Proper education, research before getting into the real exercise, seeking advice from those who have gone through it is critical. Further, training of the developers and technical staff on business outsourcing and its implications was highly implored.

Analysis of the impact of each strategy to the specific department should be carried out so as to understand and articulate the value to be accrued from the outsourcing. Each challenge posed by outsourcing strategies ought to be addressed on an individual basis to determine its potential harm in implementing the strategies and then a consideration be made in totality for all the challenges to gauge the cumulatively harm.

5.3 Conclusion

The study concludes that there were several reasons why telecommunication companies considered the option of outsourcing in the operation. Amongst the reasons, focus on core business option topped the list. Others were; cost reduction, improved quality of service, increased competitiveness, and increased flexibility. However, risk sharing was seen to be a cause of outsourcing only to a small extent. Also, outsourcing was considered a long term strategy to reach certain objectives as opposed to a short term solution to today's problems.

There were several business processes or services were currently outsourced in the departments; of which security, web design and development, and call centre were mostly outsourced. Other business processes or services outsourced were; advertising, promotion and public relations, cleaning services, and tax management. On the contrary, most of the business processes or services such as; sales and telemarketing, database development, administrative support and data entry, customer care services, and legal, contracts, copyright, corporate were not outsourced. On networks operations and VAS services business processes neutrality on outsourcing was witnessed.

It is the top level management team that was involved in the outsourcing decision making. Different tools were used with different extents to formulate an outsourcing strategy. Cost - Benefit analysis was a tool used to a very high extent. Case study, business case analysis was considered to formulate outsourcing strategy to a high extent. Moreover, prioritization was a tool used to formulate an outsourcing strategy very high extent.

Meanwhile SWOT analysis was considered to moderate extent. On the other hand, desk research was seen to a tool used to formulate an outsourcing strategy to a small extent. The study concludes that horizontal communication was used mostly to effectively communicate the outsourcing intent, consequences and approach within the organization. The types of business process outsourcing that had been mostly adopted was onshore.

On the challenges in outsourcing strategies, the study concludes that there were numerous outsourcing challenges encountered in outsourcing strategies which were exhibited to different extents. For instance, most respondents strongly agreed that the fear of job loss and fear of change was an outsourcing challenge. Hidden costs and risks was agreed to be a challenge encountered in outsourcing strategies. On inadequate control systems, there were mixed reactions as to agreeing or disagreeing on the challenge. Similarly, unclear objectives and expectations, poor organizational communication, lack of flexibility and poor choices of outsourcing partners and conflict of interest for vendors were agreed to be a challenges. On the contrary lack of supporting infrastructures was disagreed to be a challenge and little support from the top level management received a neutral response.

Among the several proposals that were enlisted as ways of dealing with challenges of outsourcing strategies, indicating clearly the objectives and expected outputs to avoid unrealistic expectation by the given company was evident. Further, a detailed cost-benefit analysis to clearly boost on organization's competitive advantage ought to be performed and flexible contract terms and deadlines agreed on hence Service Level Agreements (SLA) in contract and imposing penalties. In addition, choosing a competent firm for the outsourced process and clearly observing that outsourcing neither compromises on the quality of services nor expectations to meet delivered services is vital.

It was suggested that there was need to investigate/vet the outsourcing partners to validate their competences, capability, reputation and reliability and consequently developing a standard policy of selecting and managing outsourcing partners which applies equally to all partners and to all operations globally. This also means that service provider should be able to understand the business operations.

Communication across the organizational structure was found to be inevitable. As such organizations should involve the entire organization as required and where relevant in the process of drafting the strategy, as well as proper management of subsequent change. This involvement could create or improve the supportive structures to achieve the expected results. Proper education, research before getting into the real exercise, seeking advice from those who have gone through it is critical. Further, training of the developers and technical staff on business outsourcing and its implications was highly implored.

Analysis of the impact of each strategy to the specific department should be carried out so as to understand and articulate the value to be accrued from the outsourcing. Each challenge posed by outsourcing strategies ought to be addressed on an individual basis to determine its potential harm in implementing the strategies and then a consideration be made in totality for all the challenges to gauge the cumulatively harm.

5.4 Recommendations

Telecommunication companies should consider the option of outsourcing in the operation, especially the auxiliary services so as to concentrate on the core business. This is coupled with the fact that outsourcing benefis are enormous; cost reduction, improved quality of service, increased competitiveness, and increased flexibility. There are several issues involved in the decision to outsource an organization's resources. The following key items should be analyzed; scale economy, outsourcer expertise, short- and long-term financial advantage from the sale of resources, inability to manage the function, strategic realignment, and a need to focus on the core business.

The decision to outsource can lead to competitive advantages for businesses. For outsourcing to be successful the decision needs to be well informed. Good and detailed information by the management can help avoid a costly step, one that is not easily reversed. Ultimately, for outsourcing in any form to be successful, quick response times to strategic opportunities and threats are essential hence the need for appropriate communication method.

There is need for a combination of different tools to formulate an outsourcing strategy. The tools used to high extents that could be considered include; cost - Benefit analysis, case study, business case analysis, and prioritization. As near shore business process outsourcing strategy are often seeking cost savings, it should be considered for adoption enormously too.

5.5 Limitations of the Study

The main challenge faced was the administration of the questionnaires; most companies were not comfortable with the questionnaires with the main argument being that their privacy may be infringed due to the questionnaire being administered online. The respondents also felt that the data being collected was confidential as issues of company strategy were being researched. Some also said that the questionnaire was close to a product they were going to launch, hence data was confidential. As such, a lot of time was taken in explaining and persuading them that the study was for academic purposes only.

5.6 Suggestions for Further Study

This study concentrated on how outsourcing strategy is applied in the overall operation of mobile phone service providers in Kenya and the benefits and challenges faced in implementation. Further studies should be carried on the impact of outsourcing strategy. Also, this study was a descriptive census design, based on the four licensed mobile phone companies operating in Kenya; further studies on the same objectives should be undertaken through a case study of a given mobile phone company for an in-depth understanding of outsourcing strategy implementation.

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APPENDICES

Appendix: Questionnaire

I kindly request for your assistance to fill in this questionnaire as accurately as possible.

The information you give shall be treated with STRICT CONFIDENTIALITY.

Section A: Respondents Profile

1. Which department do you work at?

Human Resource/General Administration	[ ]	Finance	[ ]
Marketing	[ ]	Customer Care	[ ]
Technical (IT, Networks)	[ ]	Other (Please Specify)…………..…	

2. How many years have you been working at your current department?

0 to 2 Years [ ]   3 to 5 Years [ ]   Over 6 years [ ]

3. What level of education have you completed?

Diploma/ HND	[ ]	Other College Education	[ ]
Degree	[ ]	Postgraduate/PhD	[ ]

Section B: Outsourcing Strategy

4. Why do you consider the option of outsourcing in your operation?

	Very Small Extent	Small Extent	Moderate Extent	High Extent	Very High Extent
Risk Sharing					
Cost reduction					
Improve quality of service					
Focus on core business					
Increase flexibility					
Increased competitiveness					
Others (Please specify)					

5. Is outsourcing seen as a short term solution to today's problems or a long term strategy to reach certain objectives?

Short Term Strategy [ ] Long Term Strategy [ ]

6. Which business processes or services are being outsourced currently in your department?

Outsourced Processes	**Yes**	**No**
Sales and Telemarketing		
Web Design and Development		
Administrative Support and Data Entry		
VAS Services		
Legal, Contracts, Copyright, Corporate		
Database Development		
Networks operations		
Customer care services		
Security		
Call Centre		
Others (please specify)		

7. Who are involved in the outsourcing decision making?

....

8. Which tools do you use to formulate an outsourcing strategy?

	Very Small Extent	Small Extent	Moderate Extent	High Extent	Very High Extent
SWOT analysis					
Prioritization					
Case study, business case analysis					
Cost - Benefit analysis					
Risk Benefit chart of outsourcing operations					
Desk research					
Others (Please specify)					

9. How do you effectively communicate the outsourcing intent, consequences and approach within the organization?

Vertically [ ] Horizontally [ ]

10. Which types of business process outsourcing have you adopted?

Offshore [ ] Onshore [ ] Near shore [ ] All the three [ ]

Section C: Challenges in Outsourcing Strategies

11. What are some of the outsourcing challenges encountered in outsourcing strategies?

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Fear of job loss and fear of change					
Poor choices of outsourcing partners					
Cultural, legal and economic issues					
Lack of supporting infrastructures					
Conflict of interest for vendors					
Incompatibility across the system due to acquisitions					
Unclear objectives and expectations					
Poor organizational communication					
Over emphasis on short term benefits					
Hidden costs and risks					
Inadequate control systems					
Lack of flexibility					
Little support from the top level management					
Others (please specify)					

12. How do you deal with the challenges of outsourcing strategies?

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