THE APPLICATION OF OUTSOURCING STRATEGY AT BRITISH AIRWAYS IN KENYA

PRESENTED BY

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DECLARATION

Student's declaration

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:……………………………………………..Date:………………………………

MWANDO GILBERT MWANJE **REG. D61/71208/2008**

Supervisor's declaration

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

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DEDICATION

I dedicate this work to my fiancée Maureen Kimamo for the endless love, tolerance, encouragement and support she accorded to me during my research project. May this be an inspiration to you to strive for even greater heights.

To my late mum Sarah Nekesa for the firm foundation you laid to me and the discipline you instilled in me. God rest her soul in peace! Amen.

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ABSTRACT

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 a strategic issue. This allows the company to concentrate on the activities in which it has obtained unique competencies. Upstream and downstream integration with suppliers and customers has emerged as an important part of supply chain strategy. Both outsourcing and supply chain integration have raised critical comments partly due to optimistic presentation both in the academic and practitioner's world. Most of the outsourcing decisions have based on the cost reduction though most firms don't evaluate whether the outsourcing process will be in alignment with the overall organisational goals and objectives.

The purpose of the study was to determine the application of outsourcing strategy on the overall operation of British Airways in Kenya and to establish challenges that have faced the company while implementing the outsourcing strategy and also some of the solutions they have come up with to eliminate these challenges. This study was a case study that involved collection of both primary and secondary data. The primary data was collected through an in –depth interviews with senior managers at BA who are in charge of the departments that have outsourced their services or processes. Content analysis technique was employed to analyze data since its used to analyze interview transcripts to determine the frequency of specific words or ideas.

From the study findings, the researcher concludes that the activities outsourced are non-core to the business such as cleaning services, software upgrades and maintenance, IT services, check-in services, baggage handling, load control, reservations of freight goods, ticketing, office messengers services, payroll services, tax consultant and some core ones such as marketing and public relations. The study also concludes that the critical stages of the company's outsourcing decision were identifying the process or what activity should be outsourced and the continuous management of the outsourcing strategy with the service providers. The study further concludes that the benefits of outsourcing on the firms' performance are such as cost cutting, risks of failure are minimal in implementing a new system, enhanced efficiency in the operations and the company is gaining from the service providers who bring new ideas and technology through their expertise in their field of operation. The study recommends that although BA has been successful in implementing its outsourcing strategy, the company should continuously monitor its standards and evaluates its SLA's so as to ensure that the suppliers meet them, this is because low standards will negatively affect the company performance. The study also recommends that BA should put in place policies to guide the practice of outsourcing since such policies would emphasize the risks and advantages that could arise from the practice of outsourcing and highlight the importance of contact management.

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LIST OF ACRONYMS AND ABBREVIATIONS

BA	-	British Airways
BPO	-	Business Process Outsourcing
IT	-	Information Technology
JKIA	-	Jomo Kenyatta International Airport
SLA	-	Service Level Agreement
SBUs	-	Strategic Business Units

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Although outsourcing has been around as long as work specialisation has existed, in recent history, companies began employing the outsourcing model to carry out narrow functions, such as payroll, billing and data entry. Outsourcing is one of the most recent management strategies in response to more efficient ways to address organizational competitiveness and success (Nyamamba, 2007). Outsourcing is contracting with another company or person to do a particular function. Almost every organisation outsource in some way. Typically the function being outsourced is considered non-core to the business. The outside firms that are providing the outsourcing services are third party providers, or as they are more commonly called, service providers.

Currently, outsourcing takes many forms. Organisations still hire service providers to handle distinct business processes, such as benefits management. But some organisations outsource whole operations. The most common forms are information technology outsourcing and business process outsourcing. Business process outsourcing encompasses call center outsourcing, human resources outsourcing, finance and accounting outsourcing and claims processing outsourcing.

The outsourcing relationship should be managed well to realize the outcomes of outsourcing. The challenges of outsourcing become especially acute when the work is being done in a different country, since this involves language, cultural and time zone differences.

1.1.1 The Concept of Strategic Outsourcing

Outsourcing is the devolution of the day-to-day performance of services to an external agency, usually under a contract with agreed standards, costs and conditions, but with responsibility for those services remaining with the organization, 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 procure the services from the supplier for the term of the contract.Many companies also outsource customer support and call center functions like telemarketing, customer service, market research, manufacturing, designing, web development, print-to-mail, content writing, ghostwriting and engineering.

The strategic outsourcing 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 organization needs to determine the scope of its internal activities by reference to its objectives, in contrast to resorting to outsourcing when there is a pressing need to apply cost disciplines or find ways around difficult industrial relations disputes . Di Romualdo and Gurbaxani (1998), argued that firms use outsourcing in order to satisfy any one or more of the three strategic/performance intents, namely strategic improvement (cost reduction and enhancement of efficiency), strategic business impact (improving contribution to companies' performance within existing lines of business) and strategic commercial exploitation (focus on leveraging technology-related assets). The strategic literature suggests that the reason for outsourcing has changed from primarily cost disciplines to strategic re-position, core competence enhancement, greater service integration and/or higher value creation (Quinn, 1999).

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 external supplier. Quinn (1999) suggested that unless the company develops best-in-world capabilities, including transactions cost discipline, the company should not purchase goods/services from providers who have best-in-world skills in order to achieve competitive edge. Some have further argued that decision to outsource is taken in order to improve incentives within the firm. Thus managerial incentive intensity becomes the primary motivation for outsourcing, as managerial efforts are focused on core competency maximization when undistracted by non-essential tasks. Regardless of the many reasons for strategic sourcing, the prime purpose still remains reduction of costs, but with time cost considerations have also escalated to strategic levels of decision making, thus promoting new organizational firms (Nyamamba, 2007).

1.1.2 The Concept of Strategy Implementation

Strategy implementation is the process of allocating resources to support the chosen strategies (Ryszard, 2005). This process includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress and ultimately achieve organisation goals. Management approaches to strategy implementation can be placed on a continuum with prescriptive planning at one end and process approaches at the other end. Prescriptive planning involves moving from strategies to action planning, through the process of setting objectives and perfomance controls, allocating resources and motivating employees (Mintzberg, 1994).

Strategy implementation has usually been regarded as being distinct from strategy formulation as a matter of adjustment of organizational structures and systems. Ryszard (2005) argued that strategy implementation and strategy formulation processes are closely interrelated. The desired results of an organisation are established during the strategy formulation process. Implementation consists of the issues involved in putting the formulated strategy to work. It is necessary to spell out more precisely how the strategic choice will come to be. No strategy no matter how brilliantly formulated will succeed if it cannot be implemented.

Ryszard (2005) argue that the successful implementation of strategy requires a mix of three critical elements taken from the implementing prescriptive planning (hard) and process (soft) approaches. Two elements are from the planning approach, having an appropriate organisational design and structure to implement strategy and having an appropriate resource allocation and control which shapes the context for deploying strategy. The third critical element is managing change from the process approach. It focuses on diagnosing barriers to change, managing political issues, communication and changes to organisational routines.

1.1.3 The Airline Industry in Kenya

The airline industry in Kenya is served by both international and local airlines that are competing in the industry targeting niche destinations in a bid to grow their market share. The growth of the industry has been enhanced by the strategic position of JKIA which serves as the hub for airline industry in Kenya and in the East and Central Africa region offering better connectivity to destinations across the world (www.flightglobal.com). Other major international airports are in Mombasa which mostly serve the toursism sector and in Eldoret which concentrate with cargo business especially from the western region of the country. Also the expansion and renovation of major airstrips by the Kenya Airport Authority has also enhanced the growth of the industry domesticaly with airlines trying to launch new routes to expand their networks.

The Airline industry in the recent past has faced many challenges ranging from global economic and financial crisis which led to fall in demand for global premium travel, high fuel prices, increased competition both in the local and international market, more regulatory controls which ranges from the routes the airlines operates, the fares they set, the infrastructure cost they pay, safety, security and also manage the environmental impact (www.ba.com). This has led to the increase in costs due to the rising prices of fuel, rising overheads and fleet ownership costs which has led to airlines trying to control their costs and enhancing service delivery to retain customers.

In response to the worsening economic conditions, the airline industry is in the process of change and this has seen the acceleration of consolidation in the airline industry (www.flightglobal.com). As a result of this many passenger and cargo carriers have either gone bust or have been absorbed into other airlines, investment in systems to improve business efficiency, restructuring, expansion of routes to offer better connectivity and access other markets, outsourcing their activities and processes and acquiring modern fleets which are eco-friendly and more efficient consuming less fuel in a bid to control their costs of operation.

1.1.4 British Airways

British Airways is the United Kingdom largest international scheduled airline flying customers at convenient times to the best-located airports across the world. The Airline's vision is becoming the leading global premium airline. The Airline also operates a worldwide air cargo business, largely in conjunction with the scheduled passenger service. The Airline has one of the most extensive international scheduled airline route networks, together with their codeshare and franchise partner the airline fly to more 300 destinations worldwide (British Airways, Annual report and Accounts, 2009/10).

British Airways, which has been in operation in Kenya for more than 75 years, operating a daily flight between Jomo Kenyatta International Airport and London Heathrow has gone through major transformation in the way it conducts its business. In a bid to remain competitive in a turbulent business environment, the airline has adopted various strategies to ensure that costs are kept at a competitive base without compromising the service delivery to its customers (www.ba.com). With the advancement in technology coupled with outsourcing, the airline has managed to reduce it workforce enabling Kenyan travellers to personally manage their travel through online booking, check in and also logging any customer relation or complain issues a customer may have online thereby promoting online business.

The Airline in Kenya before the transformation and the advancement in technology had a workforce of over 100 staff with more than 6 expatriates from United Kingdom and at one time the Kenyan office used to be regional hub for East Africa. Currently the Airline has only 25 members of staff with 1 expatriate. The Airline has outsourced its airport operations for passenger services to Swissport Kenya a flight handling agent at JKIA and also at the Cargo office, the Airline has outsourced the ground handling services to African Cargo Handling Agent hence most of the daily operation activities are outsourced at the airport with only few British Airways Managers who are entrusted with the responsibility to oversee smooth flow of operation (www.ba.com). The payroll services also have been outsourced to Data centre who are specialist in doing payroll services for corporate clients hence ensuring that all statutory requirements that relates to employees salaries are adhered to.

1.2 Statement of the 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 a strategic issue (Efling and Bave, 1994). This allows the company to concentrate on the activities in which it has obtained unique competencies (Quinn and Hilmer, 1994). Upstream and downstream integration with suppliers and customers has emerged as an important part of supply chain strategy (Frohlich and Westbrook, 2001). Both outsourcing and supply chain integration have raised critical comments partly due to optimistic presentation both in the academic and practitioner's world. Most of the outsourcing decisions have based on the cost reduction though most firms don't evaluate whether the outsourcing process will be in alignment with the overall organisational goals and objectives.

There have been a lot of changes in the Airline industry in Kenya coupled by the advancement in technology, which has enhanced stiff competition in the industry. In order for organizations to survive in a turbulent environment, they need strong strategy formulation and implementation process. If there are shifts in the environment then its likely that organizations are going to react to those changes by adjusting their strategies. All these challenges have led BA to remain focused on their strategy to become the world's leading global premium airline by taking actions that will make their cost base more efficient and their unstinting focus on outstanding customer service. BA in Kenya has used the outsourcing strategy in its operation in a bid to cut down its operations costs and focus on its core activities in order to achieve its corporate goals and strongly emerge from the current downturn.

Strategic outsourcing decisions have been studied in the scholarly and trade literatures for over a decade (Nyamamba, 2007). The early research on outsourcing had focused on transactions costs. Later on the strategic themes were addressed in the overall organization context (Chalos, 1994). Many of the recent perspectives on strategic outsourcing have been derived from the early literature on core competencies (Prahalad and Harmel, 1990). The changing postures of outsourcing has shifted the arguments from make or buy to how to optimize outsourcing decisions, assuming organizations have to stick to their knitting to avoid costs incurred in the developing and maintaining infrastructures.

Numerous studies have been carried out on the outsourcing strategy by various researchers for example Machoka (2008), Nyamamba (2007), Maina (2009), Hyland and Beckett (2002), and Kamau (2006). Some of the above literature was on IT outsourcing, most of them discussed outsourcing in general and treated IT on the contextual domain. Other literature relates to different business process outsourcing activities in different organisation their challenges and benefits to the organisation. Although a number of studies have been done on outsourcing and strategic outsourcing, none has focused on its application on the general operation in the Kenyan airline industry. This research therefore seeks to respond to the following question, How has British Airways applied outsourcing strategy in it operations in Kenya?

1.3 Objectives of the Study

The objectives of the study were:

i. To determine the application of outsourcing strategy on the overall operation of British Airways in Kenya.

ii. To establish challenges that have faced the company while implementing the outsourcing strategy and how they were addressed.

1.4 Significance of the Study

The findings of this study, like other studies, may be a source of reference for other future academicians and researchers in the field of outsourcing in strategic management. In addition the study will also recommend additional areas that need to be explored for further research to be undertaken.

This study may help other stakeholders like managers at BA, managers of other airlines in the airline industry, service providers and managers from other firms to develop and implement outsourcing strategies that will minimize the challenges of outsourcing and optimize its benefits. This ensures that policies that are put in place are in accordance with the overall organization goals, hence enhancing performance of the organization.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Outsourcing became part of the business lexicon during the 1980s, although it has been around as long as work specialization has existed. The most common forms are information technology outsourcing and business process outsourcing. The use of outsourcing is becoming more sophisticated, more organizations are outsourcing responsibility for business processes and these outsourcing deals involve multi-year contracts that run into hundreds of millions of dollars.

2.2 The Concept of Outsourcing

There is much debate in management literature defining outsourcing (Gilley and Rasheed, 2000). Some definitions relate to sourcing activities that were previously conducted 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 firm's employees carrying out tasks previously performed by one's own employees. Sharpe (1997) defined outsourcing as turning over to a supplier those activities outside the organization's chosen core competencies. Gilley and Rasheed (2000) provided clarification for the definitional confusion, positioning outsourcing as procuring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside. 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 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 or is to be. Strategy, therefore, not only focuses on the goals and objectives of organizations and the means of achieving them, but also gives an indication of 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 organizational goals and objectives. Quinn (1990) identifies strategy as a plan that puts together an organization's major goals, policies and actions sequences.

Therefore when outsourcing is used as a corporate strategy, this implies an attempt to change in the most efficient way, a company's strength relative that of its competitors. It is the long-term direction and scope of an organization that facilitates the achievement of an advantage, for the organization through the mode of arrangement of resources within a changing environment. This should enable the organization to meet the needs of market and to fulfil stakeholder's expectations. Hill and Jones (2001) conclude that the strategies an organization pursues have a major impact on its performance relative to its peers. Therefore a strategy requires careful development and should not just be a product of the intuition of an organization's managers.

2.3 Approaches to Strategic Outsourcing

One of the major challenges companies face when planning to outsource is identifying which processes or activities form its core competencies and which part in non-core that can be sourced from the suppliers or service providers. Quinn and Hilmer (1994) proposed three key factors regarding an activity considered for outsourcing. The first factor is described as the potential for competitive advantage in this activity. The second factor involves analyzing the degree of strategic vulnerability in outsourcing this activity. These two dimensions form a matrix where each activity is placed according to both dimensions on a low, medium or high scale, identifying the three ideal strategies shown in figure 1. The third decisive factor includes assessing the control measures needed to reduce vulnerability by making arrangements with suppliers, while taking the performance objectives of the company.

Figure 1. Strategic Outsourcing options

High	Strategic control needed (produce internally)		
Potential for competitive advantage		Moderate control needed (special venture or contract arrangement	
Low			Low control needed (Buy off the shelf)
	High	Degree of Strategic Vulnerability	Low

Source: Quinn, J.B., Hilmer, F.G. (1994), Strategic outsourcing, *Sloan Management review*. 34(3) 48

Venkatesan (1992) proposed similar principles to assess the outsourcing decision. He suggested that the company should focus on components that it is distinctively good at making, while others are outsourced where the suppliers have a distinct comparative advantage. Furthermore, he proposed a simplified model for the strategic sourcing process. Based on these frameworks, the company can decide which activities will be sourced and which will be performed internally. All these frameworks see the, outsourcing decision as a decision, taking place within one company, which can be comprehended as the focal company within the supply chain integration debate.

Outsourcing is hierarchical sequence of decisions. The fundamental decision is whether or not to outsource a business process of function. This is the most important of a sequence of actions and decisions listed in maintaining the relationship. Outsourcing decisions can be complex because of modern organization's application tend to be integrated with each other and sensitive since poor task performance may affect the organization's reputation. The criteria used to evaluate outsourcing decisions may be multidimensional and intangible, besides difficult to estimate cost savings, the firm must consider intangible effects such as freeing up managerial time and possible dependence on the vendor (Quinn and Hilmer, 1994).

When the process or activity to be outsourced is not unique and the outsourcing give access to specialist skills and economies of scale, the firm should consider outsourcing the service since this will this will be to the advantage of the firm. When the activity or process to be outsourced is unique to the firm, but does not give strategic advantage to the firm then two alternatives should be considered after evaluating all the processes. But if the organization has accumulated specific assets and skills peculiar to the process, then in-house processing should be considered especially when the in-house operations, through experience or economies of scale is cheaper and/or provide higher quality than potential service providers (Quinn and Hilmer, 1994).

2.4 Strategy Implementation

Over the two decades strategy implementation has shown that there continues to be an imbalance between the apparent importance of formulation and implementation. According to Mintzberg (1994), the weakness of strategic management practice is generally associated with the implementation stage and he argues that more than half of the strategies devised by organisations are never actually implemented. Despite the clear importance of this management area and the apparent problems associated with its execution, it is however, been substantially neglected by academicians.

Ryszard (2005) argues that to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards and control systems are essential strategy implementation ingredients. The implementation activities are in fact related closely to one another and decisions about each other are usually made simultaneously. Mintzberg (1994) in contrast argues that the process approach, which emphasizes that successful implementation, depends on people changing their behaviour. This involves changing the assumptions and routines of people in the organization, including managers. Many organizational behaviour support the process view, which focuses on managing the interpersonal and intragroup conflicts that can derive from defensive behaviours, personality differences and poor communication.

Mintzberg (1994) suggest that the traditional way of thinking about strategy implementation focuses only on deliberate strategies. Some organizations begin implementing strategies before they clearly articulate mission, goals or objectives. In this case strategy implementation actually precedes strategy formulation. Implementation of emergent strategies involves the allocation of resources even though an organisation has not explicitly chosen its strategies. Most organisations make use of both deliberate and emergent strategies, however a strategy has little effect on an organisations performance until its implemented.

2.5 Challenges of Strategy Implementation

According to Ryszard (2005), problems of successful implementation centre around how well or badly the existing organisation respond and how adequate its reporting proves to be. Alexander (1985) argues that the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment have an adverse impact.

Ryszard (2005) discuss problems associated with strategy implementation identifying four key areas for discussion. The first problem is that, although strategies need to be developed around the business units (SBUs), of the corporation, these units often do not correspond to parts of the organizations structure. A second area is that traditional management reports are not sensitive enough to monitor the implementation strategies, thus the strategic manager not fully aware of what is happening. Hence the performance of existing structure is not monitored properly, and as a result control mechanisms may be ineffective. Third, implementing strategy involves change, which in turn involves uncertainty and risk. Therefore, motivating managers to make changes is a key determinant. Finally, management systems (such as compensation schemes, management development, communications systems and so on) are often in place as a result of past strategies, they are rarely tuned or revised to meet the needs of new ones.

Alexander (1985), adds additional factors that are also significant as failure to predict the time and problems which implementation will involve, other activities and commitments that distract attention and possibly cause resources to be diverted and the bases upon which the strategies were formulated change, or were forecast poorly and insufficient flexibility has been built in.

McCray (2008) argued that you can choose blue chip service providers and sign innovative, iron clad, risk-sharing contracts but still not achieve successful results if you underestimate the importance of change management and governance in outsourcing. Change management and governance are critical business issues in outsourcing agreements because poor planning and execution even cultural intransigence could lead to failure in achieving intended benefits. The benefits of outsourcing come through the successful introduction and sustainment of change- a continuous commitment rather than one-time event.

Outsourcing implementation is the first 6-18 months that a change occurs in an outsourcing relationship (McCray, 2008). This change could be an initial outsourcing contract, a significant change with an existing outsourcing contract relationship (involving scope, technology and/or business process change) or a switch from one service provider to another (or potentially multiple service provider). The outsourcing implementation is when the rubber meets the road. McCray (2008), identified the following challenges of outsourcing implementation which include, lack of understanding of post contract processes and decision rights, little or no support from client leaders receiving services, poor mutual understanding of the contract, client retained not in place or too small to handle both the volume and complexity, client retained team lacks required skills, loss of key talent and/ or poor knowledge transfer, end user resistance to adopting new methods, cultural clash between the client and the service providers and changes don't last. In conclusion the unmanaged changes are the biggest problems clients face in outsourcing implementations. The sum total of these problems causes significant degradation in the expected business case during implementation and beyond (McCray, 2008).

2.6 Factors Influencing Outsourcing Decisions

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 in the competitive environment (Quinn and Hilmer, 1994). The model helps to provide a structure for the complex set of factors to be evaluated when considering the outsourcing of non-peripheral activities. The factors that influence outsourcing decisions are detailed below.

2.6.1 Competitive Environment

An organization's sourcing strategy needs to be consistent with competitive conditions and the development of competitive advantage (Quinn and Hilmer, 1994). The short-term implications of the sourcing strategy can be assessed by use of Porters's (1980) model of industry analysis. The analysis of the implication of a particular in-house strategy, and combination of in-house manufacture and retailing show effectiveness of the sourcing strategy in meeting the structure of the industry

The level of environmental uncertainty may affect the sourcing decision. Harrigan's (1985) concluded that uncertainty concerning final product demand and volatile competition can mitigate the advantage of in-house investment through presenting the risk of over capacity.

2.6.2 Capability

Within the resource-based view of the firm, resources and capabilities are seen as the foundation for the firm's long-term strategy and profit (Grant, 1991). The core activities of a business are essential parts of its supply chain, which may act to reduce waste throughout the chain, improve flexibility and learning. However, the supply environment can also be problematic. Lieberman's (1991) study concluded that integration was addressed to variability in input markets rather than product market. Uncertainty in inputs market may provide a motive for vertical integration by limiting the ability to define contracts.

In conclusion, the outsourcing decision requires the recognition of a wide range of contextual factors and the implications of their longer-term development. The model presented provides a structure for considering these factors while maintain the decisions focus upon the central concern, competitive advantage. The decision to supply an activity in-house or by outsourcing must be assessed by its implications for competitive advantage and the assessment must be made not only with reference to short-term conditions in the product and supply market but also by anticipating how those markets may change in the longer term as a result of product and supply market evolution and technological change.

2.7 The Benefits of Outsourcing

How often have you heard a business leader state that by outsourcing non-core activity, the company can free up valuables resources to focus on brands, customers, products and critical stuff? 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 outsource their business processes are seeking to realize benefits or address the following issues.

2.7.1 Cost Savings and Cost restructuring

Cost reduction has been the predominant motive for outsourcing (Ford et al., 1993). While outsourcing contracts commonly target a minimum of 15 percent cost saving and sometimes 20-25 percent, failure to achieve anticipated cost improvements is frequently occurring aspects of outsourcing. The level of achieved saving may average 9 percent, although a large proportion of outsourcing clients may only break even or even find their costs increase.

Cost restructuring. Outsourcing is a source of near-term liquidity, since assets may be sold to the outsourcing vendor as part of the deal, turning fixed assets into cash when the vendor takes over. Outsourcing changes the balance of the operating leverage ratio by offering a move from fixed to variable cost and also by making variable costs more predictable.

2.7.2 Access to Superior Quality

In principal, outsourcing can provide access to best in the world quality for particular activities or components (Quinn *et al.,* 1990). However in the absence of fully developed service level monitoring the development of quality may on occasion be illusory. On occasion organization may experience a lowering of service standards requiring the service to be redeveloped in-house.

This may also lead to access intellectual property, wider experience and knowledge, operational expertise, access to talent, enhanced capacity for innovation from the external service providers which may improve in the quality of services and products for the firm to the clients.

2.7.3 Focus on Core Business, Leverage and Diversification

Peters and Waterman (1996) observed that, outsourcing leaves business managers more time to focus on the company's primary lines of business resources (for example investment, people, and infrastructure) are focused on developing the core business. Quinn et al. (1990) emphasized the benefits of outsourcing in providing increased focus upon a set of core activities and reduction in the functional scope of the organization, enabling the development of a more focused organization capable of increased responsiveness to the market change.

The use of outsourcing may also facilitate the development of economies of scope through product diversification. This may be achieved indirectly, through reduced functional complexity and greater focus upon core activities facilitating the development of product/market complexity. More obviously, organizations in the course of diversification may choose to buy-in activities, expertise and components that they lack or would find inappropriate to develop.

2.7.4 Flexibility

Outsourcing presents organizations with the opportunity to avoid the constraints of their own productive capacity in meeting changes in the volumes of sales (Quinn *et al.,* 1990). In situations where the pattern of sales displays seasonal or cyclical characteristics the penalties of under used in-house capacity may be avoided. However, care has to be taken in ensuring that a viable supply base is maintained that is capable of meeting peak levels of demand.

The potential for improved flexibility may apply not only to the volume of output but also the ability of the organization to change the product range in response to market conditions. Other benefits of outsourcing may include, capacity management, catalyst for change, reduce time to market, risk management, tax benefits and enhanced management control.

2.8 The Problems of Outsourcing

Outsourcing comes with many cost benefits but it is not easy to take right decisions leading to fruitful results. There are a myriad of outsourcing problems that many firms have found to their loss and disadvantage (Jennings, 1997). One must be careful and not to enter into the fray without self-judgement or proper analysis. Outsourcing agreements can fail to achieve intended benefits, not because the goals were ill conceived but because of poor planning and execution, even cultural intransigence. The following are the common problems associated with outsourcing.

2.8.1 Loss of Critical Skills and Knowledge

While an organization's manager may share a concern to avoid outsourcing 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 a loss of critical skills, cross function working and creation of the "hollow corporation" (Bettis et al., 1992). As consequence, cross functional processes such as innovation may become more difficult.

The staff turnover of employees who originally transferred to the outsourcer is a concern for many companies. Turnover is higher under an outsourcer and key company skills may be lost with retention outside of the control of the company.

2.8.2 Company Knowledge

The use of outside supply may also provide a situation in which there is a leakage of critical knowledge concerning processes and customers leading to the creation of potential competitors (Jennings, 1997). There could also be a problem with communication with transferred employees since some outsource employees may not have access to email as before the outsourcing.

For example, before transfer staffs have access to broadcast company email informing them of new products, procedures and other relevant company information. Once in the outsourcing organization the same access may not be available but any information, which is new, is delivered in team meetings.

2.8.3 Quality of Service and Quality Risks

Quality of service is measured through SLA in the outsourcing contract. In poorly defined contracts there is no measure of quality or SLA defined. Even when an SLA exists it may not be to the same level as previously enjoyed. This may be due to the process of implementing proper objectives measurement and reporting which is being done for the first time. It may also be lower quality through design to match the lower price (Jennings, 1997).

Quality risk is the propensity for a product or service to be defective, due to operations related issues (Jennings, 1997). Quality of risk in outsourcing is driven by such factors as opportunism by suppliers due to misaligned incentives between buyer and supplier or high supplier switching cost or poor buyer supplier communication, lack of supplier capabilities/resources or buyer- supplier contract enforceability.

2.8.4 Qualification of Outsourcers and Lack to deliver Business Transformation

The outsourcers may replace staff with less qualified people or with people with different non-equivalent qualification. This is evident especially when the service providers want to minimise on cost, which is always the main reasons why firm seek to outsource their services or processes.

Business transformation promised by outsourcing suppliers often fails to materialize. According to Vinay Couto of Booz & Company, clients always use the service provider's ability to achieve transformation as a key selection criterion. It's always in the top three and sometimes number one (Jennings, 1997). While failure is sometimes attributed to vendors overstating their capabilities, Couto points out that client are sometimes unwilling to invest in transformation once an outsourcing contract is in place.

Other problems include, Language skills, which is exacerbated when outsourcing is combined with off-shoring to regions where the first language and culture are different. Security**,** before outsourcing an organization is responsible for the actions of all their staff and liable for their actions. When these same people are transferred to an outsourcer they may not change desk but their legal status has changed. They no-longer are directly employed or responsible to the organization. This causes legal, security and compliance issues that need to be addressed through the contract between the client and the suppliers. This is one of the most complex areas of outsourcing and requires a specialist third party adviser.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology of the study. It describes the way the study was designed, the data collection techniques and the data analysis procedure that will be used.

3.2 Research Design

Research design refers to the way a study is planned and conducted, the procedures, and techniques employed to address the research problem or question. The main objective of a research design is to enhance validity of research findings by controlling potential sources of bias that may distort findings (Sharpe, 1997).

This study was a case study, since case study research excels at bringing an understanding of complex issues or objects. Case study also emphasizes detailed contextual analysis of a limited number of events or conditions and their relationships. The case study method of research went into the in-depth examination of the application of outsourcing strategy at BA using in-depth interviews conducted by the researcher.

3.3 Data Collection

The study involved collection of both primary and secondary data. The primary data was collected from key senior managers of BA, who are in charge of the departments that have outsourced their services or processes through an in –depth interviews. This ensured a representation of the departments, as they are the ones involved in managing the various activities/processes that have been outsourced. The interviewees included Commercial Manager Kenya, Area Cargo Commercial manager, Airport Service Manager, Project Manager Africa and Station Maintenance Manager.

An interview guide consisting of three parts was used to collect the primary data in this study. The first part consisted job related information, the second part requested information on the practises and application of outsourcing at BA and the third part requested the information on the challenges of outsourcing and how BA has managed them.

3.4 Data Analysis

Content analysis, which is a type of secondary data analysis, used to analyze text including interview transcript to determine the frequency of specific words or ideas was employed. The results of content analysis allow researchers to identify, as well as quantify specific ideas, concepts and their associated patterns and trends of ideas that occur within a specific group or over time.

The data collected from each respondent was analyzed for content, relevance, strategic impact and level of significance. The data was broken down into different aspects of strategic responses, arranged into logical groups and analyzed. This offered a systematic and qualitative description of the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data findings from the field, its analysis and discussion there-of. The data was gathered through interview guides and analyzed using content analysis. The data findings were on the application of outsourcing strategy on the overall operation of British Airways in Kenya.

According to the data found, all the respondents projected in the previous chapter to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at after the researcher made frantic effort at booking appointment with the head of department despite their tight schedules and making phone calls to remind them of the interview.

4.2 Demographic Information

The study, in an effort to ascertain the interviewees' competence and conversance with matters regarding BA asked the question on the interviewees department. According to the data findings, the interviewees were from the Information Technology, Commercial, Cargo, Engineering and the Operations departments. The interviewee's designations were such as project manager –Africa, commercial manager Kenya, Area commercial manager, station maintenance manager, and Airport service manager respectively. The researcher also asked a question on the years that the interviewees had worked for the organisation. According to the interviewees' response, all of them had worked for the organisation for at least nine years, as most promotions are internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they were senior managers and had experience and aptitude owing to their years of experience in the organisation.

4.3 Application of Outsourcing Strategy at British Airways

The interviewees were asked to describe some of the business processes/activities/services that are being outsourced currently in their department. From the responses, the interviewees were unanimous that some of the business processes/activities/services that are being outsourced currently in their department included IT support, systems maintenance, office telephone maintenance (outsourced to SITA- Sociate Internationale de Telecommunication Aeronantiques), sales and marketing, public relations, office massagers, ticket sales, cleaning services, payroll, tax consultant, technical manpower in engineering and all the operational activities both at the airport and the cargo offices which include check-in services, boarding passengers, baggage handling, load control, reservation for freight goods.

The study proceeded to determine the percentage of the activities outsourced in the departments. All the interviewees agreed unanimously that 95% of the operational activities are outsourced and the rest are handled by the BA staff in their respective departments with the support from the hub office in South Africa and the head office in London.

To the question on the who are involved in the outsourcing decision making process, the interviewees cited that the people involved in the outsourcing decision making process are the management team at the head office which involve the various directors in London with less involvement of the local stations managers who provide advice when making decisions on choosing the service providers. The study also proceeded to determine whether the activities/processes/services that are being outsourced considered being core to the business operation. The interviewees concurred that the activities outsourced some are non-core to the business for example the cleaning services, messenger services while some are core to the business such as sales and marketing and the operational activities at the airport.

The interviewees further intimated that some of the factors that have highly influenced the choice of activities/services/processes that are outsourced in the company were such as the cost of running the departments within the organization, restructuring process by the organization to enhance value adding activities including manpower reduction which result in reduction of staff cost, the technical competency of the service providers offering flexible services to the organization since they are capable to adapt to the new changes in technology environment and the need to enhance efficiency as the management is engaged in handling more core activities to the organization.

The interviewees were asked to elaborate on the critical stages of the company's outsourcing decision. All the interviewees unanimously agreed that the critical stages of the company's outsourcing decision were identifying the process or what activity should be outsourced, the tendering process of getting the right supplier who meet the required standards, implementation of the outsourcing strategies ensuring that the intended plan is put in action, doing the cost analysis whether the outsourcing process will lead to cost saving, and the decision making while choosing the service providers since there is so much bureaucracy at the head office before a decision is made.

The data findings showed that the activities which are the most critical element in the outsourcing management with respect to their company's performance are management and evaluation of the outsourcing activity since it involve the daily monitoring of the service provider and ensuring that the SLA is adhered to and any necessary changes made to adhere to the changing business environment. The interviewees were in accord that the costs that have highly impacted on the performance of the company's outsourcing activities include the operational cost charged by the service provider since the cost is constant for every fault reported to them irrespective of whether the fault is major or minor and the employee costs which include pension pay and other related staff costs.

The interviewees further intimated that the factors that have enhanced the firm's competitive performance were such as the speed at which the firm respond to the market in terms of fare or counter attack competitors by reducing fares or matching with the competitors, the premium product being offered to the market, service delivery and safety standard records, innovation and creativity in the product and services, better connectivity to the rest of the world at the hub in London, extensive network offered to customers, the schedule of the flight to and from Nairobi which offers good timings for the horticultural products which are destined to the European market and good leadership and management style by both the local team and the management team in head office hence giving confidence to the customers and stakeholders.

To the question on the benefits of outsourcing on the firms' performance, the interviewees cited that there is cost cutting since the company can acquire new technology cheaply from the service providers since the cost incurred in-house to develop and implement a software is very expensive and also the costs of running some of the operational activities in-house are very expensive, the risks of failure are minimal in implementing a new system since the service providers have already tested the systems in the market, there is efficiency since the service providers have expertise and experience hence enhancing efficiency in their operations and the company is gaining from the service providers who bring new ideas since they are more experienced in their particular fields of operation. There is also flexibility in terms of operation since the firm can adjust its manpower requirement with the business requirement in the market and also management has time to focus on core business activities of the firm since they are not involved in the supervision of service provider's staffs.

4.4 Challenges of Outsourcing and Their Solutions

The interviewees were in accord that some of the challenges facing the firm in its outsourcing venture include the continued supervision and management of the outsourcing companies to ensure that the company gets money for value services from the service providers, drafting of the initial SLA which gives the company the key performance indicators which sometimes becomes a problem in measuring the achievement of the outsourcing strategy, getting the service provider who meets the firms standards, the process involve restructuring hence laying off some staff which is demoralising to both the leaving and the remaining staff, staff turnover from service provider is high whom BA has no control yet the company uses a lot of resources to train them, due to the multinational nature of the company, making a standard for every market becomes difficult and conflict of interest with the service providers who may be dealing with your competitor.

The implementation process has also been a challenge to the firm as per the data findings since some of the service providers don't understand the post contract processes and decision rights, poor mutual understanding of the contract, lack of service providers team to handle the volume and complexity of the operational activity required by the BA, there is also cultural clash between BA staff and the service providers staff hence leading to poor service level delivery due to lack of harmony in the team.

On how the firm has managed to resolve the challenges, the interviewees intimated that the company always seek a third party opinion from consulting firms so that they can get expert opinion before engaging in outsourcing, BA provide training to the service providers staff to ensure that the BA standards are maintained as per the BA policy, the company is shifting from the model where one outsourcer company fits it all globally by outsourcing to service providers who have advance experience and knowledge in the region they operate from, when undertaking restructuring, the staff are given severance pay and company pay for a recruitment firm to find them jobs, there are regular review with the service providers during the contractual period to ensure that the standards are adhered to and if need be changes made to fit the environmental changes and BA handles each station separately when implementing the strategy to ensure that the strategy work well for that particular region. BA also ensures that there is mutual agreement with the service providers by ensuring that both parties agrees and understand their responsibilities and where there are doubts they seek expert opinion to clarify the issues that might bring problem while implementing the contract.

4.5 Discussion of The Results

The objective of the study was to determine the application of outsourcing strategy on the overall operation of BA in Kenya. The study revealed that BA has applied the outsourcing strategy in most of department and this accounts to 95% of the operational activities of the firm. The firm has used outsourcing as a corporate strategy, which implies an attempt to change in the most efficient way, a company's strength relative, that of its competitors. Hill and Jones (2001) argue that the strategies an organisation pursues have a major impact on its performance relative to its peers.

The study reveals that one of the critical stages of the company's outsourcing decisions was identifying the process or what activities should be outsourced since some of the activities outsourced are considered core to the business while others are non-core. Outsourcing decisions can be complex because of the modern organisation application tend to be integrated with each other and sensitive hence poor task performance may affect the organisations reputation. The criteria used to evaluate outsourcing decisions may be multidimensional and intangible, besides difficult to estimate cost savings, the firm must consider intangible effects such as freeing up managerial time and possible dependence on the vendor (Quinn and Hilmer, 1994).

The decision to outsource needs to focus upon the consequences for competitive advantage with competitive advantage being based on upon matching of capability to condition in the competitive environment (Qinn and Hilmer, 1994). Di Romualdo and Gurbaxani (1998) argue that firms use outsourcing to in order to satisfy any one or more of the three strategic/performance intents, namely strategic improvement (cost reduction and enhancement of efficiency), strategic business impact (improving contribution to companies' performance within existing lines of business) and strategic commercial exploitation (focus on leveraging technology-related assets). The study reveals that BA' decision to outsource is based on cost cutting, access to superior quality from service providers, flexibility in terms of operations requirements and also increased focus upon set of core activities which enhance service delivery in the market giving them a competitive advantage in the market. This confirms that BA' decision to outsource is to satisfy the three strategic intent which are strategic improvement, strategic business impact and strategic commercial exploitation for the firm.

Some of the challenges facing the firm in its outsourcing venture include the continued supervision and management of the outsourcing companies to ensure that the company gets money for value services from the service providers, drafting of the initial SLA which gives the company the key performance indicators which sometimes becomes a problem in measuring the achievement of the outsourcing strategy, getting the service provider who meets the firms standards, the process involve restructuring hence laying off some staff which is demoralising to both the leaving and the remaining staff, staff turnover from service provider is high whom BA has no control yet the company uses a lot of resources to train them, due to the multinational nature of the company, making a standard for every market becomes difficult and conflict of interest with the service providers who may be dealing with your competitor. Jennings (1997) also found that the frequent absence of formal policy guidelines can allow the incremental loss of key competence to take place and hence undermine capability leading to a loss of critical skills, cross function working and creation of the hollow corporation. McCray (2008) argued that you can choose blue chip service providers and sign innovative, iron clad, risk-sharing contracts but still not achieve successful results if you underestimate the importance of change management and governance in outsourcing. Change management and governance are critical business issues in outsourcing agreements because poor planning and execution even cultural intransigence could lead to failure in achieving intended benefits.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings highlighted, recommendation made there-to, limitations of the study and suggestion for further research. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective, which was to determine the application of outsourcing strategy on the overall operation of British Airways in Kenya. By way of realising this objective, we sought to establish the challenges the firm faced while implementing this strategy and how they have managed to resolve those challenges.

5.2 Summary of Findings

The study had two key objectives, which were to determine the application of the outsourcing strategy on the overall operation of BA in Kenya and to establish challenges that have faced the company while implementing the strategy and how they have addressed those challenges. The primary data was collected from key senior managers of BA, who are in charge of the departments that have outsourced their services or processes through an in-depth interview. All the respondents projected to be interviewed were interviewed which makes a response rate of 100%, and the data was then analysed using content analysis.

5.2.1 The Application of Outsourcing Strategy on the Overall operation of BA in Kenya

The study found that some of the business processes/activities/services that are being outsourced currently in their departments include IT support, systems maintenance, office telephone maintenance (outsourced to SITA- Sociate Internationale de Telecommunication Aeronantiques), sales and marketing, public relations, office massagers, cleaning services, payroll services, tax consultant, ticket sales, technical manpower in engineering and all the operational activities at the airport and cargo offices which include check-in services, boarding passengers, baggage handling, load control, ticket desk and reservation of freight goods. The researcher also found that 95% of the operational activities are outsourced and the rest are handled by the BA staff locally with the support of the hub office in South Africa and the head office in London.

The study also established that the people involved in the outsourcing decision making process are the management team at the head office in London which involve the various directors with less involvement of the local station managers. The study further established that some of the activities outsourced are non-core to the business since they involve system development, cleaning services, office messengers while some are core to the business such as sales and marketing, ticket sales and reservation of freight goods.

The study also revealed that some of the factors that have highly influenced the choice of activities/services/processes that are outsourced in the company were such as the cost of running the departments within the organization for example the operational department at the airport, cargo and engineering offices which are capital intensive projects, restructuring process by the organization to enhance value adding activities including manpower reduction which result in reduction of staff cost, the technical competency of the service providers offering flexible services to the organization since they are capable to adapt to the new changes in the business environment and the need to enhance efficiency as the management is engaged in handling more core activities to the organization.

The study also established that the critical stages of the company's outsourcing decision were identifying the process or what activity should be outsourced, the long and tedious tendering process of getting the right supplier who meet the required standards, implementation of the outsourcing strategies ensuring that the intended plan is put in action, doing the cost analysis whether the outsourcing process will lead to cost saving, and the final decision making of choosing the service providers due to much bureaucracy at the head office. It was clear from the study that the activities which are the most critical element in the outsourcing management with respect to the company's performance are management and evaluation of the outsourcing activity since it involve the daily monitoring of the service provider and ensuring that the SLA is adhered to and any necessary changes made to adhere to the changing business environment

The study further established that the costs that have highly impacted on the performance of the company's outsourcing activities include the operational cost charged by the service provider since the cost is constant for every fault reported to them irrespective of whether the fault is major or minor and the employee costs which include pension pay and other related staff costs.

The study also found that the factors that have enhanced the firm's competitive performance were such as the speed at which the firm respond to the market in terms of fare or counter attack competitors by reducing fares or matching with the competitors, the premium product being offered to the market which is best from the rest, service delivery and safety standard records, innovation and creativity in the product and services for example always improving the cabin class of the aircrafts with more enhanced technology and good leadership and management style by both the local team and the management team in head office hence giving confidence to the customers and stakeholders.

The benefits of outsourcing on the firms' performance, the interviewees cited that there is cost cutting since the company can acquire new technology cheaply from the service providers since the cost incurred in house to develop and implement a software is very expensive, the risks of failure are minimal in implementing a new system since the service providers have already tested the systems in the market, there is efficiency since the service providers have expertise and experience hence enhancing efficiency in their operations and the company is gaining from the service providers who bring new ideas since they are more involved in their particular fields.

5.2.2 Challenges of Outsourcing Strategy and Their Solutions

The study established that some of the challenges facing the firm in its outsourcing venture include the continued supervision and management of the outsourcing companies to ensure that the company gets money for value services from the service providers, drafting of the initial SLA which gives the company the key performance indicators which sometimes becomes a problem in measuring the achievement of the outsourcing strategy, getting the service provider who meets the firms standards, the process involve restructuring hence laying off some staff which is demoralising to both the leaving and the remaining staff, staff turnover from service provider is high whom BA has no control yet the company uses a lot of resources to train them, due to the multinational nature of the company, making a standard for every market becomes difficult and conflict of interest with the service providers who may be dealing with your competitor.

On how the firm has managed to resolve the challenges, the study found that the company always seek a third party opinion from consulting firms so that they can get expert opinion before engaging in outsourcing, BA provide training to the service providers staff to ensure that the BA standards are maintained as per the BA policy, the company is shifting from the model where one outsourcer company fits it all globally by outsourcing to service providers who have advanced experience and knowledge in the region they operate from, when undertaking restructuring, the staff are given severance pay and company pay for a recruitment firm to find them jobs, there are regular review with the service providers during the contractual period to ensure that the standards are adhered to and if need be changes made to fit the environmental changes and BA handles each station separately when implementing the strategy to ensure that the strategy work well for that particular region.

5.3 Conclusion

From the study findings, the researcher concludes that some of the activities outsourced are noncore to the business while some are core to the overall operation of the business.

The factors that have highly influenced the choice of activities/services/processes that are outsourced in the company were cost of running the departments within the organization, restructuring process and the need to enhance efficiency.

The study also concludes that the critical stages of the company's outsourcing decision were identifying the process or what activity should be outsourced. The activities which are the most critical element in the outsourcing management with respect to the company's performance are management and evaluation of the outsourcing activity since it involve the daily monitoring of the service provider and ensuring that the SLA is adhered to. The costs that have highly impacted on the performance of the company's outsourcing activities include the operational cost charged by the service provider and the employee costs.

The study further concludes that the benefits of outsourcing on the firms' performance are such as cost cutting, enhanced efficiency in the operations and the company is gaining from the service providers who bring new ideas. The study finally concludes that some of the challenges facing the firm in its outsourcing venture include the continued supervision and management of the outsourcing companies to ensure that the company gets money for value services from the service providers, getting the service provider who meets the firm's standards, staff turnover from service provider yet the company uses a lot of resources to train them and due to the multinational nature of the company, making a standard model for every market becomes difficult.

5.4 Recommendations

From the summary of the findings and conclusions in this chapter, the study recommends that although BA has been successful in implementing its outsourcing strategy, the company should continuously monitor its standards so as to ensure that the suppliers meet them, this is because low standards will negatively affect the company performance. This will involve periodic evaluation of the standards set in SLA and the current requirement in the market to ensure that changes are made to adhere to the changing business environment.

The study also recommends that BA should put in place policies to guide the practice of outsourcing since such policies would emphasize the risks and advantages that could arise from the practice of outsourcing and highlight the importance of contract management. Absence of formal policy guidelines can allow the incremental loss of key competencies to take place and hence undermine capability leading to a loss of critical skills, cross function working and creation of a hollow corporation (Jennings, 1996).

5.5 Limitations of the Study

Being that this was a case study on one company the data gathered might differ from outsourcing strategy that other companies in the air transport industry have adopted to match the competitive environment and enhance the performance of the companies. This is because different companies adopt different strategies that differentiate them from their competitors. The study however, constructed an effective research instrument that sought to elicit general and specific information on the outsourcing strategies that companies adopt to match the competitive environment.

The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on strategic responses to competitive environment. The study however minimized these by conducting in depth interviews with the respondent within the short period to ensure that sufficient data was collected for analysis.

5.6 Recommendations for Further Research

The study recommends that further research should be done on the other airlines in the industry so as to get comprehensive information on the application of outsourcing strategy on the overall operation in the airline industry in Kenya. This may help in getting a conclusive answer since the outsourcing strategy that other companies in the air transport industry adopt to match the competitive environment and enhance the performance of the companies differ from one airline to another.

Another area that would be of interest to study will be to find out the tools used to monitor the effectiveness of an outsourcing strategy, the frequency of carrying out such review and the responsibility of doing that. Though the outsourcing strategy is being used, there is no clear tool to measure how effective the strategy has enhanced the performance of the company compared to its competitors in the market.

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Appendix I: Interview Guide

Part 1. General Information.

1. Which is you Department?

2. What is your designation?

3. How long have you worked for the company?

Part 2. The application of Outsourcing strategy at British Airways.

4. What are some of the business processes/activities/services that are being outsourced currently in your department?

5. What is the percentage of the activities outsourced in the department?

6. Who are involved in the outsourcing decision making process?

7.Does the activities/processes/services that are being outsourced considered to be core to the business operation?

8. What are some of the factors that have highly influenced the choice of activities/services/processes that are outsourced in your company?

9. What are the critical stages of your company's outsourcing decision?

10. Which activity is the most critical element in the outsourcing management with respect to your company's performance?

11. Which costs are highly impacted on the performance of your company's outsourcing activities?

12. Which factors have enhanced your firm's competitive performance?

13. What are some of the benefits of outsourcing on your firms' performance?

Part 3. Challenges of outsourcing and their solutions.

14. What are some of the challenges facing your firm in its outsourcing venture?

15. How has the firm managed to resolve those challenges mentioned above?

THANK YOU FOR YOUR TIME