

**IMPLEMENTATION OF THE OUTSOURCING STRATEGY IN CEMENT  
MANUFACTURING INDUSTRY IN KENYA**

BY:

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**Research Management Project Submitted in Partial Fulfillment of the Requirement for  
Award of Degree of Master of Business Administration, School of Business University of  
Nairobi**

**Declaration**

This project is my original work and has not been presented for a degree in this or any other university

Signed.......... Date..... 17th / Nov / 2010.....

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This project has been submitted for examination with my approval as the university supervisor

Signed.......... Date..... 17-11-2010.....

DR. JUSTUS MUNYOKI

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## **Abstract**

The dynamic market situation in the 21<sup>st</sup> century has led to the emergence of various strategies to counter the ever changing environment. In the manufacturing industry and cement in particular one such strategy has been on outsourcing, the industry has been able to sustain both core and non core competencies in past. however there has emerged a need for the focus to be on what is core and outsourcing the non core activities. The research will be undertaken to establish the extent of outsourcing as a strategy in the cement industry.

The nature of the study is a census and therefore a total of four cement manufacturing companies in Kenya were involved in the study. The study targeted the cement manufacturing companies in Kenya. To enable for the collection of the data from the field a questionnaire was used as the instrument of data collection and administered through personal interview with the respondents. The data captured from questionnaire was analyzed using descriptive statistics. Additionally averages and percentages were used in the analysis of data collected in the study. Distribution tables, charts and or graphs have been used to present the data and show where most responses featured and thus make the research more focused.

The study has laid a foundation on the nature of outsourcing and the application of outsourcing in the cement industry, also the factors affecting outsourcing as expressed in the cement manufacturing industry. Some of the major findings of this study included; the establishment that there exists a strategic plan in all the cement companies. Out of the total responses received 43% of the responses showed that the strategic plan in their company has been communicated. The study also showed that there are several factors that have influenced the outsourcing decision in the cement industry and brought out the main outsourcing practices been utilized in the industry. Additional findings showed there are several merits and demerits that can be associated with outsourcing.

The research identified some areas of improvement with regards to the fact that strategic plans have been established in the cement manufacturing companies but they have not been well



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## **List of Abbreviations**

<b>BAT</b>	<b>British American Tobacco</b>
<b>CEO</b>	<b>Chief Executive Officer</b>
<b>EDI</b>	<b>Electronic Data Interchange</b>
<b>I.T</b>	<b>Information Technology</b>
<b>LEA</b>	<b>Lafarge East Africa</b>
<b>R&amp;D</b>	<b>Research and Development</b>
<b>SCM</b>	<b>Supply Chain Management</b>
<b>SLA</b>	<b>Service Level Agreement</b>

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of Study**

Today's success in business to a great extent depends largely on logistics and supply chain performance. This has led to outsourcing becoming a critical element in the success of business. It provides the element of speed and flexibility to the supply chain which have become two key levers for competitive differentiation and increased profitability. The growth of Information Technology, increasing competition, globalization, rise of mass customization, product proliferation, scrambled merchandizing, demanding customer needs and pressure to reduce costs etc. has forced the organizations to re-focus on their core competencies and outsource non-core activities.

#### **1.1.1 Outsourcing Strategy**

To survive over the long term, a company must have two strategic capabilities: the ability to prosper and the ability to change (Steele, 1989). In order to adapt to this changing environment companies have now ventured into evaluating and differentiating between what they consider to be their core and non core competencies as a first step in establishing the exact direction they seek to take in the future. Collis (1991) makes reference to some definitions of a company's core competence and discovers that, regardless of exact definition, it concerns those resources that are fundamental to a company's strategic position. Core competencies can be defined as the activities that are crucial for the existence of any organization and have a high level of relevance to the achievement of the set out goals while non core competencies refer to the supporting activities that enable a company achieve the set out goals, they are crucial but have low level of relevance to the company's main goal. Based on the definition of the core competencies companies have been seen to take the position of keeping the sourcing and execution of these activities in-house while choosing to outsource the non core competencies to agencies or consultancies.

Outsourcing can be defined as turning over all or part of an organizational activity to an outside vendor in order to derive better value and efficiency from it. The conceptual basis for

outsourcing is Williamson's (1975) theory of transaction cost analysis. Transaction cost analysis combines economic theory with management theory to determine the best type of relationship a firm should develop in the marketplace. This has laid the foundations for the purchasing discipline that uses an analysis of the factors which determine the internal and external boundaries of the firm as a guide to what are the true capabilities of the firm. Outsourcing has become extremely popular in organization's today as it provides several options for the organization to choose. Many activities can be outsourced today and they include and are not limited to the following examples: warehousing, IT skills and services, advertising, marketing, transportation of goods, accounting, insurance, engineering, casual labor, communication services and Inventory management.

### **1.1.2 Overview of Strategy**

The roots of strategy can be traced back to Military operations, where strategy refers to maneuvering troops into position before the enemy is actually engaged. However in Business the term strategy is not about the war described in the military sense but an approach in how to conduct business operations to achieve a specific end.

Mintzberg (1994) defines strategy by categorizing it into four ways in which it is used, as a plan, as a pattern, as position and finally as a perspective. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg referred to as "realized" or emergent strategy. This strategy develops overtime based on everyday occurrences through which an organization learns and adapts to become better at what it does. Strategy is therefore a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are now and what you have now. Strategy has two major approaches; Emergent strategy and deliberate strategy. Deliberate strategy is process driven.

Traditionally calls for "strategic planning" indicate a desire for an analytic and somewhat linear approach to strategy. Emergent strategy, on the other hand, is characterized by the recursive learning loops, as an organization sets about on a course and then senses and reacts to opportunities that may not have been recognized at the onset.

Strategy demands that goals and objectives must be defined and a specific plan made out to assist in bringing the goals to completion. It is in this line of thought that companies intending to take on strategy need to formulate a strategic plan to guide the implementation of their strategy. The aim of employing a strategic plan has several benefits including gaining competitive advantage. Strategy plays a key role of enabling a company gain competitive advantage in the industry or specific line of operation in which it operates. Kenichi (1983) points out that the sole purpose of strategic planning is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors. Corporate strategy thus implies an attempt to alter a company's strength relative to that of its competitors in the most efficient way.

### **1.1.3 Cement Manufacturing Industry in Kenya**

The cement manufacturing industry in Kenya has generally had few players for over half a century plus duration it has been in existence. The market has been served by three main players and occasional importation efforts by private companies or individuals. The cement market in Kenya is very robust due to the high level of investment that has taken place over the years in the real estate business. Many more individuals and companies are setting up apartments and houses for rental and sale purposes. The total cement market in Kenya is approximately 2.7KT per year and growing. This market is served by the three existing companies and recently added in 2009 a fourth cement manufacturing company has joined the scene. These cement manufacturing companies include; Bamburi cement limited a subsidiary of Lafarge, East African Portland Cement Company a government owned entity, Rhino cement limited a subsidiary of Athi River Mining Company and Mombasa Cement Limited.

Firstly, based on section on the organization website Bamburi Cement was founded in 1951 was part of Cementia Holding A.G. Zurich and Blue Circle PLC (UK). In 1989, Lafarge, the world's

largest building materials group. acquired Cementia and later in 2001 they acquired Blue Circle to become the world's biggest building materials producers. They then became Bamburi Cement Limited principle shareholder. Lafarge East Africa (LEA) comprises Mombasa Plant, Nairobi Grinding Plant, Lafarge Ecosystems and Bamburi Special Products in Kenya and Hima Cement in Uganda. In 1998, expansion of capacity through a grinding plant improved its service to Nairobi and upcountry markets, through speedier and more efficient packing turnaround time. The business current sales volumes are at 2.2MT of cement (source: Bamburi cement Limited annual report and financial statements 2008) which represents a 56% market share of the total cement market in Kenya. LEA has up to 1300 employees and offers income to the individuals thus impacting greatly on the families represented by the employees at their sites. (<http://www.bamburicement.com/about-us-history>)

Secondly, The East African Portland Cement Company started as a trading company importing cement mainly from England for early construction work in East Africa. It was formed by Blue Circle Industries United Kingdom. In February 1933 the Company was incorporated in Kenya with the first factory in Nairobi's Industrial Area. The Company had one cement mill and used to import clinker from India. The production capacity was about 60,000 tonnes of cement. In December 1956, construction of the Athi River facility started and commissioning done in 1958, these expansion capacity projects significantly increased production capacity to 120,000 tonnes yearly. Since then the EAPCC has greatly expanded its production capacity to produce over 1.3 million tonnes of cement per annum. EAPCC holds approximately 28% market share for the region. ([www.eastafricanportland.com/aboutus-page-history.htm](http://www.eastafricanportland.com/aboutus-page-history.htm))

Thirdly, Athi River Mining Limited that operates under the name Rhino cement has a Cement Division that operates from Kaloleni and has an installed capacity of 120,000 tonnes per annum of clinker manufacturing 360,000 tonnes per annum of cement grinding capacity for both OPC and PPC grade of cement. This represents approximately 8% of the region's market share. The company services the building industry through extensive distribution system throughout the country. The company is the first cement manufacturing company in Kenya to receive ISO

9000:2001 certification for quality for its cement and lime plant in Kaloleni.  
(<http://www.armkenya.com/index.php-division-rhino>)

Fourthly and lastly, is the new entry in the market Mombasa cement limited. the milling plant was commissioned in May of this year. although the company is just starting up it has a profile of two mills and rotor packer dispatch facility and total output per year of between 300kt to 360kt of cement per annum. Mombasa cement limited is likely to command approximately 7% of the total regional market.

The cement market served by these four players is not limited to Kenya but extends to the wider East Africa region including Uganda, Tanzania, Rwanda, Burundi, DRC Congo and Sudan. Uganda, Rwanda and Burundi markets have had perennial cement deficiencies over the last 5 years. The shortage in cement has been occasioned by a strong 9-10% growth experienced consistently over the same period. This has led to growth in the cement demand in the region and has warranted the investments manifesting as new players in the industry whose role was to take up the gap created due to high demand in the market and a subsequent lack of capacity increment that can match the gap created in the market by the current market players.

## 1.2 Statement of the Problem

Organizations in today's operating circumstances are following the principle of keeping to their core functions. Christensen and Raynor (2003) argue that core competence as used by many managers can be "a dangerously inward looking notion" because competitiveness "is far more about doing what customers value than doing what you are good at" Therefore for the manufacturing industries utilizing the outsourcing strategy must be in line with the principle of deriving value that will be beneficial to its end user and not a matter of doing what they are good at. This can be achieved by keeping their focus on core business where it is fitting and using the outsourcing strategy to secure other non core activities that are relevant to the business. Outsourcing will ensure that the organization attains value through ensuring that the organization's efficiency and competitiveness.

Various aspects of outsourcing as a strategy have been studied in previous research for instance; a study by Chanzu (2002) found that all manufacturing industries in Nairobi that were surveyed outsourced various activities. This was prevalent in departments such as finance, Information Technology and Human Resources. He asserts that there is a greater drive towards the use of outsourcing as a strategy to cut costs, to achieve the pursuit of core business activities while still achieving non – core activities. The study however was focused on the presence of outsourcing and its philosophy in the general manufacturing industry and failed to address the issue of factors that affect the cement manufacturing industry.

On the other hand Kipsang (2003) revealed that outsourcing of application development has been done to the greatest extent in Commercial banks. Kipsang found that there is a 44% level of use of outsourcing of application development out of the 15 banks sampled. Similarly, Kirui (2001) found that although outsourcing has been amplified as a success story, it would appear that the manner in which it is implemented is the key towards its success. Kirui study addresses the benefits derived by BAT when they outsourced their non-core logistics such as reduced costs up to 20 percent, increased customer service delivery, freeing of employee time to handle other core activities. In their research however Kipsang (2003) focuses on the outsourcing of service mainly

in the banking industry while Kirui aims to emphasis on implementation and its impact on the success of outsourcing, however their focus is on outsourcing in the service and fast moving consumer good. this study will address outsourcing in the context of cement manufacturing industry. in a slow moving good.

Thus, whereas previous work have laid a foundation on what can be outsourced, the application in specific organizations banks, cigarette producing firms, and success through proper implementation little has been done on its application in the cement manufacturing industry whose core business is cement production with many non core activities that contribute to its operations making it a prime environment to utilize outsourcing. The aim of this study will therefore be to bring out the implementation practices of outsourcing and the major triggers of outsourcing in the cement manufacturing industry in Kenya.

### **1.3 Research Objectives**

The objectives of the research are:

- (i) To determine the extent of outsourcing implementation practices in the Cement Manufacturing Industry in Kenya.
- (ii) To identify the factors influencing the implementation of the outsourcing strategy in the Cement Manufacturing Industry in Kenya.



#### **1.4 Significance of study**

The findings from this study will be useful in establishing the benefits the cement manufacturing industry has derived from implementing various outsourcing strategies in their firms and will provide relevant learning for other manufacturing industries outside the cement industry. The findings from this research will also aid other researchers in similar line of study in advancing further the knowledge on outsourcing as a strategy, its benefits and applications in various businesses and industries. Finally the knowledge shared in this paper will add on to the existing body of knowledge base on the topic of outsourcing and in specific how companies can utilize it as a strategy to allow higher concentration on the core functions.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section of the study will focus on selecting those resources and materials that are directly relevant to addressing the topic under study. It will also provide various information that other researchers have studied and documented with regard to the topic under research, laying a basis for further study in the topic by bringing out relevant material that have been written previously.

Some of the literature to be reviewed will look at studies done on strategy as a concept and the definitions of strategy and outsourcing as defined by various scholars. The aim is to understand the working of outsourcing as a strategy, how it has been implemented in other industries and its impact on the cement manufacturing industries in Kenya.

### **2.2 Concept of Strategy**

Hax and Majluf (1988) observe the concept of strategy been presented as a normative model that has validity for all firms. The process of strategy formation, however, is contingent on the firm's particular situation and can be described in terms of the wide variety of forms it takes in different organizations, depending on the firm's strategic objectives, its management style, its organizational culture and its administrative structure. Porter (1991) explains that the reason why firms succeed or fail is perhaps the central question in strategy. It has preoccupied the strategy field since its inception four decades ago. The causes of firm success or failure encompass all the other questions that have been raised in this collection of essays. It is inextricably bound up in question such as why firms differ, how they behave, how they choose strategies and in how they are managed. While much of the work in the field has been implicitly domestic, it has become increasingly apparent that any search for the causes of a firm's success must confront the reality of international competition and the striking differences in the performance of firm in a given industry based in nations. Yet, the question of why firms succeed or fail raises a still broader question. Any effort to understand success must rest on an underlying of the firm and an

associated theory of strategy. While there has been considerable progress in developing frameworks that explain differing competitive success at any given point in time, our understanding of the dynamic processes by which firms perceive and ultimately attain superior market positions is far less developed. It is therefore crucial for any firm seeking to sustain its competitiveness and relevance to understand the concept of strategy and formulate an appropriate strategy to guide their actions in the industry and the market.

### **2.2.1 Levels of Strategies**

Andrews (1980) reinforces the notion of strategy as a determinant of organizational purpose and explicitly notes the importance of stakeholders: Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non economic contribution it intends to make to its shareholders, employees, customers, and communities. Andrews also makes a clear distinction between the notions of strategy at the corporate level and strategy at the business level: Corporate level strategy defines the businesses in which a company will compete, preferably in a way that focuses resources to convert distinctive competence into competitive advantage. At the business level, strategy is the determination of how a company will compete in a given business and position. Finally the functional or operational level of strategy involves line managers at a firm who are in charge of the activities that bring to life the achievement of the goals set out. In this final level the high level objectives arrived at by the management aligning the objectives and goals of the organizations are broken down to simpler tasks that are worked on by various departments.

### **2.2.2 Deliberate versus Emergent Strategy**

Newman and Logan (1971) define strategies as forward-looking plans that anticipate change and initiate actions to take advantage of opportunities that are integrated into the concept or mission of the company. This definition leans toward the deliberateness of strategy where the management purposes to establish specific plans to attain a specific desired end. Mintzberg and Waters' (1985) refer to strategy been considered deliberate or emergent. Strategy is seen as

deliberate when its realization matches the intended course of action. Managers need deliberate strategy to provide the organization a sense of purposeful direction.

Alternatively, strategy is viewed as emergent when the strategy is identified from the patterns or consistencies observed in past behavior despite or in the absence of intentions. As a pattern of actions emerge from the past decisions of the firm they are then taken in as behaviors and learning's that later shape the direction and decisions taken in the organizations in the future. Mintzberg and Water (1985) define strategy as "a pattern in a stream of decisions." This definition was developed to operationalise the concept of strategy, namely to provide a tangible basis on which to conduct research into how it forms in organizations. Streams of behavior could be isolated and strategies identified as patterns or consistencies in such streams. The origins of these strategies could then be investigated, with particular attention paid to exploring the relationship between leadership plans and intentions, and what the organization actually did.

Emergent strategy implies "learning what works" Taking one action at a time in search for that viable pattern or consistency. Emergent strategy does not necessarily mean that management is not in control only that it is open, flexible, and responsive; in other words, willing to learn." Wrapp (1984) reinforces this notion of strategy as emerging from a pattern of decisions with. The illustration is of a general manager involved in operating problems and therefore in a position to influence operating decisions. Over time, a corporate strategy, apparent to the organization, evolves from the patterns discernable in operating decisions. At this point, the general manager insists that those who are making current operating decisions insure that they are consistent. Organizations are responsible for the kind of approach they take in developing strategy, however in today's dynamic world it has become apparent that both approaches are applicable the idea that strategy is formed by two critical forces acting simultaneously: one deliberate, the other emergent has become the guide line for formulation of a wholesome effective strategy.

## **2.3 Outsourcing Strategy**

### **2.3.1 Introduction to outsourcing concept**

Historically, many firms have made sourcing decisions—commonly known as make-or-buy decisions—based disproportionately on unit cost, with insufficient regard for strategic or technological issues. This cost-focused approach has led to competitive tragedy for many firms, indeed, entire industries. Managers need better tools for evaluating sourcing decisions—tools that can accommodate the long-term, strategic issues. Welch and Nayak (1992) present a new approach to the whole outsourcing decision, in their article which presents a tool, the strategic sourcing model, which aims to augment the traditional cost analysis by considering strategic and technological factors. Using this framework, in conjunction with a cost analysis, can help companies make the sourcing decisions that will move them into the leagues of world-class manufacturing and position them for sustained competitive success in the future. One would wonder why it is important that the sourcing decision is arrived at correctly. The answer lays in the millions or billions of monetary value that is input in the outsourcing strategy especially in manufacturing industries where most investments are highly capital intensive.

It would be difficult today to conceive of a planning effort that did not consider an organization's core competencies and capabilities. But despite the compelling logic to base future decisions regarding products and markets on these attributes, few guidelines exist to help managers define their competencies and capabilities, (Welch and Nayak, 1992). Once defined the core competencies provide a gap that can be filled using outsourcing strategies to ensure that an organization focus is on what they are able to do best. However in previous decades, outsourcing became big business and purchasing departments expanded to tremendous proportions to manage the many vendors supplying components, subassemblies, and services. As recently as 1989, General Motors reported more than 8,000 suppliers for direct material alone. In the past, manufacturers often elected to buy inputs, rather than make them, typically based on myopic cost analyses. Rather than automating difficult or complex labor-intensive processes, manufacturers bought from low-labor-wage sources around the globe, at rates that were less than twenty-five percent of the U.S. average. Today, the labor-cost advantage held by these suppliers is

diminishing. Pressured by short decision cycles, many manufacturers lost sight of the long-term risk associated with outsourcing key inputs. They did not anticipate that low-labor-cost suppliers could learn the critical skills necessary to become competitive threats. These suppliers subsequently leveraged their relationships with their customers to become highly competent at manufacturing, assembly, engineering, and design. This affirms that outsourcing is not without its risks and it helps to emphasize that there is a need to use the outsourcing strategy wisely and strategically to deliver both value and competitive advantage to the manufacturing industry.

The outsourcing decision can often be a major determinant of profitability making a significant contribution to the financial health of the organization (Yoon and Naadimuthu, 1994). However, there is evidence to suggest that organizations are not achieving the desired benefits from outsourcing. For example, a survey carried out by PA Consulting Group (1996) found that only 5 per cent of companies surveyed had achieved high levels of benefits from outsourcing. Lonsdale and Cox (1997) has also revealed that outsourcing decisions are rarely taken within a thoroughly strategic perspective, with many firms adopting a short-term perspective and being motivated primarily by the search for short-term cost reductions. In fact, outsourcing decisions are made most frequently by default, with little consideration for the long-run competitiveness of the organization. The clarity of the situation is that for an organization seeking to venture into outsourcing requires to have a clear strategic plan and intent towards which the gains will be in creation of value and competitive advantage. Outsourcing will yield little or nothing without a proper strategic approach devised by the organization seeking to utilize it.

### **2.3.2 Aspects of Outsourcing**

In accessing the outsourcing options available in the market there are key areas that must be taken into consideration for the effectiveness and success of the outsourcing decision. (.Manish, and Rohini, 2007) categorize them as follows staff augmentation, strategic out tasking, project based outsourcing and off shore outsourcing.

Staff Augmentation has its roots during times when many companies looking to maintain complete ownership and control over their IT or business processes, while leveraging low cost

resources realize this by identifying a service provider who can provide specific skilled resource of identified profile to supplement personnel from their own side. This option provides that the skilled professionals provided work as instructed eliminating them from accountability or risk. This option of staff augmentation has benefit and limitation at the same time. The staff added to address the gap in skill will not require that organization structures change as the current existing ones are sufficient for the purpose, the basis of the workers broad onboard is on demand which implies that the staff costs are lower and also minimizing the unutilized full time employees. In the negative the use of the additional skill to ramp up the current workforce is limited to few individuals minimum number of department since the a large scale approach to staff augmentation leads to lack of productivity since the staff are not responsible for the outcomes and deliverables attached to the task at hand. An example locally of the implementation of this practice of outsourcing include BAT in their line of production

Strategic Out – tasking, a second option in outsourcing and it addresses the issue of vendor involvement by shifting the responsibility for the accomplishment of identified tasks to the vendor. The vendor is tasked with the responsibility to deliver a complete task. In out tasking the company finds a service provider who performs a specific task for the company and bears the risk and responsibility of the completeness of the task. this is assured by the contractual agreement signed. The outsourcing of identified tasks is common in situations where the need to maintain the skill in-house is not crucial due to readily Examples of out- tasking can be contractors in manufacturing industries, IT programmers and specialist, transport service providers, warehousing and sections of a projects for example marketing or advertising of a new product. Many company's employ this aspect of outsourcing for banking systems such as CITI bank the IT helpdesk is outsourced, Coca Cola utilize Nairobi Bottling Company to source for the bottles required for packaging and Brookside dairy rely on Tetra pack limited to ensure their packaging material is totally supplied. (Manish. 2007)

Thirdly, project based outsourcing option involves handing control over the outsourced project to the service provider and all tasks, risks and outcomes are placed upon the provider. There are

some developments in the outsourcing options currently in the market that provide added advantage to businesses and one such example is the off- shore outsourcing option. Companies that are interested in long-term outsourcing for satisfying their growing software development needs may consider the following three alternative models: project-based, dedicated center and captive operations. (Manish, 2007)

Lastly is the off-shore outsourcing option, around the mid 20th century has seen many political and economic changes combined with the development of faster means of transportation. Distances began to matter less. Manufacture of low costing toys and electronic goods, apparels, etc were outsourced to less developed countries. The political set up had changed considerably. Many countries in Asia had become free. Outsourcing was a welcome development as it benefited the developing economies by increasing employment and income levels of the workers. The education and skill levels too improved. The governments in these developing countries took care to develop adequate infrastructure necessary for manufacturing companies to maximize profits. The reality that some skill, resource or inputs needed to complete the non core activities of particular organizations is not directly available within the physical boundaries of countries in search for them is evident. Therefore forcing organizations to reach out outside their boundaries to be able to access the much needed resources; a classic example of such a need is in the maintenance of large manufacturing equipment mainly purchased from foreign countries and used in Africa; the maintenance is specific to engineers from the company that sold the part and yearly when the machines are put down for scheduled maintenance specialized engineers are required to travel to fix the problems. (Rohini, 2007)

### **2.3.2 Reasons why Companies Outsource**

Every organization opting to outsource part or whole sections of a service in their setup must have evaluated the reasons that are influencing their decision to outsource. There are a number of reasons why outsourcing is a workable option for specific companies. The attempt below is to outline the most common reasons that lead to taking up the outsourcing option.



Firstly today the business environment is permanently volatile and many businesses are undergoing fundamental changes in their focus and their strategies. In order to deliver value required in the market place today, businesses have had to commit their resources and capabilities on what they do best: thus focusing on their core business functions. Outsourcing has therefore provide an outlet for businesses to source for non core functions that they would rather not put in capital, resources and skills to handle. Some of the services include human resources – staff, contractors, call centers, finance services, transport, advertising and warehousing.<sup>2</sup>

Secondly, organizations have gained the ability to give out a service or process to an outsourcing company leading to less cost because the costs implication in running the operations that eventually generate the finished products are transferred to another party in this case the outsourced company that shall ensure the service or good is delivered. For example some manufacturing companies require heavy investments in equipment or assets that may add up to costs in million, however if outsourced the company outsourcing goes ahead and leases these equipments or assets at a monthly or yearly rate which is much lower than the initial cost required. In terms human resources outsourced has a direct effect in reducing as it leaves the full cost of hiring to the outsourced company for example; hiring, payments of salaries, hospital insurance cover and many others

Thirdly, capital spend increases when a company must own the resources for which they derive benefit from in such case when the outsourcing option is adopted then the organization frees itself from owning assets, hiring resources and spending on capital intensive issues that they would have to invest in upfront. Other benefit include increasing speed to market, for many companies, the speed in which a product is brought to market is mission critical. If emerging companies can penetrate markets quickly, with talented salespeople and proven marketing, they win. Outsourcing significantly increases the speed to market by as much as 75%. Leading outsourcing vendors have demonstrated an ability to shorten processing cycles. For example the current best practice amongst outsourcers is 24hour guaranteed to process appointments. Additional to the ability to increase speed the fact that they are specialized in the service or

process they are offering on outsourcing gives them edge in terms of quality control and competent and qualified staff.

Improved quality has also emerged strongly as a reason of outsourcing. Quality of service is measured through a service level agreement (SLA) in the outsourcing contract. In defining the level of quality through the SLA's the organization gets the opportunity to emphasize on the requirements that must be met by the outsourced company and can control the levels of quality. The outsourcing decision is also reached on the assumption that the organization chosen has the best placed capabilities to carry out the functions and can therefore execute the functions efficiently and to the best standards compared to if the activity would have been maintained in-house. Lastly on the reasons why outsourcing is considered is the ability for Innovation to be fostered by allowing companies to globalize more R&D functions and outsource more significant portions of work. By definition, this trend means that more and more of your innovation are coming from outside of your organization. ([www.offshoreexperts.com/index.cfm/fa/articles.top-ten-reasons-to-outsource](http://www.offshoreexperts.com/index.cfm/fa/articles.top-ten-reasons-to-outsource))

### **2.3.3 Factors Leading to Outsourcing**

Outsourcing is a key decision for any organization and requires that it is evaluated prior to engaging in it partly or fully. In evaluating the factors it allows the organization to assess the viability of outsourcing as opposed to handling the production in house. In this segment the aim will be to address four main factors as discussed by (Recca, 2009) that shall be considered prior to the final decision to outsource.

How core or non-core the product or service is will determine the decision to outsource or not. Therefore in the initial step an organization will need to assess if the service or product to be outsourced is classified as core or non-core to their operations. When an activity is a core process in business the organization will often keep it in-house to ensure quality and integrity. If the activity is classified as non-core outsourcing it is much easier without impacting your business integrity.

The level of skill needed is one of the determining factors in this decision and as such an assessment on whether the activity requires highly specialized skills is must be carried out If the level of skill needed is not high the most effective decision is to outsource the need

Duration of the project also impacts the decision to outsource: duration has a two prong impact; cost and number of employees. The cost of the operation will vary with the duration of the project. for example an installation of an IT system will have a definite time line and on installation the project ends however the production of a specific input to the production line is a continuous activity that will require more cost and higher manpower to sustain it. Additionally if a project lasts long outsourcing typically costs more than if the work was done in-house since you are paying some 'fixed costs and profit' monies as part of the cost to do the work.

Integrity is a key attribute that many businesses seek to portray and maintain. It also plays a key role as a factor on whether or not to outsource, confidentiality is a quality required by each client of its service provider and can influence their buying decision. Therefore when assessing on areas to outsource businesses must weigh the activity with regards to the level of confidentiality, in cases where the information is sensitive and could expose clients or business aspects that are important the decision to outsource will be forgone. An example in the banking industry client personal information and account details are a major confidentiality issue outsourcing the system that maintains these data can highly compromise the confidentiality of the business thus the decision not to outsource is suitable.. If highly sensitive and confidential information will be revealed during the execution of the project, do not outsource. Example: if the project requires access to customer lists and future orders, do not outsource. Whereas revealing office locations or other public information would not compromise your business and could be outsourced. (Recca, 2009)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the design, population, data collection, analysis and data presentation techniques that were used to conduct the study. It also gave the direction that a researcher followed in order to get the answers to issues he/she was concerned with in the study undertaken.

### **3.2 Research Design**

This study has adopted a descriptive design. According to Cooper and Schindler, (2007) the research design constitutes the blue print for the collection, measurement and analysis of data. It aids the researcher in the allocation of limited resources by posing crucial choices in the methodology. The study was concerned with collecting information on the practices of outsourcing and the key contributing factors influencing the outsourcing decision in the cement manufacturing company.

### **3.3 Population of Study**

The study targeted the cement manufacturing companies in Kenya. There are a total of four cement manufacturing companies in Kenya all of whom were studied; hence the study was a census.

### **3.4 Data Collection**

To enable for the collection of the data from the field a questionnaire was used as the instrument of data collection in this study. The format of the questionnaire included Part A that was seeking to determine demographic information concerning the respondents as well as basic information on the firm. Part B reviewed the organization's general strategy practices and the existence of strategy in the organizations. Part C was seeking to establish the existence of outsourcing as a strategy in the organizations and the factors that have led to the implementation of outsourcing. It

also aimed to determine the challenges experienced in this particular industry while utilizing outsourcing as strategy for their business.

The targeted respondents consisted of 20 senior management staff at the different cement manufacturing companies in Kenya. This group included individuals who have influenced or taken part in decision making at the organization. With a total of four companies in this industry a total number of five individuals each from each company responded to the study. These respondents constituted senior managers involved in the process of strategy formulation and implementation at the cement manufacturing industry. By nature of their work and responsibility the sample targeted was managers who had interactions with both fellow employees and suppliers who provide various service and goods and this provided a relevant ground for information relevant to the study at hand. This diversity amongst the respondents was significantly benefiting to the findings of this study as more diverse views were incorporated.

### **3.5 Data Analysis**

The process of data analysis involved several stages. Once the questionnaires were fully completed, they were collected and checked for completeness. This involved editing for completeness and consistency, checking for errors and omissions and then coding (Keasworth & Harding, 1992). The data was captured from questionnaires and was analyzed using descriptive statistics. Additionally averages and percentages were used in the analysis of data collected in the study. Distribution tables, charts and graphs have been used to present the data and have shown where most responses featured and thus making the research more focused. Finally a report on the study and findings compiled based on the responses from the responses.

## **CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION**

### **4.1 Introduction**

This chapter presents the analysis of the findings on implementation of outsourcing strategy in the four main cement manufacturing companies in Kenya. The responses are based on data collected from 20 respondents; the questionnaire was administered by personal interview, while others were dropped and picked after completion by respondents. According to the responses received the analysis and interpretation is hereby undertaken.

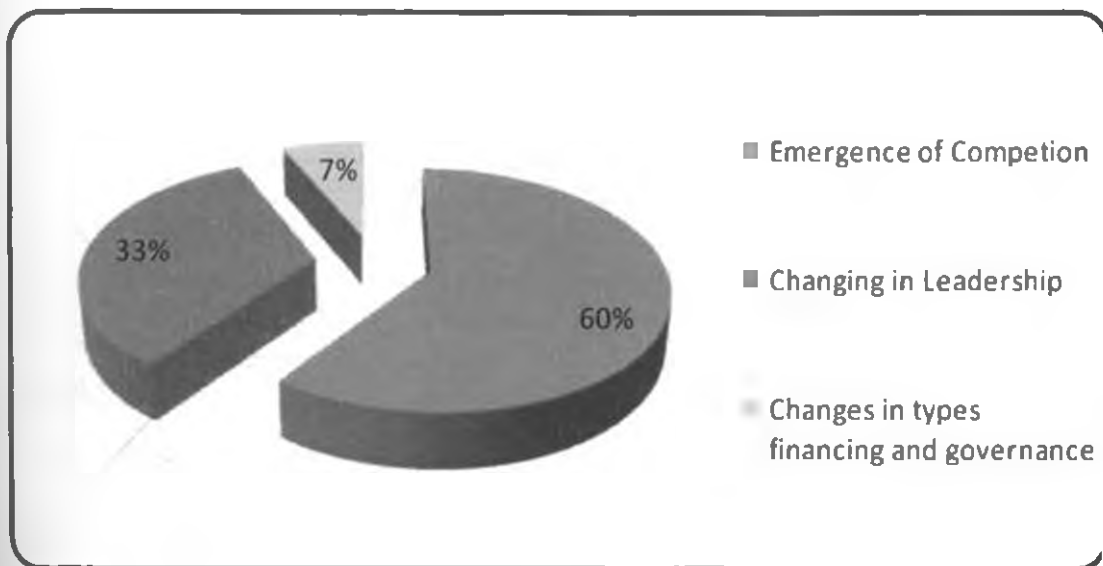
### **4.2 The existence of strategy**

At the onset it was established that all the four major players attested to having a strategic plan. The research has also shown that the cement industry exhibits the existence of a both a strategic plan and an outsourcing strategy. The presence of both strategies in the results indicated that outsourcing has been firmly rooted as a working strategy in the industry and supports the case for the wide movement for companies focusing on core competencies as opposed to doing all activities in-house. Having shown an existence of a strategic plan it is however emerged only 43% of those interviewed felt that the strategic plan was well communicated in the organization. It is imperative to note that 75% of these companies have over 1000 employees. This can be interpreted to show that the outsourcing strategy has been adopted but is faced with the threat of ownership where the buy in for the strategy is not achieved at all levels in the organization.

#### 4.2.1 Factors leading to implementation of Strategy

The study was undertaken to establish the factors that have led to implementation of a strategic plan in the cement manufacturing companies and the results have been shown below by Figure 1.

Figure 1 : Factors which have led to the implementation of Strategic plans in the Cement Industry: Source, Author 2010



From the study it was evident that emergence of competition has pushed most companies to put in place a strategic plan to enable them sustain relevance and market share. The companies have outsourced functions which if they do themselves will hamper their ability to fully compete. Leadership in this industry has also been shown to be the second largest contributor to implementation of strategy; these results indicate that strategy formulation in the cement manufacturing industry has adopted both the deliberate and emergent nature of strategy development.

### 4.3 Outsourcing Implementation practices in the Cement Manufacturing Industry

The respondents were asked to identify the functions that were currently been outsourced in their organization presently and the responses are as per Table 4.1 below.

*Table 4.1 Functions outsourced by cement manufacturers in Kenya*

<b>Outsourced Functions/Services</b>	<b>Responses</b>	<b>Percentage</b>
Website hosting	9	14.8
Recruitment	1	1.6
Loading/offloading	6	9.8
Cleaning Services	3	4.9
IT support/training	9	14.8
Computer/Hardware Purchasing	4	6.6
Finished Products Transport	13	21.3
Equipment	9	14.8
Civil Engineering Works	6	9.8
Quarrying	1	1.6
<b>Total</b>	<b>61</b>	<b>100</b>

From the study it emerged that all the companies have incorporated outsourcing as part of their strategy in their organization. Consequently all the players in the cement industry outsource a number of services or functions. This was attributed majorly to the emergence of competition in the cement industry forcing companies to implement outsourcing as a strategy.

From the study the most outsourced service was Transport of finished goods. As shown in the table above, it scored 21% and was the top most outsourced in the industry. Web hosting, equipment and I.T support service ranked as the second highest outsourced with a 14.8% score. Third and most outsourced areas included loading/offloading and civil engineering works with a 9.8% score overall. Table 4.1 above depicts that there are several other areas outsourced in the industry, supporting the fact that outsourcing is very active in the industry.

### 4.4 Factors influencing Outsourcing Decision in the Cement Industry



The study has shown that there are several factors that influence the outsourcing decision in the cement industry. The only difference that has been brought out is on the level of impact that the factors had on the outsourcing decision which appeared to be varied between been major or minor factor.

#### 4.4.1 Influence of Conventional outsourcing factors on the Cement Industry

The study was based on certain assumptions that there were certain key factors that have influenced the outsourcing decisions over the years and that their influence has influenced in various other industries, in comparison to these major factors identified in the study the cement industry has shown the factors that ideally have influenced the decision to outsource could either be a single factor or a combination of a number of these. From the study it was evident that out of the four conventional factors (*i.e. Project duration; level of confidentiality; Skills required; and relevance of function/service to the business*) which have traditionally influenced the decision to outsource in general, two of these factors were identified in the cement industry as the major factors influencing the decision.

In response to the question on what factors have influenced the outsourcing decision in the cement industry with comparison to the conventional factors existing currently, Table 4.2 below tabulates the results that the respondents considered and the influence as categorized been either major or minor.

*Table 4.2: Conventional Reasons influencing Outsourcing: Source: Author 2010*

<b>Reason to Outsource a function/Service.</b>	<b>Major (%)</b>	<b>Minor (%)</b>
Duration of Project	79	21
Activity Confidentiality	14	86
Nature of Skill Needed	86	14
Relevance to core business	64	36

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Activity Confidentiality	14	86
Nature of Skill Needed	86	14
Relevance to core business	64	36

The study has shown based on the table 4.2 above, that the nature of skill needed ranks as the top major factor influencing the decision of outsourcing in the cement industry, based on the responses collected 86% of them categorized this factor as a major contributor to the decision process in their company. The second major factor was project duration with 79% of responses categorizing it as a major factor in the decision making process at their company

Additionally based on data collected one factor ranked as one that the responses considered to be a minor factor to the decision making process at these companies. The confidentiality level of the activity scored 86% score as the factor that was considered to be the least important while making the decision to outsource in the cement industry.

Based on the data presented in the table 4.2 above the relevance to core business was considered to be a major factor scoring 64% from responses represented. Although this indicates a shift from the conventional thinking that outsourcing decisions are mainly influenced by the need to maintain resources on the core competencies in the business it also supports the thinking since the factor is ranked as top three against the factors examined and also attained a score of about 50% of the responses from the industry showing it is a relevant factor to the outsourcing decision process.

#### **4.4.2 Factors that influence the outsourcing decisions in the Cement Industry**

The respondents were asked to identify the various factors that have led to the decision to outsource in their organizations and the results were as per Table 4.3 below.

*Table 4.3: Ranking of factors influencing the Outsource decision in Cement Manufacturing Industry: Source: Author 2010*

<b>Factors Influencing the Outsourcing Decision</b>	<b>Percentage %</b>
Focus of resource on core competency	87
Lack of expertise in house	67
Cost effective	67
To reduce Human Resource cost	53
Quality of product/ service required	47
Time limitation	47

Table 4.3 above has ranked the main factors as represented by the responses collected in the study. The factors have also been categorized based on the respondents level of agreement and disagreement with their influence on the decision making process of outsourcing. The study has shown that a majority of the responses consider the need to focus resources on core competency is the most important factor in making a decision on outsourcing 87% of the responses strongly agreed that is the key factor.

Lack of expertise and the need to be cost effective scored 67% on the responses placing them as the second factor that influence the outsourcing decision. Issues dealing with reduction of human resource management cost, outsourcing to ensure quality of service or product and time limitation were not considered to be the top reasons for outsourcing and scored 53%, 47% and 47% respectively from the responses collected in this study.

#### **4.5 Merits and Demerits of Outsourcing in the Cement Industry**

The study has brought out the merits and demerits of outsourcing as considered by the Cement Industry and the data collected shows that the companies have found great value in outsourcing decisions undertaken. The levels of responses on the merits were very positive while demerits were not considered to be a major hindrance in the decision to outsource. This is shown by the

## CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Summary

The study has laid a foundation on the nature of outsourcing and the application and factors affecting outsourcing as expressed in the cement manufacturing industry. Some of the major findings of this study included;

On the existence of a strategic plan, all cement companies agreed to the fact that a strategic plan existed in their company and of the total responses received 43% of the responses showed that the strategic plan in their company has been communicated. This represents less than a majority of the employees represented by the responses and indicates that the strategic plan is not well communicated in the cement manufacturing industry as 57% of the responses indicated that they considered the level of communication of the strategic plan to be poor.

The study also showed that the decision to develop a strategic plan was attributed to emergence of competition which contributed 60% of the reason for having a strategic outlook, while leadership was the second most contributing reason with a score of 33% and 7% of the responses attributed the development of a strategic plan to the changing trends on the type financing employed and the influence of government.

The study also identified that outsourcing is carried out to great levels in terms of the various areas in which outsourcing is been carried out. There were several areas been outsourced, while the three top ranked outsourced areas included;

Transport services for finished products, the score for this area was 21% of the total and was the most outsourced area in the cement manufacturing industry. This implies that in the cement manufacturing industry the four players in the market have not invested heavily on owning and maintaining trucks and trailers which are used for the delivery of their product to the market. This is also in line with the outsourcing principle as the cost of maintaining these operations are

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high and dynamic and may be a hindrance in the ability to focus resources on the key competencies.

IT support or training and equipments were the second most outsourced areas in the industry with a score of 15% for each area. This implies that the industry is sensitive to the fact that it has a high assets base and because IT and equipments are associated to increasing assets, to enable operations continue normally, the industry has chosen to have less assets owned by outsourcing this two areas. The other indication is on lower manpower base, by outsourcing the IT functions the companies are able to have their IT structure running which may be a part of their operations while experiencing the benefit of not owning the manpower involved.

Third and lastly the most outsourced area in the industry was loading and offloading services and engineering and civil works, these two areas had a score of 10% each. The major contributions on these two areas are on the impact they have on issues of headcount and human resource management costs the ability to outsource these areas releases a huge cost and resource in dealing with the workers needed to carry out the work.

The study was also targeting to show the factors that have been influencing the business decision to outsource, firstly as it relates to the conventional factors that are known in the general business and secondly and lastly to different factors that are specific to the cement industry.

On the comparison to the conventional factor the following results were collected:

- (i) Duration of project; the study established that 79% of the responses considered this as a major factor in the outsourcing decision
- (ii) Dependency on the confidentiality of the project was not highly ranked as a major reason for outsourcing and scored 86% for been a minor factor contributing to outsourcing.
- (iii) The nature of the skill required ranked as a major factor for the outsourcing decision and scored 86% from all the responses.

(iv) The relevance to core business which implies whether or not the area is core or non core competency was regarded to be a major factor contributing to the decision on outsourcing and from all responses achieved a score of 64%.

The results collected above supported the fact that the conventional factors for outsourcing continue to contribute to the decision on outsourcing, however the main contributing factor has shifted from been the emphasis of core and non-core competencies to the nature of skill needed and duration timelines involved in delivering the areas outsourced.

Within the cement industry there are also other factors that have played a part in determining how the decision to outsource is carried out. This study has also evaluated these factors and made the following conclusions:

For the purpose of this study the top three major and minor factors will be discussed, this is due to the fact that the responses were concentrated on these factors.

The study has shown that a majority of the responses consider the need to focus resources on core competency is the most important factor in making a decision on outsourcing 87% of the responses strongly agreed that is the key factor. While the second most major factors influencing the outsourcing decision were lack of expertise and the need to be cost effective scoring 67% on the responses, placing them as the second factor that influence the outsourcing decision.

The minor factors influencing the decision to outsource were classified also with the top three contributors been as follows: Issues dealing with reduction of human resource management cost, outsourcing to ensure quality of service or product and time limitation were not considered to be the top reasons for outsourcing and scored 53%, 47% and 47% respectively from the responses collected in this study.



## **5.2 Conclusions of Study**

The study was carried out with an aim to determine the extent of outsourcing implementation practices in the Cement Manufacturing Industry in Kenya, based on the responses received it was established that there are several areas which the cement manufacturing companies are outsourcing. The study also established that there exists an outsourcing strategy in the cement industry.

Additionally the study was to identify the factors influencing the implementation of the outsourcing strategy in the Cement Manufacturing Industry in Kenya, the responses gave a clear indication of the major and minor factors associated with the outsourcing strategy and affirmed that the conventional factors realized during the study are still influencing the decisions to outsource in the cement industry.

## **5.3 Recommendations**

### **5.3.1 Recommendation with policy implementation**

The study has brought out several issues on the part of the strategic plans, existence of outsourcing as a strategy and the factors that have influenced the decision making process for outsourcing in the cement industry.

On the issue of the existence of a strategic plan, the cement companies have put effort in the establishment of the plans but are facing challenges in the actual communication downstream to the rest of the business; this is portrayed by the 43% score on whether the plan has been communicated well. The recommendation in dealing with this issue is to have proper communication policies set up in the companies that will ensure proper communication to the general business of the intended strategic plans so as to ensure that the business is working together towards the same targets.

### **5.3.2 Suggestions for further research**

This research on outsourcing in the Cement Manufacturing industry has explored both the existence and extent of outsourcing as a strategy and the factors influencing the outsourcing decision in this industry. The study is however not conclusive in the area of outsourcing and thus leaving behind gaps that can best be bridged by other researchers furthering in this study.

The study of the cement manufacturing industry has addressed the issue on outsourcing as a whole function in a running organization this implies that the outsourced products and services are 100% the responsibility of an identified supplier whom the company has chosen. In the current developing times companies may require a need to partly develop in-house certain aspects of a function and partly outsource the same function. This idea has already taken root in the micro chip manufacturing industry where certain components of the chips are outsourced while part of the components are developed in-house which then facilitates the completion of the product at the organizations level. This therefore suggests that partial outsourcing can be investigated and its application and viability studied to assist in developing an edge in outsourcing.

The industry under study deals with a category of goods that are not considered to be fast moving consumer goods and therefore can afford to implement outsourcing on some of its inputs and products due to the fact that there is an acceptable time limits to get the product on the shelf and once on the shelf it exhibits a longer shelf life giving a lead time for its next production. While this may be the case for the cement industry there is the existence of fast moving consumer goods that can also utilize the benefits of outsourcing while mitigating the risk of not been able to deliver the goods on the shelf on time, such an industry may be of interest for study in reference to outsourcing as it also lays a foundation for the fundamental differences in outsourcing in the fast consumer moving goods and the much slower consumer goods available in the market.

## APPENDIX 1: SURVEY QUESTIONNAIRE

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### PART I:

#### GENERAL INFORMATION

*For the questions below, select one option among the given. Use a tick (✓) or a cross (✗) to indicate your choice where appropriate.*

1. Please specify your Department

2. What is your position in the organization?

3. How long have you worked for this organization?

- |   |                                       |  |
|---|---------------------------------------|--|
| <input type="checkbox"/> Less than a year | <input type="checkbox"/> 1-2 years    | <input type="checkbox"/> 3- 9 years    |
| <input type="checkbox"/> 10-15 years      | <input type="checkbox"/> 16- 19 years | <input type="checkbox"/> over 20 years |

4. How long have you held your current position?

- |   |                                     |                                     |
|---|-------------------------------------|-------------------------------------|
| <input type="checkbox"/> 0- 4years                      | <input type="checkbox"/> 5-9 years  | <input type="checkbox"/> 10-14years |
| <input type="checkbox"/> 15 -19years                    | <input type="checkbox"/> 20-24years | <input type="checkbox"/> 25-29years |
| <input type="checkbox"/> other ( <i>specify</i> ) _____ |                                     |                                     |

5. How many employees are there in your organization?

- |  |                                     |
|--|-------------------------------------|
| <input type="checkbox"/> Less than a 100 | <input type="checkbox"/> 500 - 1000 |
| <input type="checkbox"/> 100 - 500       | <input type="checkbox"/> Over 1000  |

6. In your opinion, who formulates strategy in your organization?

Managing Director

Top Management

Selected Committee

Consultants

All employees

Other (specify) \_\_\_\_\_

## PART II:

For the purposes of this study the definition of outsourcing used should be:

“A business function that is handed over to a third party specialist to manage”

7. Does your organization have a strategic plan?

Yes

No

8. Is your strategic plan well communicated in the organization?

Yes

No

9. Has Outsourcing been incorporated as part of the strategy for your organization?

Yes

No

10. Does your organization Outsource goods and services?

Yes

No

11. Which of the following factors in your opinion have led to implementation of a strategic plan in your organization?

Emergence of competition

Change in leadership

Changes in types of financing and governance

**PART III:**

12. Using the definition of outsourcing provided in Part II above – what functions does your organization presently outsource in the following... (please tick all that apply)

- Company web site design/hosting
  - IT support/training
  - Recruitment
  - Payroll Services
  - Loading and offloading
  - Computer and hardware purchasing
  - Accountancy/book keeping
  - Transport Services for finished product
  - Cleaning services
  - Equipment
  - We don't outsource anything
  - Engineering and Civil works
  - Other (Please Specify)
- 

13. Which of the following factors in your opinion have influenced the outsourcing decision in your organization? Please rate the following factors with the (M) indicating a major reason and (N) indicating a minor reason.

		<b>Major(M)</b>	<b>Minor(N)</b>
1	Duration of the project	<input type="checkbox"/>	<input type="checkbox"/>
2	Level of confidentiality of activity	<input type="checkbox"/>	<input type="checkbox"/>
3	Nature of skill needed	<input type="checkbox"/>	<input type="checkbox"/>
4	Level of relevance to the business – core or non-core	<input type="checkbox"/>	<input type="checkbox"/>

14. What lead you to the decision to outsource the above? Please rate the following factors with the **(M)** indicating a major reason and **(N)** indicating a minor reason.

		<b>Major(M)</b>	<b>Minor(N)</b>
1	The required expertise was not available in house	<input type="checkbox"/>	<input type="checkbox"/>
2	It was more cost effective	<input type="checkbox"/>	<input type="checkbox"/>
3	The quality of these services needed improving	<input type="checkbox"/>	<input type="checkbox"/>
4	There was a strict time limit on a project and outsourcing was the only option	<input type="checkbox"/>	<input type="checkbox"/>
5	To focus resources and attention on core competencies	<input type="checkbox"/>	<input type="checkbox"/>
6	To reduce human resource management cost	<input type="checkbox"/>	<input type="checkbox"/>

15. On a scale of 1-5 please rate the demerits of the utilizing the outsourcing option at your organization.

**1- Strongly agree: 2 – Agree: 3 – Neutral: 4 - Disagree: 5 - Strongly Disagree**

		5	4	3	2	1
1	The company we could outsource to only undertakes the work for profit therefore the quality is likely to be inferior	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	We no longer have full control of the business process – quality is likely to suffer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	The company's that could take on our outsourced work do not have a good understanding of our business and this could cause problems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	It is not cost effective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	We don't know how to go about choosing the right provider and don't want to take on the wrong provider who will not match our requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	The risk of the outsourcing contract going wrong and being costly to reverse the decision is too high	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



16. On a scale of 1-5 please rate the merits of the utilizing the outsourcing option at your organization.

**1- Strongly agree: 2 – Agree: 3 – Neutral: 4 - Disagree: 5 - Strongly Disagree**

	5	4	3	2	1
1 It is more cost effective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 The quality of the business process increases as experts are undertaking the tasks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 The work is carried out quicker and more effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 We do not have to have our own employees for the tasks therefore it reduces other costs e.g payroll costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 The management doesn't have to oversee the day to day running of the business process this then reduces the load on the management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

17. In the case where you have been involved in the outsourcing process, what one word would best describe the results of the venture? Tick where appropriate

Very effective

Effective

Satisfactory

Poor

Very poor

**The End**

**Thank you for completing the questionnaire**

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