FACTORS AFFECTING PERFORMANCE OF OUTSOURCING STRATEGIES AMONG MOBILE PHONE OPERATORS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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

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DEDICATION

This research paper is specially dedicated to my mother, Lydia Matiti, my Husband Jacob, my daughter Ivy and Sylvia, and my son Tony for their inspiration, encouragement, understanding and prayers towards the successful completion of this course. I pay glowing tribute and gratitude to the Almighty God who has given me the wisdom to undertake this course.

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God bless you all.

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ABSTRACT

Businesses today operate in a complex global environment. In order to survive and thrive in this growing competitive international market, companies must be flexible and meet the needs from customers to provide a lower-cost product or service and continually improve the cost, quality, and reliability of products and/or services rendered. The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities. One avenue that firms have pursued to improve their competitive position in this new business environment has been to increase the role of outsourcing in their operations, which has been found to provide a competitive advantage to these firms. The objective of the study was to determine the factors that affect performance of outsourcing practices among mobile phone companies in Kenya. The research design adopted was cross sectional survey design. The population of the study comprised of four managers in all the four mobile phone companies operating in Kenya. The study used primary data which was collected using self-administered questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) software and presented using tables and figures. The study found out that the companies outsource some of its services. The factors that affect performance of outsourcing practices were found to be trust among partners, training and communication, partner characteristic and top management commitment. This was as a result of lack of trust among the mobile companies and its supplier which leads to sharing of information for fear of sharing with competitors and lack of synergy. The study found out that there is lack of comprehensive plan outlining detailed expectations, lack of properly defined performance criteria for an outsourcing engagement, there has been a challenge to impart managers of the outsourced firm with necessary skills that will enable them to adapt to other cultures and work with other managers and lack of adequate training skills needed to manage outsourcing activities and to negotiate a sound contract leading to a lop sided contracts with one of the parties. partner characteristics affected the performance of outsourced services among the mobile phone companies due to lack of adequate mechanism to monitor the contractors' activities and establish constant communication, unsuccessfully selection of a firm based on criteria like credibility, expertise, and reliability, lack of right people involved in managing outsourcing efforts and to add adequate training and infrastructure in the entire process of service outsourcing, existence of poor organizational communication, unclear expectations, lack of flexibility, keeping contracts short and lack of a well defined formal contracts between the company and the outsourced firm.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In globalised and highly competitive markets, organizations strive to be innovative and agile enough to meet customers' demands. Competitiveness, based on organizational capabilities and production strategies, may lead to quality, efficiency and flexibility (Momme, 2002). In the pursuit of a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, organizations have had to reconfigure its design and production activities and thus advocated the changes in the overall supply chain management (Suri, 2008). He further observes that, the reality of competing in a global supply chain environment has caused many organizations to focus on strategic renewal and creative solutions to manage and mitigate the risks of operating in today's dynamic marketplace including outsourcing of services.

Outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers (McIvor, 2008). Firms have always sought ways to gain a competitive advantage over their competitors; however, with the increased movement towards a single globalized economy, this desire is even more prevalent for businesses today. One avenue that firms have pursued to improve their competitive position in this new business environment has been to increase the role of outsourcing in their operations, which has been found to provide a competitive advantage to these firms (Raiborn et al, 2009). Outsourcing allows firms to focus on their own core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service activities that traditionally have been internal functions (Bustinza *et al.*, 2010). Determining the most suitable service provider is an important problem to deal with when managing outsourcing of a company. It is vital in enhancing the competitiveness of the company and has a positive impact on expanding the life span of the company. The resource-based view (RBV) predicts that firms with a rich competence base that can be deployed for undertaking a given activity may internalize that activity. For those firms that are less well prepared internally, outsourcing is more viable.

Thus having many useful capabilities for an activity reduces the likelihood the activity will be outsourced (Leiblein et al, 2002).

The mobile phone companies like any other business industry continues to be affected by changes such as new taxation laws, entry of new innovative products and services, political shifts, stabilities and instabilities among others. The number of new entrants, albeit small in size, continues to impact on the operations of the firms. The need to retain their market share in the midst of such competition has driven much of the strategic thinking adopted by these companies. Outsourcing is pursued by the companies in order to enable them to concentrate on their core activities while at the same time improving their performance. Rapid changes in the business environment of mobile companies require senior management to adopt strategies that focus on both current success and to invest in those activities that will promote a competitive advantage for future success (Munga, 2011). One widely recommended technique for improving mobile company's competitive position is outsourcing. Many managers view outsourcing as the only way to keep a business competitive now and in future.

1.1.1 Outsourcing Strategies

Outsourcing is the process of contracting an outside company to provide a service previously performed by staff. In many cases, outsourcing involves a transfer of management responsibility for delivery of service and internal staffing patterns to an outside organization. Subcontracting, contracting out, staff augmentation, flexible staffing, employee leasing, professional services, contract programming, consulting, and contract services are all terms which refer to outsourcing (Sarpin and Weideman, 2009). Firms essentially have three kinds of processes: core processes which give strategic advantage, critical non-core processes which are important but not competitive differentiators, and non-core non-critical processes which are needed to make the environment work. Outsourcing non-core processes frees the firm's time and resources for core competencies. The service provider owns, administers and manages the business process, based upon defined and measurable performance metrics with an objective to improve overall business performance (Sarpin and Weideman, 2009). Globalization, competitive markets and mergers and acquisitions are the primary stimuli for outsourcing.

Outsourcing is growing at a rapid rate throughout the world because organizations view it as a way to achieve strategic goals, improve customer satisfaction and provide other efficiency and effectiveness improvements (Ellram, 2007). Outsourcing assists management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. Outsourcing is seen as a means through which a business condition or problem can be alleviated in a manner that is more efficient or effective than in-house performance of logistics functions. Cognitive motivation involves careful analysis of alternatives or a well-thought-out corporate policy indicating that outsourcing is the best path for the company (Gottfredson et al, 2005). Outsourcing can free up assets and reduce costs in the immediate financial period. Organizations outsourcing parts of their in-house operations report significant savings on operational and capital costs. Developing the ability to control and leverage critical capabilities, irrespective of whether they reside within the organization or otherwise will be more vital than the ownership of capabilities (Gottfredson et al, 2005). Competitive pressures and the need for enhanced financial performance are driving an increase in the nature, scope and scale of outsourcing across industries worldwide.

1.1.2 Factors Affecting Performance of Outsourcing

Organizational performance can be measured by financial or non financial aims attainment. Ho (2008) point out that performance can be evaluated by efficiency and effectiveness of aim attainment while Venkatraman et al, (1986) cited that performance can be assessed by financial performance namely, return on investment, and growth of sales, profit, organization effectiveness, and business performance. Delaney et al, (2006) assert that organization performance can be evaluated by quality service and products, satisfying customers, market performance, service innovations, and employee that organization performance can be appraised by the following “dimensions of performance: return of investment, margin on sales, capacity utilization, customer satisfaction and product quality”. In the same way, Green et al, (2007) identified that return on investment, sales and market growth, and profit are important factors that be measured by organization performance. According to these researchers, there are many factors in this study that be measured by performance such as market shares, financial performance, efficiency and effectiveness of an organization performance, and human resource management.

Because of resource limitations, few firms have the ability to apply world-class resources to all areas of competition. Thus, in order to gain competitive advantage they must select areas in which they will concentrate their resources (Hamel and Prahalad, 1994). By outsourcing to specialist organizations services not generated by core competences, companies can see an improvement in their organizational performance. Gilley and Rasheed, (2000) state that the acquisition of non-strategic services allows the organization to centre on what it really can do well, that is, on the services whose resources have a high strategic value. Such a focusing on services not included in the core competences can increase performance and allow the company to be more flexible. Increasing the outsourcing of nonstrategic services can improve both the quality and the service and at the same time outsourcing of services of low strategic value enables the company to reduce costs and improve its competitive position. Some research shows that companies that make alliances by trusting external sources have better results, reduce risks and improve the quality ratio while also increasing their capacity of innovation and flexibility (Espino-Rodriguez and Robaina 2004).

1.1.3 Telecommunication Industry in Kenya

The telecommunication industry in Kenya has grown tremendously in the past years communication in Kenya encompassed use of messengers, smoke signals, postal services to a recent rise of satellite phones, desk phones, and mobile phones. The mobile phone industry in Kenya has grown over the years beginning at a few thousand subscribers in the 90's to millions of subscribers currently. The telecommunication industry in Kenya was transformed by the enactment of the Kenya communications act in 1998. As a result the communications commission of Kenya was established in February 1999. Its function is to license and regulate telecommunications, radio communication and postal services in Kenya. The types of mobile phone services available have also changed drastically. The overall government objective for this industry is on course as the industry optimizes its contribution to the development of the Kenyan economy, through ensuring availability of efficient, reliable and affordable communication services throughout the country (CCK annual report, 2012).

The Mobile Network Operators have developed new products and services and changed the lives of Kenyans and the rest of the world in leaps and bounds. At some point opportunities were lost through inefficiencies and sheer malpractices and neglect. For instance in 1999 Telkom Kenya Limited had a subscriber base of only 260,000 out of a population of 28,000,000 (a penetration rate of 1%). Mobile telephony has improved the face of communication and changed the basic role of mere communication to include making contacts, interaction and exchange of ideas, mobile banking, mobile money transfer, which have opened up opportunities for previously unbanked Kenyan and internet access among other forms of transmission of business and social information and services (Smith, 2012).

1.1.4 Mobile Phone Operators in Kenya

There are currently four main players in this industry in Kenya; these include Safaricom, Airtel, Yu, Orange/ Telkom Kenya. Licensing of these operators has seen the government make good of its promise to Kenyans to grow this sector. The mobile phone companies have experienced an extensive growth in the number of subscribers as well as geographic expansion of cellular mobile services in the country (cck.go.ke). Since inception, mobile penetration in Kenya has grown dramatically and stood at 78% as at 31st March 2013 (CCK quarterly sector statistical report January-March 2012 Pg. 6). Much of the growth has come from the expansion of a single company Safaricom, which began as part of the state owned telecommunications monopoly Telkom Kenya but was partially privatized in 1997 and became a public company in 2002 (World Development indicators. The World Bank Group, 2009). Kenya had over 30 million subscribers as at 31st December 2013, with Safaricom enjoying 66.5% market share, followed by Airtel Networks Kenya Limited’s 17.6%, while Telkom Kenya, under the brand name Orange, and who formerly gained entry into the market with CDMA technology, but later adopted the GSM technology due to changing technology and market demand, share stood at 7.1%. Econet Wireless, formerly owner of the brand name Yu, and who was the last GSM entrant stood at 8.8% market share. Yu now operates under the umbrella of Essar Group (CCK, 2013 Pg. 10).

Kenya's mobile market has changed significantly over the last few years with the entry of the third and fourth Mobile Network Operators (MNOs), Yu and Orange. MNOs' networks coverage now stands at 96%, and intense price competition has seen prices fall by over 70% in the last four years, leading to a significant increase in usage levels in the recent past. The competition in the sector has resulted in Safaricom and Airtel buying out yuMobile in a deal which will see Safaricom buy Essar-owned yuMobile infrastructure and retain about 130 employees in the technical department while Airtel acquires the 2.7 million subscribers by taking over the mobile number prefix, thus allowing the customers to migrate to its network without having to change their identities (CCK, 2014).

The mostly outsourced service in the mobile telephone industry in Kenya is Network Management and customer care. The mobile telephony companies in Kenya are delegating the running of their customer care and network management facilities in order to cut costs in a market where operators are sliding deeper into losses. Apart from outsourcing its Network management to Nokia Siemens, Zain Kenya has also outsourced the operation of its customer care outlets and customer care services. Telkom Kenya, on the hand, has outsourced its customer care operations to local BPOs Horizon and Kencall in an effort to keep its employee costs low.

1.2 Research Problem

Dwindling resources and market competitiveness have forced organizations to scrutinize their methods of producing goods and services and make changes in their processes in order to maximize economic returns. To be able to survive and be profitable in current globalization era, organizations have pursued continuous improvement, leaned up production, reengineered business processes, and integrated supply chains (Brannemo, 2006). The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities (McIvor, 2008). With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers (Yang et al, 2007).

The Kenyan mobile telephony industry has witnessed transformation since early 1990s to date and at the same time has had an influence over the economic development of Kenya. From a single defunct Kenya Post and Telecommunication Corporation, the country has registered increased number of players to the present day four. With the increased level of competition, new challenges have come up which have necessitated development of appropriate strategies to counter the challenges. The accelerated competitions as well as the ever increasing consumers demand for value has pushed mobile companies to create value through efficient use of limited resources. This has necessitated them to search for ways of offloading some of these activities for efficiency and competitiveness. These organizations have reaped many benefits of outsourcing such as access to best in class technologies and reduced costs of operations. However outsourcing may also pose major challenges to the companies like loss of control of the activities outsourced and dependency on suppliers.

A number of studies have been done in the area of outsourcing. McGovern and Quelch, (2005) note that while outsourcing of activities relating to marketing and sales may, lead to better quality and lower costs, the outsourcer’s ability to address and segment customers may be partly lost. This may mean that too much time and resources are spent servicing less important customers. Pujals, (2004), conducted a study on offshore outsourcing in the European Union mobile telephony industry. Results of the study indicate that mobile firms may choose to outsource certain activities for various motives. Some of the motives cited are: cost reduction, access to new technology, focus on core activities, improvement of quality of services and greater flexibility

Kiplangat (2011) researched on the impact of outsourcing practices on performance of commercial banks in Kenya. The finding of the study was that the perceived benefits outweigh perceived failures and hence outsourcing is viewed to have enhanced banks' performance. Mungai, (2012), researched on outsourcing of transport services at DHL supply chain Kenya limited and established that the benefits of outsourcing transport services included the decrease in operational costs, increased productivity, increased flexibility, increased focus upon a set of core activities, and increased profitability. Gulamhusein, (2011), researched on strategic outsourcing practices by mobile service providers in Kenya and established that top level management was involved in the outsourcing decision making. Focus on core business was considered highly while cost reduction, improved quality of service, increased competitiveness, and increased flexibility were key factors when deciding on the outsourcing strategy. Outsourcing was considered a long term strategy to reach certain objectives as opposed to a short term solution. Cost - Benefit analysis, case study and prioritization were the most common tools used to formulate an outsourcing strategy. Smith (2012) also investigated outsourcing and supply chain performance among mobile telephone service provides in Kenya. This study established the relationship between outsourcing and supply chain performance among mobile phone service providers.

Kenani (2013) researched on the outsourcing strategy and performance of outsourced activities in cement industry in Kenya. The study found out that there was need to focus on core competencies and enhance efficiency were the factors influencing outsourcing strategy adoption. The performance indicators in outsourcing were improved technical capacity and enhanced performance contract. The studies done above indicate that there is no known study which has been undertaken on the factors that affect performance of outsourcing practice among mobile phone companies in Kenya. This study aim to answer the question; what factors affect performance of outsourcing practice among mobile phone companies in Kenya?

1.3 Research Objective

To determine the factors that affect performance of outsourcing strategies among mobile phone companies in Kenya.

1.4 Value of the Study

The study will be of value to the management of the companies as it will be able to know the factors that affect the performance of the services they have outsourced as this would affect the overall performance of the company. The findings of the study will expose the factors that affect the performance of outsourcing and as a result, the companies will be more endowed with knowledge and prepared to fit in the prevailing competitive environment. The results may provide the buying firms with the ability to identify best practices that if applied can assist organizations in creating a competitive advantage. Improving supplier's performance creates an advantage, resulting in the buying firms' ability to improve customer value propositions.

The policy makers can obtain knowledge of the mobile telephony industry dynamics and the appropriate outsourcing practices and therefore they can obtain guidance from this study in designing appropriate policies that will regulate the industry. The findings of the study will enable the policy makers know the factors that affect performance of outsourcing practice thus formulate policies that will spur outsourcing in the companies in order to grow. The study provides the background information to other researchers and scholars who may want to carry out further research in this area. The study facilitates individual researchers to identify gaps in the current research and carry out research in those areas, the work will also be used by students who will want to study similar area and to come up with comprehensive conclusion and reasoning in regard to outsourcing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter, reviews different literature of different scholars, about what they say on factors affecting outsourcing. The literature gives a brief discussion on the theoretical framework of outsourcing. This chapter also, highlights on outsourcing in mobile telephony industry in Kenya and the factors that affect the performance of outsourcing.

2.2 Theoretical Foundations of the Study

A number of theories have also been put forward in the literature that attempt to justify the unprecedented rate of outsourced contracts (Gottschalk and Solli-Saether, 2005). This theories include the transaction cost theory, resource based theory and risk theory.

2.2.1 Transaction-Cost Theory

According to transaction-cost theory, the relative transaction and production costs associated with the process or service determines whether to outsource or internalize the process (Mahnke et al, 2005). The three dimensions of transactions include: frequency of transactions, uncertainty, and degree of asset specificity. If all the dimensions of the transaction are found to be low, then the firm will decide to outsource its business processes. This approach highlights the need for a detailed and specific contract between the client and vendor in order to avoid opportunism and performance measuring problems (Poppo and Zenger, 2002). But such formal and highly specific contracts may lead to distrust and opportunism. This view fosters rigidity and distrust among vendors due to its emphasis on over-specification.

Transaction cost theory indicates that firms outsource production in order to reduce costs and to achieve cost efficiency. Production cost is the cost incurred to make the product or to provide the service e.g. labor, material, and capital. Coordination costs include monitoring, controlling and managing the work internally. If the job is handed over to an external vendor, the coordination costs are called transaction costs. Kulmala (2003) argues that externally outsourcing of services or production results in lower production costs than doing it internally due to economies of scale. But in such a case the transaction cost is high because vendors need to be managed and monitored.

Transaction costs represent “friction in the market” or “cost of using the price mechanism”. Aubert *et al.* (2004) basic rule states that when the marginal costs of using markets (transaction costs) are higher than the costs of running a firm (management costs), the transaction should be organized within the firm and vice versa. The reasons behind transaction costs are transaction difficulties. These are bounded rationality, opportunism, uncertainty and complexity, small numbers, information impactedness and asset specificity. Based on transaction cost theory, when a firm has already integrated its operational functions, the decision to outsource such functions to the market should be made if it is necessary to create or protect firm value. Complex supply chains and networks may hide the problem of analyzing the actual unit cost accumulation. For example, the lowest price supplier in a certain phase of a supply chain may cause a significant cost increase in other phases due to non-optimal activity structure. Therefore, the activity-based costing (ABC) method should not be limited to single phases of a supply chain, as is too often the case in outsourcing; the total unit cost accumulation in a supply chain should be covered (Kulmala, 2003).

2.2.2 Resource-Based Theory

This perspective is based on the firm‘s internal competence i.e., the resources and capabilities. According to Barney (1991), a firm‘s competitive advantage is derived from those capabilities that are unique and non-substitutable and are the main drivers of the firms’ performance. These capabilities constitute the core competencies’ of the firm (Prahalad and Hamel, 1990). According to RBV, a firm may outsource all activities other than its core competencies. For example, a firm should outsource its IT activities if IT is not part of its core competencies (Steensma and Corley, 2002). RBV encourages the firm to evaluate whether it is more efficient to make a product in-house or to buy it from the market. Within this framework, outsourcing is more promising when the firm decides that a function is not part of its core competencies and it can acquire the right quality at the right price from an external provider. In the end the goal is to reduce cost and improve service and free up management talent for the firm‘s core strategic business concerns (Khosrowpour et al, 1996)

The inadequacies of the transaction-cost and resource-based views have brought about the relational view that draws from both the transaction cost and resource-based approaches. This view focuses on creating value through different forms of partnerships for both the parties. As discussed by Dyer and Singh (1998), relational rents are created wherein partners share, combine, or invest their assets, knowledge, or capabilities, or employ effective governance to lower their transaction costs or improve synergies. Thus, a firm will enter into an outsourcing relationship only if the vendor-client relationship offers relational rents generated through inter-firm exchange or sharing of knowledge, capabilities, and assets.

2.2.3 Risk Theory

Bauer, (1967), explains that the risk theory analyses the risk a person subjectively associates with the consequences of a decision and impact of that decision on the intention to complete a transaction. This theory is based on the fact that as long as the perceived benefits outweigh the perceived risks, the person in charge will have a positive attitude towards a particular decision. Within the decision theory framework, the concept of risk-benefit analysis compares the risks associated with and the benefits expected of a decision that is made, in order to achieve an optimal result. When the concept is applied to outsourcing, it means that the decision maker has to assess all the potential risks and benefits that may arise from the outsourcing process before deciding whether or not to outsource.

Pavlov, (2001), notes that the potential risk reduces individual intentions to conclude a deal and therefore an individual perception towards outsourcing could either be positive or negative. Negative perceptions of outsourcing are often equated with risks of outsourcing, that is, the possibility of outsourcing failure. On the contrary, there also exist outsourcing advantages, which may be summarized as outsourcing benefits (Dibbern et al, 2004).

2.3 Factors that Affect Performance of Outsourcing Strategies

The outsourcing strategies in organizations are affected by several factors which includes;

2.3.1 Trust among Partners

Because of resource limitations, few firms have the ability to apply world-class resources to all areas of competition. Thus, in order to gain competitive advantage they must select areas in which they will concentrate their resources (Hamel and Prahalad, 1994). By outsourcing to specialist organizations services not generated by core competences, companies can see an improvement in their organizational performance. According to Randall (1993), successful outsourcing requires identification of a strong need for outsourcing. Organizations undergoing rapid change due to changing internal and external environments are likely to benefit if they embrace outsourcing as an operational strategy to reduce operation costs. He adds that companies facing significant capital and headcount constraints are also likely to benefit by outsourcing expensive assets and personnel services. Before committing to outsourcing, companies need strong evidence that tangible benefits will be achieved. To quantify the benefits, a comprehensive feasibility study needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Strategic assessments are business cases for the entire organization in terms of which areas are suitable for outsourcing and which are not.

The resource based theory research postulates that buyer-supplier relations founded on trust enables firms to accumulate resources that are rare, valuable, rare to imitate with no readily substitutes (Hoyt and Huq, 2000). This implies that trust is a necessary precondition for effective buyer-supplier relations such as in outsourcing. However, the fundamental challenge in conceptualizing the role of trust in economic exchange is extending an inherently individual-level phenomenon to the organizational level of analysis without clearly specifying how trust translates from the individual to the organization level that leads to theoretical confusion about who is trusting whom, because it is individuals as members of organizations rather than the organizations themselves who trust. The relational exchange perspective does not stipulate the mechanisms by which individual-level action affects organizational-level outcomes and little research has been done to explain how trust particularly when conceptualized as a multilevel phenomenon operates to affect the performance of inter-firm exchange (Johnston et al, 2004).

Organizations consider their outsourcing projects successful when the benefits generated by the outsourcing strategies were greater than the costs of developing the required resources and capabilities through internal development or acquisitions. Meanwhile, organizations considered their outsourcing projects unsuccessful or failures, when the costs of managing the links between outsourcing partners were greater than the benefits generated by the outsourcing program. This finding is consistent with previous studies on alliances success and failure (Foster, 1999). Successful firms identified the clear objectives and expectations of outsourcing activities as the most useful and contributing factors to their outsourcing effort. Outsourcing must be done carefully, systematically, and with explicit goals and expectations. Sensible reasons to consider outsourcing include both strategic and tactical concerns on both a department and organizational level. A good choice of outsourcing partners was the most useful and contributing factor among successful organizations.

2.3.2 Training and Communication among the Partners

Outsourcing partners should be selected based on their expertise in the operation being outsourced and their cultural fit with the organization. Another factor is providing adequate training skills needed to manage outsourcing activities and to negotiate a sound contract. Providing managers with skills that will enable them to adapt to other cultures and work with other managers may be very important to ensure the success of outsourcing (Sinderman, 2005). Developing a comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities may be the key to successful sourcing efforts (Guterl, 2006).

Effective communication among cross-functional areas reduces the negative effects of outsourcing projects on the morale and performance of the remaining employees.

Management must step in and rebuild trust among the workers, and jobs may need to be evaluated and expanded or changed to fit the new organization. This can be achieved through support and involvement of top management and by providing incentives to employees and vendors who meet and exceed the contracted performance expectations (Foster, 1999). Another factor is to acquire the right people, with the right skills involved in all phases of outsourcing activities. Early in the evaluation, persons must be identified as to who will take leadership responsibility, perform the analysis, and make the decisions. Adequate supporting infrastructures, commitment by top management, and development of objective performance criteria were among the factors contributed to successful outsourcing projects. Properly defined performance criteria for an outsourcing engagement are objective, quantifiable, and collectible at a reasonable cost, and should be metrics, which can be benchmarked against performance of other organizations and providers (Ramarapu et al, 2007). Other factors identified among the top priorities in successful firms include adequate performance feedback, emphasis on both short and long-term benefits, anticipation of change for both good and bad times and accommodation of cycles of demand that require an adjustment in services.

2.3.3 Partner Characteristics

Elmuti (2003) noted that a good partner is important ingredient for success. Essentially in Outsourcing agreements, the relationship between the institutions and their partners are based on trust and on contracts. So it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability. Barthelemy, (2003) observes that right partners will eventually lead to closer ties and relationships. Elmuti, (2003) further emphasizes the importance to get the right people involved in managing outsourcing efforts and add that adequate training, infrastructure and facilities are essential. Nevertheless, unsuccessful firms identified the fear of change, including fear of job loss as the most serious problem facing their outsourcing efforts. Dealing with these fears through communication and honesty is important to managing this factor (Quinn, 2000). A poor choice of outsourcing partners was the second most serious problem facing unsuccessful organizations. Establishing strategic supplier alliances and adoption of the philosophy that the firm is a partner with the suppler may help alleviate this problem

(Lau and Hurley, 2007). The third factor was not providing enough training/skills needed to manage outsourcing activities. The individuals responsible for managing the outsourcing relationship should receive specific training that includes a complete understanding of the business goals of the contract, the specific performance criteria agree to, and individual roles. This training and communication can also help reduce resentment or resistance (Foster, 1999).

Companies that outsource should continue to monitor the contractors' activities and establish constant communication. Another big problem with outsourcing comes from the workers themselves, as they fear loss of jobs (Malhorta, 2007). According to a recent survey, 55 percent of outsourcing relationships fail in the first five years. Of these that do manage to stay together, 12 percent are unhappy with their arrangement and regret ever making the deal (Foster, 1999). Other problems identified including poor organizational communication, cross functional political problems, unclear expectations, lack of flexibility, keeping contracts short, and taking a tactical rather than an strategic approach to outsourcing activities. Formal contracts define predetermined performance standards that focus on achievement of minimum standards with an emphasis on maximizing supplier delivery performance. This includes defining details of quality, quantity, timing, and method of delivery of the corresponding inputs and outputs required from both parties to support the outsourced process. The components of quality, such as response time, reliability, and quality of support services must be defined according to the function being outsourced to achieve best service delivery. Well defined formal contracts also limit opportunism of the supplier and this encourages trust based behaviors and decreases the frequency of conflict situation, while delivering the expected supplier delivery performance (Stefanie et al, 2010).

2.3.4 Top Management Commitment

Frayer et al, (2001) suggested that in order for an out-sourcing strategy to work effectively, companies must proactively manage their outsourcing strategies by establishing top management commitment, global sourcing structures and processes, and global sourcing business capabilities. In addition, they suggested that companies that have not raised their sourcing approach to global, strategic level might already be behind in terms of quality, cost, delivery, technology, performance, and customer service. Klaas et al, (2001), suggested that the influence of organizational characteristics was highly contingent, suggesting that organizational characteristics have different effects on various types of outsourcing activities outsourced. As such, it appears that many factors such as pay level, promotional opportunities and demand uncertainty should be considered when deciding to outsource functions or activities. Behara et al, (1995) emphasize the factors that need to be considered in outsourcing decision in the context of a specific firm's situation as follows: impact on company competitiveness, identifying services to be outsourced, the number of suppliers to be used, ability to return to in-house operations if required, supplier reliability and service quality, coordination with the supplier and evaluating performance, flexibility in the products offered by the supplier, providing the latest or advanced technology and expertise.

Foster (1999) argue from a different perspective, obstacles such as poor choices of sourcing partners, inadequate planning and training/skills needed to manage outsourcing activities and poor organizational communication have also been identified as key determinant of the success of outsourcing projects. Properly defined performance criteria for an outsourcing engagement are objective, quantifiable, and collectible at a reasonable cost, and should be metrics which can be benchmarked against performance of other organizations and provider. Other factors identified among the top priorities in successful firms include adequate performance feedback, emphasis on both short and long-term benefits, anticipation of change for both good and bad times and accommodation of cycles of demand that require an adjustment in services (Peter, 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design

The research design adopted was cross sectional survey design. According to Cooper and Schindler (2000), a descriptive research design is concerned with finding out the; who, what, where, when and how much. Furthermore, a research design is structured, has investigative questions and part of formal studies. The design was appropriate because the main interest is to explore the viable relationship and describe how the factors support matters under investigation.

A cross sectional study looks at data collected across a whole population to provide a snapshot of that population at a single point in time. This kind of study was used to determine the factors affecting the performance of outsourcing practice among mobile telephone companies. Descriptive research design method provided quantitative data from cross section of the chosen population. This design provided further insight into research problem by describing the variables of interest.

3.3 Target Population

The population of the study comprised of all mobile telephone companies in Kenya. According to the (CCK, 2014), there are four mobile companies in Kenya and all of them participated in the research and hence the study was a census. The list of the firms is attached in Appendix II.

3.4 Data Collection

The study used primary data which were collected through a self-administered questionnaire. A structured questionnaire was used to collect data. The questionnaire consisted of both open and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis, respectively. The questionnaire was administered through "drop and pick later" in the organizations offices whereby the researcher targeted respondents in the managerial level specifically in marketing, business development, finance and the human resource departments. The choice of the respondents was informed by the knowledge that these are the departments involved in the outsourcing process or have sought services from third parties.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were coded into numerical form to facilitate statistical analysis. Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables and charts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 12 questionnaires were issued out and only 11 were returned. This represented a response rate of 92%.

4.2 Demographic Characteristics

This section covered the ownership of the company, education level, length of service, duration of company operation, department respondents' work.

4.2.1 Ownership of the Company

The respondents were asked to indicate the ownership of the mobile phone company. The results are presented in Table 4.1.

Table 4. 1: Ownership of the company

Ownership	Frequency	Percent	Cumulative percent
Foreign	4	36.4	36.4
Both local and foreign	7	63.6	100.0
Total	11	100.0	

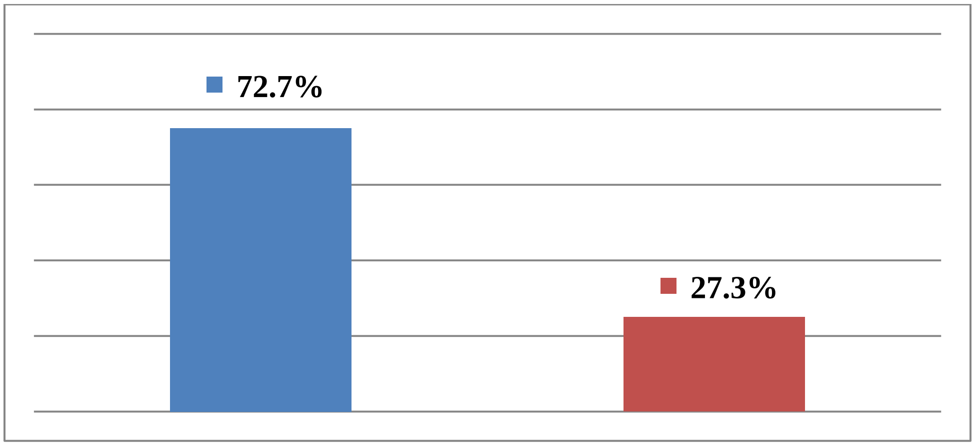
Source: Research Data (2014)

The results in Table 4.1 indicates that 63.6% of the mobile phone companies are both locally and foreign owned while 36.4% of the companies were indicated to be foreign owned. The results indicate that the mobile telephony industry in Kenya is competitive due to the presence of foreign ownership which understands the dynamics of the industry and the strategies to be adopted in order to be competitive.

4.2.2 Level of Education

The respondents were requested to indicate the level of education they have attained. The results are presented in figure 4.1.

Figure 4. 1: Level of education



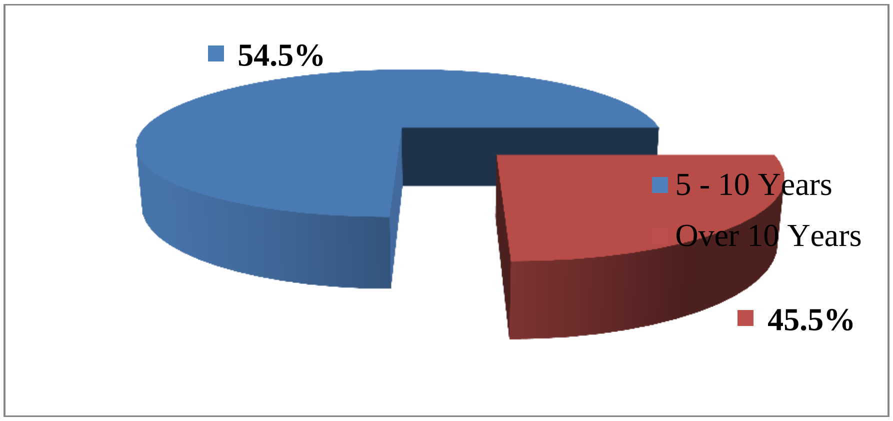
Source: Research Data (2014)

The results in Figure 4.1 indicates that 72.7% of the respondents had attained postgraduate level while 25% of the respondents said that university was their highest level of education. The results indicate that majority of the respondents have attained post graduate level. The results indicate that all the respondents were university graduates and above and therefore they understand the factors that affect the performance of outsourcing practices among mobile phone companies.

4.2.3 Length of Service with the Mobile Phone Company

The respondents were requested to indicate the length of service with the mobile phone company. Duration of service in the company was important in order to determine the respondents’ level of understanding of internal information pertinent to company. The results are presented in Figure 4.2.

Figure 4. 2: Length of service with the mobile phone company



Source: Research Data (2014)

The results in Figure 4.2 shows that 54.5% of the respondents have worked in the mobile phone company for a period of 5 to 10 years while 45.5% of the respondents indicated that they have worked in the company for over 10 years. The results indicate that majority of the respondents have worked in the mobile phone industry for a long time and therefore they understand the challenges that face the industry and the need for the company to outsource and also the effects of outsourcing.

4.2.4 Duration of Company Operation

The respondents were requested to indicate the duration in which the mobile phone company has been in operation in Kenya.

Table 4. 2: Duration of company operation

Years	Frequency	Percent	Cumulative percent
6-10	6	54.5	54.5
11-15	3	27.3	72.7
Over 15	2	18.2	100.0
Total	11	100.0	

Source: Research Data (2014)

The findings presented in Table 4.2 indicate the distribution of responses on the duration of mobile phone company operator existence. The findings indicate that 54.5% of the companies have been in operation for a period of 6 to 10 years, 27.3% of the companies were indicated to have been in existence for a period of 11 to 15 years while 18.2% of the respondents indicated that the company has been in operation for over 15 years. The results indicate that the respondents have been in existence for a longer duration of time and therefore understand the dynamics of the industry and the factors that affect performance of outsourcing practices among mobile phone companies.

4.2.5 Working Department

The respondents were requested to indicate the department they work at in the company they work for. The results are presented in table 4.3.

Table 4. 3: Working Department

Years	Frequency	Percent	Cumulative percent
Marketing	3	27.2	27.2
Procurement	2	18.2	45.4
Business development	4	36.4	81.8
Finance	2	18.2	100.0
Total	11	100.0	

Source: Research Data (2014)

The results in Table 4.3 of respondents working department indicate that 36.4% of the respondents work in the business development department, 27.2% of the respondents said that they work in the marketing department, 18.2% of the respondents work in the procurement department while another 18.2% of the respondents work in the finance department. The results indicate that the respondents work in different departments and therefore they understand the factors that affect performance of outsourcing practices from the services that have been outsourced in their department.

4.3 Factors Affecting Performance of Outsourcing Practices

Outsourcing of business processes is one of the key outcomes of the changing operating environment. As companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core businesses. All the companies were found to outsource some of its services in the course of its operations. The outsourced services were fall short of expectation and this was attributed to the factors that emanate from both the mobile phone companies and the third party.

4.3.1 Factors Affecting Performance of Outsourced Services

The respondents were asked to indicate the factors they consider to be affecting performance of outsourced services in a five point Likert scale. The score of 5 was used to indicate the challenge which was most common while a score of 1 indicated least common problem.

Table 4. 4: Factors affecting performance of outsourced services

Factors affecting performance of outsourced services	Mean	Std. Deviation
A lack of trust among partners	3.4468	.5394
A lack of training and communication	3.7573	.9574
Partner capacity to deliver on the service	3.6642	.7638
A lack of top management characteristic	3.5308	.9382
In appropriate corporate culture	3.8461	.8909

Source: Research Data (2014)

The results in Table 4.4 indicates that the performance of outsourced services is affected by inappropriate corporate culture with a mean of 3.8461, lack of training and communication with a mean of 3.7573, partner capacity to deliver on the service and lack of top management characteristic with a mean of 3.6642 and 3.5308 respectively. Lack of trust among partners with a mean of 3.4468 was also found as hindering the performance of outsourced services. The results show that the performance of outsourced services is affected by several factors that emanate from both buyer-supplier relations.

4.3.2 Effect of Trust among Partners

The respondents were requested to indicate the factors that hinder the level of outsourcing services performance in a five point Likert scale. The range was 'not at all (1)' to 'very great extent' (5). The scores of not at all and small extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

Table 4. 5: Effect of trust among partners

Trust among partners	Mean	Std. Deviation
There is a lack of trust between the mobile phone company and the outsourced firm and as a result, transfer of valuable, rare to imitate resources has not been forthcoming	3.5682	.7294
The mobile phone companies consider the outsourcing firms to be able share some of its operation secrets with other competitors since they offer the same services to the competitors	3.7538	.8341
The company's business outsourcing strategy might not match the level of service offering by the outsourced firm and therefore led to a lack of synergy with the company	3.7329	.9357

Source: Research Data (2014)

The findings in Table 4.5 indicate the extent to which trust among partners affect performance of outsourced services. The results show that the mobile phone companies consider the outsourcing firms to be able share some of its operation secrets with other competitors since they offer the same services to the competitors with a mean of 3.7538, company's business outsourcing strategy might not match the level of service offering by the outsourced firm and therefore lead to a lack of synergy with the company (mean 3.7329) and that transfer of valuable, rare to imitate resources has not been forthcoming with a mean of (3.5682). From the analysis, it can be concluded that there is no trust between the mobile phone companies and the companies they have contracted to offer services.

4.3.3 Effect of Training and Communication

The respondents were asked to indicate the influence of training and communication on performance of outsourced services. The results are presented in Table 4.6.

Table 4. 6: Influence of Training and Communication

Influence of Training and communication	Mean	Std. Deviation
Lack of the necessary expertise in the operation being outsourced and their cultural fit with the mobile firm and as a result failing to deliver to expectation	1.2581	.6839
Lack of adequate training skills needed to manage outsourcing activities and to negotiate a sound contract leading to a lop sided contracts with one of the parties	3.5518	.9574
There has been a challenge to impart managers of the outsourced firm with necessary skills that will enable them to adapt to other cultures and work with other managers	3.6172	1.1142
There has been a lack of comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities by the mobile phone company which has affected successful sourcing of services	3.8049	1.2909
There has been a lack of properly defined performance criteria for an outsourcing engagement that is objective, quantifiable, and collectible at a reasonable cost, and that can be benchmarked against performance of other organizations	3.7438	.9099

Source: Research Data (2014)

The results in Table 4.6 indicates that the respondents agreed that there has been a lack of comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities with a mean score of 3.8049, there has been a lack of properly defined performance criteria for an outsourcing engagement that is objective, quantifiable, and collectible at a reasonable cost, and that can be benchmarked against performance of other organizations and that there has been a challenge to impart managers of the outsourced firm with necessary skills that will enable them to adapt to other cultures and work with other managers with a mean of 3.7438 and 3.6172 respectively. The respondents further noted that there is lack of adequate training skills needed to manage outsourcing activities and to negotiate a sound contract leading to a lop sided contracts with one of the parties with a mean score of 3.5518. The respondents however noted that lack of the necessary expertise in the operation being outsourced and their cultural fit with the mobile firm and as a result failing to deliver to expectation with a mean of 1.2581 did not influence the performance of outsourced services.

4.3.4 Influence of Partner Characteristics

The respondents were requested to indicate the influence of partner characteristics on the performance of outsourced services.

Table 4. 7: Influence of Partner Characteristics

Influence of Partner Characteristics	Mean	Std. Deviation
Unsuccessfull**y** selection of a firm based on criteria like credibility, expertise, and reliability	3.6128	.6719
Lack of right people involved in managing outsourcing efforts and to add adequate training and infrastructure in the entire process of service outsourcing	3.5395	.8394
Lack of adequate mechanism to monitor the contractors' activities and establish constant communication.	3.7529	.5705
Existence of poor organizational communication, unclear expectations, lack of flexibility, keeping contracts short, and taking a tactical rather than an strategic approach to outsourcing activities by the firms	3.5016	.8167
Lack of a well-defined formal contracts between the company and the outsourced firm in order to limit opportunism of the supplier and encourage trust based behaviours and decreases the frequency of conflict situation	3.4829	.7259

Source: Research Data (2014)

The results in Table 4.7 indicates that the performance of outsourced services was affected by lack of adequate mechanism to monitor the contractors' activities and establish constant communication with a mean score of 3.7529, unsuccessfully selection of a firm based on criteria like credibility, expertise, and reliability (mean 3.6128), lack of right people involved in managing outsourcing efforts and to add adequate training and infrastructure in the entire process of service outsourcing (mean 3.5395), existence of poor organizational communication, unclear expectations, lack of flexibility, keeping contracts short, and taking a tactical rather than an strategic approach to outsourcing activities by the firms with a score of 3.5016 and lack of a well-defined formal contracts between the company and the outsourced firm in order to limit opportunism of the supplier and encourage trust based behaviours and decreases the frequency of conflict situation with a mean score of 3.4829. The results show that poor choice of partner was hindering the achievement of desired results by the companies.

4.3.5 Influence of top Management Commitment

The respondents were requested to indicate the influence of top management on performance of outsourced services. The results are presented in table 4.8.

Table 4. 8: Influence of top management commitment

Influence of top management commitment	Mean	Std. Deviation
Lack of appropriate level of commitment, sourcing structures and processes, as well as capabilities	3.5194	.5773
Top management poor choice of sourcing partners, inadequate planning and training/skills needed to manage outsourcing activities	3.7528	.8929
Lack of adequate performance feedback, that emphasis on both short and long-term benefits and anticipation of change	4.1506	.8165

Source: Research Data (2014)

The findings in Table 4.8 indicates that lack of adequate performance feedback, that emphasis on both short and long-term benefits and anticipation of change with a mean score of 4.1506, poor choice of sourcing partners, inadequate planning and training/skills needed to manage outsourcing activities with a mean score of 3.7528 and lack of appropriate level of commitment, sourcing structures and processes, as well as capabilities with a mean score of 3.5194 affected the performance of outsourced services and this have an effect on the intentions of the companies to outsource their services.

4.4 Discussion

In this competitive and complex environment, firms must be able to response to customers' needs and market demands by means of reconsidering their management strategies to gain competitive advantages. One of the best strategies to prevail in domestic and global competition is outsourcing. Through outsourcing, a company can expand and develop its sources and capacities by accessing to higher quality services and better functionality. Outsourcing by the mobile phone companies has not however achieved the desired results due to factors that hinder its achievement. Trust is a necessary precondition for effective buyer-supplier relations such as in outsourcing. The study however established that trust was lacking among the mobile companies and its supplier and this had a major impact on the performance of outsourcing practices. This mistrust resulted in none sharing of information for fear of sharing with competitors and lack of synergy. The results were found to be consistent with Koh *et al.,* (2009) findings that buyer-supplier trust affects transaction costs, governance choice, exchange performance, cooperation and commitment, information sharing, and negotiation and conflict between organizations.

Communication between outsourcing users and providers, which is essential for the coordination of internal corporate functions and outsourced services, is very important factor in outsourcing. Firms need to specify clearly to service providers their role and responsibilities as well as their expectations and requirements. Bailey *et al.,* (2008) noted that effective communication among cross-functional areas reduces the negative effects of outsourcing projects on the morale and performance of the remaining employees. Management must step in and rebuild trust among the workers, and jobs may need to be evaluated and expanded or changed to fit the new organization. This is consistent with the findings of the study that among the mobile phone companies there is lack of comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities, lack of properly defined performance criteria for an outsourcing engagement that is objective, there has been a challenge to impart managers of the outsourced firm with necessary skills that will enable them to adapt to other cultures and work with other managers and lack of adequate training skills needed to manage outsourcing activities and to negotiate a sound contract leading to a lop sided contracts with one of the parties.

To maximize the potential benefits and minimize the dangers of outsourcing there is a need for an outsourcing strategy to select suitable vendor. Every company who wants to outsource an activity needs to establish selection criteria and then to monitor the performance of outsources needs to establish selection criteria and then to monitor the performance of outsources against these criteria. The study found out that partner characteristics affected the performance of outsourced services among the mobile phone companies due to lack of adequate mechanism to monitor the contractors' activities and establish constant communication, unsuccessfully selection of a firm based on criteria like credibility, expertise, and reliability, lack of right people involved in managing outsourcing efforts and to add adequate training and infrastructure in the entire process of service outsourcing, existence of poor organizational communication, unclear expectations, lack of flexibility, keeping contracts short and lack of a well-defined formal contracts between the company and the outsourced firm. Bailey (1997) found that there is a significant link between how vendors were selected and eventual success of the collaborative venture. He stated that the most associated factors with the success were technical management, management ability, development speed and compatible aims of the contending company, bailey shows that the criteria used for selecting outsourcing contractors were mainly reputation, cost, previous contacts and technical capability. Tijun (2009) found that the main criteria for selecting outsourcing were high service quality and mutual trust.

Frayer et al. (2001) suggested that in order for an out-sourcing strategy to work effectively, companies must proactively manage their outsourcing strategies by establishing top management commitment, global sourcing structures and processes, and global sourcing business capabilities. In addition, they suggested that companies that have not raised their sourcing approach to global, strategic level might already be behind in terms of quality, cost, delivery, technology, performance, and customer service. The study found out that the companies top management do not have adequate performance feedback, have poor choice of outsourcing partners, inadequate planning and training/skills needed to manage outsourcing activities and that they have not been able to establish appropriate level of commitment.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusion and recommendations of the study. The suggestion for further research was also highlighted.

5.2 Summary of the Findings

The study show that all the mobile companies outsource some of its services and this will enable them to concentrate on its core services. The services offered were found to have fallen short of expectation of the mobile companies. The expected performance was however not achieved as it was affected by lack of trust which resulted in none sharing of information for fear of sharing with competitors and lack of synergy. Success of outsourcing depends on a user-provider relationship based on mutual trust and faith. This does not imply that control measures are redundant, firms should mandate periodic reporting by the service providers. The need to select third parties wisely and maintain control while building trust is very important. Any deal must be tied to internal controls that link all payments to invoices, bills of lading, or purchase orders. A crucial aspect of successful outsourcing linking to trust is that users ought to be willing to part with proprietary information, which can help a capable third party to reduce total costs. On the other hand, service providers have the responsibility and obligation to protect users' sensitive data on products and customers.

The success criteria needed to establish sustainable partnerships in the area of outsourcing are the various relationships between the people involved. Open and honest environment, key management, coherent and effective internal measurement systems, mutual respect and empathy, commitment to investment, and financial and commercial arrangements are of particular importance in this aspect. It is evident from the findings of the study that commitment from top management and proper selection of third party is essential for successful implementation of outsourcing decision. Management must examine critically each of these success factors to determine how they can be put into practice. Only then firms can truly harness the benefits of outsourcing and to develop long-term partnerships that manifest the many advantages.

5.3 Conclusion

On the basis of findings emanating from this study it can be concluded that outsourcing practice contributes to concentration of core objectives by the companies. Outsourcing however results in loss of control of activity, the transfer of sensitive information, the possibility of exorbitant price increase by the suppliers at a future date, along with fluctuations in quality. Outsourcing service provider selection process becomes increasingly important in today's complex environment. The selection process involves the determination of quantitative and qualitative factors to select the best possible provider.

Since outsourcing is important in improving and delivering better services, it is quite necessary that these mobile phone companies ensure that they cultivate and develop trusting relationships with reputable firms that over time have been outsourced and shown to be good performers. It should be noted that buyer-supplier trust takes time to emerge from fair transactions and cannot be forced. Outsourcing practice though good has its challenges which need to be dealt with before the mobile phone companies decide to outsource its services. These factors include trust among partners, training and communication, partner characteristics and commitment from the top management. The factors were found to affect performance of outsourced services and this will affect the performance of the companies and reduce customer confidence in the company.

5.4 Recommendation

This study makes several recommendations for policy implementation and also suggest for further research.

Firstly, the study established that trust among the companies affected the performance of outsourcing practice and it is recommended that when developing mutually trusting relationship between buyers and suppliers, buyers should ensure that they engage in fair conduct as it relates to agreements that may be in force. When suppliers feel they are not getting what they ultimately deserve or were promised, they may end up performing well below their capacity, thus negatively affecting the buyer's organization in the process. In the same spirit of open and fair conduct, mobile phone companies should also ensure that they clearly specify and outline product or service specifications as required and once delivered as needed that they make payments to suppliers in a timely fashion as outlined by the terms of the contract. In so doing, outsourced suppliers will not only have a better understanding of what they need to deliver, but with payment assured, they should also be more motivated to do so and in a more effective and efficient manner.

The study found out that partner characteristics influenced the level of outsourcing services performance and it is strongly recommended that all mobile operators currently operating in the country to imbibe the culture of employing competent vendors for their outsourcing jobs and should re-invest or plough back most of their profits into their businesses as to improve their present infrastructural roll out. These will enhance good quality network services throughout the country as well as easy accessibility in rural areas of the country. To evaluate the right party to outsource its operations, it is suggested that organizations should evaluate the provider's financial position, its capability to carry out the outsourced activity, potential risks inherent in the move to outsource, and risk mitigation or management measures, organizations are faced with tight budgets, and the desire to do more with less has never been greater for such organizations.

Finally, top management commitment was found to be affecting performance of outsourcing practices and it is recommended that there is need for top managers in mobile phone companies to be committed to resist dealing with prevalent opportunistic tendencies in order for the contracts they manage to achieve their set targets and objectives. This top-level management commitment should be directed towards and permeate throughout all the mobile phone companies that they manage so that even lower level employees are all resistant to this detrimental behaviour. As a means to help those involved with procurement overcome the challenges associated with opportunistic tendencies, procurement officers, evaluation committees, and contract committees should also focus increased attention on strengthening supplier evaluation procedures so as to proactively avoid opportunistic suppliers. Further, mobile phone companies need to develop mechanisms to deal with suppliers who engage in opportunistic behaviour.

5.5 Limitation of the Study

The study is subject to some methodological limitations. First, it is suggested that the size and nature of the sample must be enhanced to ensure variability and control for possible extraneous variation. While the sample is restricted to only four firms and a single industry, it would be recommended that data should be gathered from various sectors and industries in Kenya. In addition, since, the data in this research was collected from top managers of the organizations on the basis of their subjective evaluations, objective performance indicators should also be employed in the analysis. Further, the study did not account for certain behavioural factors – related to employees' and managers' characteristics, attitudes, and experience levels – as well as organizational factors – such as structure, size, and business dominance – that play a moderating role in the relationships highlighted in this study.

5.6 Suggestions for Further Research

The study confined itself to the mobile phone companies who operate in the telecommunication industry. This research therefore should be replicated in other sectors to establish the factors that affect performance of outsourcing practices in those sectors. At the same time more studies need to be done to establish the relationship between outsourcing and organizational performance of the mobile phone companies. This will go a long way in ascertaining the effects of outsourcing on performance of organizations.

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APPENDIX I: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

Section A: Demographic Information

1. Name of the Mobile phone company……………………………………………………….

2. What is the ownership of the organization?

a) Local ( )

b) Foreign ( )

c) Both local and foreign ( )

3. What is your highest level of education qualification?

a) Post graduate level ( ) b) University ( )

c) Tertiary College ( ) d) Secondary ( )

4. Length of continuous service with the mobile phone company?

a) Less than five years ( )

b) 5-10 years ( )

c) Over 10 years ( )

5. For how long has your company been in operation in Kenya?

a) Under 5 years ( ) b) 6 – 10 years ( )

c) 11 – 15 years ( ) d) Over 15years ( )

Section B: Factors Affecting Performance of Outsourcing Practices among Mobile Phone operators in Kenya

6. Does your organization outsource some of its services in the course of your operations?

Yes ( ) No ( )

7. According to your opinion, where do the outsourced services rank in service delivery to your organization?

a) Far below our Expectation ( )

b) Fall short of our expectation ( )

c) Meet our expectation ( )

d) Surpassed our expectation ( )

8. What in your opinion would you consider to be affecting performance of outsourced services in your company? Use one (5) being the most serious or most common challenge while (1) is the least common problem

Factors affecting Outsourcing	**5**	**4**	**3**	**2**	**1**
A lack of trust among partners					
A lack of training and communication					
Partner capacity to deliver on the service					
A lack of top management characteristic					
In appropriate corporate culture					
Others (Specify)……………………					

9. Below are some of the factors that might hinder the level of outsourcing services performance in the mobile phone companies. To what extent do the following factors affect your organization? Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

Trust among Partners	1	2	3	4	5
There is a lack of trust between the mobile phone company and the outsourced firm and as a result, transfer of valuable, rare to imitate resources has not been forthcoming					
The mobile phone companies consider the outsourcing firms to be able share some of its operation secrets with other competitors since they offer the same services to the competitors.					
The company's business outsourcing strategy might not match the level of service offering by the outsourced firm and therefore led to a lack of synergy with the company					
Training and Communication					
Some of the outsourced companies lack the necessary expertise in the operation being outsourced and their cultural fit with the mobile firm and as a result failing to deliver to expectation					
There has been cases where there has been lack adequate training skills needed to manage outsourcing activities and to negotiate a sound contract leading to a lop sided contracts with one of the parties					
There has been a challenge to impart managers of the outsourced firm with necessary skills that will enable them to adapt to other cultures and work with other managers					
There has been a lack of comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities by the mobile phone company which has affected successful sourcing of services					
There has been a lack of properly defined performance criteria for an outsourcing engagement that is objective, quantifiable, and collectible at a reasonable cost, and that can be benchmarked against performance of other organizations					
Partner Characteristics					
The mobile phone company has been unable to successfully select a firm based on criteria like credibility, expertise, and reliability					
The organization has been unable to find right people involved in managing outsourcing efforts and to add adequate training and infrastructure in the entire process of service outsourcing					
The company lacks adequate mechanism to monitor the contractors'					

activities and establish constant communication.					
There exists poor organizational communication, unclear expectations, lack of flexibility, keeping contracts short, and taking a tactical rather than an strategic approach to outsourcing activities by the firms					
There is a lack of a well defined formal contracts between the company and the outsourced firm in order to limit opportunism of the supplier and encourage trust based behaviors and decreases the frequency of conflict situation,					
Top Management Commitment					
The top management has not been able to establish appropriate level of commitment, sourcing structures and processes, as well as capabilities					
The organizations top management has had poor choice of sourcing partners, inadequate planning and training/skills needed to manage outsourcing activities					
The top management of the firm have adequate performance feedback, that emphasis on both short and long-term benefits and anticipation of change					

10. As a staff member of the mobile phone company, what recommendations would you make to improve the services of the outsourced firm?

…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

Thank you for your time

APPENDIX II: MOBILE PHONE OPERATORS

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