RECORDS MANAGEMENT OUTSOURCING PRACTICES AS A STRATEGY FOR GAINING COMPETITIVE ADVANTAGE: A PERSPECTIVE OF PETROLEUM AND BANKING MULTINATIONALS IN KENYA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION

I declare that this research project is my original work and has never been presented to any other University or College for assessment or award of a degree.

Signature.Stella Alumande........ Date....OCTOBER 2014..............

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This project has been written under my supervision and submitted for examination with my approval as the university supervisor.

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DEDICATION

To my family The Alumande's whom I love dearly and all those who supported me in the completion of this project.

ABSTRACT

Information is an organization's corporate memory and its most valuable asset. Today many Multi-National Companies are growing at faster rates with the advent of globalization. This rapid expansion of business operations has further ensued one among other things, plenty of data. Maintaining and managing so much information can take focus away from protecting organizations most important information assets such as trade secrets and customers' personal information. Records get misplaced, stolen, or are not produced at the right time and retrieving information becomes a tedious task. Most organizations want to consider outsourcing some of their Records Management Services e.g. records storage, scanning, data backup. Scandals such as Enron, Morgan Stanley, have renewed interest in corporate records compliance, retention and litigation. The general objective of this study was thus to identify the benefits of outsourcing Records Management for Multi-National Companies. The specific objectives were to assess the importance of effective Records Management Outsourcing practices in Multi-National companies and to identify the relationship between Outsourcing Records Management and Competitive Advantage in Multi-National firms. The research was descriptive and employed qualitative technics. Statistical methods were used to analyze the data collected. Primary data was collected using self-administered questionnaires with both open ended and closed ended questions. Secondary data was used to support facts and trends. The population comprised of internal records users and established records officers in Multi-National companies chosen from random sampling. The study concluded that the importance of effective records management outsourcing practices in multi-National companies is that it helps to create centralized storage of information, aids in disaster recovery and lastly is a tool for

companies to achieve competitive advantage. The study also concluded that there is a positive relationship between records management outsourcing practices and competitive advantage for in Multi-National companies. Records management outsourcing enables a firm to access resources that are not available internally, reduce or control operational costs, access world class capabilities, take advantage of external expertise, free-up tied-up resources for other purposes and allows the firm to share risks with third parties. This study therefore recommends that the management of the multi-national companies should adopt records management outsourcing to a third party record centre as a strategy for their firms to gain competitive advantage against their competitors. They will be able to access, protect, safely store and dispose their vital information which in turn will enable the firm to gain the tools necessary to provide the highest quality of service to their customers and achieve excellent service delivery.

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ACRONYMS AND ABBREVIATIONS

ARMA	Association of Records Management and Administrators
CBK	Central Bank of Kenya
FDI	Foreign Direct Investment
I/O	Industrial Organization
IBS	International business Strategy
ISO	International Organization for Standardization
KNADS	Kenya National Archives and Documentation
KNBS	Kenya National Bureau of Statistics
MNC(s)	Multi-National Company
RBV	Resource Based View
RM	Records Management
SLA	Service Level Agreement
SOX	Sarbanes-Oxley Act

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

All organizations rely on Information for effective and efficient transacting of business. Further the ability to manage Information plays a crucial part in business success. An asset is as a valuable resource or commodity and Information has been viewed as an Asset. Information is an organizations corporate memory and its most valuable asset (Hawley 1995). For reliable flow of Information, an appropriate system of managing records ought to be in place. (Thungu et al., 2008) agree that good Record Keeping enables one to find information easily. (Bulinda 2013) states that good records management is the pillar to the continual improvement of Management Processes and hence output. He further adds that effective and efficient service delivery cannot be realized in the absence of sound Records Management. It is only through the operations of a well-run Records Management Program that an organization retains control of its corporate memory, which in turn allows it to conduct business. However Records Management Outsourcing practices as a strategy for efficient and effective business process and/or gaining Competitive Advantage by businesses has not been given serious priority. (Craumer 2002) explains that outsourcing should be used as a tool to drive Strategic value, transform business and even change industry dynamics. She further adds that Outsourcing adds an extra layer to the supply chain of organizations and it typically means one more safety cushion for the organization.

Porter (1996) expounds on the idea that operational effectiveness and strategy are both essential to superior performance, which he says is the primary goal of any enterprise.

Businesses continuously seek to improve the efficiency of their operations in order to achieve higher profitability (Laudon 2010). With current economic conditions in mind, many businesses are still looking for ways to minimize capital spending and operate as efficiently as possible. Additionally, Multi-National Companies are growing at faster rates with the advent of globalization. Globalization has given rise to advancing technology and the rapid expansion of business operations (Cavusgil 2008). Consequently the rapid expansion of business operations has further ensued one among other things, plenty of data. One often overlooked method of accomplishing reduced capital spending and increased efficiency is Outsourcing Records Management to a third- party document storage specialist. Outsourcing has become strategic. Finding more-qualified partners to provide critical functions usually allows companies to enhance the core capabilities that drive competitive advantage in their industries.

Despite the enormous opportunities available through outsourcing, many executives remain unprepared for this transformation. Few organizations including Multi-National Companies operating in Kenya outsource records management, yet they still face diverse challenges as far as Records Management practices are concerned. Records Management is often seen as an unnecessary or low priority administrative task that can be performed at lower levels within an organization. It becomes increasingly time-consuming to manage the information and more difficult to quickly access when necessary. Therefore this research was aimed at identifying how Outsourcing Records Management is a strategy for Multi-Nationals to gain Competitive Advantage. Further, the results of this study hopes to bring to focus the need of corporate wide responsibility at both the individual and organization level, to adopt and successfully implement proper Records Management policies and procedures.

1.1.1 Concept of International Business and Outsourcing Practices

International Business refers to economic or commercial activities that are carried out between countries across the world. Governments, firms or individuals, include the participants of International business (Cavusgil et.al 2008). Economic resources that are transacted in IB include capital, skills and people for international production of physical goods and services such as finance, banking, insurance and construction (Wikipedia 2014). In the 1980's the burst of innovation and technology saw an upsurge in the level of FDI's by firms. There was improved communication and transportation that enhanced cross border trading (Bennet 1999). The history of international business in Kenya goes back to 1700 when the first Arabs came to the East African coast on their adventures of travel and looking for tradable items (Yabbs 2006).

Outsourcing has been defined in The Concise Dictionary of Business Management as "obtaining supplies of material and human resources outside the organization", (Statt 1999). (Hitt et al. 1997) explain that Outsourcing is a Strategic concept- a way to add value to the business that converts an in-house cost center into a customer-focused service operation. Sometimes, virtually all firms within an industry seek the strategic value that can be captured through effective outsourcing. (Gottfredson 2005) explains that the question is no longer whether to outsource a capability or activity but rather how to source every single activity in the value chain. When outsourcing, the firm seeks the greatest value and outsource only to firms possessing a core competence in terms of performing the primary or support activity that is being outsourced. Wisely choosing which activities to perform internally and which to outsource can lead to several strategy-executing advantages-lower costs, heightened strategic focus, less internal bureaucracy, speeder decision making and a better resource of competence and capabilities (Thompson et. al. 2008). The use of outsourcing as a strategic tool comes from the premise that the company should focus on distinctive activities, concentrate their resources in the core competencies through which they reach a competitive advantageous position, and strategically outsource all of the activities in which they do not have any particular technical or managerial skills (Cassia 2010).

With the worldwide growth in globalization and trade liberalization, the relationship with suppliers from all over the world has become extremely easy and less expensive, (Parker 2005). Companies consider strategic outsourcing to reduce costs, increase operational efficiencies and performance, share risks and to access resources that are not available internally. Two drivers for outsourcing are that one, outsiders can perform certain activities better or cheaper and two, outsourcing allows a firm to focus its entire energies on those activities at the center of its expertise (its core competencies) and that are the most critical to its competitive and financial success (Cassia 2010).

1.1.2 Concept of Competitive Strategy and Competitive Advantage

Competitive strategy refers to how a company competes in a particular business. It is concerned with how a company can gain a competitive advantage through a distinctive way of competing. The concept of Generic Strategies- Cost Leadership, Differentiation, and Focus- are used to represent the alternative strategic positions in an industry. The Generic Strategies remain useful to characterize strategic positions at the simplest and broadest level. Porters Five Competitive Strategies That Shape Strategy and Value chain concepts comprise the main externally- based framework used to understand Competitive Strategy. The Five Forces include Threat of New Entrants, Bargaining Power of Buyers, Threat of Substitute Products or Services, Bargaining Power of Suppliers and Rivalry among Existing Competitors (Porter 1985).

Competitive Advantage is the sustainable strategic edge which an organization has in relation to its competitors. Firms that do better than others are said to have a Competitive Advantage over others. It is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. These firms either have access to special resources that others do not, or they are able to use commonly available resources more efficiently- usually because of superior knowledge and Information assets (Laudon 2010). Porters Value Chain and Activity mapping concepts (Porter 1996) helps to explain how business activities build Competitive Advantage. By achieving strategic competitiveness and successfully exploiting its competitive advantage, a firm is able to accomplish its primary objective-the earning of above-average returns. Above average returns are returns in excess of what an investor expects to earn from other investments within a similar amount of risk (Hitt 1997). (Porter 1985) further states that when a firm implements a value-creating strategy of which other companies are unable to duplicate the benefits or find it too costly to imitate, this firm has a sustained or sustainable competitive advantage.

1.1.3 Records Management

According to Thungu et al. (2008), Records are a valuable source of Information about the achievements and history of an Institution. (Saleemi 2009) explains that organizations records must be kept safely and accurately. Records, whether they are stored in electronic form, paper or in other media, are the key manifestation of an organization's unique asset. The value of records is often located in the content or information of the document rather than the document itself Myburgh (2005).

(ARMA International 2014) suggests that Information governance is key to organization's success and with General Recordkeeping Principles, a company will have a way to benchmark, improve and govern its organizations information. The principles of Record Management are Principle of Accountability, Integrity, Protection, Compliance, Availability, Retention, Disposition and Transparency. An organizations approach to records management needs to be linked to and integrated with its core business (McLeod and Hare 2010).

Records Management has also increased interest among corporations due to new compliance regulations and statues, (Azad 2008). In the US, The Sarbanes-Oxley Act of 2002 (often shortened to SOX) is legislation enacted in response to the high-profile Enron and WorldCom financial scandals to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise (Wikipedia 2014). In Kenya, The Public Archives and Documentation Service Act, provides the legal framework to which the National Archives can use to regulate the records management practices of all public organizations (KNADS 2013). Record management involves the creation, storage, maintenance, use and disposal of records, often hardcopy, in the form of documents, and also in the form of artifacts or other media. It is primarily concerned with the evidence of organizations activities and is usually applied according to the value of the record and not really its physical form (Webb 2008). Records management must be simple, accurate, economic and useful for the organization (Saleemi 2009).

The International Standard on Records Management, ISO 15489, was designed to meet the ongoing generic needs for recordkeeping in a business environment, and is of use in government and non-government organizations. The standard has two parts; ISO 15489 Part 1: General, gives a high level framework for recordkeeping and explains the benefits of good records management, the legal considerations and the importance of making someone responsible for recordkeeping. This part also looks at what is needed for good records management, designing recordkeeping systems, records management processes, auditing and training. ISO 15489 Part 2: Guidelines, provides specific detail on developing records management policy and responsibility statements and suggests a process for developing recordkeeping systems. It also provides advice about developing records processes and controls such as thesauri, disposal authorities, and security and access arrangements. It discusses how you might use these tools to manage (including capturing, registering, classifying and storing) your records (ARMA International 2014).

1.1.4 Multi-National Companies (MNC's) in Kenya

A Multi-National Company (MNC) is any business that has production activities in two or more countries and moves its resources and activities between then in such a way as to maximize its trading advantages in areas like labour costs or taxation benefits (Statt 1999). An MNC derives a substantial part of its income from foreign operations and maximizes its profit on the global level rather than national level. They perform various business activities through a network of subsidiaries and affiliates located in multiple countries (Cavusgil et al. 2008). Once a firm undertakes Foreign Direct Investment – FDI, it has basically started the process of Internalization and the firm then becomes a Multi-National Enterprise. From 1945 onwards, most MNC's based in Great Britain followed the developments of colonial administration and came to Kenya for business. By 1963, there were MNC's such as Mobil oil, Shell BP, Agip and Total (Yabbs 2006).

Over the years other firms such as Coca Cola, Google, IBM, Pfizer, GlaxoSmithKline, Standard Chartered Bank, Nokia, have set up business in Kenya. Currently there are six Petroleum Multi-Nationals and ten Banking Multi-Nationals operating in Kenya (KNBS 2014). MNC's operating in Kenya may be categorized as follows; Inward FDI which are firms that have come to invest in Kenya under foreign direct investment, Foreign Outward FDI's which are MNC's that operate in Kenya and would like to expand their operations to the neighbouring countries using Kenya as a base and Kenyan Outward FDI's which are Kenyan firms that are investing their funds in other countries. The main recipients of Kenyan outward FDI's are Uganda, South Sudan, Ethiopia, South Africa, Somalia, Rwanda and Tanzania.

1.1.5 The Petroleum and Banking Industries in Kenya

Kenya has one of the largest crude oil refineries in East Africa, the 90,000 barrels –per-day Mombasa refinery. Petroleum products account for about one-fifth of all energy consumptions in Kenya, including the traditional energy sources, fuel-wood and charcoal which make up the bulk of consumption at about 70%, (Bhagavan et al. 1999). The history of oil marketing in Kenya began in 1903 during colonial times. Royal Dutch Shell established the first depot on the Mombasa Island in Shimanzi. BP and Shell carried out exploration work in the 1950's with the first exploration well being drilled in 1960 (Wikipedia 2014). In 2013, oil was discovered in Kenya and as a result, the country plans to become the first oil exporter in East Africa. Oil will allow Kenya to diversify export earnings and act as a catalyst for infrastructural spending especially in the transport network (Expogr Kenya oil 2014). Total Kenya and Vivo energy a licensee of Shell plc. are examples of Petroleum Multi-National companies operating in Kenya.

Banking in Kenya dates back to the period when The National Bank of India Zanzibar established in 1893 set up office in Zanzibar becoming the first provider of banking services in the East African Protectorate. There are currently 43 licensed commercial banks and 1 mortgage finance company in Kenya; 28 including the 1 mortgage financial institution are locally owned and 13 are foreign owned (over 50% ownership) (CBK 2014). The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations. A significant recent development in the banking sector has been the licensing of agent banking. As at the end of 2011, eight commercial banks had 9,748 licensed and active agents who facilitated more than eight million transactions worth Kshs43 billion ($506 million). Agency Banking is widening the gap in financial access between Kenya and its East African Community partners with 8,000 agents licensed in 2010 (The Banker 2012). Some of the well-known Multi-National banks operating in Kenya today include Standard Chartered Bank, Barclays Bank, CitiBank.

1.2 Research Problem

Zikmund (2010) states that most business problems are not nearly as obvious and many are not easily observable. The decision to choose off-site storage or on-site storage and in some cases both, is a management dilemma for most managers in Multi-National companies, and the pros and cons of Outsourcing the companies Records Management function to a third party needs to be highlighted to aid in the decision making process for managers. Many business managers operate in an information fog bank, never really having the right information at the right time to make an informed decision. Instead managers rely on forecasts, best guesses and luck. The result is over or underproduction of goods and services, misallocation of resources and poor response time. These poor outcomes raise costs and lose customers (Laudon 2010).

According to an October 2011 survey by the Council for Information Auto-Classification, 73 percent of organizations said they missed business opportunities because they could not efficiently access their information and 49 percent admitted having to recreate information that they could not locate (Merkline 2013). The market value of a US-based pharmaceutical company fell by US dollars 30 (thirty) billion when the public learned that research into one of its drugs, which questioned its safety, had been delayed and not been placed in the public domain (Webb 2008). Business records hold tremendous operational, financial and legal value. However, they also generate risks, with cost and management challenges because general record keeping of corporate records has been poorly standardized and implemented. Maintaining and managing so much information can take focus away from protecting the most important information assets, such as trade secrets and customers' personal information, (Merkline 2013).

Previous research undertaken by various scholars has indicated that Strategic Outsourcing is a tool for gaining competitive advantage in various organizations. Conversely the decision and implementation of the areas to outsource key among them Records Management Outsourcing remains very challenging. Chanzu (2002) surveyed Business Outsourcing Practices amongst Private Manufacturing companies in Nairobi and conclude that there is greater drive toward the use of outsourcing as a strategy to cut costs. Mwambiririo (2005) carried out a Survey of Challenges and Risks encountered in the Management of Electronic Records for companies quoted at the NSE. He indicated that the solution for business risks that expose the company to potential loss of money lies in putting to place an appropriate Record Keeping System.

Odero (2006) conducted a study on The Value Chain and Competitive Advantage in the Corporate Banking Industry in Kenya-The case of CitiBank Kenya, and shows that internal costs can greatly affect a company's competitiveness, and that ensuring the correct banking structure is key to success. Mwangi (2007) carried out a study on Strategies used by the Major Oil Companies to create Competitive Advantage for their Service Stations in Nairobi. From her findings, strategic alliances are one of the methods oil companies use to respond to the very intense competition. Ghikas (2012) conducted a study on Business Process Outsourcing in Standard Chartered Bank Kenya and explains that the bank has been able to improve its business operations through implementation of Outsourcing its non-core activities. However none of these research studies focuses on the Practice of Outsourcing Records Management as a Strategy for competitive advantage for the Multi-National Company. This study therefore sort to answer the following research question; Is Records Management Outsourcing a Strategic tool for Multi-National Companies to gain competitive advantage?

1.3 Research Objectives

1. To assess the importance of effective Records Management Outsourcing practices in Multi-National companies.
2. To identify the relationship between Outsourcing Records Management and Competitive Advantage in Multi-National firms.

1.4 Value of the Study

This study will provide information to Industry on Records Management Outsourcing Practices by assessing and building on existing theories. It also provides statistically significant indicators on the advantages of Records Management Outsourcing practices.

It will assist practicing Records Managers in industry to identify strengths and opportunities of improving RM within their organizations through outsourcing to third party document storage specialists, by way of analyzing of their core competences and application of Records Management principles.

To the field of academia, it will encourage more research to be carried out in the area of Corporate Records Management and Knowledge Management, broadly classified under Enterprise Content Management. Further research to build on this study may also be conducted to elaborate on Cost strategies employed by MNC's to gain Competitive Advantage.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section covers relevant literature on Records Management Outsourcing practices. It includes the Industrial Organization theory, Institutional Network approach and the Business ecosystem strategy. In addition it shall review models in Strategic alliances, MNC's and Records Management.

2.2 Theoretical Framework

According to Forsgren (2008), most often theories are implicit rather than explicit. He further states that if theory is discovered with its basic assumptions a better understanding of a certain position can be reached. Additionally, (Zikmund 2010) explains that theories are a formal, testable explanation of how things relate to one another.

2.2.1 The Industrial Organization (I/O) Model

The I/O model of above-average returns explains the dominant influence of the external environment on firms' strategic actions. This model specifies that the industry chosen in which to compete has a stronger influence on firm's performance than do the choices managers make inside their organizations. Grounded in the economics discipline, the I/O model has four underlying assumptions. First, the external environment is assumed to impose pressure and constraints that determine the strategies that would result in above-average returns. Second, most firms competing within a particular industry or within certain segments of an industry are assumed to control similar strategically relevant resources and pursue similar strategies in light of those resources. Third, resources used to implement strategies are highly mobile across firms. Fourth, organizational decision makers are assumed to be rational and committed to acting in the firm's best interest as shown by their project maximizing behaviours (Hitt et al 1997).

Additionally Porter's Industry Segmentation and Competitive Advantage model (Porter 1985) describes the relationship between industry and strategy. He states that Industries are not homogeneous and that segments of Industry have a structure just as industries do and the strength of the five competitive forces often differs from one part of an industry to another. Porter further explains that Segments may also involve differing buyer value chains. Segments of an industry thus frequently differ widely in their structural attractiveness and in the requirements for competitive advantage in them.

2.2.2 The Institution Network approach to International Business Strategy Model

Strategy framework has been explained as having two components i.e. Internal and External analysis. Internal analysis like core competence for example is less based on industry structure and more in specific business operations and decisions while external analysis builds on an economics perspective of industry structure, and how a firm can make the most of competing in that structure. The Institutional perspective as a strategic framework was developed in order to clarify the institutional aspect of International Business Strategy. (Porter 1996) is a strong proponent of strategy being determined by external factors when he refers to competitive generic strategies carried out within the framework of the market structure. His theory asserts that to make good profits, a company must actively compete not only with its competitors but also with its suppliers, customers, regulators and employees. (Jansson 2007) states that to achieve an internal strategic fit for this IBS mix, a firm's strategy needs to be based on an appropriate combination of resources and capabilities, so it can be executed.

The definition of IBS as a pattern of action makes it possible to distinguish between deliberate strategies that are carried out as intended and emergent strategies that are patterns of actions carried out despite, or in the absence of intentions. Deliberate strategy presupposes an environment that is perfectly predictable and under the full control of the organization. (Mintzberg and Waters 1985) present a Continuum of Strategies where they explain that a planned strategy is in their terms, the most deliberate one; whereas an imposed strategy is the least deliberate but also the most emergent one. Understanding Porters competitive forces and underlying causes reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition and is essential to effective strategic positioning.

2.2.3 Business Ecosystem Model

In their book, Laudon and Laudon (2010) explain that the Internet and networking technology have inspired strategies that take advantage of firm's abilities to create networks or network with each other. One Network based strategy is the Business ecosystem strategy. The model provides some modification of the Industry Competitive

Forces model. The traditional Porter model assumes a relatively static industry environment; relatively clear-cut industry boundaries and a relatively stable set of suppliers, substitutes and customers, with the focus on industry players in a market environment.

Instead of participating in a single industry, some of today's firms are much more aware that they participate in industry sets- collections of industries that provide related services and products. Business ecosystem is another term for these loosely coupled but interdependent networks of suppliers, distributors, outsourcing firms, transportation service firms and technology manufacturers (Iansiti and Levien 2004). The concept of a Business ecosystem builds on the idea that cooperation takes place across many industries rather than many firms. Business ecosystem can be characterized as having one or a few keystone firms that dominate the ecosystem and create the platforms used by other niche firms.

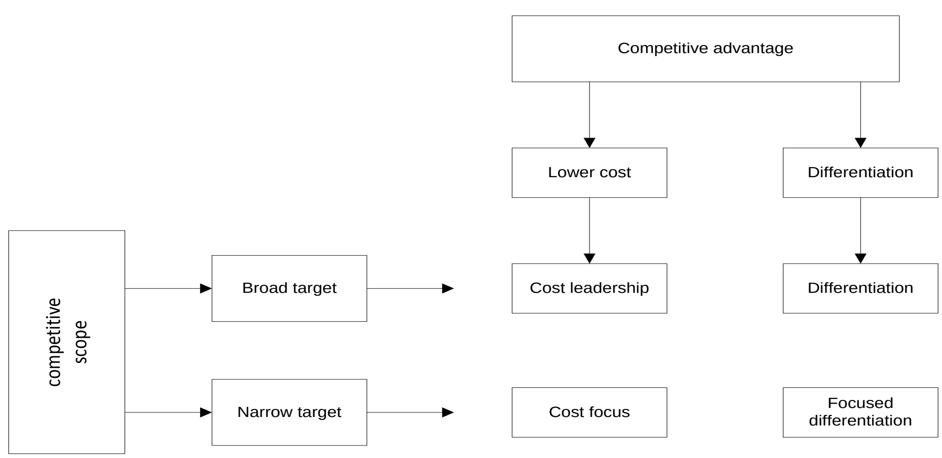
2.3 Generic Competitive Strategies

Generic Strategies developed by Porter (1980), represent a core idea about how a firm can best compete in the market place. Porter's model encourages managers to think of their choice of combination of Competitive Advantage and Competitive Scope. Its premise is that a firms long term strategy should derive from a firms attempt to seek a Competitive Advantage based on one of three generic strategies which include; Striving for overall low-cost leadership in the industry, Striving to create and market unique products for varied customers through differentiation and Striving to have special appeal to one or more groups of consumers or industrial buyers, focusing on their cost or differential concerns.

The Cost Leadership Strategy involves the firm winning market share by appealing to cost-conscious or price sensitive consumers. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rival. In Differentiation Strategy, firms differentiate products in some way in order to compete successfully. It is appropriate where the target consumer segment is not price sensitive, the market is competitive or saturated, and a firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. The Focus or Leadership strategy describes the scope over which the company should compete based on cost leadership or differentiation. The firm can choose to compete in the mass market with a broad scope or in a defined focused market segment with a narrow scope.

Advocates of generic strategies believe that each of these options can produce above average returns for a firm in an industry (Naylor 1996).

Figure 1.1 Generic Competitive Strategies Model.



Source John Naylor 1996.

However, Porter states that a Generic Strategy does not lead to above-average performance unless it is sustainable vis-à-vis competitors, though actions that improve industry structure may improve industry wide profitability even if they are imitated (Porter 1985).

2.3.1 Sustainable Competitive Advantage

Porter (1985) explains that when a firm implements a value-creating strategy of which other companies are unable to duplicate the benefits or find it too costly to imitate, this firm has a Sustained or Sustainable Competitive Advantage i.e. the fundamental basis of above-average performance in the long run is Sustainable Competitive Advantage. (Barney 1991) proposes that Sustained Competitive Advantage derives from the possession of resources that are valuable, rare, imperfectly imitable and imperfectly substitutable. The RBV model focuses on how Sustainable Competitive Advantage is generated by the unique bundle of resources that are the core of the firm. It relates Sustainable Competitive Advantage to complex organizational systems, described as rent-producing resources or core competencies, developed overtime within specific firms. It further states that of these resources the most likely source of true Sustainable Advantage are the invisible assets or core competencies (Wortzel 1997).

Functional activities long associated with doing work based on the strategy employed by MNC's are increasingly subject to be outsourced if they can be done more cost effectively by other providers. It becomes critical for managers implementing strategic plans to focus company activities on functions that are central to the companies Competitive Advantage and to seek others outside the firm's structure to provide the functions that are necessary but not within the scope of the firm's core competencies (Pearce 2011).

Table 1.1 Alternative Views of Strategy

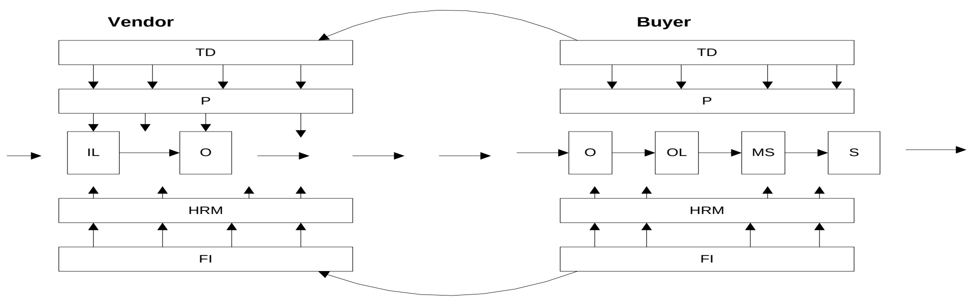
The Implicit Strategy Model of the Past Decade	**Sustainable Competitive Advantage**
One ideal competitive position in the industry	Unique competitive position for the company
Benchmarking of all activities and achieving best practice	Activities tailored to strategy
Aggressive outsourcing and partnering to gain efficiencies	Clear trade-offs and choices vis-à-vis competitors
Advantages rest on a few key success factors, critical resources, core competencies	Competitive advantage rises from fit across activities
Flexibility and rapid responses to all competitive and market changes	Sustainability comes from the activity system, not the parts. Operational effectiveness a given

Source Porter 1996, What is Strategy?

2.3.2 Strategic Cooperation between Organizations

Naylor (1996) explains that firms look outside the group for coalition partners in the light of difficulties that may arise from human factors or technical reasons, which may impede the organization from achieving its set goals. He illustrates three links with tangible benefits, namely resource pools, combination alliances and de-escalation alliances. Resource Pools involve two or more organizations in putting their resources together. They do so to, reduce duplication or redundancy, share or alleviate risk and combine efforts to compete with rivals. Combination alliances occur when partners combine or exchange complementary functions. De-escalation alliances are those in which members agree to reduce competition or attack upon each other. The link between inputs and outputs from one unit to another is referred to as Synergy. (Laudon 2010) explain that the idea of synergies is when the output of some units can be used as inputs to other units or two organizations. These units or organizations pool markets and expertise and the result of these relationships is lower costs and generation of profits.

Figure 1.2 Vendor-Buyer Strategic Alliance.



Source Naylor 1996. Operations Management.

Key

TD – Technology development	OL – Outbound logistics	S – After Sales Services
P - Procurement	MS - Marketing and Sales	FI – Firm Infrastructure
IL – Inbound logistics	O – Operations	
HRM – Human Resource Management		

Besides the above, Badaracco (1991) points out that firms take part in alliances with less tangible benefits. He explains that there are other issues which come to the fore in these loose, tenuous arrangements. One is the transfer of embedded technical and managerial knowledge. Such transfer gradually occurs within any alliance and is the express purpose of many cooperative agreements in high technology. In addition, (Laudon 2010) explain that in order to manage their relationship with an outsider or technological service provider, firms will need a contract that includes a service level agreement (SLA).

The SLA is a formal contract between customers and their service providers that defines the specific responsibilities of the service provider and the level of service expected by the customers. SLA's typically specify the nature and level of services provided, criteria for performance measurements, supports options, provisions for security and disaster recovery, hardware and software ownership and upgrades, customer support, billing and conditions for terminating the agreement.

2.4 Empirically based Model on MNC's

The development of a modern theory of the MNC took off in 1960 when Stephen Hymer explained the Theory of Foreign Direct Investment. He argued that firms choosing to invest abroad must possess some type of firm-specific advantages that are large enough to out-weigh the disadvantages a foreign investor has compared to host country firms. He pointed out that international competitors could increase their joint profit through different types of collusion across borders including mergers, acquisitions, alliances, cartels and so on (Forsgren 2008). The Eclectic Model of the MNC presents a paradigm that combines competitive advantage, internalization imperatives and locational economies (Dunning 1981). In the Eclectic Model, firms possess three key sets of advantages relating to their potential for becoming MNC's which include; Ownership advantages, Internalization Advantages and Location Advantages.

Wortzel (1997) discusses Resource Based Strategies in the context of Competitive Advantage among MNC's. He argues that understanding a competitor's firm's country of origin adds to a manager's ability to predict that firms competitive strength and behaviour.

Further to expound on Strategic Theories and MNC theories (Conner 1991) added that the RB framework incorporates key parts of “brain-type” I/O economics, the basis for the IO stream of work on Multi-Nationals and Foreign Direct Investments, in that both theories anticipate persistent profits for certain firms within constraints defined by the environment. Conner asserts that The Resource Based Strategies focuses on both protecting unique resources and applying firm specific resources (FSR) to gain strategic advantage. She concludes that The Resource Based Strategies may provide a unifying theory of MNC strategy.

2.5 The Emerging Theory of Integration and Convergence

Myburgh (2005) explains that The Lifecycle Model of records management offers two choices of disposal for the active record – destruction or removal to an archive. She adds that this is misleading as records are not “disposed of” in an archive but rather start another life. Myburgh presents The Continuum model, to expound on the concept further, which emphasizes that as records end up in archives, records managers should have equal social responsibilities in deciding what is captured and preserved for posterity. The idea of the continuum is not to indicate a life span or otherwise of a record; it indicates how such records should be managed and the chain of responsibility.

(An 2001) further proposes that the continuum framework can provide common understandings, consistent standards, unified best practice criteria, interdisciplinary approaches and collaborations in the recordkeeping and archiving process for both the paper and the digital worlds. However, there is a parallel and equally important paradigm shift occurring across many information professions – the shift from a document-centered focus to an information- centered one. The practices of many information communities focus on the best and most effective ways to organize and retrieve discrete information objects.

2.6 The Challenges of Strategic Outsourcing

A company should generally not perform any value chain activity internally that can be performed more efficiently or effectively by outsiders- the chief exception is when a particular activity is strategically crucial and internal control over the activity is deemed essential (Thompson et. al 2008). Porter (1996) explains that the goals of achieving strategic competitiveness and earning above average returns are challenging. Operational effectiveness involves continual improvement everywhere, there is no trade-offs. Failure to do this creates vulnerability even for companies with a good strategy. When evaluating resources and capabilities, firms must be careful not to decide to outsource activities in which they can create and capture value. Moreover, companies should not outsource primary and support activities that are used to neutralize environmental threats or complete necessary ongoing organizational tasks. Firms must verify that they do not outsource capabilities that are critical to their success, even though the capabilities are not actual sources of competitive advantage (Hitt 1997).

Another danger of Strategic Outsourcing is that a company will farm out too many or the wrong types of activities and thereby hollow out its own capabilities. In such cases, a company loses touch with the very activities and expertise that over the long run determine its success. (Pearce et. al. 2011) explain that outsourcing involves loss of some control and reliance on outsiders, can create future competitors, skills important to a product or service are lost and crafting good legal agreements, especially for services is difficult. A company's valuable position may attract imitation by incumbents, who are likely to copy (Porter 1996). The risks that may arise from outsourcing include Operational risks, Organization risks and Strategic risks (Cassia 2010).

Hitt (1997) describes the part of outsourcing risks that concern the firm's knowledge base. Knowledge continues to increase in importance as a source of competence and competitive advantage for firms. Outsourcing activities in which the firm cannot create value can have an unintended consequence of damaging the firm's potential to continuously evaluate its key assumptions, learn and create new capabilities and core competencies. Managers should verify that the firm does not strategically outsourcing activities that stimulate the development of new capabilities and competencies. A firm that choses to outsource may lose skills important to a product or service and crafting good legal agreements, especially for services is difficult.

2.7 Summary of the Literature Review

This study sort to examine the relationship between Outsourcing Records Management and Competitive Advantage among selected Multi-National Companies in Kenya. The I/O model explains that the industry chosen in which to compete has a stronger influence on firm's performance than do the choices managers make inside their organization (Hitt et. al. 1997). Outsourcing has become one of the major strategies that companies are adopting

(Cassia 2010) and outsourcing of Records management is a tool to aid organizations attain success. Firms therefore look outside the group for coalition partners to rip the benefits accrued through outsourcing (Naylor 1996). In order to recover competitiveness and performance, many big firms develop new Outsourcing strategies focusing on distinctive activities which were controlled internally as they were considered to be the real source of competitive advantage and of the following profitability. Conversely Strategic outsourcing does possesses several risks and challenges. (Cassia 2010) classifies the risks that may arise from outsourcing under Operational risks, Organization risks and Strategic risks. One way of coping with these challenges is the creation of a SLA contract between the firm and the vendor.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research design, study population, data collection methods and data analysis techniques.

3.2 Research Design

This study adopted a survey research design, to enable the researcher describe the relationship between Records Management Outsourcing Practices and Competitive Advantage from a perspective of Petroleum and Banking Multinationals. According to Zikmund (2010), Surveys attempt to describe what is happening or to learn the reason for a particular business activity. Further, a survey is defined as a study in which various segments of a population are sampled and data are collected at a single moment in time. Surveys provide quick, inexpensive, efficient and accurate means of assessing information about a population. This design has been used by (Chanzu 2002) and (Mwambiririo 2005).

3.3 Study Population

The population of this study comprised all the Petroleum and Banking Multinationals operating in Kenya. It was based on a representative population of Sixteen Multinational companies with operations in Kenya. According to The Kenya National Bureau of Statistics (KNBS 2014) there are a total of Six Multinationals in the Petroleum Industry operating in Kenya as listed in Appendix III and a total of Ten Multinationals in the Banking Industry with operations in Kenya, as listed in Appendix IV.

3.4 Data Collection

The study used both secondary and primary data as a source for gathering information. Secondary data sources was accessed and reviewed where possible, from publications such as newspapers, journals (both local and international) and text books on the subject. Information from primary data was collected using self-administered questionnaires in printed and electronic form as the main collection tool. Zikmund (2010) describe self-administered questionnaires as those in which the respondent takes the responsibility for reading and answering the questions both in printed and electronic form.

The objective of this survey was to access the importance of proper records management and how this results in competitive advantage. Through questionnaires the survey identified the challenges in Records Management and provided statistically significant indicators on the advantages of RM outsourcing practices as strategy for gaining competitive advantage. The respondents for this research comprised supervisors and managers from the study population who are responsible for Records Management or who may offer relevant information centered on the objectives of this study. The questionnaire contained three sections: Section A contained questions on general information about the respondents and the Petroleum and Banking Multinationals operating in Kenya. Section B solicited data on Strategic Outsourcing Practices and Competitive Advantage. Section C assessed the respondents' opinion on Records Management Outsourcing Practices. The questions also evaluated the relationship between Records Management Outsourcing and gaining Competitive Advantage.

3.5 Data Analysis

Data was sorted first and checked for completeness, consistency and accuracy before analysis. The study adopted both quantitative and qualitative approaches. Quantitative data was analyzed through statistical methods using Statistical Packages for Social Sciences and presented in tables, graphs and figures, whereas Qualitative data was coded and summarized according to the objectives of the study.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings and results obtained from field responses in line with the objectives of the study which were; to assess the importance of effective Records Management Outsourcing practices in Multi-National companies and to identify the relationship between Outsourcing Records Management and Competitive Advantage in Multi-National firms. Descriptive statistics such as pie charts and line graphs have been employed to analyze the data. The first section deals with background information of the respondents and firms, while the other sections present findings that are apposite to the subject under study.

4.2 Response Rate

In this study, 16 questionnaires were sent out to Petroleum and Banking Multinationals operating in Kenya (See Appendix III and IV), out of which 13 were duly filled and returned. This constituted a response rate of 81.25% which is adequate for this study. Table 4.1 below illustrates the response rate.

Table 4.1: Response Rate

Response Category	Frequency	Percentage
Response	13	81.25
Non Response	3	18.75
Total	16	100

Source: Researcher (2014).

4.3 Respondents Demographics

The study sought to find out the demographic information of the respondents which included job position, age group, level of education, length of service and nature of work.

4.3.1 Job Position Held

Regarding the job positions held by the respondents most of the respondents were in Administration at 30.8% followed by Records Managers at 23.0%. Finance officers and Human Resource Managers constituted 15.4%, while respondents in Marketing and Information Risk Management were 7.7% of the total number of respondents respectively. This indicates that the respondents by virtue of their job titles were in a position to understand the Records Management Outsourcing issues sought by the researcher.

The results are as shown in Table 4.2

Table 4.2: Job Position Held

	Frequency	**Percent**
Marketing Manager	1	7.7
Finance officer	2	15.4
Administration	4	30.8
Human resource manager	2	15.4
Information risk management analysis and Archiving	1	7.7
Records manager	3	23.0
Total	13	100

Source: Researcher (2014).

4.3.2 Age Bracket of Respondents

The study further sought to know the age bracket of respondents. From the findings as shown in Figure 4.1, the study established that 43.8% of the respondents were aged between 36-45 years followed by those aged between 25-35 years at 37.5%, and 12.5% were aged below 25 years. Those over 45 years were the least at 6.2%. This indicates that the responses were received from diverse age brackets hence biasness was avoided.

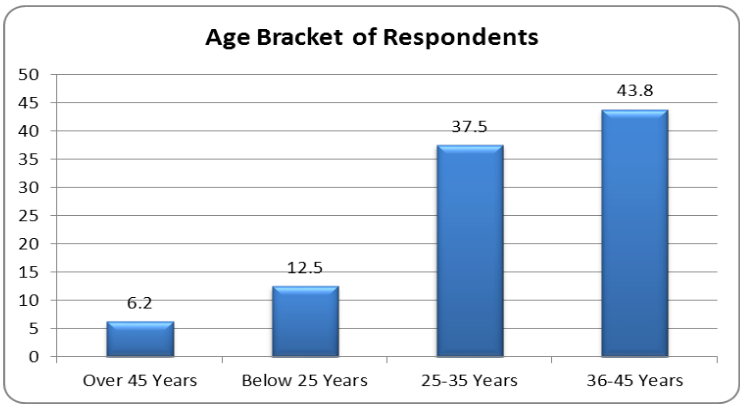


Figure 4.1: Age of Respondents

Source: Researcher (2014).

4.3.3 Level of Education

The study further found it key to determine the respondents' level of education to ascertain if the respondents were well versed with the necessary knowledge and skills in their respective areas of specialization. The study established that 53.8% of the respondents were bachelor's degree holders followed by master's degree holders at 30.8% and finally diploma and certificate holders at 7.7%. This implies that the respondents were well educated and have the capacity, skills and business acumen to direct the firms operations successfully toward their vision. The findings are shown on table 4.3 below;

Table 4.3: Level of Education

	Frequency	Percent
Bachelor's degree	7	53.8
Master's degree	4	30.8
Diploma	1	7.7
Certificate	1	7.7
Total	13	100.0

Source: Researcher (2014).

4.3.4 Years of Service

The study sought to establish the number of years the respondents have been working in their respective firms. The obtained data was analyzed as shown in Figure 4.2. The study established that 50% of the respondents had been working in their respective firms for 1-5 years followed by those who worked for over 10 years at 25%. Those with an experience of above less than 1 year and 6-10 years accounted for 12.5% each. From the findings therefore, majority of the respondents were experienced and hence can highly be informative on issues that relate to Outsourcing and Strategic decision making.

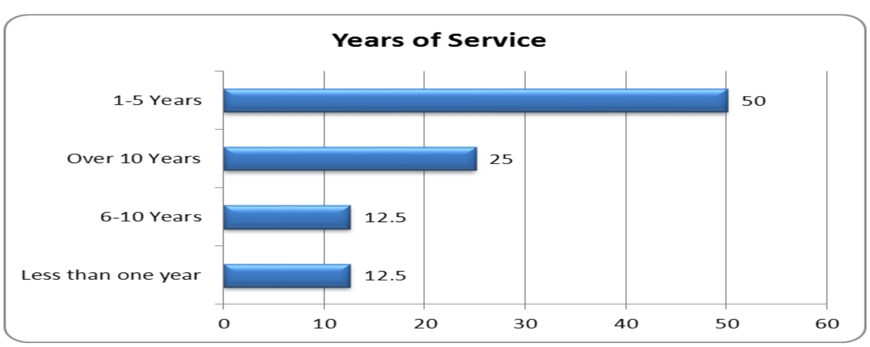


Figure 4.2: Years of Service

Source: Researcher (2014).

4.3.5 Nature of Respondents Job

The study further sought to know the nature of the respondents' job. The study established that the respondents were involved in jobs of different types. These were: Advertising of organizations products, Analyzing financial statements, Administrative, Finance analysis of the entire bank, low level management, Management of bank records, Marketing/ public relation and relationship management, middle management, Organizational operations, Petty cash management, Recruiting, Selling of organizational products and top management. For the purpose of this study, the respondents were active users of vital records within the organization and were thus considered to be able to provide relevant information on Records Management practices within the firm.

4.4 Organizational Demographics

The study reviewed the sectors in which the businesses belong, their core business, and type of ownership.

4.4.1 Business Sector

The study established that the respondents' firms belonged to either the banking sector or energy sector. The results of the study are as shown in figure 4.3

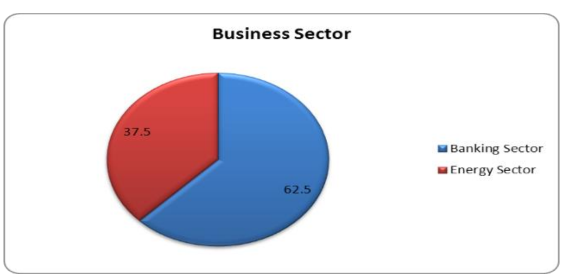


Figure 4.3: Business Sector

Source: Researcher (2014).

4.4.2 Organizations Core Business

The researcher wanted to know the core business activities of the respondents firms in the banking and energy sector. The study established that 61.5% of the organizations were in the banking and finance business followed by 15.4% of the organization who dealt in Oil marketing service, 7.7% engaged in Deposit taking and lending, Downstreaming and Petroleum storage. This information is shown in Table 4.4.

Table 4.4: Organizations Core Business

	Frequency	**Percent**
Banking & Finance	8	61.5
Deposit taking and lending	1	7.7
Downstreaming	1	7.7
Petroleum storage	1	7.7
Oil marketing	2	15.4
Total	**13**	**100.0**

Source: Researcher (2014).

4.4.3 Location of firms Headquarters

The study sought to know the location of the firms' headquarters. The study found out that majority (53.8%) of the multinational companies had their headquarters located in Nairobi Kenya. Those with their headquarters in Lagos, Nigeria; Lome, Togo; Rotterdam, Netherlands, France, Pakistan and United Kingdom accounted for 7.7% each. The study findings are as shown in Table 4.5

Table 4.5: Location of firms Headquarters

	Frequency	**Percent**
Nairobi, Kenya	7	53.8
Lagos, Nigeria	1	7.7
Lome, Togo	1	7.7
Rotterdam, Netherlands	1	7.7
United kingdom	1	7.7
France	1	7.7
Pakistan	1	7.7
Total	13	100.0

Source: Researcher (2014).

4.4.4 The Year the Firm Started To Operate in Kenya

The researcher wanted to know the years in which the multinational companies started their operations in Kenya. From the findings the firms generally started their operations in Kenya during different years as shown on table 4.6 below. The information showed that the firms have been operating in Kenya for not less than five years from the time of the study to allow further analysis on the long term strategies that have been employed by the firms.

Table 4.6: The Year the Firm Started To Operate in Kenya

	Frequency	Percent
1978	1	7.7
100 years ago	1	7.7
1924	1	7.7
1953	1	7.7
1954	1	7.7
1955	1	7.7
1965	1	7.7
1999	1	7.7
2001	1	7.7
2005	1	7.7
2006	1	7.7
2008	1	7.7
2009	1	7.7
Total	**13**	**100.0**

Source: Researcher (2014).

4.4.5 Firm Ownership

In this section, the study sought to know the ownership of the respondents' firms. The study found out that 37.5% of the firms were foreign owned but incorporated in Kenya followed by 25% of the firms that were partly foreign and partly local. The context of this study was the Multinational firm, and the results showed that all the firms had the attributes of Multinational firms. The study findings as shown in Figure 4.4

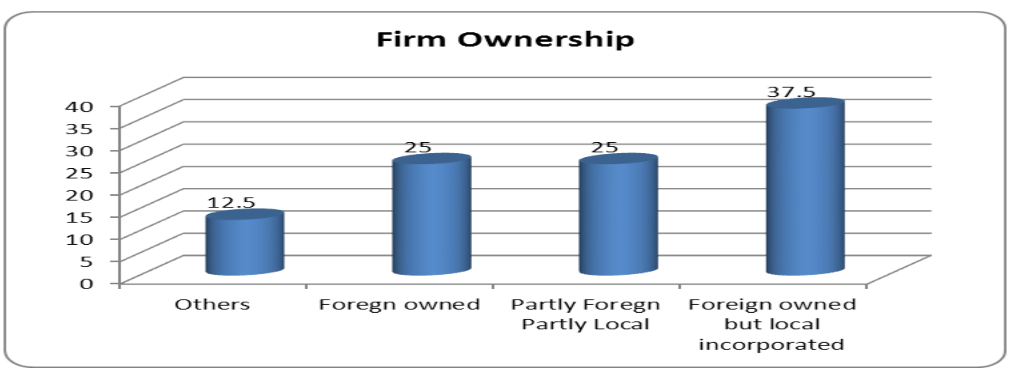


Figure 4.4: Firm Ownership

Source: Researcher (2014).

MNC's may be privately or government owned and may have ownership held by investors from any number of countries. They directly control foreign investments as opposed simply to holding shares in foreign companies as explained by Bennet (1999).

4.4.6 Average Number of Employees in the Firm

On the size of the firms by virtue of the number of employees, the study found out that 84.6% of the firms had more than 50 employees while 15.5% had 20-50 employees as shown in Table 4.7

Table 4.7 Average Number of Employees in the Firm

	Frequency	Percent
20-50	2	15.5
50 and more	11	84.6
Total	13	100.0

Source: Researcher (2014).

4.5 Strategic Outsourcing Practices and Competitive Advantage

4.5.1 Activities Being Outsourced

The researcher sought to know the activities that have been outsourced by the companies for the last five years. The respondents were asked to list any activities the company outsources. The study established that the firms outsourced different activities such as Catering, Core banking software, Information Technology, Man power, Record management, stationary logistics, Security and cash in transit, cleaning and selling. Further the results showed that the firms that did not outsource any activities were not aware of any benefits of outsourcing while others had not found suitable vendors.

4.5.2 Response to Competition

The study further sought to know the importance of various ways of responding to competition. (Porter 1985) explains that a company can gain a competitive advantage through a distinctive way of competing. This concurs with the results illustrated in table 4.8 below. The study found out that 61.5% of the respondents found outsourcing as an important way of responding to competition while 38.5% felt it was very important. On strategic alliances, 69.2% felt it was an important way of responding to competition while 23.2% felt it very important while 7.7% felt that it is not important. On differentiation, 76.9% of the respondents said it was a very important way of handling competition while 23.1% felt it was important. On cost leadership, 69.2% of the respondents felt it was important while 30.8% felt it was very important.

Table 4.8 below, shows the results;

Table 4.8: Response to Competition

Outsourcing	**Frequency**	**Percent**
Very important	5	38.5
Important	8	61.5
Strategic Alliances		
Very important	3	23.1
Important	9	69.2
Not important	1	7.7
Differentiation		
Very important	10	76.9
Important	3	23.1
Cost Leadership		
Very important	4	30.8
Important	9	69.2

Source: Researcher (2014).

4.5.3 Reasons for Engaging in Outsourcing Practices

The study further sought to know the extent to which various factors influenced the firms to outsource. The extent was interpreted on a scale of 1-5 where 1-1.5: To No extent; 1.6-2.5: To a Little extent; 2.6-3.5: 5- To a Moderate extent; 3.6-4.5: To a Great extent and 4.6-5.0: To a very great extent. Analysis of the data was done using means and standard deviations and the results are shown in Table 4.9

Table 4.9 Reasons for Engaging in Outsourcing Practices

	Mean	Std. Deviation
The company choses to outsource activities in which resources are not available internally	3.31	1.08
Outsourcing helps the company to reduce/control costs	3.25	1.24
The company can gain access to world class capabilities	3.25	0.86
Outsourcing helps the company to take advantage of external expertise	3.00	1.41
The company outsources activities when the firm lack expertise or the function is difficult to management	2.94	1.24
Outsourcing helps the company to free up resourced for other purposes	2.81	1.33
The company outsources activities as a way of sharing risks	2.69	1.19

Source: Researcher (2014).

The study found out that the company choses to outsource activities in which resources are not available internally only to a moderate extent as evidenced by a mean of 3.31. On whether outsourcing helps the company to reduce/control costs, and helps the company access world class capabilities, a mean of 3.25 was recorded indicating that these factors influenced outsourcing to a moderate extent.

The study further established that the respondents agreed to a little extent that outsourcing helps the company to take advantage of external expertise with a mean of 3.00. A mean of 2.94 was recorded for the statement that firms outsource when they lack expertise or the function is difficult further indicating that the respondents agreed to a little extent. Freeing up resources for other purposes and sharing risks was cited as reasons that influenced a company to outsource only to a little extent with means of 2.81 and 2.69 respectively. However, the responses were not clustered around the mean as evidenced by the standard deviations recorded.

4.6 Records Management Outsourcing Practices

4.6.1 Value of Information

The respondents were requested to rate how valuable the information was. The value was interpreted on a scale of 1-5 where 1-1.5: Very Valuable; 1.6-2.5: Valuable; 2.6-3.5: 5- Moderately valuable; 3.6-4.5: Somehow valuable and 4.6-5.0: not valuable. Analysis of the data was done using means and standard deviations and the results are shown in Table 4.10.

Table 4.10: Value of Information

	Mean	**Std. Deviation**
Accountability/Compliance information	1.56	0.63
Management information	1.63	0.62
Business process information	1.69	0.70
Human resource information	1.69	0.79
Product information	1.81	0.98
Market and customer information	2.06	1.06
Supplier information	2.25	0.58

Source: Researcher (2014).

The study found out that accountability or compliance information was the most valuable with a mean of 1.56 followed by management information and business process information with means of 1.63 and 1.69 indicating that they were valuable. Market and customer information and supplier information were the least rated with means of 2.06 and 2.25 indicating that they were moderately valuable. The results depict that company information is considered valuable.

4.6.2 Frequency of Using Information

The researcher sought to establish how speedily different classifications of information is needed to allow decision making in day to day operations of the firm. The frequency was interpreted on a scale of 1-5 where 1-1.5: within minutes; 1.6-2.5: within days; 2.6-3.5: 5-within weeks; 3.6-4.5: seldom and 4.6-5.0: not aware. Analysis of the data was done using means and standard deviations and the results are shown in Table 4.11

Table 4.11: Frequency of Using Information

	Mean	Std. Deviation
Market and customer information	1.75	0.58
Business process information	1.88	0.81
Accountability/Compliance information	1.94	0.77
Product information	2.00	0.73
Management information	2.06	0.77
Human resource information	2.06	0.77
Supplier information	2.50	0.73

Source: Researcher (2014).

The study found out that all the information was needed within days. The quickest information required was market and customer information with a mean of 1.75. This was followed by business process information with a mean of 1.88, accountability and compliance information with a mean of 1.94 and product information with a mean if 2.00

whose access were not required as quickly. The least needed information for quick retrieval was management information, human resource information and supplier information with means of 2.06 and 2.50 respectively.

4.6.3 Importance of Various Aspects of Records

The study sought to know how various aspects of record were important to the respondents. The extent of importance was interpreted on a scale of 1-5 where 1-1.5: To No extent; 1.6-2.5: To a Little extent; 2.6-3.5: 5- To a Moderate extent; 3.6-4.5: To a Great extent and 4.6-5.0: To a very great extent. Analysis of the data was done using means and standard deviations and the results are shown in Table 4.12

Table 4.12: Importance of Various Aspects of Records

	Mean	Std. Deviation
Availability of accurate and comprehensive information	4.69	0.60
On-site storage of hard copy documents	4.38	0.89
Ability to find quickly	4.31	1.19
Accessible in both hard copy and soft copy	3.94	1.18

Source: Researcher (2014).

According to the respondents, the availability of accurate and comprehensive information was the most important aspect of records to a very great extent as evidenced by a mean of 4.69. (Saleemi 2009) explains that organizations records must be kept safely and accurately, and should be simple to access. Further the results of the analysis showed that on-site storage of hard copy documents was considered important to a great extent with a mean of 4.38. The least rated was the accessibility of the records in both hard copy and soft copy with a mean of 3.94 indicating that it was still rated to be important to a moderate extent.

4.6.4 Effective and Efficient Records Management Policy

The respondents were asked to provide their opinion on what they considered as an effective and efficient records management policy for their firms. The respondents indicated that the ability to quickly to retrieve information, easy accessibility of records, accuracy and comprehensiveness of data, availability of all information on an internal intranet, compliance with applicable tax laws and regulation, secure and controlled access, constituted an effective and efficient records management policy. (Bulinda 2013) reiterates that effective and efficient service delivery within organizations cannot be realized in the absence of a good records management policy.

4.6.5 Challenges of Retrieving or Collecting information

The study further sought to know the challenges faced by respondents when retrieving or gathering relevant information. The respondents were asked to describe the obstacles and challenges they have faced in retrieving relevant information. One of the most important challenge echoed by respondents was poor recording keeping. According to the respondents, other key challenges faced are: files lacking proper references, names or indexing, unstandardized records indexing or classification, obtaining outdated records, not getting relevant data, resilience of bank systems with technological changes and time taken to retrieve information. It becomes increasingly time consuming to manage information and more difficult to quickly access when necessary.

(Laudon 2010) explain that managers never really having the right information at the right time to make informed decisions raises costs and result in loss of customers, due to over or underproduction of good and services, misallocation of resources and poor response time. Organizations may also miss business opportunities because they cannot efficiently access information.

4.6.6 Benefits of Record Management Outsourcing

Lastly, the study sought to know the extent to which the respondents agreed or disagreed with the benefits of outsourcing records management. The level of agreement was interpreted on a scale of 1-3 where 1-1.5- Agree; 1.6-2.5- Disagree and 2.6-3- Neither agree nor disagree. The study found out that the respondents agreed on all the benefits except that Records Management outsourcing saves costs where a mean of 2.13 was recorded indicating that the respondents disagreed. The most agreed on statement from the respondents was that records management outsourcing practices helps to create centralized storage of information which had a mean of 1.13. (Azad 2008) explains that outsourcing helps to create centralized storage and aids in disaster management. Majority of respondents also cited that they agree with the statement that records management outsourcing aids in disaster recovery which obtained a mean of 1.25 from analysis of the responses.

It was further established that Records Management Outsourcing helps the company to achieve competitive advantage and helps the company save floor space (mean and standard deviation of 1.3 and 0.70, 0.48 respectively). The results also indicated that firms can comply with recording keeping laws and standards which obtained a mean of 1.38. This supports (Azad 2008), who asserts that Multi-National companies have legislative obligations that they are required to adhere to regarding data management, information policies and record management. The respondents agreed that Records Management Outsourcing enables the firm to have more efficient business processes, helps the firm to maintain retention and disposal schedules and results in improved customer satisfaction. This is based on the results from the analysis that revealed a mean score of 1.44 and standard deviation of 0.73, 0.63 and 0.73 respectively for each of the statements afore mentioned. (Porter 1996) states that operational effectiveness and strategy are both essential to superior performance, which he says is the primary goal of any enterprise. (Craumer 2002) further explains that Outsourcing can free managers to focus on more strategic, high-value activities.

In his research Mwambiririo (2005) indicated that the solutions for business risks lies in putting in place an appropriate record keeping system. ARMA (2014) state that this can be achieved through outsourcing to a third party Records Management Company. Finally the results showed that the respondents agreed that records management outsourcing practices provides records users with an audit trail on records with a mean of 1.50. This provides a safety cushion for the organization as it enables protection of its most valuable assets-

Information. User access may be controlled and the activity of the records can be tracked.

The results are shown in Table 4.13 below;

Table 4.13: Benefits of Record Management Outsourcing

	Mean	Std. Deviation
Records management outsourcing practices helps to create centralized storage of information	1.13	0.34
Records management outsourcing aids in disaster recovery	1.25	0.45
Records management outsourcing helps companies to achieve competitive advantage	1.31	0.70
Outsourcing records management helps the company to save floor space	1.31	0.48
Firm can comply with record keeping laws and standards	1.38	0.72
Record management outsourcing enables the firm to have more efficient business processes	1.44	0.73
Helps firms to maintain a retention and disposal schedule	1.44	0.63
Records management outsourcing results to improved customer satisfaction	1.44	0.73
Records management outsourcing practices provides records users with an audit trail on records	1.50	0.73
Records management outsourcing saves costs	2.13	0.89

Source: Researcher (2014).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a consolidation of the research findings, discussions and conclusions supplementary with the objectives of this study which was; to assess the importance of effective Records Management Outsourcing practices in Multi-National companies and to identify the relationship between Outsourcing Records Management and Competitive Advantage in Multi-National firms.

5.2 Summary of Findings

The study established that the firms outsourced different activities such as Catering, Core banking software, Information Technology, Man power, Record management, stationary logistics, Security and cash in transit, cleaning and selling. The firms that did not outsource were not aware of any benefits of outsourcing while others were had not found suitable vendors. One objective of the study was to determine the relationship between Outsourcing Records Management and Competitive Advantage in Multi-National firms. (Porter 1985) describes competitive advantage as being concerned with how a company can gain competitive advantage through a distinct way of competing. One such unique way is through RM outsourcing. On the importance of various ways of responding to competition, the study found out that majority of the respondents found outsourcing as an important way of responding to competition which asserts that outsourcing is a strategic tool that can be used to gain competitive advantage. It is worth noting that analysis of the findings revealed that Outsourcing, Differentiation, Strategic alliances and Cost leadership are all important ways for firms to respond to competition based on the respondents' feedback.

In regard to reasons why companies chose to outsource, the study findings disclosed that companies outsource to reduce or control costs only to a moderate extent. Freeing up resources for other purposes, accessibility to world class capabilities, lack of internal resources, lack of expertise and sharing risks were cited as a reason that influenced a company to outsource only to a little extent.

The second objective for the study was to assess the importance of effective Records Management Outsourcing practices. (Hawely 1995) describes information as an asset. The study results show that organizational information as characterized under accountability information, management information, business process information, human resource information, product information, market and customer information and supplier information is rated to be very valuable. The respondents further rated accountability or compliance information as the most valuable information. The study found out that all the information was needed within days. The most needed was market and customer information followed by business process information.

On the Importance of various aspects of records, the study found out that availability of accurate and comprehensive information was the most important aspect of records followed by on-site storage of hard copy documents. The findings concur with the emphasis by (ARMA 2014) that a good Records Management policy should be aligned to the principles of records management which are accountability, integrity, availability, transparency, compliance, protection and disposition.

The study sort to establish what would constitute as an effective and efficient records management policy for their firms, and found that the respondents preferred the ability to quickly retrieve information, easy accessibility of records, accuracy and comprehensiveness of data, availability of all information on an internal intranet, compliance with applicable tax laws and regulation, secure and controlled access as factors that would constitute an efficient and effective records management policy. (Porter 1996) states that operational effectiveness and strategy are both essential to superior performance. The findings corroborate that an effective records management policy would aid the company in sustaining records management principles which in turn would lead to effective operationalization of business process resulting into competitive advantage from superior performance.

The study further found out that the key obstacles or challenges faced in retrieving or gathering relevant information include, poorly labeled or indexed files, unstandardized records indexing or classification, obtaining outdated, poor record keeping, not obtaining relevant data, resilience of bank systems with technological changes and time taken to retrieve the information. The study lastly found out that most of the respondents felt that outsourcing does not really help the firm to save costs. The greatest benefit of records management outsourcing practices is that it helps to create centralized storage of information followed by the benefit that records management outsourcing aids in disaster recovery and finally the benefit that records management outsourcing helps companies to achieve competitive advantage.

5.3 Conclusions

From the study findings, this study concludes that the importance of effective Records Management Outsourcing practices in Multi-National companies is that it helps to create centralized storage of information, aids in disaster recovery which in turn helps companies to achieve competitive advantage. Further, the study concluded that the challenges managers in multinationals face in relation to records management include difficulty in retrieving records, difficulty in keeping an audit track of the records, files lacking proper references and not getting relevant data due to poor record keeping. Outsourcing to an offsite records storage centre therefore provides firms with economic cost saving and improved efficiency and effectiveness in business processes.

The study also concludes that there is a positive relationship between records management outsourcing practices and competitive advantage for in Multi-National companies. Records management outsourcing enables a firm to access resources that are not available internally, reduce or control operational costs, access to world class capabilities, take advantage of external expertise, free-up tied-up resources for other purposes and finally allows the firm to share risks with third parties. These aid the company to achieve operational efficiency and superior performance, which in turn gives the company competitive edge.

5.4 Recommendation

The study established that records management outsourcing has a positive effect on the competitive advantage of multi-national companies in Nairobi Kenya. This study therefore recommends that the management of the multi-national companies should adopt records management outsourcing to a third party record centre as a strategy for their firms to gain competitive advantage against their competitors. They will be able to access, protect, safely store and dispose their vital information which in turn will enable the firm to gain the tools necessary to provide the highest quality of service to their customers and achieve excellent service delivery.

The study also recommends that the management of the multi-national companies in Kenya should carry out a benchmarking activity against the best firms in the industry with the aim of comparing how they outsource their records management and how they can improve the way they do their outsourcing.

5.5 Limitations of the study

The researcher encountered quite a number of challenges. First, the study faced the challenge of resources thus limiting the study from collecting information for the study particularly where the respondents delayed in filling the questionnaire and travelling expenses to administer the interview guides. Due to limited time, the researcher had to limit scope of the study and did not extensively look into the economic cost implications of poor records keeping.

Company information is proprietary and confidential and some respondents were reluctant in giving some information. The researcher handled the problem by assuring them that the information will be treated with utmost confidentiality and will only be used for academic purposes.

5.5 Suggestions for Further Research

This research never considered the possible solutions to the challenges facing the multi-national companies in Kenya when outsourcing their records management. Further study should therefore be instituted to investigate the possible solutions to the challenges. An in depth case study research centered on an Offsite Records Management facility should be conducted to further highlight the advantages of outsourcing to third party service providers.

The source of the connection between Outsourcing Records Management as a practice that reduces costs has rarely been systematically investigated, and would be valuable to multinational enterprises as firms are constantly seeking ways to cut operational costs in order to survive during times of economic uncertainties and increased competition. The relationship between economic costs and poor records management also needs to be investigated further.

A rich field for further research is the argument of Paper verses Electronic media, which this exertion has not covered comprehensively. Wide studies still need to be conducted on the migration from hardcopy to softcopy records.

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APPENDICES

APPENDIX I: INTRODUCTORY LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 12th July 2014

TO WHOM IT MAY CONCERN

The bearer of this letter STELLA LUGANU ALUMANDE

Registration No. D61/72846/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
12 JUL 2014
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: QUESTIONNAIRE

Instructions: (*please read the instructions given and answer the questions as appropriately as possible*). It is advisable that you answer or fill in each section as provided. Kindly make an attempt to answer every question fully and honestly.

SECTION A

Part I: **Respondents Profile**

1. What is your Job Title or Position?

2. Please indicate your age bracket.
   Below 25 years [ ]   25-35 years [ ]   36-45 years [ ]   Over 45 years [ ]

3. What is your highest level of education?

   Master's degree [ ]   Bachelor's degree [ ] Diploma   [ ] Certificate [ ]

   Others (specify)

4. How long have you been with this firm?

   Less than 1 year [ ]   1-5 years [ ]   6-10 years [ ]   Over 10 years [ ]

5. Briefly describe the nature of your work.

Part II: **Organizational Data**

6. In which sector does your business belong?

7. What is the organizations core business?

8. Where is the firm's headquarters located?

9. In what year did your firm start operating in Kenya?

10. Please select an option that best describes Ownership of your firm.

    1. Foreign Owned [ ]
    2. Partly Foreign Partly Local [ ]
    3. Foreign owned but locally Incorporated [ ]
    4. Other (Please Specify)

11. What is the average Total Number of employees in your firm?

    1-10 [ ]   20-50 [ ]   50 and more [ ]

SECTION B: Strategic Outsourcing Practices and Competitive Advantage

1. a) What activities has the company outsourced during the past 5 years? If NONE, please proceed to part b) of this question.

   b) If NONE as above please tick on the applicable reason (s) listed below.

   The firm is not aware of outsourcing [ ]
   Not aware of potential benefits [ ]
   Expensive [ ]
   No suitable vendors [ ]
   Other (specify)

2. Rate the importance of the items below as a way of responding to competition. Please indicate your response using the scale provided.

   Scale 1. Very important 2. Important 3. Not important

   Outsourcing [ ] Strategic alliances [ ]
   Differentiation [ ] Cost leadership [ ]

3. To what extent are the following aspects significant in your company as a reason for the organization to engage in outsourcing practices? Use the scale of 1-5 provided to indicate the degree to which you agree with the statements where;

   5-To a very great extent 4-To a great extent 3- To a moderate extent
   2- To a little extent 1-To no extents

Aspect	1	2	3	4	5
Outsourcing helps the company to reduce/control costs					
The company can gain access to world-class capabilities					
Outsourcing helps the company to free up resources for other purposes					
The company choses to outsources activities in which resources are not available internally					
The company outsources activities as a way of sharing risks					
The company outsources activities when the firm lacks expertise or the function is difficult to manage					
Outsourcing helps the company to take advantage of external expertise					

Section C: Records Management Outsourcing Practices

1. a) Using the scale indicate the value of the Information as categorized below.
   1 Very Valuable **2** Valuable **3** Moderately Valuable
   4 Of Some Value **5** Of No Value

	1	2	3	4	5
Business process information					
Management information					
Product information					
Market and Customer Information					
Human resource information					
Supplier information					
Accountability/ Compliance information					

b) Please indicate how quickly the information as categorized below is usually needed, using the scale provided.

1 Within minutes 2 Within Days 3 Within Weeks 4 Seldom 5 Not aware

	1	2	3	4	5
Business process information					
Management information					
Product information					
Market and Customer Information					
Human resource information					
Supplier information					
Accountability/ Compliance information					

2. Please state using the scale provided, the extent to which the aspects of Records listed below are important to you.
   5-To a very great extent 4-To a great extent 3- To a moderate extent
   2- To a little extent 1-To no extent

   Ability to find quickly [ ]
   Availability of accurate and comprehensive information [ ]
   On-site storage of hardcopy documents [ ]
   Accessible in both hardcopy and softcopy [ ]

3. In your opinion, what would constitute an effective and efficient Records Management Policy in your organization?

4. Please describe any obstacles or challenges you have faced in retrieving or gathering relevant information, in the space provided below.

5. The following statements are benefits of Records Management Outsourcing Practices.
   Please indicate whether you; **1** Agree **2** Disagree **3** Neither Agree nor Disagree; with the following statements on Outsourcing Records Management.

	1	2	3
Records Management Outsourcing helps companies to achieve Competitive Advantage			
Records Management Outsourcing practices helps to create centralized storage of Information			
Firm can comply with record keeping laws and standards			
Records Management outsourcing enables the firm to have more efficient business processes			
Records Management Outsourcing aids in Disaster Recovery			
Helps firm to maintain a retention and disposal schedule			
Records Management Outsourcing practices provides records users with an audit trail on records			
Outsourcing Records Management helps the company to Save floor space			
Records Management Outsourcing results to improved customer satisfaction			
Records Management Outsourcing Saves costs			

(Thank you for your time and participation)

APPENDIX III: LIST OF MULTINATIONAL PETROLEUM COMPANIES OPERATING IN KENYA

1. Gapco Oil
2. Kenol Kobil
3. Oil Libya
4. Shell/Vivo Energy
5. Total Kenya
6. VTTI Kenya Limited

Source: Kenya National Bureau of Statistics (2014).

APPENDIX IV: LIST OF MULTINATIONAL BANKS OPERATING IN KENYA

1. A.G. Zurich Habib Bank Ltd.
2. Bank of Africa Ltd.
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of India
6. Citibank N.A.
7. Ecobank Ltd.
8. Kenya Habib Bank
9. Standard Chartered Bank (K) Ltd.
10. UBA Kenya Bank Limited

Source: Kenya National Bureau of Statistics (2014).