CHALLENGES FACED BY BIIARTI AIRTEL K^NYA IN OUTSOURCING OF ITS SERV ICES

BY

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DECLARATION

The research project is my original work and has not been submitted for a degree in any other college, institution or university.

Signed D a t e . j 4 \ ! ' m

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D61/60486/2011

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

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DEDICATION

I dedicate this research study to my parents. Mr & Mrs Matthews Aboka lor their continued support, encouragement and for instilling in me the value of life.

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ABSTRACT

Outsourcing is a process where a company outsources its operations to a service provider, whose core competence is centered on those processes. Outsourcing has become an important business strategy because it enables businesses to reduce and control operating costs, to improve on company focus, to gain access to world class capability and to free internal resources for other purposes.

The purpose of this study was to determine the challenges Bharti airtel faces in outsourcing of its services. The research was conducted by collecting primary data using an interview guide to collect in-depth data from the members of management across all the departments. The report contains in-depth analysis and interpretation of the data identifying the challenges faced by Bharti airtel Kenya in outsourcing of its sen ices.

The study found that top level management was involved in the outsourcing decision making. Focus on eore business was considered highly while cost reduction, improved quality of service, increased eompetiveness and increased flexibility were the key factors when making the outsourcing decision. Outsourcing was considered as a long term strategy to reach certain objectives as opposed to a short term solution. Findings also revealed that despite of the many benefits of outsourcing, there are challenges. Outsourcing is an expensive business strategy. Cost of hiring professionals is quite high and training staff to get familiar with the outsourced service. Time delay in service delivery poses a challenge in meeting customers' needs. Respondents also agreed on the tear of job loss, security risks were a challenge encountered in outsourcing. Government

policies, cultural and legal harriers all work against the success of a great strategy in business. On dealing with this challenge, a number of methods were adopted, flexible contract terms, confidentiality clause to be included on contracts, deadlines. Service Level Agreements (SLA), contracts and imposing penalties were the most common methods used.

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ABBREVIATIONS

30	Third Generation
BPO	Business Process Outsourcing
CCK	Communications Commission of Kenya
CEO	Chief Executive Officer
IBM	International Business Machines
IT	Information Technology
KPTC	Kenya Posts and Telecommunications Corporation
MMS	Multi Media Services
MTN	Mobile Telecommunication Network
NEC	NEC Corporation
SLA	Service Level Agreement
SMS	Short Messaging Services
TKL	Telecom Kenya Limited
UK	United Kingdom
VAS	Value Added Services
VKL	Vodafone Kenya Limited

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In today's global economy, outsourcing has become a very common phenomenon. Many large organizations have outsourced some or all of their services. Factors like lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core areas are some of the benefits of outsourcing. However, there are many challenges and risks associated with outsourcing Adeleye. Annansingh, & Nunes. (2004). Before kicking off an outsourcing program the issues to be considered are: Define the key objectives and motivation of your outsourcing program. A CEO needs to review how to focus on his company's "core competence" investment strategy and outsource these "non-competitive" factors to business partners and optimize Return on Investment or Return on Expenditure.

Companies outsource a wide range of services, all aimed at creating competitive advantage. These are accounting and financial services, human resource services, customer care services, security services, payroll processing and cleaning services. This is because these services arc non core and repetitive in nature thus similar in almost all organizations. These services can be done by an outside company at a cheaper cost or at the same cost but in a better way this is becausc most of the companies that provide these services have specialized in that area (Quinn, 1999).

According lo Sinnet (2006), he argues that organizations may choose to outsource certain activities for various motives. Some of the motives are cost reduction, access to new-technology, focus on core activities, and improvement of quality of services, as a strategic move that can allow businesses to gain a competitive advantage and greater flexibility. In addition, the study identified some challenges that are associated with outsourcing of sen ices: loss of control over serv ices, operational risk, loss of internal skills, loss of flexibility, cultural and social problems, technical constraints, decline in quail and competitive advantage.

Some Kenyan organizations are subcontracting some of their functions and it's often seen as a means of augmenting limited resources and skills while enabling the companies to concentrate on their areas of expertise. In the decade there has been a massive growth in the term outsourcing. Airtel Ltd as a major mobile service provider in Kenya has also utilized outsourcing strategy by being the first mobile operator to incorporate outsourcing. This is due to the realization that outsourcing is a competitive strategy in enhancing service quality and cost reduction (Kinyua, 2011).

1.1.1 Conccpt of Corporate Strategy

Corporate strategy is the pattern of major objectives , purposes or goals and essential policies and plans for achieving these goals , stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. In the globalized business, companies require strategic thinking and only by evolving good corporate strategies can they become strategically competitive. A strategy of a business organization is a comprehensive master plan stating how the organization will achieve its mission and objectives. Strategy is significant because it is universal. It helps corporate to keep pace with changing environs, provides better understanding of external environment, minimizes competitive disadvantage by forcing to think clearly about mission, vision and objectives of enterprise. It improves motivation of employees and strengthens decision-making. It forms the basis for implementing actions (Thompson & Strickland 2003).

Strategy can be classified based on hierarchy into four levels: corporate level, strategic business level, functional level and operating level. The approaches to strategy making are: the Chief Architect approach, the delegation approach, the collaborator or team approach and the corporate intrapereneur approach. Strategy making is an ongoing process involving activities like defining vision, mission and goals, analyzing organization and environment and matching them to decide suitable actions and objectives, and implementing with a review system.

1.1.2 Concept of Outsourcing

Outsourcing is as an act of delegating or transferring some or all of the business related decision making rights, business processes, internal activities, and services to external providers, who develop, manage, and administer these activities in accordance with agreed upon deliverables, performance standards and outputs, as set forth in the contractual agreement (Dhar, Gangurde. & Sridar, 2004). According to Griffins (1998) outsourcing as is the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Sometimes known also as "facilities management", outsourcing is a strategy by which an organization contracts out major functions to specialized and efficient service providers, who become valued business partners. (Rothery & Robertson. 1995) defined outsourcing as use of knowledge, experience and creativity of new suppliers, which u did not use previously.

The key to outsourcing is choosing the resource that can provide the quality product or service in completing an end product. It means finding new suppliers and new ways to secure the delivery of raw materials, goods, components and services (Rothery & Robertson, 1995). The products of today seem to increasing today more than ever in conjunction with technology advances. Outsourcing amounts to companies using suppliers to provide the necessary expertise and/or product to be assembled into an end product.

To begin the decision to outsource specific operations or functions must be based on sound judgment not just a cost factor though cost is an integral part of an outsourcing decision. There is nothing wrong with this concept but when companies choose this option, it must for the right reasons. The subject of outsourcing and the decision to use this concept is different for each company. The justification and support is as different as there are products and services. It is necessary to evaluate several details or conditions betore deciding to outsource operations functions. Outsourcing is not for everyone and companies sometimes lose something in the process when they incorporate this concept. Customers may loose expertise and knowledge of carrying out the outsourced processes with time. Data confidentiality to the vendor may be prone to theft if vendor has no security policies (Stallings & William. 2004).

The main purpose of outsourcing is in effect to reduce costs and increase profit (Aubert et al., 2001: Diromualdo & Gurbaxani, 1998). Companies must make money to survive in the world economy as it is today. While it is up to each company and their management to make the decision for outsourcing, there is an impact to the employees and the consumer when outsourcing is used. Similarly outsourcing increases the speed of business processes and also increases flexibility of organizations. A company is able to focus on the core activities, key employees will be released from performing the non core administrative functions and concentrate on core activities more energy and time. Focusing on this helps a company to increase in its efficiency to create a competitive edge (Kakumanu & Partanova, 2006).

However before outsourcing the resources of a company must be examined to determine if the capability exists within the company to provide the necessary capacity and expertise. If these conditions are not present and cannot be developed, then outsourcing may be necessary. This is an aspect that should be examined before an outsourcing decision is made. Granted there arc many complex issues and factors involved in the manufacture of many products consumers want. Outsourcing is not for every company but it is a necessary option for others. Outsourcing should be used sparingly for direct control of operational performance is lost when outsourcing is utilized. Outsourcing also creates the need for validating requirements arc accomplished per contractual terms and this in effect causes an increase in cost that may not otherwise exist.

1.1.3 Challenges of outsourcing

Whenever, there is an outsourcing decision, there is an inherent risk associated with it. In addition, in any outsourcing deal, there are some hidden costs that are as a resultant of complexity of activities, measurement problems and also uncertainty (Lacity & Hirschheim, 1993). Unexpected transition and management costs is also a problem encountered when outsourcing, this can be an outcome of lack of experience and expertise of the client or supplier with outsourcing contracts (Earl, 1996). Loss of organizational competencies is also a challenge faced through outsourcing; this is a result from the scope and proximity of activities outsourced to the clients (Hamel and Prahala, 1990). Collins and Montgomery (1995) have reported that despite outsourcing helping companies to concentrate on their core activities and outsource the non core, the must also push for innovations, coordinate the activities of various suppliers and understand what services have to be supplied.

Damages due to security breach are another drawback from outsourcing as we all know the life-blood of any business is the information that keeps it running. A company thus should better control access to information by ensuring of good intellectual property protection and all the security practices to be adhered to (Adeleye et all, 2004). Another challenge faced due to outsourcing is poor quality and reliability. This is comes as a result of inability to be able to control vendor's technical quality and also regaining them when necessary (Sabherwal, 2003). Lastly legal, language and cultural barriers can cause serious problems. Differences in dealing with problems and conflicts and lack of communication between the outsourcing partners can cause friction and inefficiencies.

Both companies need to respect each other cooperate and national cultures and find mutually beneficial way to develop successful relations (Kakumanu & Partanova, 2006).

1.1.4 Telecommunication Industry in Kenya

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

The introduction of mobile telephony in Kenya can be traced to the mobile calls and paging services offered bye the Kenya Posts and Telecommunication Corporation (herein after KPTC) in 1980's. This was followed by a full cellular service in southern Kenya in 1992, which was offered in collaboration with NEC Corporation. The initial research conducted in this period indicated that if the mobile phone was introdueed. it could attraet between 5000 to 10000 subscribers within the first year of introduction (Noam. 1999).
The first mobile telephony in Kenya was offered by the state corporation KPTC. It was characterized by high tariffs that were out to reach by the common man. To address this, Safaricom was set up in 1997 and became a joint venture between TKL and VKL (a subsidiary of Vodaphone Group Pic). This was followed by the Kenccll in the year 2000. Following the entry of the second major operator, the number of mobile phone users has

grown significantly and so has the geographical coverage area by the mobile networks. The number of mobile telephony subscriptions has continued to overtake the number of fixed telephony users. Kenya has since experienced an increase in telcdensity to 58.5 mobile subscribers per 100 populations in 2010 compared to 13.5 and 7.8 in 2005 (UNCTAD report, 2010).

Currently there are two more licensed operators namely Orange and Essar Communications that trades as YU brand. Kencell has since rcbranded to celtel in 2004 and then rcbranded to Zain in 2008 and finally Airtel in 2010. These companies have diverse backgrounds, for instance Safaricom is partly owned by Vodafone of the UK, Airtel and Essar has its origins in India, while Orange is owned by the French. These operators have evolved from being majorly voice based operators to becoming data based, by offering 3G networks for Orange and Safaricom. Value Added services have also been introduced which include award winning financial services like M-PESA. Other VAS services include CRBT, SMS. MMS etc.

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

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

1.1.5 Bharti Airtel Kenya Limited

Bharti Airtel Limited, commonly known as Airtel, is an Indian telecommunications company that operates in 20 countries across South Asia. Africa and the Channel Islands. It is the world fifth largest mobile operator with 180 million customers. Airtel currently number 1 in 10 countries in Africa, and there are averages of 2-3 mobile telecom operators in each country. In the continent airtel seconds MTN and covers a population of 45million. Recently on a price war in Kenya mobile communication market in 2008 to date, following the market entry of the third and fourth mobile networks, Econet wireless Kenya in which India's Hssar acquired as a stake, and telekom kenya under orange brand with its new majority shareholder (France Telecom). Due slow subcribcr growth. Airtel was driven into deeper negative earnings leaving only the market leader safaricom with a netprofit, although reduced (http://africa.airtcl.com kenya').

Airtel Kenya Ltd was launched in Kenya in 2000 as Kencell and rebranded to Zain in 2008 and finally Airtel in 2010.Airtel is an innovative mobile phone operator offering a host of high quality value added telecommunications sen ices through a wide network to a continually growing customer base. When the firm rebranded yet again in November 2010 after India's Bharti Airtel acquired 16 Zain African operations. Aitel Kenya Ltd operates as a mobile phone operator in Kenya. It offers serv ices including prepaid plans, international roaming, local and international text messages, Internet access, directory enquiries, voicemails and sms information as well as standard parts of mobile phone plans (http://africa.airtel.com/kenya/).

It is known for being the first mobile phone company in the world to outsource all of its business operations except marketing, sales and finance. Its network base stations, microwave links, etc. is maintained by Ericsson, Nokia Siemens Network and Huawei, and business support is provided by IBM. and transmission towers are maintained by another company (Bharti Infratel Ltd. in India). Ericsson agreed for the first time to be paid by the minute for installation and maintenance of their equipment rather than being paid up front, which allowed Airtel to provide low call rates of 1 shilling per minute. During the (2009 2010) financial year, Bharti negotiated for its strategic partner Alcatel-Lucent to manage the network infrastructure for the tele-media business. On 31 May 2012, Bharti Airtel awarded the three year contract to Alcatel-Lucent for setting up an Internet Protocol across the country. This would help consumer's access internet at faster speed and high quality internet browsing on mobile handsets. Airtel Kenya is the second largest operator and has 4 million customers (http://africa.airtel.com/kenya/).

1.2 Research Problem

Outsourcing is emerging as an effective tool in revamping strategies and benefits of business in a financially viable and pro-active manner. An intelligent outsourcing initiative looms largely on a company's ability to find equilibrium between the services that incur cost and those that provide value. As a result, many companies look to send non-critical services and functions outside the company in order to maintain control over those business systems that are mission-critical (Thompsons et al. 2007). Although there are numerous reasons to outsource, current wisdom dictates that the primary reason a company should look to outsource is to regain and improve focus on strategic business processes. Outsourcing allows a company to locus on broader business strategies while having the less strategic aspects of a business performed by an outside expert. Johnson and Scholes (2004) say outsourcing can enable a company to curb operating expenses and reduce cost. Through the selection of vendors that specialize in certain areas, outsourcing providers bring economies of scale to a company. Companies also outsource due to a limitation of internal resources. Outsourcing also permits an organization to redirect its resources from non-core activities toward activities that have greater return in serving the customer. Despite the benefits outsourcing decision has inherent risk associated with it like hidden costs, unexpected outcomes, diminishing service levels, threats to security and confidentiality of information, possible risk of selecting an unqualified or inexperienced service provider. This challenges need to be addressed when making outsourcing decisions.

Airtel pioneered in the telecom outsourcing in 2004 when it handed over management of its IT and network to IBM and Ericsson respectively, to focus on core marketing activities. Taking a leaf from the resultant benefits of outsourcing the network, in an unprecedented move, Airtel also adopted a radically new VAS business model to improve market competitiveness. The operator decided to entrust responsibility of its complete VAS operations to Comviva - an established, reliable and proven VAS infrastructure provider with over 10 plus years of expertise in VAS deployments. Airtel transferred its customer care staff to Indian business processing outsourcing (BPO) firm Spanco for they outsourced its customer services like call centre's and back office this was despite growing fears by some of its employees over jobs security. It also transferred about 100 staff who was working in the network and engineering section to Nokia-Siemens which provides network design, integration, commissioning and optimization services to the operator for rapid roll-out of the network and full set of care services including hardware, software and competence development services. 37 employees in information technology were transferred to IBM which provides IT solutions, a standard operating environment, 'help desk' and 'desk side' support to enhance employee efficiency and convenience.

Previous studies on outsourcing strategies are by Kinyua (2000) he asserts that outsourcing engagements alike other contractual engagement is characterized by risk and rewards. Companies need to conduct careful analysis before engaging in outsourcing. Chanzu (2002) in her study of business outsourcing practices amongst private manufacturing companies in Nairobi found out that the extent of outsourcing is high in some departments like Human Resource. Finance and Information Technology with a great drive to cut costs, pursue core business activities and outsource the non core activities. Makhino (2006) in her study on benefits and challenges of outsourcing Human Resource activities in commercial banks in Nairobi found out that HR outsourcing is beneficial and that there is no bank that fully out sources HR services. Mutungi (2009), In his study on outsourcing practices in government ministries noted that outsourcing helps employees to focus on their core competence and that open tendering method was the most commonly used and cost effective procurement practice in acquiring the service providers. Although studies on outsourcing have been carried out in other sectors, very little is known about outsourcing in Airtel Kenya. What challenges does Airtel Kenya lace in outsourcing of its services?

1.3 Research Objective

The objective of the research is to establish the challenges airtel faces in outsourcing of their services.

1.4 Value of study

This study will aid stakeholders and customers of Bharti airtel to appreciate the challenges facing the industry and the efforts made by airtel to provide cutting edge services. To the management of airtel Ltd and interested investors they will gain a deeper-understanding of the company's operating env ironment from the study; this will assist in crafting value added services with respect to the company's direction. It will also help sensitize the management on the issues of outsourcing and raise their awareness on the concept

This study will benefit both students and lecturers. Findings will be used by students in doing theirs research as source of secondary in the dynamic area of outsourcing while lecturers can use is as a point of reference when extracting notes.

To academic researchers, the study can act as a springboard for future studies. Academic researchers use other studies to source information and establish research gaps; they will obtain additional information to the body of knowledge on business process outsourcing particularly on expansion of knowledge in organizations involved in drafting organizations strategic plans.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of the studies done on the subject matter. The specific areas covered here shall be the coneept of corporate strategy, outsourcing services and the various challenges of outsourcing.

2.2 Concept of Corporate Strategy

Organizations are facing exciting and dynamic challenges in the 21st century. In the globalized business, companies require strategic thinking and only by evolving good corporate strategics can they become strategically competitive. A sustained or sustainable competitive advantage occurs when firm implements a value creating strategy of which other companies are unable to duplicate the benefits or find it too costly to initiate. Coiporate strategy includes the commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above average returns.

Peter Druckcr (1954) viewed strategy as analyzing the present situation and changing it if necessary. This view needed one to find out what resources they have or what they should be. This definition is almost similar to Von Neumann and Morgenstern's definition with respect to consideration of the situation but adds the aspect of resource endowment. Chandler (1962) defined strategy as the determination of the basic long term goals of an enterprise and the adoption of courses of action and allocation of resources necessary for carrying out these goals. In 1965, Ansoff offered a definition of strategy which linked the organizations goods and serv ices with the needs and wants of the market as a means of achiev ing competitive edge over competition. He defined strategy as a rule for making decisions determined by product or market scope, growth vector, competitive advantage and synergy.

Corporate strategy is needed for every organization and it offers several benefits. It provides us with the preferred that we should take for the journey that we actually make. It keeps pace with the changing environment. The present day environment is so dynamic and fast changing thus making it very difficult for any modem business enterprise to operate. Because of uncertainties, threats and constraints, the business corporations are under great pressure and arc trying to find out the ways and means for their healthy survival. Under such circumstances, the only last resort is to make the best use of strategic management which can help the corporate management to explore the possible opportunities and at the same time to achieve an optimum level of efficiency by minimizing the expected threats.

Corporate strategy can be crafted using four different approaches. The Chief Architect approach, this is where a single person the owner or CEO assumes the role of chief strategist and chief entrepreneur, single handedly shaping most or all of the major pieces of strategy. This does not mean that one person is the originator of all the ideas underlying the resulting strategy or does all the background data gathering and analysis: there may be much brainstorming with subordinates and considerable analysis by specific departments (Lomash & Mishra. 2003).

The Delegation Approach .Here the manager in charge delegates big chunks of the strategy-making task to trusted subordinates, down-thc-line managers in charge of key business units and departments, a high-level task force of knowledgeable and talented people from many parts of the company, self-directed work teams with authority over a particular process or function, or. more rarely, a team of consultants brought in specifically to help develop new strategic initiatives (Thomas & Hunger. 2002).

The Collaborative or Team Approach: This is a middle approach when by a manager with Strategy making responsibility enlists the assistance and advice of key peers and subordinates in hammering out a consensus strategy. Strategy teams often include line and staff managers from different disciplines and departmental units, a few handpicked junior staffers known for their ability to think creatively, and near-retirement veterans noted for being keen observers, telling it like it is. and giving sage advice. Nokia Group, a Finland-based global leader in wireless telecommunications, involved 250 employees in a strategy review of how different communications technologies were converging, how this would affect the company's business, and what strategic responses were needed (Thompson & Strickland 2003).

The Corporate Intrapreneur Approach: In the corporate intrapreneur approach, top management encourages individuals and teams to develop and champion proposals for new product lines and new business ventures. The idea is to unleash the talents and energies of promising corporate intrapreneurs, letting them try out business ideas and pursue new strategic initiatives. Executives serve as judges of whom proposals merit support, give company intrapreneurs the needed organizational and budgetary support, and let them run with the ball (Kachru, 2005).

Corporate strategy is a continuous on going process and extends company wide over a diversified company's business. It is a boundary spanning planning activity considering all the elements of the micro and macro environments of a firm. The process of developing corporate strategy or the overall managerial plan for involves the following processes: Making the moves to establish in different businesses and achieve diversification; Initialing actions to boost the combined performance of the businesses the firm has diversified into; Pursuing ways to capture valuable cross-business strategic fits and turn them into competitive advantage and lastly to establish investment priorities and steering corporate resources into the most attractive business units (Thompson & Strickland. 2003).

2.3 Outsourcing services

According to Heshmati (2003) he looks at outsourcing as any task, operation, job or process that could be performed by employees within an organization, but is instead contracted to a third party for a significant period of time. In addition, the functions that are performed by the third party can be performed on-site or off-site. Decision to outsourcing is in effect trying to reduce costs and increase profit. Outsourcing is becoming an increasingly important part of strategic decision making and an important way to increase efficiency and often quality.

Outsourcing involves procuring services or products from an external service provider with a view to curb costs, replace in house capabilities, and thereby reduce the time period of projects. The client organization enters into contractual agreement that's defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of resources from the client. The client agrees to procure the services from the supplier for the term of the contract. Outsourcing is thus a full transfer or delegation of an organization's facility management functions to an external firm (Bardoloi, 2004).

A useful application of outsourcing serv ices is found in human resource. A survey of human resource executives has found that 85% having personal experience with leading an outsourcing effort within their organizations. In addition it was found that 2/3 of pension department has outsourced at least one human resource function, within customer services and sales departments, outsourcing has increased in productivity within this areas (Pearce & Robinson. 1997).

Business segments especially in information technology are being outsourced, some companies have gone so far as to outsource core as well as non-core IT services in hopes of identifying equilibrium between the value IT can bring and its cost. Companies are outsourcing customer support services, call center functions like web development, market research, telemarketing, customer service, designing, security services. Computer

Aided Design drafting and engineering services. This is in an effort to increase competitive advantage. (Poria, Bharat C. Strategic Outsourcing).

Outsourcing services trend is for outsourcing relationships to function more and more as partnerships. Outsourcing providers are taking increasing responsibility in realms that have traditionally remained in house, such as corporate strategy, information management, business investment and internal quality initiatives (Sinderman 1995). According to Byrne (1996) he reported that activities being frequently outsourced are manufacturing, engineering and transportation. A survey done by us CEO's shows that 42 % of telecommunication firms, 40% of computer manufacturers and 37 % of semiconductor companies rely on outsourcing.

Kotabe (1992) contends that, in outsourcing you arc not buying merchandise or products or service, but rather capacity, time or expertise. The outsourcer could be defined as the service provider, outside the company acting as an agent of the company business but responsible for its own management. You also have choices between going direct to deal with service providers or going through agents to handle your project that need to be outsourced. Outsourcing is also used to provide seasonal workforce and to overcome constraints in production capacity. Similarly outsourcing decisions should be made from a strategic perspective so that it can e fully integrated into the business planning process to achieve long term success (Benson and Leronimo. 1996).

In the growing global economy, most institutions have resulted in outsourcing HR services because it's becoming increasingly complex and resource intensive. Outsourcing specialists facilitate the client organization in developing HR strategies and policies, sourcing and selecting employees, leading and managing employees, creating rewards and incentive programs, administering benefits and retirement programs, and also managing the payroll (Feeny, Lacity and Willcocks, 2005). The HR outsourcing model includes more strategic processes such as employee acquisition functions like recruitment, pre- employment testing, and temporary staffing in addition to optimization functions such as absence management, compensation or incentives planning and e-learning. This enables the HR department of the client organization on leveraging employee performance and supporting strategic initiatives.

IT services outsourcing is also on the rise, this is because outsourcing IT allows companies to use a large number of computing resources on demand, no matter where it is located (Sako and Tierncy, 2005). Due to economies of scale, vendors are capable of modernizing their IT regularly at lower units than if it would have been done internally. This gives the host organization the most current and efficient IT solutions (Porter, 1991). Outsourcing enables organizations to build flexible and long term platforms capable of adaptation evolution. To keep pace with the emerging market dynamics. It also allows host organizations to buy technology from a vendor that's would be financially intensive to build internally (Lankford and Parsa. 1999). Outsourcing IT intensive activities allows staff to focus on core business functions like product development, service delivery, partnership building, thus reducing growth risk since external costs are easier to reduce. It also increases flexibility that is ability to adapt to changing market conditions quickly (Sako, 2006).

There are several ways in which a company's resources can be leveraged. As Quinn (1992) show, one of the ways is through maximization of returns on internal resources by concentrating investment and energies on what the enterprise does best. Another way is through well-developed core competencies providing formidable barriers against present and future competitors that seek to expand into the company's areas of interest. This helps in facilitating and protecting strategic advantages of market share. Another way is through full utilization of external suppliers' investments, innovations and specialized professional capabilities to duplicate internally. Lastly a company's resources can be leveraged through joint venture strategy which is said to decrease risks, shorten cycle times, lower investments and create better responsiveness to customer needs.

The generic methods of outsourcing are proposed as: peripheral outsourcing and core outsourcing. The first type occurs when firms acquire less strategically relevant, peripheral activities from external suppliers. The second type occurs when firms acquire activ ities that are considered highly important to long run success. What constitutes a core peripheral activity is essentially a judgement by each individual firm, based on what it considers as core compctcncy and the strategy it intends to persue. Thus, although it is possible that some similarities may exist within the industry, there is considerable scope for variation among firms within the industry (Gilley and Rasheed, 2000).

2.4 Challenges of outsourcing

Despite the dramatic rise in outsourcing in recent years, few empirical investigations on the challenges have been conducted. This is because whenever, there is an outsourcing decision, there is an inherent risk associated with it. If outsourcing pitfalls outweighs the benefits then you should avoid outsourcing those operations. Main obstacles and problems of outsourcing include: loss of control, loss of critical skills, failure to realize hidden costs of contracts, inadequate capability of service providers, loss of flexibility, difficulty in obtaining organizational support, indccisiveness on which activities to outsource, inadequate costs and benefit system and fear of job loss (Mclvor and Humpreys, 2000).

Hidden costs are a major challenge to outsourcing. Outsourcing is viewed as an active business strategy and, at the optimal level, enables a firm to focus on strategic business functions. Additionally, it frees a firm from resource and labor intensive functions, which can then be performed by experienced personnel in low-cost markets at lower costs. In fact, cost reduction is one of the major motives behind outsourcing. A study conducted by META Group estimates that in reality, most organizations save 15%-25% during the first year; by the third year, cost savings often reach 35%-40% as companies "go up the learning curve" for outsourcing (Davison, 2003). Hidden costs and differences in management structures can often lead to increased costs.

According to Willcocks, Lacity & Fitzgerald (1995) in their extensive survey of outsourcing found that "As well as inadequate measurement systems, there seem to be five additional root causes of such hidden costs. These are: Failure to fully define present requirements; Failure to define fully future requirements, or failure to create mechanisms for protecting price in the face of contingencies; Loopholes or ambiguities in the contract;

Not allowing the vendor a reasonable profit and unforeseen, rising, in-house contract management costs as a result of weak contracting practice."Although outsourcing may look financially sound on paper, research firms warn that adopting an offshore model could have a negative impact on a company's business strategy, as well as the internal structure and culture of a company. Taking this into consideration, a corporation should develop an outsourcing strategy, then provide this strategy to its individual lines of business to allow them to outsource within its guidelines. Once an organization understands its outsourcing drivers, selecting which applications to outsource becomes a straightforward task. Unfortunately, many corporations fail to ask the simple questions choosing instead to jump on the bandwagon. This is evident that outsourcing does not reduce costs as expected in some cases (Beaumont and Sohal, 2004).

Aside from risks related to cost, security also becomes a major risk. If you think about it, outsourcing is not just sending requirements and specifications outside a company: it is in fact opening up a company to allow vendors access inside. Unlike physical labor, technology allows workers to operate from remote locations while work is being performed on central servers in various offshore locations. Whether it is software or hardware, acccss must be granted to outsourcing companies and with this access comes inherent risks. Many of these risks surrounding outsourcing are risks companies face every day but become magnified when work moves outside the span of control of a company. The company cannot even temporarily resume the outsourced roles because the internal knowledge has been lost (Chanvarasuth, 2005).

According to Sanjay Joshi, Vicc Chairman at Wipro Spectra mind, he states that security is in fact one of the top concerns companies face when outsourcing services to external vendors. (Joshi. 2004) .By placing the management and hosting of these services to an external provider. Organizations give up much of the control over their own assets and information. According to Kelly Kavanagh, senior analyst at Gartner, Inc, The key to successful and secure outsourcing agreement understands the security and privacy risks for a business process, application or technology function early in the outsourcing decision process.

Another major risk concerns knowledge transfer. Although a product may be developed externally, it may require internal support. Therefore the transfer of knowledge from both sides of a contract is critical. When a product is delivered, if the transfer of knowledge is broken, the company will become dependent on that particular vendor. The same can be said for the organization that may need to transfer an abundance of knowledge to the vendor in order for a product or service to be delivered successfully. Most organizations experience a 20% decline in productivity during the lirst year of an agreement, largely-due to time spent transferring both technical and business knowledge to the vendor. Deskilling management and operations have a major implication for future actions (Wendy, 1997).

Additionally, when jobs are exported, there is a possible loss of innovation. Collins and Montgomery (1995) reports on a survey that indicates that outsourcing customers must push for innovations, coordinate the activities of various suppliers and understand just what services has been supplied. Although difficult to measure, the pool of workers that helped build up a service or system, are now being replaced with individuals who may not have the company's best interests in mind. Therefore innovation and potential talent are being lost to individuals who have a limited stake in the success of the company.

Service Level Agreements (SLA) is a necessary tool for establishing and measuring service performance for the organization. Yet there appears to be a great deal of misunderstanding about them, not only within organizations but even with the vendors themselves. A Service Level Agreement formalizes the commitment of a serv ice prov ider to provide services of a stated quality at a staled level of response to the customers who will be paying for the services, and the consumers who will be the recipient of services detailed within the agreement. By developing and negotiating an SLA with its customers, departments can effectively plan to provide a range of services which covers the core services required by coqx>rate management and the optional ones which may be needed periodically by individual customers. Willcocks, Lacity & Fitzgerald (1995) reported in their research parties all too frequently relying on partnering notions to offset any difficulties arising from loose contracting. These rarely provided a sufficient base in themselves from which to run effective outsourcing arrangements.

Kunz (2001) states that the benefits and strategic value gained through outsourcing should be clear from the very beginning and should not be utilized for reduction in cost or as a solution to a problematic workforce The traditional understanding of outsourcing information technology services was in terms of a corporate divestiture where the people and the technology resources were turned over to another company to use and manage. The new way of thinking about outsourcing is not as a divestiture, but as a merger of resources. It's not just 'give me the best price you can' anymore. Companies that are outsourcing their functions need to think in terms of blending the best of what is part of the old organization with the benefits of what the service provider offers (Musthaler, 2003) .While organizations are turning to external suppliers for outsourcing everything from payroll processing to data storage, the goal is better quality, more efficient service at lower costs.

Henry (1995) presents a discussion on the value of the informal human links within an organization and argues that outsourcing dramatically alters the informal structure of an organization within which human operates. Managing expectations and maintaining relationships with service providers is essential for the success of any outsourcing initiative. Although clear in concept, this is often very difficult to execute due issues ranging from corporate culture clash to the difficulties in managing an outsource provider across large distances and different time zones. Throw in regulatory concerns and proprietary information and relationship management becomes even more difficult. There is often disconnects between expectations at the management level and what's actually delivered at the process level. You also need to make sure the parties share a common understanding regarding critical interactions at the operational level (Shaw Pittman, 2003).

Lack of capablc service providers is a major problem of outsourcing, which includes inability to provide effective transportation networks, poor transportation tools, and old designed warehousing facilities, lack of qualified staff and lack of IT capability. The incapability of the serv ice provider may include issues such as: less than expected serv ice quality, failure in realizing expected cost reduction or capital investment reduction, hindrance to further outsourcing of activities (Mazzivvi, 2002).

Quality of service is measured by an SLA in the outsourcing contract. In poorly drafted contracts there is no measure of quality or SLA defined. Even when the SLA is defined, it may not be at the same level as previously enjoyed. This may be due to lack of proper and accurate measurement while drafting the SLA. It may also be lower quality through design to match the lower price (Jennings, 1997). The outsourcing company will be motivated by profit thus compromise on quality due to decreased expenses as long as the meet the contract condition. In regards to this company will loose the flexibility of responding to changes in the business env ironment. The contract will be very specific and additional changes will need extra pay (Bucki, 2011). Companies that engaged in total outsourcing often suffer service degradation and, in some cases, increased costs. This has made some companies to threaten to sue their outsourcing vendors for non-performance. (Lacity Hirschheim & Willcocks, 1994).

Another drawback is the idealized expectations regarding the return on investment and the time it will take. Many firms envision drastic cost savings of up to 80%. A company looking for a quick solution will be frustrated. Outsourcing goals that are too high are never reached and they often lead to a company to believe that it failed in its implementation when it still achieved major gains. In most cases outsourcing can only show its real potential if it is long-term and partnership oriented.

Additionally, legal, language and cultural barriers can cause serious problems. Differences in dealing with problems and conflicts, and lack of communication between the outsourcing partners can cause friction and inefficiencies. Both companies need to respect each other's corporate and national cultures and find mutually beneficial ways to develop successful cooperation (Kakumanu & Partanova, 2006).

The cost of negotiating, managing and overseeing a detailed contract can also be great. To alleviate some of the risks, a good contract with appropriate incentives, penalities and benchmarks is very important. On the other hand, the protectionist lobby and their anti-BPO drive in the USA and Europe are indirectly helping the proliferation of global off shoring by providing free publicity. Hence this drive has increase not only in India's but also in China's, Russia's and Mexico's brand images because companies now feel that these outsourcing companies are capable of almost anything. It is very likely that this protectionist movement will help these low-cost companies improve their brand image and thereby move up the value chain even faster (Aggrawal & Pandey, 2004).

Companies can often be attracted to outsourcing as a means to relieve intensifying competitive pressure however if they fail to consider long term implications they might unwillingly mortgage their future opportunities for short term advantage like prematurely exiting a market, hasty and near sighted outsourcing may result in the loss or unintended transfer of critical learning opportunities (Thompson et al, 2007).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blue print for the collection, measurement and analysis of data. This scction therefore, identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, data collection methods and data analysis.

3.2 Research Design

This is a case study aimed at getting detailed information regarding the challenges faced by Airtel limited in outsourcing of its services. According to Yin (1994), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involves careful and complete observation of social units. It is a method of study in depth rather than breath and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primary data collected from such a study is more reliable and up to date.

3.3 Data Collection

The study made use of primary and secondary data. Primary data was collected using an in depth interview guide while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data sources on outsourcing challenges included company's publications, journals, periodicals and information obtained from the internet.

The interv iew guide that was used to collect primary data was open ended questions. The open ended questions enabled the researcher to collect qualitative data. The data collected was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interviewees of this study were the senior managers since they are well versed with the challenges Airtel is facing while outsourcing its serv ices in the operating environment

3.4 Data Analysis

The data was analyzed by the use of content analysis in accordance with the objective of the study. According to Kothari (2004), content analysis consists of analyzing the contents of documentary materials such as books, magazines, newspapers and contents of all verbal materials which can neither be spoken nor printed. He further states that content analysis is mostly qualitative analysis concerning the general import or message of existing documents.

Content analysis has been used successfully by Hinga (2007) in a similar study since it does not restrict the respondent on answers and has potential of generating more information with much detail.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETETAIONS

4.1 Introduction

This chapter presents findings from the field, its analysis and interpretations there-of. The data was gathered through an interview guide and analyzed using content analysis. The objective of the study was on challenges face by Airtel Kenya limited in outsourcing of its serv ices.

4.2 Response Rate

All 8 heads of department projected to be interviewed were interviewed which makes a response rate of 100%. The commendable response rate was achieved at alter the researcher made frantic effort at booking appointments with the heads of departments despite their tight schedules and making phone calls to remind them of the interview.

4.3 Demographic Information of the Respondent

The study, in an effort to ascertain the interviewees' competence and conversance with matters regarding Airtel asked questions on the highest level of education. The study found that all of the interviews had at least a University Degree while others had a Masters Degree and a PhD Degree; this means that the respondents had a good understanding of the topic. The researcher also asked a question on the years that the interviewees had worked for the organization (Airtel Kenya). According to the interviewees' response, most of them had worked for the organization for at least five years as most promotions are internal, within the organization, this makes the have good information on the services being outsourced and the challenges they are facing. The interviewees' responses hence had the advantage of good command and responsibility being that they were senior managers and had experience and aptitude owing to their years of experience in the organization.

4.4 Outsourccd Services

The study sought to establish the services outsourced in each department from which it was established that various departments outsource at least one process. In the Information Technology and Telecommunication Department outsourced services are: maintenance services for network systems, upgrading services for major applications and servers. Other interviewees reiterated they do outsource comprehensive end user and helpdcsk services. Other mentioned outsourced services include initial upgrading and distribution of systems and internet browsing and hosting services

In the Network Maintenance and Implementation department outsourced services include. Base station maintenance services e.g. network design, installation and commissioning of telecommunication networks. Other outsourced services outsourced include Radio Network Maintenance, Generator maintenance. Electrical system maintenance. Air conditioner maintenance. Aircraft warning lights maintenance. Electric fence system maintenance. Site generator fueling, Mobile network maintenance including Wimax, Wide Area Networks and Infrastructure husbandly.

In the Operations Department, the outsourced services according to the interviewees are customer services like call centers, back office operations and the value added services. The study further found out that in the Finance Department processes outsourced are auditing of accounts, tax consultancy, revenue collection serv ices, cash in transit security services and post office/postage services.

In the Human Resource and Administration Department outsourced services include consultancy services on job evaluation, job interviews for senior staff and employee satisfaction surveys. Other outsourced serv ices include provision of health care, cleaning services, courier services, training services, travel booking services and construction work in administration.

It was also of interest to know from the senior managers why they think Airtel Kenya adopted the outsourcing strategy. In response to this question, the study obtained that; the organization mainly employs use of outsourcing to maximize operation costs by cutting down on unnecessary operation expenditure. Other reasons cited for outsourcing are enabling the organization concentrate on the core business functions therefore being able to compete effectively in the ever competitive environment, ensure good service delivery by speeding up service delivery. For efficiency and effectiveness it was established that Airtel adopted outsourcing strategy in order to get quality serv ices.

4.5 Benefits of outsourcing

The interviewees were asked to indicate the impact ol outsourcing of their services. The organization derived quite a number of benefits employed from outsourcing of their services. Outsourcing has enabled the organization to operate profitably as resultant of efficient and effective process. The procurement department plays a major role by outsourcing goods and services from organizations that are well conversant with the services being outsourced.

It's revealed from the findings that there is improved quality of service delivery to customers. By outsourcing to professionals, services improved and customers seemed more satisfied with the services. On the other hand employees had less on their hands and concentrated on what is core to the company. More time was given to customers to make follow up calls on their satisfaction levels.

It was also revealed that outsourcing of services has enabled Airtel to streamline their operations which have mainly resulted to the following key benefits. Increase in market shares and customer base. With outsourcing the company is able to concentrate on its key business. This improves the performance of employees who focus on what they are good at and the result is higher profit and a wider customer base.

The findings indicated that there was savings of operational costs. A company benefits from economies of scale by concentrating on its area of strength. With outsourcing the non core business activities to an outsourcing company is able to save on the operational cost.

4.6 Challenges of Outsourcing

The interviewees asked to indicate the challenges that are faced by their company due to outsourcing of its services. It was revealed that despite the many benefits of outsourcing, there are a number of challenges that come with outsourcing. The results show various challenges of outsourcing. Costs. Security issues. Knowledge and required skills, loss of control in areas of business outsourced, service quality, customer relationship management and incapable service providers.

The findings revealed that outsourcing is expensive owing to limited operational budgets that the company has. Cost plays a major factor in determining which services needs to be outsourced and from which organizations. To overcome this challenge, a company can employ prudent management of invested capital to get higher leveraging on cost. Bearing this in mind, Airtel resort to outsourcing only absolutely necessary services to ensure it gets value for the money and outsourcing contracts are awarded to competent persons.

The availability of skilled personnel in the company that they outsource remains a major challenge to. When embarking on any outsourcing projects, the company is forced to either recruit professionals in that field or train staff on those areas. This usually comes at a cost because trainings are regularly conducted to make staff more effective and conversant with outsourced services. This is in regards to managing expectations and maintaining relationships with service providers as an essential for the success of any outsourcing initiative.

The findings also revealed that lear ofjob losses among the employees. There is usually a general fear amongst employees whenever the organizations resort to business outsourcing. These fears are as a resultant of organization rearrangements that at times leads to job losses. This brings about demotivation and unproductivity among employees as the work on a lot pressure. Airtel resorts to reduce downsizing of employees by transferring the most productive one's to the companies the serv ices are being outsourced to.

Outsourcing involves agreement between parties and this creates legal barriers when it comes to interpretation of terms of engagement and disengagement. The legal agreement should be done in the presence of advocates for the two parties. Both companies (Airtel and contracted company) insist on complete adherence to terms and regulations of the contracts by the two parties. Any party defaulting should be heavily fined or sued to allow the law to follow its due course.

The current market environment is another challenge. The telecommunication industry has become very competitive based on the new technological developments, number of players in the market and the current economic downturn. This is not made easier especially when dealing with today's customers who arc well and highly informed and also very demanding. To compete effectively in this market, we can see Airtel keeps on developing or redefining their products and services to match the current economic and market conditions. Serv ices like Airtel money to compete with their competitor safaricom on MPESA. To overcome this challenge, it is prudent to allocate contingency funds to cover any financial risk which might be caused by factors of demand and supply. This forces the company to either review their budgets to match the existing market/ economic situation or worse still shelve off some projects and contracts.

The finding revealed that, airtel outsourccs its services to companies from different cultural backgrounds. Although clear in concept, this is often very difficult to execute due issues ranging from corporate culture clash to the difficulties in managing an outsource provider across large distances and different time zones. It being a company from India and working in an African nation, it comes with its own unique challenges. In this regard policies have been put in place to ensure there is no segregation or racism within and outside the organization such as ensuring that all staff use languages that are universally understood and also promotions and rewards to be given to employees not on race basis but on performance basis.

The interviewees also reiterated that they faced were facing challenges of the capacity of service providers. It was noted that some outsourcing engagements also fail due to poorly negotiated contracts. The contracts could be ambiguous, vague or non-existent. It was also noted that Outsourced companies tend to outsource further hence creating a hierarchy which poses a problem in decision and approvals of work on ground. To ensure there are no hiccups, negotiations are usually done by top level management and procurement departments who are well versed with this art. Proper guidance from legal experts with know-how is highly advisable.

The study found out that some departments like the finance department faced a number of challenges. Challenge of confidential risk of financial information, fraud, low quality of information (due to errors), delay in resolution of customer queries not linked to the online customer system and corruption challenge when tendering.

Government policies are at times prohibitive posing yet another challenge. There is a limitation in technocrats you can engage at a given time. Lobbying should be done for the government to come up with friendly policies that would attract more investors to the telecommunication sector. This will bring down costs of outsourcing and will encourage more companies to engage outsourcing companies. Clearly, the benefits ot outsourcing are quite enormous. The government should consider outsourcing some of its operations to ensure efficiency and better service delivery.

Some outsourcing engagements fail due to poorly negotiated contracts. The contracts could be ambiguous, vague or non-existent. To ensure there are no hiccups, negotiations are usually done by top level management and procurement department who are well versed with this art. Proper guidance from legal experts with the know-how is highly advisable.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research study addressed the objective of establishing the challenges Bharti Airtel Kenya Limited faces in outsourcing its services. This chapter presents summary and discussion of the findings, conclusions and recommendations based on those findings. It also provides direction for further research in the quest of addressing the research question and the research objective.

5.2 Summary of Findings

The following were the outsourced services by Bharti Airtel Kenya Limited; Customer services which has been outsourced to Spanco, IT comprehensive solution and comprehensive end user sen ice which has been outsourced to IBM. network base stations and microwave links which has been outsourced to Nokia Siemens Networks and lastly value added services (VAS) has been outsourced to COMVIVA.

The study shows that by airtel decision to outsource its customer service like call centers and back office operations to Spanco. It was part of a strategy to reorganize the company to lit into its growth strategy. From the findings we find out that the process was part of its strategy to provide affordable mobile phone services which we can actually see that it led them to reduce its voice, data and sms rates. It's also found out that by them outsourcing to IBM, the move was to enables them to prov ide the best IT capabilities to their employees with a focus of making innovative mobile solutions available across

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Africa. So far IBM has introduced best practiecs based on their global experience in various sectors. This has enabled Bharti Airtel to focus on delivering innovative products & services and providing a better customer experience. The seamless end-to-end service has enabled Airtel to offer a superior customer experience across Africa.

The study found that by Airtel outsourcing its services to Nokia Siemens Network a world's specialist in mobile broadband. It has been able to benefit greatly as they now operate at the forefront of each generation of mobile technology. The global experts invent the new capabilities customers need in their networks. They have also managed to provide the most efficient mobile networks, the intelligence to maximize the value of those networks, and the services to make it all work seamlessly. Lastly Comviva has changed aitel market competitiveness as it has specialized in marketing of their value added services this has seen airtel increase its customer base since it came into operation.

In conclusion, it is clear from the findings that Bharti airtel has been able to outsource various services to world class service providers which have played a great deal in its growth in Kenyan market as their subsequent providers were unable to reach. Although the outsourcing concept is rather new in the country and with time the other Kenyan players may adopt the concept.

In addressing the objective of the study, the results show that Airtel encounters key challenges from high cost of outsourcing, security threats, knowledge and skills required, government policies, loss of control In areas of business outsourced, lack of capable servicc providers, cultural and legal barriers and lack poor measurement of SLA. Cost is usually the greatest motivator of outsourcing. However the findings reveal that the cost of negotiating, managing and overseeing a detailed contract is what matters most. This goes hand in hand with the argument of Aggrawal and Pandey (2004) and Wendy (1997).

The study also reveals that there is loss of control in areas of business outsourced when skills are transferred to an external body, they are hardly regained. The same sentiments are shared by Wendy (1977). The findings further reveal that the problem of cultural and language barrier. This is in regard to respecting people's practices and values and use of language that is simple and that can be understood by everyone now that Bharti airtel is a diversified company with employees from all over the world. This is in line with Kakumanu and Partanova (2006) who argues that lack of communication between outsourcing partners can cause friction and inefficiencies.

From the findings of the study, it can be concluded that the concept of outsourcing is very noble. Despite the many challenges there are many ways of overcoming them. The major setback is cost and therefore the players should ensure prudent management of the invested capital to get higher property and knowledge. The staff should also be trained to make them more familiar with the outsourced serv ices. To keep privacy of its operations, and also the government should come up with a legislation that governs outsourcing

5.3 Conclusion

The conclusion of the study is that Bharti Airtel, in outsourcing of its services it faces various challenges. The company is however able to deal with those challenges through establishing strict control measures, establish service delivery standards, inserting confidentiality clause in the contract to protect loss of confidential information and imposing penalties for non-performing service providers.

5.4 Recommendations

The study recommends that Bharti Airtel should take the following measures to deal with challenges of outsourcing of its services. Bharti Airtel should enhance in-built quality control mechanism and closely monitor the outsourced operations to improve on quality and service delivery. Stiff penalties for non- performers should be imposed to those firms that deliver substandard services especially in customer service lines. Contracting procedures should be enhanced so as to ensure that the company gets the most competitive service and products from the outsourced firms. The company should ensure that confidentiality clause is included in all the contracts to protect the company from loss of control of confidential information. To fight fraud and corruption, errant outsourced contractors should be debarred from doing business with the company. The company should also enhance performance review meetings with the outsourced firms. This will ensure that there is close monitoring and supervision of the outsourced operations. The company should also set clear guidelines and standards that regulate the outsourced business operations and ensure that all the parties involved are aware of the standard requirements and penalties involved.

5.5 Limitations of the Study

Being this was a case study on one company the data gathered might differ from outsourcing challenges that other companies in the Telecommunication industry face and the services being outsourced. This is because different companies adopt different strategies to differentiate them from the other. The study however constructed an effective research instrument that sought elicit general and specific information on outsourcing challenges that companies face when outsourcing of their services.

The data was collected from all target respondents, however the limitations of the study was that some respondents could not easily understand the questions, and the type of the response expected from them and therefore the concept had to be explained in a more simplified and understandable language. A few respondents had difficulties in providing comprehensive responses falling outside their areas of specialization and therefore in-depth information of some specific issues required further clarification.

5.6 Recommendation for Further Research

The study is on the challenges of outsourcing of services in Bharti Airtel Kenya. The challenges are many and especially with the fast changing technological and economic environment. Cost seems to be very pronounced that is adversely affecting the operational costs of Bharti Airtel. With the fiber optic cable recently laid in Kenya, it is expected that the cost of business is to get cheaper. Further study should be carried out on the impact and challenges of Fiber optic cable on outsourcing services.

The study focused on challenges faced by Bharti Airtel in outsourcing of its services. The telecommunication industry is quite vast and a study on the benefits and challenges of outsourcing in the telecommunication operators in Kenya will bring a pool of knowledge in this very competitive industry.

The study further recommends that more research needs to be done to evaluate how indigenous companies have responded to the concept of outsourcing based on what acclaimed scholars have postulated as the best strategic response for competitive advantage.

5.7 Implication of the research on policy and practice

Individual business policies adopted by the government can impact the way business is done. Government can have control over the outsourcing policies, so that jobs are not outsourced indiscriminately. Ensuring a stable economic environment is prerogative of every government, but the world economy cannot be put on balance to attain such a balance. Outsourcing has been number one player in world economy globalization, economic growth, and generating employment. So one need to think about policies that are mutually exclusive of the benefits they provide by retaining jobs in the country as well as overall growth.

Proper consultation before outsourcing is necessary for companies. This is by doing research on the areas of interest. A good survey will analyze the situation and help the members of the management to make the right decision to achieve the desired goal. This in return assists in knowing the best player in the market who delivers services on time and avoid the non performers.

Mobile phone operators need to ensure that they have necessary skills and knowledge before outsourcing. It is very prudent to train the stall to become more conversant with the work and improve on their competence. Investing in technology is good for players in the industry for this keeps them ahead of competition from other players in the wider telecommunication industry. New developments in the developed countries should always be seen as an eye opener which is key to the growth of the industry. It is therefore necessary to read widely on any developments on outsourcing and bench mark the company services with the international standards.

The members of the management should be ready to embrace any change. Any new tec lino logy coming up should be looked at as an opportunity. The arrival and laying down of the fibre optic cable signals the onset of a whole new era in the telecommunication industry, especially the data services in the East African region. The cable is expected to accelerate the country's economic growth through offering easy and faster internet access serv ices and bring down the cost of connectivity. It will be boom time for bloggers and tech savvy professionals, who largely depend on the internet to transact business, publish and share e-resources.

Telecommunication companies and call centers are also set to enjoy rcduced cost of operation because they will switch from costly satellite connection to undersea cables. The cost of bandwidth which is about S9.000 (Ksh. 756,000) a megabyte will come down to S 5.000 (Ksh 420,000). It will also enable e-teleconferencing which means companies can hold conferences online instead of physically meeting (Kenya BPO & Contact Center Society, n.d.).

There is need for companies to involve all stakeholders and all departments which will be affected in order to prepare them for new changes that will affect organization image and its business. This makes them feel part of the change and take it positively and work towards achieving the companies' goals.It is also prudent to encourage players in the market to take up the outsourcing areas of business. This brings about competition which in turn leads to quality of outsourced serv ices. More players also bring in variety and the people who benefit in the end are the customers.

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APPENDICES

Appendix I: Interview guide on Challenges of outsourcing services at Airtel Limited

1. Name of the respondent (optional)
2. Indicate your highest level of education
3. How long have you worked in this institution
4. Which Department are you in
5. Does your airtel outsource any services? What services do you outsource?
6. What drove you to outsource the services rather than having your own inbuilt processes?
7. What benefits does your organization derive from outsourcing?
8. Are there problems with employing outsourcing as a business growth strategy?

Section B: Challenges of Outsourcing

9. To what extent does the following pause a challenge to outsource?

   Cost

   Security issues

   Knowledge Transfer & loss of Innovation

   Sen icc Quality

   Customer Relationship management..

Incapable service providers

10. What do you think can be done to make outsourcing better?
11. What is the impact of outsourcing services on the performance of business for network serv ice providers?
12. What remedies have you adopted in tackling these challenges?
13. Any other comment

THANK YOU FOR YOUR COOPERATION

Appendix 2: Introduction Letter

July 2012

Dear Respondent.

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Master of Business Administration I am currently carrying out a research on the **challenges faced by Bharti airtel kenya in outsourcing of its services** in order to determine and share insights on this tropical and important area of strategic management.

You have experience that would be of value to this research and I have very much wish to know your views on the challenges of outsourcing sen ices within your company. This will involve an intensive use of interview guide administered to heads and their deputies of the respective departments.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request. Your assistance will be highly appreciated.

Yours faithfully,

Aboka Abby

UNHERSFTY OF NAIROBI

SCHOOL OF BUSINESS

- MBA PROGRAMME

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DATE. c + O c M * * *0011*

TO WHOM IT MAY CONCERN

The bearer of this letter. . . . A & P f ^ A . . . A

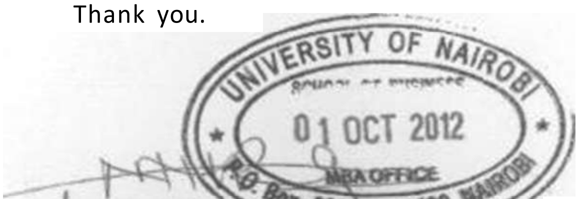
Registration No

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 sUidents 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.



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