

**IMPLEMENTATION OF BUSINESS PROCESS OUTSOURCING BY  
GOVERNMENT AGENCIES UNDER THE MINISTRY OF  
INFORMATION AND COMMUNICATIONS TECHNOLOGY IN  
KENYA**

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## DECLARATION

This project is my original work and has not been presented to any other examination body.

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## **DEDICATIONS**

I dedicate this work to my family for encouraging me and for their continuous support all through till I completed my Masters' journey.

## **ABBREVIATIONS AND ACRONYMS**

BPO Business Process Outsourcing

CAK Communications Authority of Kenya

ICT Information Communications Technologies

KBC Kenya Broadcasting Corporation

KCA Kenya Communications Act

PCK Postal Corporation of Kenya

SPSS Statistical Package for Social Scientists

TCE Transaction Costs Economics

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## ABSTRACT

In recent years, globalization and advances in information technology has revolutionized the way companies conduct business. Outsourcing of business processes is one of the key outcomes of the technological advancement (Manzi , 2007). The objectives of the study was to determine the extent of implementation of business process outsourcing management strategy in the agencies under the ministry of information, communications technology (ICT), to determine the factors affecting the implementation of business process outsourcing in the agencies under the ministry of information, communications technology (ICT). The study also sought to find out the benefits derived by the agencies under the ministry of information, communications technology (ICT) from implementing business process outsourcing. The research reviewed theories and empirical studies that explains the relationship between business process outsourcing. This included Transaction cost economics (TCE), core competences theory, economy of Information, agency theory and resource based theory which theories are governing the adoption of business process outsourcing in organizations. The population of the study was government agencies under Ministry of Information and Communication Technology. Primary data was collected using questionnaires. The data collected relate to the level of implementation of BPO, factors affecting BPO implementation and effects of BPO on organizations. Data analysis was done using Statistical Package for Social Sciences (SPSS) version 21 where factor analysis and regression analysis were employed. The findings of the study were that government agencies under Ministry of Information and Communication Technology has implemented business process outsourcing to a large extent in human resource management. However, it has been implemented to a moderate extent in marketing and public relations, operation management, information communication technology, procurement and logistics and financial management. The main factor affecting business process outsourcing was indicated as operational management, supplier overdependence, resource management, technology adoption and management commitment. The study concluded that business process outsourcing has positive effects in organizations. The study also concluded that BPO increases delivery of quality services, increases efficiency in organization, reduces training costs, gaining of specialized human resource expertise and enhances access to advanced technology. The study recommends that government agencies should implement business process outsourcing fully in various departments to improve service delivery. The study also recommends that government should make the adoption of business process outsourcing easy for the government agencies by reducing cost of implementation and policies governing outsourcing

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Organizations derive competitive advantage by engaging in a range of strategically relevant activities. According to Duggan (2004) organizations should focus on their core competencies and exploit on others' expertise through outsourcing. The types of execution difficulties most companies face fall into two categories: problems within the company and problems resulting from outside forces in its industry (Downes, 2001). DeLisi (2001) performed a research on "the six strategy killers" of strategy execution and concluded that four of these factors particularly hinder or terminate strategy execution. These are: incompetent senior management, top-down or laissez-faire senior management style, uncertain strategies, contradictory priorities and poor coordination across functional boundaries.

Johnson (2002) in his survey found that the five top reasons why management strategies fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Ram Charan (2003) in his research on implementation problems notes that disregarding to anticipate future problems hinders successful strategy execution. Duggan (2008) explained that organizations outsource functions in their organization with the aim of reducing costs. Costs related to staffing issues for example training, salaries and health insurance coverage are eliminated. Human resource (HR) outsourcing decisions are frequently a response to an

overwhelming demand of reduced costs for human resource services (Greer, Youngblood, and Gray 2009).

Apart from Business Process Outsourcing, there are other management concepts that are employed by many organizations as measure to improve performance. Human resource management outsourcing is a popular management strategy that has been employed by many organizations since all companies have to deal with personnel management: hiring, payroll, and tax reporting (Shelgren, 2004). Business Process Outsourcing is a type of outsourcing in which a company outsources whether overseas or locally, comes risks. Five major risks of outsourcing have been identified in recent years includes; communication/cultural barriers, misunderstanding of requirements, quality assurance, concerns about intellectual property security and differences in company infrastructure and processes (Ruth, 2008).

### **1.1.1 Business Process Outsourcing**

Business Process Outsourcing (BPO) is a type of outsourcing in which a company outsources non-core business processes to another company and this leads to a close relationship between the customer and outsourcing provider (Chang, 2008). According to Gilley and Rasheed (2008) outsourcing is the process of turning over to a supplier those activities outside the organization's chosen core competencies. It involves procuring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside (Gershenberg, 2007). Firms derive competitive advantage by engaging in a range of strategically relevant activities when they outsource (Riggs, 2007).

Factors that affect implementation of BPO revealed that adoption of new technology is major factor that affect implementation of BPO implementation in many organizations since adoption of new technology requires allocation of huge amount of funds which are normally not available (Hassan, 2009). According to Gichohi (2011) majority of firms fails to succeed in implementation of BPO due to operational management challenges such as control of internal employee's job task functions and outsourced employees job task functions. Eyaa (2009) concluded that management of the organization resources is major factor affecting implementation of BPO in many organizations since many organization have got limited financial and human resources for supporting BPO implementation.

Business process outsourcing aids an organization to save on training costs because in most instances investment in manpower is eliminated. These savings bring about an increase in revenue. According to Lacity (2004), outsourcing allows an organization to tighten controls and reduce operating costs. Outsourcing offers the Human Resource function the opportunity to reposition itself and engage itself more in being a strategic business partner (Lawler and Mohrman, 2003). However, some organizations have opted to outsource the entire activities of the human resource department, including the design of human resource systems that are likely to have a fundamental impact on organizational culture and performance (Klaas, McClendon, & Gainey, 2001). Other drivers of Human Resource outsourcing is gaining specialized Human Resource expertise, achieving

flexibility, reducing risks and enhancing access to advanced technology (Scott & Jackson, 2005).

Globally, Business Process Outsourcing (BPO) is beneficial to many organizations since it helps towards enhancing improvement of organization performance (Miller, 2006). According to Shashi (2008), in many American firms Business process outsourcing helps in using technology aimed at redesigning the process, reduce unnecessary steps, and remove redundancies. Brown & Wilson (2007) noted that the adoption of Business Process Outsourcing helped many United Kingdom (UK) firms to use expertise and resources of dedicated outside service providers to perform many of the vital yet non-core activities and this led to increased organization productivity. There has been a tremendous upsurge in business process outsourcing firms in China and India because of their (BPO) expertise in reducing costs while increasing service quality (Porter, 2005).

In Africa, Business Process Outsourcing helps many organizations to reduce operational costs and access of new technology since it provides quantifiable benefits through improved efficiencies, lower overhead, reduced payroll and benefit expenses, and fewer capital investments (Saxena & Shah, 2007). Other business process outsourcing benefits include assurance of best practices, skills, and technology. It is important to note that business process outsourcing provides access to proprietary workflow systems, process reengineering skills, and innovative staffing and delivery models, coupled with world-class technology delivered by experts (Saxena & Shah, 2007).

For the past twenty years, many state corporations in Kenya have adopted business process outsourcing as a management strategy to increase on the organization competitiveness and improve on the overall organization performance (Mathew, 2011). Many state corporations have outsourced most back office functions like information communication technology infrastructure development, human resource development and finance and accounting functions. Business process outsourcing is hence an important management strategy in most state corporations since the effects of outsourcing have either positive or negative impact on the organizational performance (Hassan, 2009).

### **1.1.2 Ministry of Information Communications and Technology in Kenya**

The Ministry of Information Communications and Technology was created in June 2004 with responsibility of formulating, administering, managing and developing the Information, Broadcasting and Communication policy (GOK, 2015). The ministry has got a total of nine agencies or state corporations and three semi-autonomous agencies. The Communications Authority of Kenya (CAK) is the regulatory authority for the communications sector in Kenya. In recognition of the rapid changes and developments in technology which have blurred the traditional distinctions between telecommunications, Information Technology (IT) and broadcasting, the Government in January 2009 enacted the Kenya Communications (Amendment) Act 2009.

Kenya Broadcasting Corporation (KBC) is a state corporation established by an Act of parliament CAP 221 of the laws of Kenya to undertake public broadcasting services. The Postal Corporation of Kenya (PCK) was established by the Postal Corporation of Kenya

Act (1998) to provide communications, distribution and financial services. Currently PCK has a monopoly in stamp production and provision of private letter boxes. Other state corporations include; Konza Technopolis Development Authority. As a Kenya Vision 2030 flagship project, Konza is expected to foster the growth of the technology industry in Kenya. The Kenya ICT Authority, the Kenya Yearbook Editorial Board (KYEB), Media Council of Kenya. The ministry semi-autonomous agencies are, Kenya Institute of Mass Communication, National Communications Secretariat and Communications Appeal Tribunal (Muli, 2008).

## **1.2 Statement of the Problem**

Business process outsourcing in government agencies in information communication technology has made remarkable progress but is still limited by lack quality coordinating institutions and access to education and training to improve human capital. In spite of these limitations, Kenya's Business Process Outsourcing is well positioned for future growth given the likely investment of large multinational companies like International Business Machines (IBM) and the development of the Business Process Outsourcing Park. Generally, Kenya's growth path will remain positive and could even reach world class potential if the Business process outsourcing constraints are identified and resolved (Manzi, 2007).

Even though many studies have been conducted on business process outsourcing, none of the studies have been conducted to critically examine the state of business process outsourcing by government agencies under the ministry of information communication

technology in Kenya. Gilley & Rasheed (2008) conducted a study on benefits of Business Process Outsourcing in vehicle assembly firms in the United Kingdom (UK) where they found out that, increase in quality of work and operations efficiency were the major benefits achieved. Brown & Wilson (2007) study on challenges of Business Process Outsourcing in construction firms in Malaysia found out that lack of development of local technical expertise and loss of control of overall business operations were the major challenges facing Business Process Outsourcing. A study by Chang (2008) on Business Process Outsourcing and Organization Performance in Chinese manufacturing firms revealed that, reduced cost of operations and achievement of high work quality standards were the key benefits of Business Process Outsourcing that led to increased organization performance. Miller (2006) did a study on successful implementation of Business Process Outsourcing in manufacturing firms in India, the study findings revealed that effective cooperation with the outsourced supplier and training of the staff played a major role in supporting successful implementation of Business Process Outsourcing.

Abdulwahed (2003) did a study of a case analysis of business process outsourcing project failure profile and implementation problems in a large organization in developing nations. The study findings showed that lack of funds and poor project monitoring led to failure of implementation of business process outsourcing. Klimas (2010) undertook a study on Methodological Aspects of Implementation of Business Process Outsourcing in South Africa where he found out that lack of proper strategy hindered successful implementation of Business Process Outsourcing in many organizations. In Kenya, a

study by Gichohi (2011) on A Framework for Implementation of Business Process Outsourcing in Kenya revealed that many firms lacked effective framework for guiding Business Process Outsourcing implementation. Kimtai (2014) study on implementation challenges of the business process outsourcing strategy in the Ministry of Transport in Kenya found out that loss of control of organization operations and increased operations costs hindered successful implementation of Business Process Outsourcing. Findings from a study by Ochieng (2009) on business process outsourcing implementation challenges in Kenya showed that top management involvement and lack of employees commitment affected Business Process Outsourcing in many organizations.

All these studies used different research methodologies and gave much emphasis on business process outsourcing implementation challenges in general. The research studies were also carried out in different organizations and hence the findings cannot be used to establish business process outsourcing implementation by Government Agencies under the ministry of information, communications technology in Kenya. This has thus left a missing knowledge gap in literature on the status of business process outsourcing implementation in government agencies in Kenya. Business process outsourcing has thus attracted a debate in both academia and professional practice since it has not been clearly established how business process outsourcing affects the performance of state corporations. This research study therefore sought to fill this gap by answering the question: What are the factors affecting implementation of business process outsourcing by government agencies under the ministry of information, communications technology in Kenya.

### **1.3 Research Objectives**

The general objective of the study was to establish factors affecting implementation of business process outsourcing by government agencies. The specific objectives were;

1. To find out the extent of implementation of business process outsourcing management strategy in the agencies under the ministry of information, communications technology (ICT).
2. To determine the factors affecting the implementation of business process outsourcing in the agencies under the ministry of information, communications technology (ICT)
3. To find out the benefits derived by the agencies under the ministry of information, communications technology (ICT) from implementing business process outsourcing.

### **1.4 Value of the Study**

The study will be of great significance to the management of Ministry of ICT in Kenya since it will uncover the major problems affecting implementation of BPO. This will help management staff to understand the nature of business functions which should be outsourced and how to manage outsourcing challenges in order to realize increased organizational performance.

The findings of this study will also be helpful to the policy makers because it will shed more light on BPO and financial performance which will assist in formulating Business Process Outsourcing strategies. This study will help to identify the gaps in BPO as a performance strategy in the Ministry of ICT.

To the scholars, the findings of this study will add value to the existing body of knowledge as it recommends ways for improvement of organization performance by leveraging on BPO. Nevertheless, this study serves as a stepping stone for newer research on Business Process Outsourcing.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discusses the literature review of the study. Literature review helps to orient the reader on existing theoretical issues and previous studies on factors influencing the factors affecting implementation of business process outsourcing by government agencies.

#### **2.2 History of Business Process Outsourcing**

From the Industrial Revolution, companies have grappled with how they can exploit their competitive advantage to increase their markets and their profits. The model for most of the 20th century was a big integrated company that can own, manage, and directly control its assets. During the 1950s and 1960s, the rallying cry was diversification to broaden corporate bases and take advantage of economies of scale. By expanding, companies expected to protect profits, even though expansion required multiple layers of management. Consequently, organizations trying to compete globally in the 1970s and 1980s were handicapped by a lack of swiftness that resulted from full management structures. To expand their flexibility and creativity, many large companies developed a new strategy of focusing on their core business, which required identifying critical processes and deciding which could be outsourced (Handfield, 2006).

Outsourcing was not initially identified as a business strategy until 1989 (Mullin, 1996). However, majority of organizations were not entirely self-sufficient; they outsourced

those tasks for which they had no competency internally. Outsourcing support services is the succeeding stage. In the 1990s, as organizations began to emphasize more on cost-saving methods, they started to outsource those operations necessary to run a company but not related specifically to the core business. Managers contracted with developing service companies to provide accounting, human resources, data processing, internal mail distribution, security, plant maintenance, and the like as a matter of "good housekeeping" (Alexander & Young, 1996).

### **2.3 Theories on BPO**

Theories have been conveyed to help the academics to understand the nature of BPO activities and enable practitioners successfully manage the process. BPO can be described by numerous frameworks that are embedded in various theoretical approaches (Gottschalk & Solli-Sather, 2005).

#### **2.3.1 Transaction Cost Economics (TCE) Theory of BPO**

Transaction cost economics (TCE) is alleged to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. The governance features of the theory influenced that it has been useful in studying the Managing relationship phase, whereas the concept of switching costs made the theory appropriate in the reconsideration phase. Even though it has been exercised widely in outsourcing applications, the TCE has several indulgencies. Lacity and Willcocks (1995) found that the original planning to the TCE framework only explained few IT sourcing decisions and generated much more anomalies in their sample.

Another critique is that TCE depend on a single transaction as a unit of analysis, ignoring the modern industrial collaborative arrangements. Finally, TCE is fixed, which doesn't correspond to dynamism of current business environment.

### **2.3.2 Core Competences Theory of BPO**

The concept of core competences has been advanced on the basis of the resource-based theory. According to Prahalad and Hamel (1990), core competencies is the shared learning in the organization, specifically how to organize diverse production skills and add multiple streams technologies. The application of concept of core competences in outsourcing became very popular among researchers. The concept has been mainly use to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also useful in the Managing relationship and Reconsideration phases. Vendor's competences are presumed to be one of the most important factors that impact success of an outsourcing arrangement (Levina & Ross, 2003; Feeney et al., 2005).

### **2.3.3 Economy of Information Theory of BPO**

Economy of Information has admitted that the information is not impeccable and new economic models arose to explain situations where two parties have unequal or none quantity of information. One of the first works in the area was development of the search theory (Stigler, 1961). The identification of sellers and the discovery of their prices are only one sample of the vast role of the search for information in economic. Alternative key concept of the economy of information is the concept of signaling developed by

Spence (1973). Application of the economy of information in outsourcing is associated to activities of searching, selecting, and contracting the vendor. However, the economics of information has not been used explicitly in the studies of the outsourcing process.

#### **2.3.4 Agency Theory of BPO**

Agency theory is concerned with agency relationships. Two parties have an agency relationship when they collaborate and engage in an association where in one party (the principal) delegates decisions and work to another (an agent) to act on its behalf (Eisenhardt, 2009; Rungtusanatham et al., 2007). The important assumptions underlying agency theory are that; potential goal conflicts exist between principals and agents; each party acts in its own self-interest; information asymmetry frequently exists between principals and agents; agents are more risk averse than the principal; and efficiency is the effectiveness criterion. The application of the theory in the outsourcing process research was in the Preparation Phase when screening for vendors and defining its own attitude towards the type of the relationship. Naturally, the Managing relationship phase has been also explored, and to a very small extent the Reconsideration phase (Zoran, 2007).

#### **2.4 Empirical Review**

BPO is a type of outsourcing in which a company outsources, once used mainly for downsizing and cost reductions at major corporations, should be used as a strategic tool to deliver a forceful impact on corporate growth and financial stability. By outsourcing non-essential work, the corporation can free valuable resources and focus on its areas of competitive advantage. To achieve that result, the corporation must know its core

competencies, the type of work within the organization, and manage the outsourcing process (Price water house coopers report, 2009).

A study by Ronald (2009) found out that increasing numbers of businesses are choosing to outsource their development overseas, for either smaller, defined projects or through a long-term outsourcing partnership model. The main reasons cited for outsourcing include a desire to increase company productivity and efficiency, while simultaneously lowering operating costs in an increasingly competitive economy. According to Pearson (2009), in the United States, the use of BPO is a type of outsourcing in which a company outsources has spread from national to global. For instance, in 1993, an estimated 85% of all business outsourcing was conducted in the United States for U.S. based companies. A study by Domberger (2008) found out that in 1996 it was estimated that American companies spent roughly \$100 billion on outsourcing; the projected growth rate will take that spending to \$300 billion by 2001. The statistics for corporate use of outsourcing implies substantial opportunities for future growth. This suggests there is substantial opportunity for changing the state of competitiveness of these remaining companies as well as improving the competitive state of those already undertaking outsourcing by examining the future potential of the outsourcing process.

Williamson (2005) found out that in an outsourcing agreement, there are certain actions of the parties to the agreement, especially on the part of the supplier, that will have the propensity to compromise the quality of service delivered. Goldstein (2006) noted that compromises in the quality of services delivered by the supplier are hard to detect in

some outsourced services such as help-desk services. A study by Phillip (2007) revealed that in Africa, many government agencies organizations have not yet managed to embrace the benefits of Business Process Outsourcing (BPO). A study by Patrick (2010) in Kenya many government organizations are still in the process of embracing BPO and only few organizations that have managed to effectively employ BPO. Business process outsourcing in government agencies in information communication technology ministry plays an important role by enhancing delivery of quality services such as information communication technology infrastructure and internet services. (Eyaa, 2009).

## 2.5 Summary of theories, empirical studies and knowledge gap

**Table 2.1 Summary of Theories, Empirical Studies and Knowledge Gap**

<b>Author</b>	<b>Study</b>	<b>Findings</b>	<b>Gap</b>
Agency theory. Eisenhardt (2009)	Agency theory	Agency theory is concerned with agency relationships.	The fails to explain the agent principal problems that affects implementation of business process outsourcing by government agencies
Oliveira and Martins (2011)	Institutional theory	Institutional theory suggests that the actions of firms and the outcomes of these actions are influenced by the knowledge systems, beliefs, and rules that characterize the context of the organization.	The theory fails to explain the major factors affecting implementation of business process outsourcing by government agencies
Katz's theory of managerial skills. Mantha & Shna, (2006).	Managerial skills theory	Management is a set of goal-directed, interrelated and interdependent	The theory has not clearly explained the management challenges that affects implementation of business

		activities, aimed at accomplishing organizational goals in an efficient and effective manner.	process outsourcing by government agencies
Ronald (2009)	Outsourcing Strategies	Increasing numbers of businesses are choosing to outsource their development overseas, for either smaller, defined projects or through a long-term outsourcing partnership model.	The study did not establish factors affecting implementation of business process outsourcing by government agencies
Pearson (2009)	Use of BPO in USA	The use of BPO is a type of outsourcing in which a company outsources has spread from national to global.	The study did not explain the factors affecting implementation of business process outsourcing.
Domberger (2008)	Rate of Outsourcing in Organizations	Nearly 32% of the companies studied were involved in outsourcing, 68% were not.	The study focused on the rate of outsourcing in Organization and hence did not explain the factors affecting implementation of business process outsourcing by government agencies
Williamson (2005)	Outsourcing Contracts	In an outsourcing agreement, there are certain actions of the parties to the agreement, especially on the part of the supplier, that will have the propensity to compromise the quality of service delivered.	The study did not establish factors affecting implementation of business process outsourcing by government agencies The study also failed to explain the benefits derived by the agencies under the ministry of information, communications technology (ICT) from implementing

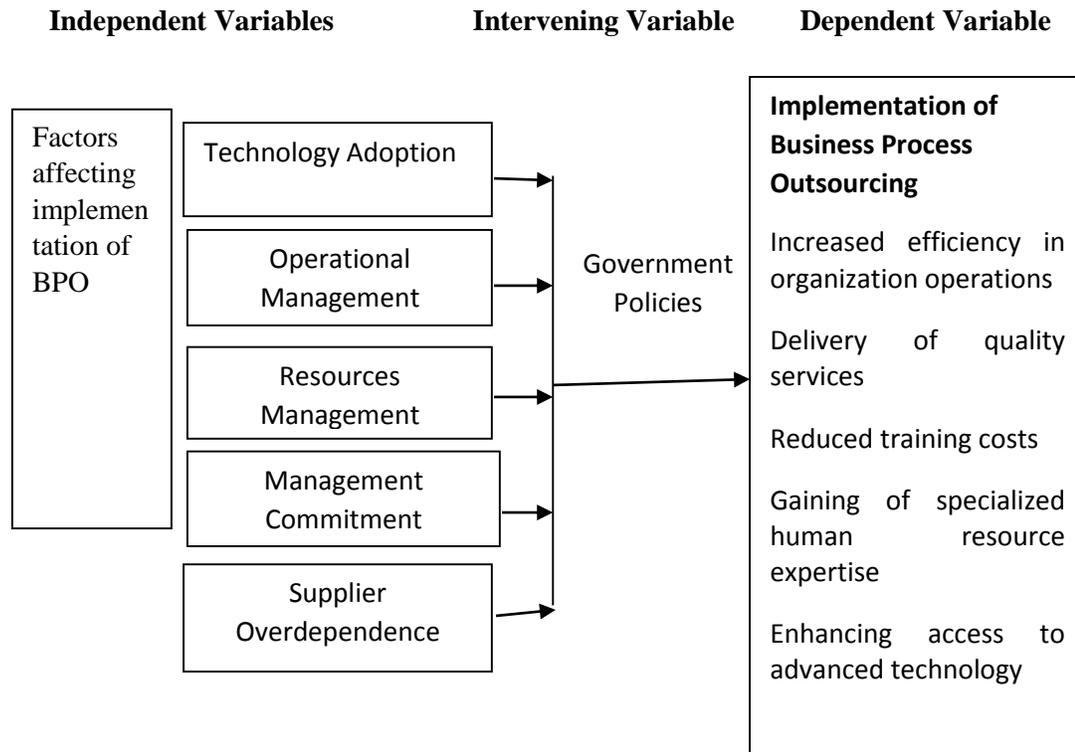
			business process outsourcing
Phillip (2007)		In Africa, many government agencies organizations have not yet managed to embrace the benefits of Business Process Outsourcing (BPO).	The study did not establish factors affecting implementation of business process outsourcing by government agencies
Patrick (2010)		In Kenya many government organizations are still in the process of embracing BPO and only few organizations that have managed to effectively employ BPO	The study did not determine the factors affecting the implementation of business process outsourcing in the agencies under the ministry of information, communications technology (ICT)

(Source: Researcher, 2015)

## 2.6 Conceptual Framework

A conceptual framework is a network of interlinked concepts used to describe the relationship between the research variables (Cooper & Schindler, 2003). Figure 2.1 shows a conceptual framework adopted for the study. In the conceptual framework, the independent variables are; new technology adoption; operational management; resources management; management commitment and supplier overdependence while the dependent variable is implementation of business process outsourcing.

**Figure 2.1 Conceptual Framework**



**Source: Klimas (2010)**

The conceptual framework showed that the factors that show that BPO has been implemented includes; increased efficiency in organization operations; delivery of quality services; reduced training costs; gaining of specialized human resource expertise and enhancing access to advanced technology. The independent variables are the factors that affect BPO implementation and they includes; new technology adoption; operational management; resources management; management commitment and supplier overdependence and the dependent variable is implementation of business process outsourcing.

## **2.7 Chapter Summary**

This chapter discussed the literature on implementation of business process outsourcing by government agencies. The chapter discussed theoretical and empirical literature in relations to implementation of business process outsourcing by government agencies. The chapter also outlined the conceptual framework adopted by the study. The next chapter is chapter three that outlines the research design and methodology of the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the methodological approach for the study and it includes the design, population sample, data collection, data analysis and presentation and ethical issues.

#### **3.2 Research Design**

The study adopted a descriptive survey research design. The study considered this design appropriate since it helped towards gathering of reliable data describing the factors affecting implementation of business process outsourcing by government agencies under the ministry of ICT. According to Sekeran (2003), descriptive survey research design is the type of design used to get information regarding the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation.

#### **3.3 Population**

The target population was seven agencies or state corporations under the ministry of ICT. These will include; The Communications Authority of Kenya (CAK), Kenya Broadcasting Corporation (KBC), The postal corporation of Kenya (PCK), Konza Technopolis Development Authority, The Kenya ICT Authority, The Kenya Yearbook Editorial Board (KYEB) and the Media Council of Kenya.

### **3.4 Sample**

The study adopted a probability sampling design by using a stratified random sampling technique to select a sample size of (10%) 141 respondents out of a total of 1410 employees working in the seven agencies under the ministry of ICT. According to Orodho (2003) 10% of the sample gives balanced representation of all respondents' opinions in the target population and helps in generalization of research findings when the study design is descriptive. The study adopted a stratified random sampling technique. According to Serekan (2003) stratified sampling technique is considered appropriate since it gives all respondents an equal chance of being selected as a study respondent and thus it has no bias and eases generalization of the obtained findings. Stratified random sampling was used to group respondents into nine strata's as per the name of government agency in the ICT ministry. Simple random sampling was then used to select 10% of the population from each stratum as the sample size for the study. This lead to selection of 141 respondents as the sample size for the study.

### **3.5 Data Collection**

The main data collection instrument will be the questionnaires containing both open ended and close ended questions with the quantitative section of the instrument utilizing an ordinal scale/ Likert-type scale format of 1-5(5= strongly agree, 4 = agree, 3 = neutral, 2= disagree, 1 = strongly disagree). The Likert-type format will be selected because this format yields equal-interval data, a fact that allows for the use of more powerful statistical statistics to test research variables (Kiess & Bloomquist, 2009). According to Kothari (2003) the information obtained from questionnaires is free from bias and

researchers influence and thus accurate and valid data will be gathered. The questions addressed by the questionnaires sought to establish factors affecting implementation of business process outsourcing by government agencies under the ministry of ICT.

### **3.6 Data Analysis**

The principal component factor analysis was employed to determine the overall factor loadings (contributions) of factors that affecting BPO implementation. Many empirical studies carried out in this area have utilized this technique to illustrate the strengths of each factor to the independent variable. According to Cooper and Schindler (2008), factor analysis is a technique used for specific computational techniques. These factors, also called latent variables, aim to measure things that are usually hard to measure directly, such as attitudes and feelings. It is a way of explaining the relationship among variables by combining them into smaller factors (Babbie, 2004). The study accepted variables with factor loading of 0.5 and above. Conventionally, variables that have a factor loading of 0.5 or greater within a particular factor are considered to be acceptable since the basic idea of factor analysis is to find a set of latent variables that essentially contain the same information with the manifest variables (Baxter, 2008). This helped the researcher to reorganize the factors that have the strongest effect on BPO implementation.

Computation numerical data and content analysis will be applied to analyze objective one.

To analyze Objective 2, factor analysis will be used to identify the underlying factors using principal component analysis. This was done to determine the factors that have the strongest effect with BPO implementation. The study also used regression analysis to analyze relationship between the research variables and the analysis of numerical data using frequency, percentages, mean and standard deviation. The findings was presented using tables and charts. To analyze Objective 3, quantitative analysis was applied to analyze the data gathered using closed end questions and the use of mean, standard deviation, data frequency and computation of percentages was used to analyze numerical data.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the analysis of the data collected from the respondent and discusses the research findings on factors affecting implementation of business process outsourcing by government agencies under the Ministry of Information, Communications Technology (ICT). All completed questionnaires were edited for accuracy, uniformity, consistency and completeness. The response rate of 131 respondents was achieved, with a response rate of 93%. This good response has been attributed to the fact that quite a good number of the respondents were knowledgeable to fill the questionnaires themselves. Summaries of data findings together with their possible interpretations have been presented by use of tables, mean, percentages, frequencies, variances, standard deviation and graphs.

#### **4.2 Characteristics of Respondents**

Respondents were asked to indicate their age and level of education. This was to help in understanding the characteristic of respondents.

##### **4.2.1 Age of Respondents**

Respondents were asked to indicate their age and indicated as shown in Table 4.1:

**Table 4.1: Age of Respondents**

Age	Frequency	Percent
Valid 18-30 yrs.	33	25.2
31-40 yrs.	56	42.7
41-50 yrs.	32	24.4
51 yrs. and over	10	7.6
Total	131	100.0

(Source: Research Findings, 2015)

Majority of the respondents were between 31-40years (42.7%). 25.2% of the respondents were between 18-30 years, 24.4% were between 41-50% while 7.6% were over 51 years.

This indicates that the respondents were old enough to fill the questionnaire.

#### **4.2.2 Level of Education**

Respondents were asked their level of education and the findings are as in Table 4.2;

**Table 4.2: Level of Education**

	Frequency	Percent
Valid Secondary Level	8	6.1
College Level	38	29.0
University Level	64	48.9
Professional Qualification	21	16.0
Total	131	100.0

(Source: Research Findings, 2015)

From the findings indicated in Table 4.2, most respondents' level of education was University (48.9%), 29% had college education, 16% had professional qualification,

while 6.1% had secondary education. This implies that the respondents were educated and had the capacity to comprehend the contents of the questionnaire.

### **4.3 Extent of Implementation of Business Process Outsourcing Management Strategy**

The study sought to determine the extent of implementation of Business Process Outsourcing management strategies in agencies under Ministry of ICT. Likert scale was used where: 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent. They indicated as shown in Table 4.3;

**Table 4.3: Extent of Implementation of Business Process Outsourcing**

	N	Mean	Std. Deviation
Human Resource management	131	3.67	.854
Financial management	131	2.73	1.170
Information Communication Technology	131	3.29	1.019
Procurement and logistics	131	3.02	1.106
Operation management	131	3.40	.917
Marketing and public relations	131	3.47	.871
Valid N (list wise)	131		

(Source: Research Findings, 2015)

As shown in Table 4.3, it is evident that government agencies under Ministry of Information and Communication Technology has implemented business process outsourcing to a large extent in human resource management, with a mean of 3.67. However, it has been implemented to a moderate extent in marketing and public relations

(mean of 3.47), operation management (3.40), information communication technology (3.29), procurement and logistics (3.02) and financial management (2.73). This indicates that even though the government agencies have adopted business process outsourcing, it has not fully adopted it.

#### **4.4 Factors affecting Implementation of Business Process Outsourcing**

The study aimed to determine the factors affecting the government agencies when implementing business process outsourcing. The findings were as follows;

##### **4.4.1 Technology Adoption**

The study aimed to determine the extent to which technology adoption issues affected implementation of business process outsourcing and the results were as presented in table 4.3. A scale of 1-5 was used where (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent). The technology adoption issues included; implementation of new operation processes; training on how to use new technology ;change of working environment ;employees resistance to change; development of new ICT infrastructure and employees competency. The findings are as in Table 4.4;

**Table 4.4 Technology Adoption Issues Results**

<i>Technology Issues</i>	<i>Adoption</i>	<i>Factor Analysis</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
1. Implementation of new operation processes	of	.922	4.2083	.80382	.646
2. Training on how to use new technology		.877	4.0278	.88767	.788

3. Change of working environment	.917	4.4028	.66417	.441
4. Employees resistance to change	.854	4.2361	.72176	.521
5. Development of new ICT infrastructure	.906	4.4167	.66608	.444
6. Employees competency	.910	4.3194	.70863	.502
<b>Average</b>	<b>0.897</b>	<b>4.2685</b>	<b>0.7420</b>	<b>0.557</b>

(Source: Research Findings, 2015)

From the results in Table 4.4, the factor analysis results for all technology adoption issues have a factor loading of above 0.5 and an average factor loading of 0.897. This demonstrated that the data obtained on all technology adoption issues was reliable in determining the effect of technology adoption on implementation of business process outsourcing in government agencies. Factor loading of 0.5 or greater within a particular factor are considered to be acceptable since the basic idea of factor analysis is to find a set of latent variables that essentially contain the same information with the manifest variables (Baxter, 2008).

Table 4.4 also presents that the average means score of all technology adoption issues was 4.2685 and this implies that all technology adoption issues to a large extent affected implementation of business process outsourcing in government agencies. The average standard deviation and variance of all the technology adoption issues was 0.7420 and 0.557 respectively and this indicates that majority of the respondents rated all the technology adoption issues to a large extent affected of BPO implementation. These concurred with findings by Saxena & Shah (2007) that technology adoption challenges

originating from implementation of new operation processes; training on how to use new technology; change of working environment; employees resistance to change; development of new ICT infrastructure and employees competency to a large extent affects implementation of BPO in many government organizations.

#### 4.4.2 Supplier Overdependence

The study sought to establish the extent to which supplier overdependence issues affected implementation of business process outsourcing. The technology adoption issues included; supplier overdependence issues; lack of development of human resource capacity; low level of employees competency in certain organization functions; high trust of suppliers ;disruption of organization functions in case of sudden supplier withdrawal and increased costs. The results were as presented in Table 4.5. A scale of 1-5 was used where (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent).

**Table 4.5 Supplier Overdependence Issues Results**

<i>Supplier Over Dependence Factor Analysis</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
1. Supplier overdependence issues	4.2500	.74588	.556
2. Lack of development of human resource capacity	3.9444	.88634	.786
3. Low level of employees' competency in certain organization functions	4.4583	.71083	.505
4. High trust of suppliers	4.1528	.72500	.526
5. Disruption of organization functions in case of sudden supplier withdrawal	4.2917	.68046	.463
<b>Average</b>	4.2194	0.74970	0.567

(Source: Research Findings, 2015)

From the results in Table 4.5, the factor analysis results shows that all supplier overdependence issues had a factor loading of above 0.5 and an average factor loading of 0.887. This demonstrated that the data obtained on all supplier overdependence issues was reliable in determining the effect of supplier overdependence on implementation of business process outsourcing in government agencies. According to Baxter (2008) factor loading of 0.5 or greater within a particular factor are considered to be acceptable since the basic idea of factor analysis is to find a set of latent variables that essentially contain the same information with the manifest variables. Table 4.5 also presents that the average means score of all supplier overdependence issues was 4.2194 and this implies that all supplier overdependence issues to a large extent affected implementation of business process outsourcing in government agencies. The average standard deviation and variance of all the supplier overdependence issues was 0.74970 and 0.567 respectively and this indicates that majority of the respondents rated all the supplier overdependence issues to a large extent affected of BPO implementation. These echoed findings by Scott & Jackson (2005) that supplier overdependence issues notably; supplier overdependence issues; lack of development of human resource capacity; low level of employees competency in certain organization functions; high trust of suppliers; disruption of organization functions in case of sudden supplier withdrawal and increased costs hinders the success of BPO implementation in many government organizations.

#### **4.4.3 Operational Management**

The study sought to find out the extent to which operation management issues affected implementation of business process outsourcing and the results were as presented in

Table 4.5. A scale of 1-5 was used where (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent). The operation management issues included; operation management issues; work procedures; communication process; operational costs employees retention and decision making process. The findings are as in Table 4.6;

**Table 4.6 Operational Management Issues Results**

<i>Operation Management Issues</i>	<i>Factor</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
<i>Analysis</i>				
1. Work procedures	.943	4.0972	.80770	.652
2. Communication process	.869	4.3333	.87210	.761
3. Operational costs	.905	4.3056	.86625	.750
4. Employees retention	.887	4.0139	.74101	.549
5. Decision making process	.929	4.0833	.76453	.585
<b>Average</b>	<b>0.91</b>	<b>4.3194</b>	<b>0.70863</b>	<b>0.502</b>

(Source: Research Findings, 2015)

From the results in Table 4.6, the factor analysis results shows that all operation management issues had a factor loading of above 0.5 and an average factor loading of 0.91. This demonstrated that the data obtained on all operation management issues was reliable in determining the effect of operation management on implementation of business process outsourcing in government agencies. Table 4.6 also presents that the average means score of all operation management issues was 4.3194 and this implies that all operation management issues to a large extent affected implementation of business process outsourcing in government agencies. The average standard deviation and

variance of all the operation management issues was 0.70863 and 0.502 respectively and this indicates that majority of the respondents rated all the operation management issues to a large extent affected of BPO implementation. These corroborated with findings by Riggs (2007) BPO implementation is hampered by operation management challenges that arise as result of lack of development of human resource capacity; low level of employees competency in certain organization functions; high trust of suppliers; disruption of organization functions in case of sudden supplier withdrawal and increased costs hinders the success of BPO implementation in many government organizations.

#### **4.4.4 Resources Management**

The study sought to determine the extent to which resources management issues affected implementation of business process outsourcing and the results were as presented in Table 4.5. A scale of 1-5 was used where (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent). The resources management issues were; financial resource capacity; employee’s competency development; employee’s talent development; employee’s job description and employees work allocation.

**Table 4.7 Resources Management Issues Results**

<i>Resources management Issues</i>	<i>Factor Analysis</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
1. Financial resource capacity	.905	4.3750	.82969	.688
2. Employees competency development	.927	4.0972	.95179	.906
3. Employees talent development	.897	4.4306	.81925	.671

4. Employees job description	.901	4.0139	.88003	.774
5. Employees work allocation	.871	3.8056	.86625	.750
<b>Average</b>	0.900	4.1444	0.8694	0.757

(Source: Research Findings, 2015)

From the findings in Table 4.7, the factor analysis results gave an average factor loadings of 0.900 on all resources management issues which was above 0.5 acceptance limit. This demonstrated that the data obtained on all resources management issues was reliable in determining the effect of resources management on implementation of business process outsourcing in government agencies. Table 4.7 also presents that the average means score of all resources management issues was 4.1444 and this implies that all resources management issues to a large extent affected implementation of business process outsourcing in government agencies. The average standard deviation and variance of all the resources management issues was 0.8694 and 0.747 respectively and this indicates that majority of the respondents rated all the resources management issues to a large extent affected of BPO implementation. According to Wilson & Brown (2005) BPO implementation in many organizations is hindered by issues such as financial resource capacity; employee's competency development; employee's talent development; employee's job description and employees work allocation.

#### **4.4.5 Management Commitment**

The study aimed to establish the extent to which management commitment issues affected implementation of business process outsourcing and the results were as

presented in Table 4.8. A scale of 1-5 was used where (1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent). The management commitment issues were; level of top management support; management competency; change management methods; management leadership styles management relations with employees and business process outsourcing staff.

**Table 4.8 Management Commitment Issues Results**

<i>Management Issues</i>	<i>Commitment</i>	<i>Factor Analysis</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Variance</i>
1. Level of top management support		.938	4.3194	.83626	.699
2. Management competency		.907	4.0417	.95589	.914
3. Change management methods		.929	4.1111	.92775	.861
4. Management leadership styles		.947	4.2778	.82602	.682
5. Management relations with employees and business process outsourcing staff		.942	4.2917	.89502	.801
<b>Average</b>		0.9326	4.20834	0.8881	0.791

(Source: Research Finding, 2015)

As presented in Table 4.8, the factor analysis results had average factor loadings of 0.9326 on all management commitment issues which was above 0.5 acceptance limit. This demonstrated that the data obtained on all resources management issues was reliable in determining the effect of management commitment on implementation of business process outsourcing in government agencies. Table 4.8 also presents that the average

means score of all management commitment issues was 4.20834 and this implies that all management commitment issues to a large extent affected implementation of business process outsourcing in government agencies. The average standard deviation and variance of all the management commitment issues was 0.88881 and 0.791 respectively and this indicates that majority of the respondents rated all the management commitment issues to a large extent affected of BPO implementation. This agrees with the findings of Manzi (2007) that management commitment issues such as management level of top management support; management competency; change management methods; management leadership styles management relations with employees and business process outsourcing staff makes it difficult for many government agencies to implement BPO.

#### **4.5 Communalities**

Factor analysis was used because of the concern of decomposing the information content in a set of variables into information about an inherent set of latent components/factors. This assisted in reducing a number of variables into fewer factors which are of similar characteristics. Factor analysis is performed by examining the pattern of correlations between observed measures. Measures that are highly correlated (either positively or negatively) are likely to be influenced by the same factors while those that are uncorrelated are likely to be influenced by different factors. Common factor analysis assumes all factors are related to some degree and that those that share same dimensions (latent factors) are highly correlated compared to those that do not share dimensions thus yielding low correlations (Basto and Pereira, 2012). The analysis was carried out and the

results have been presented in terms of: Initial Component Matrix and Rotated Component Matrix (Varimax).

**Table 4.9 Communalities**

	Initial	Extraction
<b>Technology Adoption</b>		
Implementation of new operation processes	1.000	.914
Training on how to use new technology	1.000	.911
Change of working environment	1.000	.882
Employees resistance to change	1.000	.906
Development of new ICT infrastructure	1.000	.914
Employees competency	1.000	.873
<b>Supplier Overdependence</b>		
Lack of development of human resource capacity	1.000	.924
Low level of employees competency in certain organization functions	1.000	.925
High trust of suppliers	1.000	.929
Disruption of organization functions in case of sudden supplier withdrawal	1.000	.924
Increased costs	1.000	.939
<b>Resources Management</b>		
Work procedures	1.000	.953
Communication process	1.000	.913
Operational costs	1.000	.860
Employees retention	1.000	.949
Decision making process	1.000	.935
<b>Operational Management</b>		
Financial resource capacity	1.000	.935
Employees competency development	1.000	.973
Employees talent development	1.000	.960
Employees job description	1.000	.972
Employees work allocation	1.000	.930
<b>Management Commitment</b>		
Level of top management support	1.000	.879
Management competency	1.000	.883
Change management methods	1.000	.874
Management leadership styles	1.000	.876

Management relations with employees and business process outsourcing staff	1.000	.895
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Extraction Method: Principal Component Analysis.

(Source: Research Findings, 2015)

The above findings presented in Table 4.9 helped the researcher to estimate the communalities for each variance. This is the proportion of variance that each item has in common with other factors. For example employees “competency development” has 97.2% communality or shared relationship with other factors. This value has the greatest communality with others, while “operational costs” has the least communality with others of 86.0%. The finding on Communalities on each variable's variance that can be explained by the factors. With principal factor axis factoring, the initial values on the diagonal of the correlation matrix are determined by the squared multiple correlation of the variable with the other variables. Extraction column indicate the proportion of each variable's variance that can be explained by the retained factors. Variables with high values are well represented in the common factor space. From the findings, all the variables have values more than 0.5, hence management should consider all the factors in implementing Business Process Outsourcing.

#### 4.6 Component Matrix

**Table 4.10 Component Matrix**

	Component	
	1	2
(S32B)Low level of employees competency in certain organization functions	.956	-.106
(S32C)High trust of suppliers	.952	-.149
(S32E)Increased costs	.952	-.181

(S31E)Development of new ICT infrastructure	.950	.109
(S31A)Implementation of new operation processes	.950	.109
(S31B)Training on how to use new technology	.948	.115
(S31D)Employees resistance to change	.946	.108
(S35E)Management relations with employees and business process outsourcing staff	.945	.049
(S32D)Disruption of organization functions in case of sudden supplier withdrawal	.941	-.195
(S32A)Lack of development of human resource capacity	.941	-.195
(S35B)Management competency	.938	.062
(S31F)Employees competency	.933	.050
(S31C)Change of working environment	.933	.108
(S35A)Level of top management support	.932	.096
(S35C)Change management methods	.932	.075
(S35D)Management leadership styles	.932	.088
(S34C)Employees talent development	.906	-.374
(S34B)Employees competency development	.905	-.392
(S34D)Employees job description	.905	-.391
(S33A)Work procedures	.900	.380
(S33D)Employees retention	.896	.382
(S33E)Decision making process	.895	.367
(S34A)Financial resource capacity	.886	-.387
(S33B)Communication process	.884	.362
(S34E)Employees work allocation	.883	-.388
(S33C)Operational costs	.874	.311

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

(Source: Research Findings, 2015)

Component matrix shows the loadings of the variables on the factors extracted. Results from this matrix indicate that the higher the absolute value of the loading, the more the factor contributes to the variable. The gaps on the table represent loadings that are less than 0.3. The key findings from this matrix indicate that most of the factors that influence

business process outsourcing are largely internal to the organization and revolve around all the five components.

#### 4.7 Rotated Component Matrix

The initial extracted factors were rotated using orthogonal factor rotation (varimax rotation) to obtain results that had a simplified structure that was easier to interpret. Rotated factors with factor loading >0.40 were retained for interpretation (Berghaus et al., 2005).

**Table 4.11: Rotated Component Matrix**

<b>Rotated Component Matrix<sup>a</sup></b>		
	Component	
	1	2
(S33A)Work procedures	<b>.912</b>	.348
(S33D)Employees retention	<b>.912</b>	.344
(S33E)Decision making process	<b>.900</b>	.354
(S33B)Communication process	<b>.889</b>	.349
(S33C)Operational costs	<b>.846</b>	.379
(S31B)Training on how to use new technology	<b>.764</b>	.572
(S31A)Implementation of new operation processes	<b>.762</b>	.578
(S31E)Development of new ICT infrastructure	<b>.762</b>	.578
(S31D)Employees resistance to change	<b>.758</b>	.576
(S31C)Change of working environment	<b>.749</b>	.567
(S35A)Level of top management support	<b>.740</b>	.576
(S35D)Management leadership styles	<b>.734</b>	.581
(S35C)Change management methods	<b>.725</b>	.590
(S35B)Management competency	<b>.720</b>	.604
(S35E)Management relations with employees and business process outsourcing staff	<b>.716</b>	.618
(S31F)Employees competency	<b>.709</b>	.609
(S34B)Employees competency development	.383	<b>.909</b>
(S34D)Employees job description	.383	<b>.908</b>
(S34C)Employees talent development	.396	<b>.896</b>

(S34A)Financial resource capacity	.373	<b>.892</b>
(S34E)Employees work allocation	.370	<b>.891</b>
(S32D)Disruption of organization functions in case of sudden supplier withdrawal	.545	<b>.792</b>
(S32A)Lack of development of human resource capacity	.545	<b>.792</b>
(S32E)Increased costs	.562	<b>.789</b>
(S32C)High trust of suppliers	.585	<b>.766</b>
(S32B)Low level of employees competency in certain organization functions	.617	<b>.737</b>

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

(Source: Research Findings, 2015)

The first factor is work procedures, employee retention, decision making process, communication process, operational costs, and training on how to use new technology with the 91.2%, 91.2%, 90%, 88.9%, 84.6% and 76.4% respectively. It also include implementation of new operation processes, development of new ICT infrastructure, employees resistance to change, change of working environment, level of top management support, management leadership styles, change management methods, management competency, management relations with employees and business process outsourcing staff, and employees competency with percentages of 76.2%, 76.2%, 75.8%, 74.9%, 74.5, 73.4%, 72.5%, 72%, 71.6%, and 70.9% respectively. This are management commitment, resources management, operational management, supplier overdependence, and technology adoption factors.

The second factor is employees competency development, employees job description, employees talent development, financial resource capacity, employees work allocation,

disruption of organization functions in case of sudden supplier withdrawal, lack of development of human resource capacity, increased costs, high trust of suppliers, low level of employees competency in certain organization functions. These percentages are 90.9%, 90.8%, 89.6%, 89.2%, 89.1%, 79.2%, 79.2%, 78.9%, 76.6%, and 73.7%. These are management commitment, resources management, operational management, supplier overdependence, and technology adoption factors. Hence, for successful implementation of Business Process Outsourcing, Ministry of Information should pay much attention to the management commitment, resources management, operational management, supplier overdependence, and technology adoption factors.

#### 4.8 Regression Analysis

The study sought to determine the factors affecting the government agencies when implementing business process outsourcing. The outputs of analysis are presented in Table 4.12;

**Table 4.12: Regression Coefficients on Business Process Outsourcing**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
	B	Std. Error	Beta			Zero-order	Partial	Part
(Constant)	4.515	.655		6.889	.000			
Management commitment	-.094	.102	-.122	-.918	.361	-.024	-.095	-.088
Resources management	.247	.107	.282	2.296	.024	.273	.233	.221

Operational management	-.100	.162	-.094	-.620	.537	.077	-.064	-.060
Supplier overdependence	.256	.130	.357	.427	.671	.012	.044	.201
Technology adoption	.179	.101	.312	1.777	.079	.160	.182	.171

Source: (Research Findings, 2015)

$$Y = 4.515 - 0.094X_1 + 0.247X_2 - 0.100X_3 + 0.256X_4 + 0.179X_5 + \varepsilon$$

Where  $Y$  is the level of business process outsourcing, and  $\varepsilon$  is the error term of the model.

$X_1$  = Management commitment

$X_2$  = Resource management

$X_3$  = Operational management

$X_4$  = Supplier overdependence

$X_5$  = Technology adoption

**Table 4.13: Regression Model**

Model Summary				
Change Statistics				
R Square Change	F Change	df1	df2	Sig. F Change
.150	2.323	7	92	.031

Source: (Research Findings, 2015)

Regression analysis revealed a positive relationship ( $R = 0.150$ ). The study also revealed that a combination of management commitment, resources management, operational management, supplier overdependence, and technology adoption factors together contributed to 92% of business process outsourcing. The F value (2.323) changes are significant which implies that the model is fit and robust, hence BPO is influenced by

level of management commitment, resources management, operational management, supplier overdependence, and technology adoption in an organization.

#### **4.9: Benefits of Business Process Outsourcing Management Strategy**

The study sought to establish the benefits derived by the agencies from implementing business process outsourcing. Likert scale was used where 1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent and 5 = very large extent. The findings are as in

Table 4.9;

**Table 4.14 Benefits of Business Process Outsourcing Management Strategy  
Descriptive Statistics**

	N	Mean	Std. Deviation
Increased efficiency in organization operations	131	3.83	1.001
Delivery of quality services	131	3.87	.972
Reduced training costs	131	3.79	.959
Gaining of specialized human resource expertise	131	3.78	.979
Enhancing access to advanced technology	131	3.87	.972
Valid N (listwise)	131		

(Source: Research Findings, 2015)

Respondents agreed to a large extent that business process outsourcing increases delivery of quality services with a mean of 3.87, increases efficiency in organization (mean of 3.83), reduces training costs (3.79), gaining of specialized human resource expertise (3.78) and enhances access to advanced technology (3.87). Hence, Business Process Outsourcing has positive effects to an organization.

#### **4.10 Interpretation of findings and Discussions**

From the findings of the study, business process outsourcing has positive effects on organizations. It is evident that the government agencies has implemented business process outsourcing to a small extent. It has implemented business process outsourcing to a large extent in human resource management but to a moderate extent in marketing and public relations, operation management, information communication technology, procurement and logistics, and financial management. Management commitment, resources management, operational management, supplier overdependence, and technology adoption factors all affects implementation of business process outsourcing.

Many related studies have been conducted and it seems evident that there exists a strong relationship between business process outsourcing and organization performance done in firms based in different industries. This agrees with the findings of the study for example Frayer, Scannell, and Thomas (2010) suggest that companies are increasingly viewing outsourcing strategies as a means of reducing costs, increasing quality, and enhancing a firms overall competitive position. The findings also conform to the findings of Nag (2004) who argued that outsourcing had become a critical strategic decision that could allow organizations to develop and leverage the capabilities required to compete in today's global business environment. Outsourcing is increasingly being employed to achieve performance improvements across the entire business.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter summarizes the major findings of the study. This study sought to find out factors affecting implementation of business process outsourcing by government agencies under the Ministry of Information, Communications Technology (ICT). In addition, this chapter provides a direction for further studies and gives some recommendations for policy making by the relevant authorities. Questionnaires were used to gather primary data. The questionnaires comprised of both closed and open-ended questions and were strictly administered by the researcher. Both primary and secondary information was used to determine the findings of the study.

#### **5.2 Summary of Findings**

The study inquired on the extent of implementation of business process outsourcing, factors affecting business process outsourcing, and effects of business process outsourcing. The respondents indicated that government agencies under Ministry of Information and Communication Technology has implemented business process outsourcing to a large extent in human resource management. However, it has been implemented to a moderate extent in marketing and public relations, operation management, information communication technology, procurement and logistics and financial management. The main factor affecting business process outsourcing was indicated as operational management, supplier overdependence, resource management, technology adoption and management commitment.

Regression analysis revealed a positive relationship ( $R = 0.150$ ). The study also revealed that a combination of management commitment, resources management, operational management, supplier overdependence, and technology adoption factors together contributed to 92% of business process outsourcing. The F value (2.323) changes are significant which implies that the model is fit and robust. Respondents agreed to a large extent that business process outsourcing increases delivery of quality services with a mean of 3.87, increases efficiency in organization (mean of 3.83), reduces training costs (3.79), gaining of specialized human resource expertise (3.78) and enhances access to advanced technology (3.87).

### **5.3 Conclusion**

The study concluded that business process outsourcing has positive effects in organizations. As evident from this study, increases delivery of quality services, increases efficiency in organization, reduces training costs, gaining of specialized human resource expertise and enhances access to advanced technology. The respondents also agreed that operational management, supplier overdependence, resource management, technology adoption and management commitment affects implementation of business process outsourcing. Hence, government agencies should consider the factors as they implement business process outsourcing.

In general, business process outsourcing has positive effect on organization. There are however, factors affecting the implementation of business process outsourcing. The

factors include operational management, supplier overdependence, resource management, technology adoption and management commitment. The findings agree with Abraham and Taylor (1996) that outsourcing may provide a viable strategy if firms aim to save on labor costs. Abraham and Taylor (1996) emphasized that outsourcing can be used to economize on production cost, in particular labor cost by substituting in-house production with the buying-in of components. The study findings support Barthelemy and Adsit (2003) that firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaply, or better by an outside organization.

According to Duggan (2004), low level of top management commitment is key factor hindering the success of BPO implementation in many government corporations since most senior government employees' fear of their job security hence they fail to support the success of BPO implementation. Kale (2009) revealed that supplier overdependence affects BPO implementation in many government agencies since suppliers tends to escalate costs and this delays BPO implementations process. Abdulwahed (2003) study findings showed that lack of funds and poor project monitoring led to failure of implementation of business process outsourcing. Klimas (2010) found out that lack of proper strategy hindered successful implementation of Business Process Outsourcing in many organizations. Gichohi (2011) revealed that many firms lacked effective framework for guiding Business Process Outsourcing implementation in Kenya.

#### **5.4 Recommendations**

From the findings, the study recommends that government agencies should implement business process outsourcing fully in various departments to improve service delivery. The study also recommends that government should make the adoption of business process outsourcing easy for the government agencies by reducing cost of implementation and policies governing outsourcing. Government agencies need access to government centers for research and development as this can be a crucial strategy for the growth and development of businesses and learning new techniques. Access to outsourcing services depends largely on government policy and a strong will to implement those policies.

#### **5.5 Limitations of the Study**

The respondents were regularly very busy and therefore they required a lot of time in order to fill in the questionnaires. The challenge was overcome by giving the respondents the questionnaires early.

Getting accurate information from the respondents was one of the major challenges since some of the respondents were unwilling to give the information. The challenge was minimized by informing the respondents the importance of the study to government agencies in order to win their will to respond and offer accurate information.

The sample selected for the study was small considering the number of population of employees in government agencies.

The study considered government agencies under ministry of ICT only, hence cannot make a conclusion for the entire government agencies in the Country based on only one ministry.

### **5.6 Suggestions for Further Research**

The research was carried out when business process outsourcing were relatively young and a lot might have been missed in the study due to the duration innovation practices had been in existence. Therefore, the study recommends that further study needs to be undertaken as BPO advances and new practices are adopted and incorporated in companies.

The researcher suggests that this study could be a useful starting point for further academic research. Business process outsourcing is a potential area for further research studies in developing countries of the world. Continued refinement of this study will be valuable to the government agencies as it improves service delivery and increases economic growth.

The study also suggest that further study should be done considering all agencies in different ministries. This study only focused on government agencies under Ministry of ICT hence further study need to be done in the other agencies.

Due to the limited time that the study had, the study used a small sample as compared to the total population. The study hence suggest that further study be conducted using a large sample size.

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## APPENDIX I: QUESTIONNAIRE

### Introduction

This questionnaire seeks to gather information on **FACTORS AFFECTING IMPLEMENTATION OF BUSINESS PROCESS OUTSOURCING BY GOVERNMENT AGENCIES** and is divided into four sections;

### Section 1: Personal Information

(Instruction -Tick where appropriate)

1. Age:

- 18- 30yrs
- 31-40 yrs
- 41 –50 yrs
- 51 yrs and over

2. Highest Education Level

- Secondary level
- College level
- University level
- Professional Qualification

(Specify.....)

**Section 2: To find out the extent of implementation of business process outsourcing management strategy in the agencies under the ministry.**

1. Please indicate the extent to which the organization has implemented business process outsourcing in the following areas. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>Business Process Outsourcing Implementation</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Human Resource management					
Financial management					
Information Communication Technology					
Procurement and logistics					
Operation management					
Marketing and public relations					

**Section 3: To determine the factors affecting the government agencies when implementing business process outsourcing**

**1. Technology Adoption**

1. Please indicate the extent to which the following technology adoption issues affect implementation of business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>Technology Adoption Issues</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Implementation of new operation processes					
Training on how to use new technology					
Change of working environment					
Employees resistance to change					

Development of new ICT infrastructure					
Employees competency					

## 2. Supplier Overdependence

1. Please indicate the extent to which the following supplier overdependence issues affect implementation of business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

Supplier overdependence issues	1	2	3	4	5
Lack of development of human resource capacity					
Low level of employees competency in certain organization functions					
High trust of suppliers					
Disruption of organization functions in case of sudden supplier withdrawal					
Increased costs					

## 3. Operational Management

1. Please indicate the extent to which the following operation management issues affect implementation of business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>Operation Management Issues</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Work procedures					
Communication process					
Operational costs					
Employees retention					
Decision making process					

#### **4. Resources Management**

1. Please indicate the extent to which the following resources management issues affect implementation of business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>Resources Management Issues</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Financial resource capacity					
Employees competency development					
Employees talent development					
Employees job description					
Employees work allocation					

## 5. Management Commitment

1. Please indicate the extent to which the following management commitment issues affect implementation of business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>Management Commitment Issues</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Level of top management support					
Management competency					
Change management methods					
Management leadership styles					
Management relations with employees and business process outsourcing staff					

## Section 4: To find out the benefits of business process outsourcing management strategy in the agencies under the ministry.

1. Please indicate the extent to which the following benefits have been derived by the agencies from implementing business process outsourcing?. Please record your answer by ticking at the space provided, by the scale indicator.

(1= not at all, 2 = small extent, 3 = moderate extent, 4 = large extent, 5 = very large extent)

<b>BPO Benefits</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Increased efficiency in organization operations					
Delivery of quality services					
Reduced training costs					
Gaining of specialized human resource expertise					
Enhancing access to advanced technology					

2. Could you suggest how the organization should improve implementation of business process outsourcing in order to realize more benefits? (Explain)

.....

.....

Thank you