FACTORS INFLUENCING OUTSOURCING STRATEGIES AT PROFESSIONAL MEMBERSHIP BASED INSTITUTIONS: A CASE OF THE KENYA INSTITUTE OF MANAGEMENT

BY

DICKSON GITAARI MWIRA

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SUPERVISOR: DR. JACKSON MAALU

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DECLARATION

I declare that this research project is my own original work and has not been presented for award of any degree in any University.

Signed.. *Or.SW*

Name: Dickson Gitaari Mwira Date

Adm. No: D61/71055/2009

This research project has been submitted for examination with the approval as the University Supervisor.

Signature.. n — H - 2_o I (

Name: Dr. Jackson Maalu Date

Lecturer

Department of Business administration
University of Nairobi

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DEDICATION

This study is dedicated to my wife Christine, our children Mark, Peace and Michelle for their love and support during the course of the study. May God richly bless you.

ABSTRACT

Outsourcing is the strategic use of outside resources to perform activities that are usually handled by internal staff and resources. By using a well managed outsourcing agreement, companies can gain a lot of benefits in outsourcing. The purpose of the study was to determine the outsourcing practices and factors that influence outsourcing at KIM. Data was collected through personal interviews structured to cover the outsourcing practices and factors that influence outsourcing strategies at KIM. The objectives of the study were to determine the outsourcing practices and factors that influence outsourcing strategies at KIM. Data was collected using an interview guide, coded and analyzed using content analysis. The research found out that KIM was using outsourcing broadly across many activities, but viewed from the level of each activity the institute outsourced cleaning, security, transport and consultancy more than any other activity. Activities with the least level of outsourcing included human resource and information technology. Among the benefits the institute gained as a result of outsourcing included in order of importance; efficiency in service delivery, increase in customer satisfaction index, good corporate image, improved customer response rate and increased profits. Reduction of costs, quality and focus on the core business were the major factors that influenced various outsourcing strategies at KIM. The study recommends that since KIM is a service delivery industry and the fact the there will be more opportunities for KIM to outsource some of its services as the dynamics of the industry change, there is need to refine its outsourcing strategies and processes in order to gain maximum benefits from outsourcing. The study suggests further research in outsourcing practices among other membership based institutions in Kenya. A replication of this study should be done after some time to find

out if there are any changes that have taken place and comparison with the current data be done. A study can also be conducted to access the relationship between performance and outsourcing among membership based institutions.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Outsourcing strategy is in great demand in most companies due to the tremendous structural changes that has resulted to shrinking budgets, shrinking in-house staff and due to downsizing. As a result many firms have adopted outsourcing as a mainstream business strategy to reduce costs, increase revenues and profits. Many firms are therefore using outsourcing as a strategic choice among other alternatives to improve a company's competitive position and in achieving business objectives. It has also emerged that companies that have used outsourcing make gains in markets that would otherwise be uneconomical (Price Water House Coopers, 1999).

Bender (1999) argues that the world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets. This therefore makes strategic management of outsourcing as perhaps the most powerful tool in management, and outsourcing is its frontier (Quinn, 2000).

While outsourcing has been found to have tremendous benefits to an organization, if not done appropriately it could lead to detrimental consequences. And because outsourcing decisions are risky and many are not successful, making the right decision may mean the difference between a firm's success and failure. Because outsourcing grows by double digit every year, students and managers need to understand the issues, concepts, models, philosophies, and practices of outsourcing (Heizer & Render, 2006).

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1.1.1Concept of Outsourcing

From its inception a few thousand years ago outsourcing concept has gained wide adoption by many firms. It also is believed that the idea of outsourcing has its roots in the 'competitive advantage' theory propagated by Adams Smith (1776) in his book 'The Wealth of nations' in that a firm should specialize in producing products that it is good at to achieve competitive advantage. Outsourcing concept spread over the years and during the rate 1980's and 1990's where firms emphasized more on core business functions and outsourcing of non -core business functions (Ogachi, 2002).

Outsourcing has also emerged as a strategy among other strategies that companies have employed to achieve their business objectives which include the five competitive generic strategies, complimented by other strategic actions such as strategic alliances and partnerships, merger and acquisitions, vertical integration, offensive strategies and defensive strategies. In Kenya, the business environment has put a lot of pressure for firms to increase efficiency and productivity by cutting down costs and place more focus on the customer needs hence the need to outsource non core business services. This was brought about by globalization, liberalization and privatization concepts in global markets and economies (Ogachi, 2002).

Thompson & Strickland (2006) advanced that outsourcing involves a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategic allies. The two big drivers for outsourcing are that one outsider can often perform certain activities better or cheaper and two, outsourcing allows a firm to focus its entire energies on those activities at the center of its expertise (its competencies) and that are the most critical to its competitive and financial success. The current interest of many companies in making outsourcing a key component of their role strategy and their approach to supply chain management represents a big departure from the way the companies used to deal with their suppliers and vendors.

Heizer & Render (2008) defines Outsourcing as a creative management strategy. Some organizations outsource to replace the entire purchasing, human resource, information systems, marketing, and finance and operations department. Outsourcing means procuring from external suppliers' services or products that are normally a part of the organization.

Jacobs and Chase (2008) defines Outsourcing as the act of moving some of a firm's internal activities and decision responsibility to outside providers. The terms of the agreement are established in a contract. Outsourcing goes beyond the more common purchasing and consulting contracts because not only are the activities transferred but also resources that make the activities occur, including people, facilities, equipment, technology, and other assets are transferred. The responsibility of making decisions over certain elements of the activities is transferred as well.

The reasons why a company decides to outsource can vary greatly. Outsourcing allows firm to focus on activities that represent its core competencies. Thus, the companies can create a competitive advantage while reducing cost. According to Jacobs and Chase (2008) the reasons to outsource and the resulting benefits include the financially driven reasons which seek to improve return on assets by reducing inventory and selling unnecessary assets, generate cash by selling low return entities, gain access to new markets, reduce costs through a lower cost structure, and turn fixed costs into variable costs. Secondly the improvement-driven reasons seeks to improve quality and productivity, shorten life cycle, obtain expertise, skills and technologies that are not otherwise available, improve risk management, improve credibility and image by associating with superior providers. Thirdly the organizationally driven reasons seek to improve effectiveness by focusing on what the firm does best, increase flexibility to meet changing demand for products and services, increase product and service value by improving response to customer needs.

In outsourcing the firm leverages on third party service providers' expertise to perform its non-core activities and focusing more on core ones to achieve competitive advantages for the business (Goolsby & Whitlow, 2004). A study by Agure (2006) found out that 87.9 percent of large flower firms outsourced human resource management services and outsourcing was considered a strategic management tool. While studies have shown that tremendous benefit, there is also the dark side of sourcing. Serem (2002) outsourcing can result in union grievances over job losses or changes to jobs, hence posing a serious threat to the organization.

1.1.2 The Kenya Institute of Management

The Kenya Institute of Management was created in 1954 as a local chapter of the British Institute of Management currently the Chartered Institute of Management of London and

Wales. After independence, it converted to the Kenya Institute of Management (KIM) with the leadership of first African president. Since its set up in 1954 as a professional, membership-based management and business development organization, the Kenya Institute of Management has endeavored to fulfill its mission of enhancing professional management thought and practices in the Country and in the region (The Institute Strategic Plan 2008-2012).

The institute has a membership of more than 5000 individual members and 600 corporate members. Both local and international members participate in the management of the institute through the council and its committees with advice from an advisory board referred to as the Board of fellows. The general management of the institute is led by an Executive Director and overseen by the council elected during annual general meeting. The Kenya Institute of management is also a duly incorporated company in Kenya under the provisions of the companies Act chapter 486 of the laws of Kenya with a mandate to inter alia conduct and provide broad based management training to its members and for the people of Kenya (The Institute Strategic Plan 2008-2012).

In the recent past, the institute's image and reputation has soared. This is not only due to the quality of its product offerings, but also because of the Commencement and growth of the Company of the Year Awards (COYA) and development of Organizational performance Index(OPI) as a model of excellence that positions companies for competitive advantage.KIM has also grown through its strategic business units namely, The school of management, Consultancy services, Management of Small and Medium Size Enterprises, Membership services, Executive Selection Services and Media Services (The Institute Strategic Plan 2008-2012).

1.1.3 Outsourcing at the Kenya Institute of Management

Through its Strategic business units, KIM has used outsourcing strategies as a strategic management tool. Among the outsourced activities at KIM include training, recruitment, security, cleaning, financial services and transport. While some activities are outsourced centrally and from the same service providers, other services are outsourced from different providers depending on the location of the department or branch.

The authority to outsource is done by the executive director's office through the operations director. The activities have been outsourced to various service providers. Security services are outsourced from various security companies like G4S security, Patriotic guards depending on the location of the branch or department. Recruitment services are outsourced to deloitte and touche, while transport services are outsourced to Universal cabs. Other outsourced services include photocopying services and cleaning services.

1.2 Research Problem

Outsourcing involves a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead outsource them out to outside specialists and strategic allies. The factors that influence the adoption of outsourcing strategies have varied from one company to another. While some firms have adopted outsourcing strategies in order to ensure greater cost and efficiency benefits, others have used it to gain competitive advantage, expand into other markets, and gain flexibility in decision-making (Thompson &

Strickland, 2006).The underlying question therefore is what are factors that influence outsourcing strategies at membership based institutions?

Right from its inception in 1954, KIM has operated as a membership based institution in management, leadership, and business development. With its main offices located at South C, the Institute has identified itself with efforts to develop management and leadership capacity that will propel Africa into the 21st Century. With student population of 18,000, 5000 individual members and 600 corporate members, KIM has established its position among other membership based institutions and tertiary training institutions as a premier professional membership organization, hence chosen as a case of the study. The Institute has adopted outsourcing strategies as a way of reviewing the manner in which it conducts its business, the way it is organized, and the way it assesses its own performance.

Studies conducted in Europe and North America on global top decision makers on business process found out that the outsourcing strategy is working well. The study found out the top five benefits of outsourcing in order of importance as achieving cost reductions, focusing on company's core business, improving service quality, maintaining competitive edge and increasing shareholders value. Other benefits include; obtaining outside expertise, meeting changing customer demands, access to advanced technology, making continuous improvements and achieving world class standards (Price Water House Coopers, 1999).

Studies conducted in Kenya among them studies by Serem (2002), Kamau (2006), Kipsang (2003), Mokhino (2006), Koori (2006) and Hussein (2006) focused on cross section and survey studies on outsourcing practices among financial institutions. Motari (2002) conducted a study on outsourcing of logistics in manufacturing firms.

A survey of the outsourcing of human resource services by banks in Nairobi by Serem (2002) found out that 61.22 percent of commercial banks outsourced human resource services and all respondents cited benefits of reduced administrative costs and focus on core business as factors that influenced their decision to outsource. Agure (2006) in his study of outsourcing practices among large flower firms in Kenya, found out that 87.9 % of large flower firms outsourced human resource management services and considered it as strategic management tool.

Due to changing business environment and the fact that outsourcing grows by double digit every year, students and managers need to understand the changing issues, concepts, models, philosophies, and practices of outsourcing (Heizer & Render, 2006). KIM face different challenges compared to challenges faced in the studies under review. All these other studies did not address the issues the researcher seeks to address on the underlying factors that influence outsourcing strategies. The studies under review focused on cross section survey on outsourcing of specific services in various industries. This being a case study the researcher will seek to have an in depth study of the underlying factors that influence outsourcing. There is also no indication from the past studies that such a study has been conducted before at KIM. The study will therefore seek answers to the following questions: What are the outsourcing practices at KIM? And what is considered to be the underlying factors that influence outsourcing strategy at KIM?

1.3 Research Objectives

The researcher used the following objectives.

i.) To determine the outsourcing practices at The Kenya Institute of Management.

ii.) To determine factors that influence outsourcing strategy at The Kenya Institute of Management.

1.4 Value of the Study

The findings determined the current nature of the factors that influence outsourcing strategies and further determined the outsourcing practices in membership based institutions.

This study also contributes to the existing literature in the field of strategic management in general and outsourcing in particular at the University of Nairobi. This study act as a stimulus for further research and future researchers will be able to refine and extend the study especially in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Companies are quickly realizing that to thrive in today's competitive environment, they must rapidly deploy new technologies to support key business objectives (Ernest & Young, 2003) and outsourcing has emerged as a strategy that has provided flexibility in response to changing market conditions (Quinn & Hilmer, 1994).

2.2 Concept of Strategy

Strategy is the game plan management is using to stake out a market position, attract and please customers, compete successfully, conduct operations and achieve organizational objectives. The central thrust of a company's strategy is undertaking moves to strengthen the company's long term competitive position and financial performance (Thompson, Gable and Strickland, 2004). Many organizations today operate in a competitive environment where they have to stake out their market positive by attracting and pleasing their customers to achieve organizational objectives. After assessing their business environment they have to come up with a game plan and approaches on how to accomplish their business objectives else they be edged out of their markets by competitors. This game plan can be about how to reduce costs, increase revenues and profits.

In developing an organization strategy, management evaluates all alternatives available and chose the best direction that enables them to focus on markets, customer needs and allocate scarce resources (Thompson & Strickland, 2003). Among the strategies companies have employed to achieve their business objectives include the five competitive generic strategies, complimented by other strategic actions such as strategic alliances and partnerships, merger and acquisitions, vertical integration, offensive strategies, defensive strategies and outsourcing strategies, among others. Outsourcing is therefore used as a strategic choice among other alternatives to improve a company's competitive position and in achieving business objectives.

The managerial process of crafting and executing a company's strategy consists of five interrelated and integrated phases. First is Forming a strategic vision of where the company needs to head, secondly is to set objectives that convert the strategic vision into specific performance out comes, thirdly is crafting a strategy to achieve the objectives, forth is implementing and executing the chosen strategy efficiently and effectively and fifth is evaluating performance and initiating corrective adjustments.

Objectives are an organization' performance targets, that is the results and outcomes it wants to achieve. The managerial purpose of setting objectives is to convert the strategic vision into specific performance targets that is the results and out comes the company's management want to achieve and then use these objectives as yard sticks for tracking the company's progress and performance (Thompson et al, 2004).The objectives are of two distinct types, there are those relating to Financial Performance and those relating to strategic performance. These forms the balanced score card as a tool for measuring company performance.

2.3 Concept of Outsourcing

The idea of outsourcing has its roots in the 'competitive advantage' theory propagated by Adams Smith (1776) in his book 'The Wealth of nations' in that a firm should specialize in producing products that it is good at to achieve competitive advantage. Outsourcing concept spread over the years and during the late 1980's and 1990's firms emphasized more on core business functions and outsourcing of non -core business functions. This was brought about by globalization, liberalization and privatization concepts in global markets and economies (Ogachi, 2002).

Thompson & Strickland (2006) defines outsourcing as a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategic allies. The two big drivers for outsourcing are that one outsider can often perform certain activities better or cheaper and two, outsourcing allows a firm to focus its entire energies on those activities at the center of its expertise (its competencies) and that are the most critical to its competitive and financial success. On the other hand Heizer and Render (2008) defines Outsourcing as a creative management strategy where some organizations outsource to replace the entire purchasing, human resource, information systems, marketing, and finance and operations department. Outsourcing means procuring from external suppliers' services or products that are normally a part of the organization.

Jacobs and Chase (2008) defines outsourcing as the act of moving some of a firm's internal activities and decision responsibility to outside providers. The terms of the agreement are established in a contract. Outsourcing goes beyond the more common purchasing and consulting contracts because not only are the activities transferred but also resources that make the activities occur, including people, facilities, equipment, technology, and other assets are transferred. The responsibility of making decisions over certain elements of the activities is transferred as well.

Significant level of outsourcing practices across all business sectors is well documented in the literature. Outsourcing strategy is in great demand in most companies due to the tremendous structural changes that has resulted to shrinking budgets, shrinking in-house staff and due to downsizing. Outsourcing has therefore become a powerful weapon which Chief Executive Officer (CEO) and Human resource directors are adopting to make sure that the Human resource function keeps pace with other changes in business (Serem, 2002). Outsourcing is also viewed as a strategic management tool to cost reduction, improved customer satisfaction and enhanced efficiency and effectiveness. This therefore makes strategic management of outsourcing as perhaps the most powerful tool in management, and outsourcing is its frontier (Quinn, 2000).

Studies conducted in Europe and North America indicates that the strategy is working well (Price Water House Coopers, 1999). Most of the studies conducted in Kenya have also shown tremendous benefits of outsourcing albeit most of them focused their attention to the financial institutions. These include studies done by Serem, (2002), Motari (2002), Kamau (2006), Kipsang (2003) and Hussein (2006). Researchers focused on specific outsourced services. Agure (2006) in his study of outsourcing of human resource management services among large flower firms in Kenya found out that 87.9 % of large flower firms outsourced human resource management services and outsourcing was considered a strategic management tool.

While studies have shown that there are tremendous benefits in outsourcing there is also the dark side of it. Serem (2002) found out that outsourcing can result in union grievances over job losses or changes to jobs hence posing a serious threat to the organization. A study conducted by Price water House Coopers (1999) established that outsourcing has moved markedly from attending to a single function mere efficiently, to configuring a whole process in order to attain greater shareholder value across the enterprise. In effect emphasis is shifting from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems.

Other researchers have identified several outsourcing issues, trends and strategies that companies take in establishing effectively managing their outsourcing activities (Kipsang 2003; Hussein 2006). A study by Kipsang (2003) revealed that 73.5% of the commercial banks were not keen in outsourcing their information technology functions to a greater extent for their concern in data security as well as exposure of critical customer information. The banks were however willing to outsourcing information technology functions that would not touch on any of the company's data and this included maintenance, repair, application development and website management.

2.4 Factors that Influence Outsourcing

The reasons why a company decides to outsource can vary greatly. Outsourcing allows firm to focus on activities that represent its core competencies. Thus the companies can create a competitive advantage while reducing cost. Outsourcing aids companies to achieve their business objectives through operational excellence and a better market position. In order for companies to focus on their core competencies, all companies today outsource one or more of their operations. Many companies today are outsourcing for example their human resource department, their financial department and their marketing department (Jacobs & Chase, 2008).

Jacobs and Chase (2008) the reasons to outsource and the resulting benefits include the financially driven reasons which seek to improve return on assets by reducing inventory and selling unnecessary assets, generate cash by selling low return entities, gain access to new markets, reduce costs through a lower cost structure and turn fixed costs into variable costs. Secondly the improvement-Driven Reasons seeks to improve quality and productivity, shorten life cycle, obtain expertise, skills and technologies that are not otherwise available, improve risk management, improve credibility and image by associating with superior providers. Thirdly the Organizationally Driven Reasons seek to improve effectiveness by focusing on what the firm does best, increase flexibility to meet changing demand for products and services, increase product and service value by improving response to customer needs.

Harkins (1996) suggests that the human resource leaders considering outsourcing as an option should look for the potential to gain access to best practices, realize economies of scale, improve performance and stability and improve their capacity to change. Quinn (1994) indicates that one of the great gains of outsourcing is the decrease in executive time for managing peripheral activities....freeing top management to focus more on the core of its business. According to Hiezer & Render (2008) companies outsource for five main reasons. They are in order of importance: Cost savings, gaining outside expertise, improving operations and service, focusing on core competencies and gaining outside technology.

In a survey of 52 major corporations (83 % of them U.S. based), executives were asked what they felt were the most important reasons for outsourcing. The top reasons included cost savings (77%), gaining expertise (70%), improving services (61%), focus on core competencies (59%) and gaining access to technology (56%). The study also revealed that in addition to outsourcing business activities (such as computer help desk services), whole business departmental functions (such as Accounting, marketing, finance, operations management, information systems) were being outsourced. When asked on future plans 35% said they would continue or expand outsourcing, 40% said they would continue outsourcing but revise their outsourcing arrangements and a significant percent said they would reduce outsourcing or choose to bring their work inside. Apparently those in outsourcing are not always completely satisfied suggesting that executives still have a lot to learn about using outsourcing to boost productivity (Heizer & Render, 2008).

2.5 Merits and Demerits of Outsourcing

The Outsourcing practice is growing tremendously due to the benefits derived from the strategy. There are several marked advantages of outsourcing. Thompson & Strickland (2003) advanced the following merits of outsourcing; first the company is able to concentrate on core business areas. By outsourcing their back office operations businesses can concentrate on their core competencies while their back office operations are being managed smoothly by a specialized third party company. Secondly the company is able to access world-class technology at lower rates. Other advantages of outsourcing include access to skilled manpower at affordable prices and increased productivity

A study by Serem (2002) revealed that 61.22% of commercial banks in Kenya outsource human resource services and it was considered to be strategic approach in modern management practice. According to the study all respondents cited benefits as reasons for outsourcing; the most prevalent being the reduction in both administrative and operational costs.

A study in United States of America by Elmuti (2004) revealed that organizations achieved significant improvement in performance as a result of outsourcing. Firms considered their outsourcing projects successful because of the benefits generated by outsourcing strategies. In all the firms the outsourcing strategies were believed to improve performance, increase access to international markets and leading edge technologies, enhanced responsiveness to customer needs and contributed to organizational goals of increased productivity, efficiency, reduced costs, reduced cycle time and improved quality of goods and services in their organizations.

A study by Price Water House Coopers (1999) revealed that the top five benefits of outsourcing in order of importance are; achieving cost reductions, focusing on company's core business, improving service quality, maintaining competitive edge and increasing shareholders value. Other benefits include; obtaining outside expertise, meeting changing customer demands, access to advanced technology, making continuous improvements and achieving world class standards.

According to Quinn & Hilmer (1994) the benefits of outsourcing thus include professional manpower, cutting-edge technology and cost savings. Through outsourcing companies receive flexibility in decision-making and companies are able to quickly set up or change certain operations or processes depending on the requirements at hand.

Quinn & Hilmer (1994) the benefits of outsourcing thus include professional manpower, cutting-edge technology and cost savings. Through outsourcing companies receive flexibility in decision-making and companies are able to quickly set up or change certain operations or processes depending on the requirements at hand.

There are however drawbacks of outsourcing. Heizer & Render (2008) identified the following potential disadvantages in outsourcing. First there is increased transportation costs where delivery costs may rise substantially if distance increases from an outsourcing provider to a client firm, loss of control and creating future competition. Intel for example outsourced a core competency chip production to Advanced Micro Devices (AMD) when it could not keep up with early demands. Within a few years AMD became a leading competitor manufacturing its own chips. Negative impact on employees may also arise when their functions are outsourced. Employee morale may drop particularly when their friends lose their jobs.

Haizer & Render (2008) Other drawbacks of outsourcing arise where the company that outsources gets into serious trouble if the service provider refuses to provide business due to bankruptcy, lack of funds or labor. Outsourcing also requires the control of the process being outsourced, thus the company may lose control over its process. Compliance risks also exist when the service providers are not in compliance with applicable laws, rules or are not consistent with ethical standards, policies and procedures of the institute.

Transaction risks may also arise when the service provider is unable to deliver the services as a result of say fraud, error, inadequate capacity or technology failure. The reputation of the Institution may also be at risk when the providers do not meet the expectations in service provision as a result of poor service, disruption of service, violation of laws and other actions that result in litigation.

Outsourcing therefore can look very risky. And indeed it is. Perhaps half of all outsourcing agreements fail because of inappropriate planning and analysis. Haizer & Render (2008) lists some of the risks inherent in outsourcing;

Table 2.1: The Outsourcing Process and Related Risks.

Outsourcing Process	**Examples of Possible Risks**
Identify non-core competencies	Can be incorrectly identified as a non-core competency.
Identify non-core activities that should be outsourced	Just because the activity is not a core competency for your firm does not mean an outsource provider is more competent and efficient.
Identify impact on existing facilities, capacity and logistics	May fail to understand the change in resources and talents needed internally.
Establish goals and draft outsourcing agreement specifications	Goals can be set so high that failure is certain
Identify and select outsource provider	Can select the wrong outsource provider
Negotiate goals and measures of outsourcing performance	Can misinterpret measures and goals, how they are measured, and what they mean.
Monitor and control current outsourcing program	May be unable to control product development, Schedules and quality
Evaluate and give feedback to outsource provider	May have a non responsive provider (i.e. one that ignores feedback)
Evaluate international political and currency risks	Country's currency may be unstable, country may be politically unstable or cultural and language differences may inhibit successful operations.
Evaluate coordination needed for shipping and distribution	May not understand the timing necessary to manage flows to different facilities and markets.

(Source: Heizer & Render, 2008; pg 469)

2.6 Models of Outsourcing

Various models have been put forward to explain the concept of outsourcing. Each model enables the company to obtain access to the service provider's technology, expertise and resources. The models also reflect differences in management of commercial risks, financial commitments, intellectual property and human resources. The choice of the model depends on various variables such as risks, price structure and other variables that the company deems as important before outsourcing. The models that companies can choose from include divestiture of facilities and personnel, multi-sourcing model, general contractor model, multi-country or single country sourcing and reciprocal sourcing model. Companies can also use internet outsourcing models such as software as a service model and cloud computing (Bierce & Kenerson, 2011)

Divestiture of facilities and personnel model. This model was in use in the early era of outsourcing in the 1990's and 2000's. The model entails divestiture of the enterprise customer's existing service delivery infrastructure and transfer of its in-scope personnel. More recently, such divestitures and transfers have become less frequent for outsourcing deals because of the financial impact, price impact and employment laws (Bierce & Kenerson, 2011).

Multi-Sourcing model. By multi-sourcing, an enterprise customer selects multiple providers of services and integrates their outputs. The company does this by getting best of breed for a class of services and multi-sourcing for the same class of services (Bierce & Kenerson, 2011).

General contractor model. This model is a procurement strategy where the company uses one master contractor or many subcontractors. Conversely to the multi-sourcing strategy, in the "general contractor" model, the enterprise customer might hire one contractor to supervise other contractors. Typically, this procurement strategy becomes an option when the number of suppliers and the complexity of managing them becomes suddenly overbearing (Bierce & Kenerson, 2011).

Multi-Country Outsourcing vs Single Country Outsourcing model. In this model enterprises operating in multiple countries need to select a sourcing strategy that fits their territorial footprint. To meet such needs, "best-of-breed" service providers have developed service delivery centers in multiple locations and familiarity with local compliance requirements for their in-scope services. Single-country outsourcing transactions may nonetheless be international in nature, since the service delivery center might be in a different country (or different countries) than the enterprise customer's operational locations (Bierce & Kenerson, 2011).

Reciprocal Sourcing. This model is also referred to as barter or counter trade. On a rare occasion, a sourcing provider and an enterprise customer may choose to barter services by one party in return for services by the other (Bierce & Kenerson, 2011).

Other outsourcing models include the multi-client shared services outsourcing model by deloitte and touche (2002) which makes it possible for mid-size companies to enjoy strategic outsourcing solutions that large enterprises enjoy in a more costly one -to- one model. The Bender-Samuel outsourcing model (1999) emphasizes the importance of leveraging a provider's economies of scale in outsourcing. The models appear to put common elements crucial to outsourcing process.

An examination of these models suggests that there are five stages that would ensure a fair outsourcing deal throughout the life cycle.

Investigation stage. This is the stage where existing processes and systems are reviewed and compared to the best of breed. It is at this stage that the opportunities for improvement are identified. Whether outsourcing has potential advantages or not, it is the key question asked at this stage. This investigation stage provides a base line of current costs and service levels. This information can be used to compare apples-to apples against performance improvements delivered by the outsourcer and against industry trends throughout the relationship.

Tendering stage. This is the stage where knowledge gained from benchmarking is incorporated to set optimum performance targets for the organizations.

Negotiation stage. Before negotiation, it is critical to set right expectations for cost, performance and service levels. The negotiation position is reinforced by external validation of the organization's requirements. Here benchmarking is done to facilitate "fast tracking" or sole source considerations. Fast tracking simply means the client has decided to outsource, usually with little investigation and no tendering, and wants to move through the negotiation process quickly. In a sole source situation, ensuring a competitive supply can be difficult. Here the vendor holds the balance power in the negotiation. Bench marking can level the playing field, serving as a surrogate for the competitive process to ensure you receive a fair deal.

Implementation. Implementation is the stage for contract refinement. At this stage, service level agreements are put in place detailing process maps, responsibilities and implementation of key performance indicators. Structures and reporting lines are defined and implemented.

2.7 Studies in Outsourcing Practices

Barako & Gatere (2008) in their study on outsourcing practices of the Kenyan banking Sector found out that the most outsourced services by banks was automated teller machines (ATMs) at 67%, card processing at 58%, internal audit at 16% and the least outsourced service was customer account processing. The study further found out that 67% of the respondents cited cost reduction and focuses on core competence as the benefit they derived from outsourcing.

Chanzu (2002) in a study of all the manufacturing industries in Nairobi found out that firms outsourced various activities and this was most prevalent in departments like human resources, finance and information technology. There was greater drive towards the use of outsourcing as a strategy to cut costs, to pursue the core business activities and outsource the non-core or strategic activities. The survey was able to find out the factors that are important in making the decision to use outsourcing as a strategy for competitive advantage.

Kirui (2001) in his study of outsourcing of non-core logistics activities at British American Tobacco Kenya (BAT Kenya) found out that outsourcing was triggered by the need to eliminate duplication of roles, effort and the dysfunction existing within the organization. Outsourcing at BAT was also prompted by the need to have a clearly defined process and a logistics function that is aligned to core company business. This contributed to reduction in the logistics operating cost and improved working capital management. This study also revealed that besides enabling BAT Kenya to focus on its core business, outsourcing was considered as the right strategy to drive the company forward and to achieve better customer service delivery.

A study conducted by Price Water Coopers (1999) established that outsourcing has moved markedly from attending to a single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. In effect, emphasis is shifting from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems.

The outsourcing Institute (1998) conducted a study on activities being outsourced or being considered for outsourcing. The results are summarized in table 2

Table 2.3 Summary of activities outsourced and those under consideration

ACTIVITY	CURRENTLY OUTSOURCED	TO BE CONSIDERED FOR OUTSOURCING
Operations (Administration)	Printing and Reprographic Mailroom Consulting and Training Purchasing	Administration and Information Systems Maintenance Supply/Inventory Records Management
Finance	Payroll processing Transaction Processing General Accounting	Taxes Payroll Processing
Human Resources	Relocation Workers Compensation Recruiting/Staffing	Consulting and Training Human Resources Information Systems
Real Estate and Physical Plants	Food and Cafeteria Services Facilities Maintenance Security	Facilities Management Facilities Maintenance
Sales and Marketing	Direct Mail Advertising Telemarketing	Field Sales Reservations and Sales Promotions
Logistics (Distribution)	Freight Audit Freight Brokering Leasing	Warehousing Distribution and Logistics Operations
Transport	Fleet Management Fleet Operations Fleet Maintenance	Fleet Management Fleet Operations Fleet Maintenance
Information Technology	Maintenance/Repair Training Applications Development Consulting and Re-engineering	Clients/Serve networks Networks Desktop System End-User Support Full IT Sourcing

(Source: The outsourcing Institute membership. 1998)

Price Water Coopers (2000) conducted a survey in United States among America's fastest growing companies. Respondents were chief executive officers of 440 products and services companies with revenue/sales of one million and one hundred and fifty million US dollars. The conclusion arrived at was that business that outsource were growing faster, were larger and made more profits than those that did not. The results are shown in Table 2.4.

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Table 2.4: Results of Price Waterhouse Coopers Survey, March 2000

	Trendsetter Companies	Product Companies	Service Companies
Firms using outside supplier	80%	81%	79%
Administrative or Financial Services	69%	70%	68%
Internal Operations Services	50%	70%	44%
Sales and Marketing Service	30%	34%	25%
Firms not Outsourcing in the past year	20%	19%	21%
%operating budget spent on outsourcing	8.18%	8.65%	7.70%

(Source: Price Waterhouse Coopers. March, 2000)

The study further showed that the percentage of companies that outsourced grew between year 1994 and 2000.Outsourcing of Administration and finance grew from 58% in 1994 to 65% in 1997 and 69% in year 2000.

2.8 Service Provider Selection Criteria

According to Armstrong (2006) potential service providers should be required to present tenders in response to a brief. Three or four providers should be approached so that a choice can be made. The tender should set out how the brief will be met and how much it will cost. Selection should take into account the degree to which the tender meets the specifications, the quality and reputation of the firm and the cost. References should be obtained before a contract is drawn up and agreed. The contract should be very clear about services, costs and the basis upon which it can be determined.

A survey by the outsourcing institute (1989) on the companies that outsource in the United States of America revealed factors to consider when selecting vendors and they include commitment to quality, price, reputation, flexibility, contract terms, scope of resources, additional value, added capability and existing relationships. The study identified the following techniques that can facilitate the process of selecting service provide. First there is the identification of the objectives for the selection process. In this the selection process should be efficient, cost effective and appropriate for the nature of activities sought by the company. Secondly there is the identification of qualified service providers. Prior to identifying the service providers it is essential for the company to have a clear understanding of the requirements and expectations.

The risk frame work should therefore consider how outsourcing will support the initiation's objectives and strategic plans and how the relationship will be managed. It is also paramount to evaluate the service providers and determine their operational and financial ability. In order to expand the list of the providers, it may be useful to use tools such as request for proposal (RPF), Request for Information (RFI), and request for Quote (RFQ). This will help the company to obtain specific information about the service provider's ability and the charges for the services provided. During the communication with the service providers it is important to make it clear that the service provider will not disclose any information touching on the Institution, the commitments made during the process are binding as final agreements and the provider need to identify all subcontractors, consultants and third parties being relied upon to provide the services (A survey by the outsourcing institute, 1989).

Thirdly evaluation and selection is vital in selecting the service provider. Once the list of service providers is identified the evaluation process can start. Even in situations where only one provider is identified, it is important that the institution still evaluate their operating controls, financial condition, technical expertise and its management. When dealing with larger groups, the evaluations can be quantified and ranked to facilitate selection from a smaller number of qualified providers. Factor to consider in evaluation include the compatibility of the service provider's vision with that of the company, Technology, service and support, cost and financial stability.

Finally negotiation for the contract is done. The negotiation process can help the company to establish terms that is agreeable to all parties and confirm that there is a common understanding of roles and responsibilities (A survey by the outsourcing institute, 1989).

2.9 Summary of Literature and Gaps to be filled

Studies by Serem (2002), Kamau (2006), Kipsang (2003), Mokhino (2006), Koori (2006) and Hussein (2006) focused on specific outsourced activities in a cross section survey of financial institutions. Motari (2002) conducted a study on outsourcing of logistics in manufacturing firms. Agure (2006) conducted a study on outsourcing of human resource management services among large flower firms. All the studies found out that there are benefits associated with outsourcing strategies. Among all the studies the researcher did not come across any study that specifically addressed the factors that influence outsourcing strategies. There is also no known study that has been conducted on factors that influence outsourcing among membership based institutions and specifically at KIM.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used to carry out the study. It covers the proposed research design, data collection methods and data analysis that was used during this study.

3.2 Research Design

The study was conducted through a case study design. The research design was chosen rather than for instance cross-sectional survey because it helped the researcher seek an in-depth investigation of the phenomenon of factors influencing outsourcing strategies. The design also helped in developing a deeper understanding of the outsourcing practices at KIM. KIM being one of the major and premier membership institutions in the country and where other similar institutions can learn from, it was therefore considered as important in understanding its outsourcing practices and the factors that influence its outsourcing strategies.

3.3 Data Collection Method

Primary data was used and it was collected through in depth personal interviews with the all three strategic business unit directors, seven chief managers in charge of departments and twenty two managers in charge of departments and branches. An interview guide was used to collect data. The researcher personally administered the interview guide, which was structured to address the factors that influence outsourcing at KIM.

3.4 Data Analysis

Data was analyzed using content analysis because this study sought to solicit data that was qualitative in nature and given that it was a case study. The feedback from the interviews formed the basis for content analysis. The analysis of the data collected was done by comparing them with the theoretical approaches and documents cited in the literature review. This helped to identify key themes in the qualitative data and enabled the structuring of data and development of content around identified themes. The data from the team members was compared against each other in order to get more revelation on issues under study.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter gives a detailed analysis of data collected, the findings and interpretation of results. The interview guide was administered by the researcher between 10^{lh} October 2011 and 15th October 2011. The study was intended to achieve two main objectives. The first one was to determine the outsourcing practices at KIM and secondly to determine factors that influence outsourcing strategies at KIM. The interview guide was designed in five parts, the first part sought data on overview of outsourcing practices, second part sought data on selection of service provider, third part sought data on factors that influence outsourcing strategies at KIM, forth part sought data on risks of outsourcing and fifth part sought data on benefits of outsourcing. The findings are presented in qualitative data using content analysis.

4.2 General Information

Thirty one interviews were intended to be conducted to three directors, seven chief managers and twenty two branch managers and departmental heads. The researcher however conducted interviews for one director, two chief managers and fifteen branch managers and department heads. The interview was personally administered through telephone. Various themes emerged from the interviews conducted.

4.3 Outsourcing at KIM

The respondents were asked whether they had a clear overview of the outsourcing strategies and processes within the institution, the main drive behind adoption of outsourcing, how outsourcing helped KIM in achieving institution's objectives and whether there was a policy in place to guide outsourcing at KIM. Most of the respondents interviewed consented that they had a clear overview of outsourcing, while many reported that cutting costs and need for the institution to focus on core business was the main drive behind outsourcing at KIM. The respondents also consented that outsourcing played a key role in achieving business objectives. The study established that there was no policy in existence to guide outsourcing. The respondents also did not have the document in their possession and did not have any details of the policy in outsourcing.

4.3.1 Outsourced Services at KIM

The interview guide sought to find out the outsourced services by each department, the current and previous service providers and how the service providers were rated. The study found out that the most outsourced services were cleaning, photocopying, consultancy and security. The least outsourced services included Human resource, information technology and financial services. Other outsourced services cited by respondents included mail delivery, internet, transport and sanitation.

The respondents identified the following service providers

Table 4.1: The Outsourced services at KIM

Outsourced services	Current Service Provider
Cleaning	Chania Cleaners, Twin Brothers cleaners Robu cleaners and Marb Cleaners
Photocopying	Blue Quill, Robco and Hansas
security	G4S, Lich security, Glosec Security Total security and Patriotic Guards
Mail delivery	EMS
Sanitation	Rentokil
Transport	Universal Cabs

From the above table 4.1 the study revealed that cleaning services, security services and photocopying services were provided by different service providers across the various branches. The study also found out that the transport and sanitation services for the entire institute were provided by the same service provider. Geographical location was cited as the reason for having different service providers across the departments and branches. While some service providers had national presence, other providers did not have national presence and hence the services were outsourced locally by different branches. The managers however preferred when the services were outsourced from the same provider nationally because this enhanced effective and efficient management and evaluation of the service providers' contracts and payments.

The interview also sought to find out what prompted the management to cancel the contracts of the previous service providers. The study found out that most of the contracts were cancelled due to failure by the service provider to keep the desired standards of quality and sometimes when the contract expired and was by policy not to renew. The study also found out that the service providers' contracts were reviewed annually by the respective branch managers and department heads with the approval of the management.

4.3.2 Extent of Outsourcing at KIM

The respondents were asked the extent of outsourcing for various services. The study found out that the most outsourced services included cleaning, photocopying and consultancy services. Human resources and financial services were less outsourced. The interview sought further to find out the extent managers were involved in outsourcing decisions. From the respondents interviewed 33% of the managers and heads of departments cited that they were less involved in outsourcing decisions, 11 % were not at all involved and only 11% were involved in outsourcing decisions.

4.4 Selection of Vendors

The respondents were asked whether there was a documented policy in outsourcing and the criterion used to select the service providers. The study found out that most of the respondents were not aware of any policy document in place to guide selection of vendors. There was also no clear criterion used in selection of service providers.

From the interviews it was clear that it was the responsibility of the branch managers to request for offers from service providers and the same recommended for approval. The approval of the service provider is done by the management at head office.

The study also found out that the branch managers and the department staffs were not largely involved in selection of the main institute's service providers, but only involved when outsourcing services in their respective departments. From the study it came out clear that every branch selected their service providers. Thirty three percent of the managers and heads of departments interviewed cited that they were to a less extent involved in outsourcing selection. Eleven percent were not at all involved in selection of service provider and another eleven percent were involved to a large extent in outsourcing decisions.

4.4.1 Factors that Influence Selection of Vendors

The respondents were asked to identify the factors that they considered as most important in selection of vendors. The study found out that the most important factors considered in selecting service providers was credibility, delivery of service, quality procedures and contract terms. Coming second in order of importance was flexibility, cost, financial stability and experience of the vendor. Other factors that the respondents considered as important were professionalism, compatibility and accessibility of the vendor.

Other factors cited by the respondents included the following:

Communication. The respondents were keen to note that they choose vendors that they could easily communicate with. They viewed communication as very important aspect in managing the vendors' responsiveness and quality delivery of service.

Quality. The respondents wanted the vendors that were able to offer quality assurance. Through quality the organization was able to get the best out of the money spent on outsourcing. The respondents were in agreement that they all checked on the outsourced service provider ability to deliver the quality need.

Cost or price. The respondents also viewed the cost of the service as a major determinant in awarding the vendor for service. Although keen on cost the respondents also valued quality.

4.5 Factors that Influence Outsourcing at KIM

The respondents were asked to identify the factors that influenced outsourcing strategies at KIM. From the study most of the respondents strongly felt that cost reduction, improving focus and quality, improve delivery and reliability of service strongly influenced the outsourcing strategies at KIM. The study also found out that access to new technology, lack of time and poor customer service did not influence outsourcing strategies at KIM. The respondents also cited that lack of time and lack of in-house expertise did not influence outsourcing strategies at KIM.

The respondents were also asked to give reasons why they considered some factors strong in influencing outsourcing strategies and they gave the following observations;

Cost savings. This was named as a major factor that influenced outsourcing because outsourcing helped the institution to control cost savings better. The outsourced service was performed more efficiently than institute could and therefore this brought cost savings. According to the respondents the main reason behind outsourcing was to find cost effective ways of reducing overhead costs and meet their office operations. Outsourcing of security and cleaning services was driven by the need to cut costs related to staff salaries, pension, and medical cover among others.

The respondents also consented that as a result of outsourcing they were able to get access to higher level professional skills instead of hiring staff. They cited especially the outsourcing of consultancy services as an area that benefited the institute acquire high level skills in training and management of continuous professional development courses. This helped in reducing the management work load and enhanced quality of services offered to the clients. The respondents consented that Outsourcing of consultancy services was necessitated by improving focus and quality, improving delivery and reliability of service at KIM.

The respondents also viewed the impact of not outsourcing as very high. The need for growth and sustainability of institute mandate was seen as a reason for outsourcing at KIM. To bring growth to the institute the management needed to free the administrative and management staff to perform the core business of the institute. Outsourcing helped the institute to take advantage of opportunities for expansion and collaboration. Outsourcing also helped to effectively manage the institute operations and ultimate achievement in institute mission.

The respondents also consented that outsourcing of human resource especially recruitment of key positions at the institute was prompted by need to have the best without interference from the management. The respondents also consented that only recruitment of key positions was outsourced while other recruitment was done internally by human resource department. This was done to cut costs related to such processes.

4.6 Risks of Outsourcing

The respondents were asked to identify the risks that affected the institute most in outsourced activities. The study found out that loss of confidentiality and over reliance on external parties affected KIM outsourcing most. Other risks cited by the respondents included loss of control in decision making and limited flexibility of the service providers. The respondents were also asked to identify the risks associated with the process of outsourcing. They cited the inability to correctly identify the core competencies, identify proper performance indicators and choosing the wrong service provider as risks associated with the process of outsourcing. The challenge was in identifying core competencies and then determining the other components of the organization that can be outsourced cost effectively.

The respondents were also asked if there was a risk frame for outsourcing. Most of the respondents were not aware of any frame work in place to check on outsourcing specifically. Most of them though agreed that the institute had a risk frame work in place that generally looked at outsourcing risks. The risks identified included lack of structured approach to outsourcing of services, poor quality of services from providers and unstructured outsourcing of premises.

The respondents were also asked what KIM was doing to mitigate the risks in outsourcing. The respondents consented that nothing was being done to mitigate the risks. However the respondents cited that there was a risk frame work in place which identified the areas that needed to be addressed. The areas included developing and implementing an outsourcing policy guideline that covers consultancy, faculty members, auxiliary service and cost effectiveness.

4.7 Merits of Outsourcing

The interview guide sought to find out from the respondents some of the benefits accrued to outsourcing at KIM. The Managers and the directors interviewed largely agreed that there were benefits accrued as result of outsourcing. First they identified the opportunity to cut cost as benefit realized from outsourcing.

Secondly outsourcing provided an opportunity for the rest of the institution to focus on core business. The respondents cited the core business of KIM as to offer management and leadership training to its members. Outsourcing of non- core activities was also seen as an opportunity to free time used in marketing and concentrate on core business. The respondents also identified service improvement as the third most important benefit.

Another benefit cited by the respondents was that new ideas were acquired that improved service delivery and the organization was able to focus on core business. Other benefits included quick delivery of services since contracts were renewed based on performance, centralized mode of payment for the services outsourced from the same provider, reduced recruitment procedures and time.

The respondents were also asked to rate the benefits in order of importance. The study found out that the most important benefits were in order of importance; efficiency in service delivery, increase in customer satisfaction index, good corporate image, improved customer response rate and increased profits.

4.7.1 Demerits of Outsourcing

The respondents were asked to identify some potential disadvantages of outsourcing. The study found out that some of the vendors did not provide quality service as agreed. Other disadvantages cited by the respondents were decreased company loyalty and a lack of confidentiality.

4.8 The Future of Outsourcing at KIM.

The interview sought to find out from the respondents what they considered as the future of outsourcing at KIM based on their experience. From the interview it came out clear that outsourcing was set to increase in stature because of the expanded mandate of the institute. The respondents also proposed expansion of outsourcing to include services such as information technology, human resource and finance. The respondents also agreed that for future success of outsourcing at KIM, there was need to involve all branch managers and departmental heads in the outsourcing process.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Various factors influence the adoption of outsourcing strategies. The objective of the study was first to determine the outsourcing practices at KIM and second to determine the factors that influence outsourcing strategies at KIM. This chapter summarizes the findings, conclusions and recommendations. The section will further present the limitations encountered while carrying out this study, the suggested areas for further research and implication on policy and practice. It presents an analysis and discussion of results and will also compare and contrast results with previous research findings identified and discussed earlier by other scholars and authors in the literature review.

5.2 Summary

The objective of the study was to determine the outsourcing practices and factors that influence outsourcing strategies at KIM. The study involved one director, two chief managers and fifteen managers in various departments and branches. Data was collected and analyzed under five areas; outsourcing at KIM; selection of service provider; factors that influence outsourcing at KIM; Risks of outsourcing; and merits and demerits of outsourcing. The study found out that most of respondents interviewed had a clear overview of outsourcing strategies and processes at KIM. The study also found that the main drive behind outsourcing at KIM was that of cutting costs and need for the institution to focus on core business. The respondents also confirmed that outsourcing played a key role in achieving business objectives. The study established that there was no policy in existence to guide outsourcing.

The findings of this study indicated that the most outsourced services at KIM were cleaning, photocopying, consultancy and security. The factors that prompted cancellation of contract were expiry of contract and poor service delivery. The study also found out that most departments were not involved in outsourcing decisions.

On selection of vendors the study found out that there was no documented policy on selection of vendors and the most important factors considered in selection of vendors was credibility, service delivery and contract terms. From the findings the factors that influenced outsourcing strategies most included cost reduction, improve KIM focus and quality and improving delivery and reliability of service.

5.3 Conclusion

The aim of this research was to determine the outsourcing practices and factors that influence outsourcing at KIM. Literature reviewed indicated that companies outsourced for various reasons and the factors that influenced outsourcing strategies differed from one firm to another. Companies adopted various models of outsourcing depending on reasons behind outsourcing Bierce & Kenerson (2011). Harkins (1996) suggested that human resource leaders considering outsourcing as an option should look for the potential gain access to best practices, realize economies of scale, improve performance and stability and improve their capacity to change. KIM therefore needs to move from seeing outsourcing just as a cost cutting strategy but as a strategy that can revolutionize the quality of services. This can be made by ensuring that there is a policy in place to guide outsourcing at KIM. The policy will guide on selection of vendors, identifying risks and mitigations and clear frame work to guide outsourcing at KIM.

The greatest challenge for a big membership institution such as KIM is to manage service providers in order to make gains in outsourcing. The core business of KIM is to provide quality services to its members through training in leadership, management and governance. In order to attain this mission it is important to effectively manage its outsourcing. Lack of policy in outsourcing and failure to involve managers in outsourcing decisions is an impediment to attain the gains in outsourcing. Although the majority of the managers and department heads consented that they had a clear overview of outsourcing services at KIM, many did not have a policy to guide them in making outsourcing decisions. The respondents also observed that there were numerous benefits arising from outsourcing and such benefits could be enhanced by involving them in key outsourcing decisions.

5.4 Recommendations

Since KIM is in a service delivery industry, there will be more opportunities for KIM to outsource some of its services as the dynamics of the industry change. KIM needs to expand outsourcing to other peripheral activities such as information technology, human resource and finance so as to concentrate on core activities. The respondents agreed that if outsourcing is done in harmony and in consultation with department holders, it will be of great benefit to KIM. KIM therefore needs to develop selection criteria as a team and then jointly rank and weight all the service providers.

From the study it came out clear that KIM was looking at the cost of the contract as the greatest factor that determined selection of service provider. It is therefore recommended that KIM can have both price and technical solution as part of evaluation criteria in selecting the service provider. KIM must also be willing to pay more for a better technical solution or capabilities rather just look at cost as the most important criteria for choosing a service provider.

Secondly KIM can embrace outsourcing best practices by ensuring implementation of a comprehensive policy to guide the assessment of whether and how activities can be outsourced appropriately, establish a comprehensive outsourcing risk management program to address outsourced activities and relationships with service providers, ensure that outsourcing arrangements do not diminish the KIM's ability to fulfill obligations to customers or regulators, conduct appropriate due diligence in selecting third-party providers, ensure that all outsourcing relationships are governed by written contracts and take appropriate steps to require that service providers protect confidential information. This is because most of the respondents identified loss of confidentiality as the highest risk associated with outsourcing.

Thirdly KIM should also consider outsourcing services from the same service providers especially if the provider is able to do so in all the branches. This will enhance management of those contracts and reduce time used by managers in preparing payments and other logistics.

5.5 Limitations

The study was intended to determine the factors that influence outsourcing strategies at KIM. It was quite a big task for some managers to articulate the current outsourcing strategies and previous service providers.

Getting the respondents for the personal interview was a great challenge considering how busy the staffs in senior management are. There was also time constrain due to postponement of appointments by the respondents.

5.6 Suggestion for Further Study

It is generally a truism that no research is an end in itself. Therefore, what this research has achieved in this area can only be considered to be little hence requiring further research work. From the insights gained in the course of the study, the researcher offers the following suggestions which should act as a direction to future researchers.

First there is need to undertake further research in other membership based institutions in Kenya. A cross section survey should be conducted so that comparison can be made. A replication of this study should be done after some time to find out if there are any changes that have taken place and comparison with the current data be done. A study can also be conducted to access the relationship between performance and outsourcing among membership based institutions.

5.7 Implication on Policy, Theory and Practice

Membership institutions which have training and consultancy programs like KIM can borrow from the findings especially on the outsourcing practices and factors that influence outsourcing strategies at KIM. From the findings it is clear that policy on outsourcing is important especially in managing the effectiveness of the outsourced activities. Institutions need to make it mandatory that outsourcing should be done with plan and there should be a policy in place to guide the entire outsourcing process and selection process. This will enhance the effectiveness of outsourcing for maximum benefits.

The study findings at KIM confirms the strength of the two big drivers of outsourcing by Thompson & Strickland (2006) where he advanced that there were two big drivers of outsourcing; First the outsider can often perform certain activities better or cheaper and secondly, outsourcing allows a firm to focus its entire energies on those activities at the center of its expertise (its competencies).The respondents identified the key drivers of outsourcing as cutting costs and the institution being able to focus on its core business.

The study also found out that KIM operated on a multi-sourcing model. KIM has therefore embraced multi-sourcing model by selecting multiple service providers. Many firms are using this model to enable them get the best of service providers Bierce & Kenerson (2011). Other models include multi-client shared services outsourcing model by deloitte and touche (2002) of which KIM has utilized in outsourcing its services.

All respondents cited benefits as factors that prompted the management to outsource. The most prevalent being the reduction of cost and focus on core business. The findings are in agreement with studies done earlier by Serem (2002) where in his view outsourcing is one of the strategies that an organization can choose among other alternatives to improve its competitive position. The organization leverages on third party service providers to perform its non- core activities and focus more on core ones to achieve competitive advantages for the business.

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Appendices

Appendix 1: INTERVIEW GUIDE

INTERVIEW GUIDE

September 2011

Name

Position

Department

Number of years worked in the organization

A. **OUTSOURCING AT KIM**

1. Do you have a clear overview of outsourcing strategies and processes within your organization?
2. What is the main drive behind adoption of outsourcing at KIM?
3. How has outsourcing helped KIM to achieve its business objectives?
4. Do you have any policy in place to guide outsourcing at KIM?
5. Identify the outsourced services in your department and corresponding service provider.
6. What prompted you to end the contract of the previous service provider?
7. How often do you review the provider's services?
8. Do you have a documented policy in selecting the service provider?

9. What is the criterion used in selecting the service provider?

10. Are you involved in making outsourcing decisions at KIM?

11. If not would you like to be involved in outsourcing?

12. Why do you think it is important you are involved in outsourcing?

13. What activities do you outsource most at KIM?

14. What prompted you to outsource the activities?

15. What are the least outsourced activities at KIM?

16. What do think are reasons why these services are least outsourced?

B SELECTION OF SERVICE PROVIDER

17. What factors do you consider in choosing the service providers?

18. Among these factors which do you consider as vital in selecting service providers?

19. What are least considered factors while selecting service providers?

C. **FACTORS THAT INFLUENCE OUTSOURCING STRATEGIES AT KIM**

20. What are the factors that influence outsourcing strategies at KIM?

21. Among these factors which do you consider as most important and why?

D. RISKS OF OUTSOUING

22. .What are the risks associated with outsourcing at KIM?

23. Do you have a risk frame work for outsourcing?

24. What the outsourcing risk drivers at KIM?

25. What has KIM done to mitigate these risks?

26. What are the risks associated with the process of outsourcing?

Process	**Risks Associated with the Outsourcing Process**
Identifying non-core competencies	
Identifying non-core activities that should be outsourced	
Identifying impact on existing facilities, capacity and logistics	
Establishing goals and draft	
Outsourcing agreement specifications	
Identifying and selecting outsource provider	
Negotiating goals and measures of outsourcing performance	
Monitoring and controlling current outsourcing program	
Evaluating and giving feedback to outsource provider	
Evaluating national political and currency risks	

E. MERITS AND DEMERITS OF OUTSOURCING.

27. What benefits has KIM accrued as a result of outsourcing?

28. Name the five most important benefits derived from outsourcing at KIM?

29. What are the demerits of outsourcing at KIM?

30. Based on your experience what is the future of outsourcing at KIM?

UNIVERSITY OF NAIROBI

MOMBASA CAMPUS

Telephone: 020-2059161
Telegrams; "Varsity'. Nairobi
Telex: 22095Varsitv

P.O. Box 99560,80107
Mombasa, Kenya

DATE: 10™ OCTOBER 2011

TO WHOM IT MAY CONCERN

The bearer of this letter, **Dickson Gitaari Mwira** of Registration number **D61/71055/2009** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on Factors Influencing Outsourcing Strategies at Professional Membership Based Institutions: A Case of the Kenya institute of Management. We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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.