OUTSOURCING IN TELECOMMUNICATION COMPANIES: A COMPARATIVE STUDY OF AIRTEL KENYA AND ORANGE TELECOM

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DECLARATION

This research project is my original work and has not been submitted for a degree in this or any other University.

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NDUNGU PURITY WANJIKU **14TH OCTOBER 2016**

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This project has been submitted for Examination with my approval as the University Lecturer.

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DR X N IRAKI **Date**

Department of Management Science,

University of Nairobi, School of Business

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ABSTRACT

The International business environment has forced many organizations in the whole world to embrace innovative ways of doing businesses. Outsourcing the company's non-important business processes has been part of the strategic positioning to achieve a competitive edge by the companies. The research was aimed at to determine the effect of outsourcing practices on performance of Airtel and Orange Companies. The study fundamentally focused on the following five key variables i.e. Business process outsourcing (BPO), Managed service provision, Out-tasking, Tactical outsourcing and Transformational outsourcing. The study was a comparative study of Airtel and Orange Telkom companies in Kenya whereby judgmental sampling was applied to interview the directors, head of departments and other senior staff from the two companies. From the study, the two telecommunication companies outsourced work using multiple outsourcing practices. Outsourcing non-core activities and to cut down operational cost and to handle sudden spikes of work were found to be the reasons for outsourcing. Out-tasking and tactical outsourcing were found to be the widely used practices of outsourcing. The companies interviewed reveal that employing outsourcing practices in diverse approaches vis a viz size of the organization. Outsourcing is seen as a way of bringing down cost and a strategic plan to improve organizational performance and outsourcing can also come with management challenges like; continuous competency improvement. Finally, the results showed that the two companies indicated that outsourcing brought in many benefits to the performance of the company as compared to the challenges. The findings of the study are relevant to management as it will enable the management of Airtel and Orange to know the influence that outsourcing has on the overall company performance. The policy makers are in a good place to make critical decisions those can change the sector positively using the information gathered herein. The policy maker can change the dynamics of outsourcing in the sector using the information of this study thus formulate policies that spur outsourcing in the telecommunication industry to grow and enhance efficiency. The current study concluded that, Product knowledge, minimisation of cost, and availability of human intellect are the main factors leading to outsourcing decisions in many companies where the same reasons apply to the telecommunication sector.

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LIST OFABBREVIATIONS

RBV -	Resource Based View
ICT -	Information and Communications Technology
CAK -	Communications Authority of Kenya
CDMA-	Code Division Multiple Access
ATM -	Automatic Teller Machine
NPL-	NON-Performing Loan
PPOA-	Public Procurement Oversight Authority
MSP-	Managed Service Provision
BPO-	Business Process Outsourcing
TICAD-	Tokyo International Conference on Africa Development
ICT -	Information and Communication Technology
CAK-	Communications Authority of Kenya
GOK-	Government of Kenya
CCK-	Communication Council of Kenya

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Outsourcing is the transferring of some of the less crucial organizational tasks and responsibilities to an outsider specializing in the same (Amponsah, (2012).

Wanjugu, (2016) observed that recently, advances in IT had changed the way companies are doing businesses. Similarly, Wanjugu, (2016) noted that one of the most crucial outcomes of the technological innovations is Outsourcing of business processes is. Because of its intensive technology processes (IT based processes), business processes that are driven by outsourcing mechanisms are elevated in the telecom and banking sector (Wanjugu, 2016).

Gewald and Dibbern (2015) both observed that, this trend is more reiterated since information and data in the telecommunication industry are in raw digital form supported by high use of the internet. Basle, (2015) noted that Outsourcing practices are used increasingly as means of attaining strategic goals.

Okongo, (2012) Africa' success in the outsourcing industry, such as South Africa, Egypt, Morocco, Kenya, Ghana, and Mauritius, has encouraged the building of outsourcing capabilities in recent years as inspired by India. When you look at countries like Ghana, they have a key strategy towards being the Business Process Outsourcing hub for the whole of Africa. This in turn means that countries like Rwanda and Kenya which are trying to get to the level that Ghana have to undertake serious infrastructure resources to be at par the three of them being at different stage in regard to the African BPO industry (The Africa Report, 2012). For instance, in the past, the outsourcing practices in Kenya were restricted by costly, inefficient and poor communication connectivity which hindering effective communication to the world (Communications Authority of Kenya, CAK, 2011). However, the installation of a fiber optic cable in Kenya in 2011 resulted in a boost in the country's status as Africa's best economy (CAK, 2015). Brookes and Haines, (2015) at present Africa is certainly a better destination to conduct business than it was five years ago. Largely, it has been necessitated by the development of IT infrastructure, improved communication and internet connection and reduction in costs (Wanjugu, 2016). With this improved communication and internet development, the distance between countries is shorter and has allowed developing economies grow further.

Wanjugu, (2016) Kenya now has improved IT infrastructure, political stability and English language capabilities, which are essential in outsourcing practices if a country hopes to become a major BPO destination globally. In the recent past, relevant economic issues have been raised about outsourcing practices in Kenya. Outsourcing practices have evolved as the most common and widely adopted business strategies worldwide. Research reveals that the mere size of expenditure on outsourcing practices and the continuous and active participation of senior management executives (including the Board) means that outsourcing decisions are more important for strategy (strategic decision making) in a company today than they used to be. Client firms adopt outsourcing to ensure they have a large impact on their bottom line financial returns and competitive advantage to profit from the presumed economies of scale and skill rendered by the provider of service. GOK, (2015)

Currently, Kenya is adopting both long-term and medium-term strategies to manage the high unemployment rate among citizens. A main strategy that has been adopted for Kenya to be well positioned in the global and dynamic Information and Communication Technology (ICT) sector is specifically targeting Kenya to become a regional ICT hub within the East and Central African region (TICAD, 2016). To ensure the achievement of this goal, the Government of Kenya has embarked on improving ICT technology (GOK, 2016). However, (Wanjugu, 2016) contend that limited ICT access between rural and urban areas has challenged the expansion BPO and IT-enabled services (BPO-ITES) in Kenya. The Kenyan government has further encouraged entrepreneurs to venture into outsourcing practices (such as BPO, Out-tasking, and transformational outsourcing among others) by introducing incentives that make investing in outsourcing businesses attractive.

According to Zachary (2014) major reasons why telecommunication institutions have come out strongly to adopt outsourcing include: to focus on the main strengths of the organization; to acquire important performance skills(technical) and intellect, skills or knowledge aimed at improving the overall organizational performance; and to steer the overall company towards growth like the organizational structure of the firm and the specific techniques used by management; balancing a company's design; to mitigate crucial technological risk as well as any form of uncertainty; to improve the overall business performance; to achieve process improvisation and to improve wholesome customer relations.

Nicholas, (2012) benefits that the management anticipates from outsourcing practices include; growth - financial growth, performance growth and also skills/ knowledge; projects ascent, mitigation against technical failures or risk, quality production and quality service delivery. Outsourcing practices helps the client organization better manage the business, creates improved business intelligence and facilitates in rapid innovation and development.

1.1.1 Outsourcing practices

Okongo, (2012) having clear-cut outsourcing practices can be a milestone in strategic positioning of the company towards achieving a competitive edge. Outsourcing practices is the game changer in the organizational success and general performance. Okongo, (2012) observed that there are quite a small number crucial outsourcing practices which have been adopted by the telecommunication companies in Kenya including but not limited to; Business process outsourcing, Out-tasking, Transformational outsourcing, Tactical Outsourcing and Managed service provision among others. As the global economic recession persists, outsourcing practices still are the key pillars in organizational growth, especially the telecom and solution sectors.

According to Mclaughlin, (2014) Business process outsourcing is defined as the transferring or contracting of a particular activity within a company, like say, accounts (payroll task), Human Resources (recruiting training and development) to an external supplier. Business process outsourcing is as a way of cutting down cost on activities that are not the main strengths of a company. Brookes and Haines, (2015) observed that Business process outsourcing is the fastest growing approach around the world with the growth of up to 30% annually as compared to the other four practices of outsourcing.

Wanjugu, (2016) noted that managed service provision is targeted to embraced for unique tasks, and among them is IT to facilitate expertise in that area to an organization with a short of skilled manpower to that area. Managed service refers to a variety of IT services which are related to the World Wide Web or the internet. According to Wanjugu, (2016), cyber-crime is a complicated and a dynamic issue. Few organizations have sufficient and skilled internal intellect to keep up with fresh hacking methods and cyber security. In mind of the risk and vulnerability of communication companies especially to the risks transferred to a third party to provide that service. Therefore, a managed service can provide any or all of: systems to detect threat and intrusion; virus checking and management; website hosting and design; e-commerce among others.

Jones, Meilan, Klepps and Jones, (2013) noted that the organization can be guaranteed that these tasks are being operated by a well-trained, knowledgeable staff and that 24 hour customer service is guaranteed. MSP usually provide their services on a subscription basis, over a period of one to two year contract. A study done by Wanjiku, (2016) shows that unique limitations or challenges associated with outsourcing are inevitable and therefore key performance functions in an organization can lead to a loss of control.

Murua, (2010) observed that outsourcing had changed the security sector. This sector deals with unique challenges in information technology on security matters. It is concerned with specialized attention to information technology and therefore it is vital to hire such a unique service to handle information security challenges in the organization. However, outsourcing practices are not a guarantee to a lifetime security solution. The decision can make the organization over-dependent on the managed security service, and this can mean that the evaluation of risks for the company is no longer done regularly.

The top management must be aware that outsourcing a functional area in the organization does not mean that company is not responsible for whatever process taking place. Foster, (2015) Out-tasking provides a discrete, specialized security tasks, rather than security as a service whole area. Some of these tasks and processes include; intrusion detection, forensic investigations, or regular assessments of vulnerability. As opposed to outsourcing, out-tasking makes organizations hold themselves accountable for their security no matter the kind of jobs performed by staff. Rather than outsourcing, Out-tasking helps the organization makes cognizant decision as to whether retain control over the security system. This therefore means that the company itself is responsible for its assets. Foster, (2015) pointed that companies are able to determine tasks better handled in-house or outsourced through Out-tasking. This supports careful thought about global firm security strategy in the short and the long run. The out-tasking acts as a 'strategic catalyst'. Using this mixed mode approach; the client recollects responsibility for strategy and selectively outsources components of an overall process following an analysis of need and capability. This kind of an approach can apply to many other areas where it may be an appropriate variation on the outsourcing theme.

According to Mclaghline (2014), with modern transformational outsourcing tactics, a service provider takes the responsibility of the crucial business systems and services. Companies in the past have employed outsourcing of the non-core function in the organization and forgetting them to focus on the key strengths of the firm. Transformational outsourcing approach means an organization combine several projects into one core project and undertaking a large contract with a single supplier. This is as opposed to outsourcing practices for separate systems/services/processes. The drivers of such arrangements are present economic climate, current business processes and the need for shrinking cost. There are other paybacks to an arrangement that spread investment more evenly over the timespan of the contract evading the difficult peaks that would otherwise exist. Transformation outsourcing shapes a new business model to gain competitive advantage in times of virtual uncertainty.

1.1.2 Organizational Performance

According to Gibson et al, (2010), organizational performance is the growth of an organization in terms of achievements such as achievement of certain performance targets, the time stipulated to meet the targets and the realization of effectiveness or efficiency. Gibson et al., (2010) notes that, organizational performance can as well be described as the company's profitability, market share and the quality of product and services as compared to other businesses in the same sector. Similarly, it is a reflection of productivity of an organization measured in terms of revenue, market share, profit, growth, development and expansion of the organization. Additionally, Gibson et al, (2010) observed that organizational performance can be measured by gains in finances, what workers achieve and even satisfaction of workers. This statement was amplified by Delaney et al, (2006) who noted that performance can be measured by goal attainment efficiency and effectiveness. Similarly, Venkatraman et al (1986) observed that performance can be assessed by how an organization financially through ROI, sales growth, profit, organization effectiveness, and performance of the business Similarly, Delaney et al, (2006) affirmed that organizational performance can be measured by quality of the service and products offered to customers, satisfaction of customers, market share, and service innovations. Delaney et al, (2006) noted that performance of the organization can be evaluated by margin on sales, capacity utilization, customer satisfaction, ROI and product quality. This was also supported by Green et al, (2007) who identified that measures such as ROI, sales and market growth, and profit are parameters significant in organizational performance evaluation.

1.1.3 Telecommunication Industry in Kenya

The mobile communication sector is the most vibrant in the industry and has been growing tremendously over the last couple of years witnessing a lot of dynamics in the sector and tough economic times due to global recession and rivalry from the key players. A lot of changes in terms of service delivery, communication and quality of the service have been witnessed in the sector. Mobile money transfer, SMS, email and internet services, video conferencing as well as voice services are offered by the mobile service operators. The Kenyan telecom industry has three main players; Safaricom, Airtel Kenya and Orange/

Telkom Kenya following each other in that order in terms of market share and dominance. The history of Airtel dates as far back as 2000 when it entered the market under the brand name Kencell and later rebranded to Airtel Kenya in 2004 which was later to be acquired by the Zain group in 2008 and finally acquired by Bharti Airtel in 2010.

CCK (2013) report revealed that Airtel has had and continues have many value added products that it currently offers in its Kenyan market that includes; Airtel money, Pre-paid and Post-paid plans, Network operations , franchised Blackberry mobile devices and other telecommunication and non- telecommunication accessories; International roaming, Local and international text messaging, twenty-four-hour customer care services, Internet access, Directory enquires, SMS information services, Mobile Top up and Me2U. As a result of its innovativeness, Airtel Kenya continues to register growth in its customer base and according to the CCK (2013) report; the company market share had grown to 15.4% from 10.6% the same period in 2010.

Orange Telkom was started as a telecommunications operator back in 1999 and provides a wide range of communication services to Kenyans ranging from voice, data services, and internet facilities. Orange infrastructure is rolled out across the country in GSM, 3G and CDMA and WIMAX frequencies that are key to step up the data services as the voice market continue to face stiff competition from the big players. Telkom Kenya merged with France telecom group, a strategy that gave birth to the Orange brand in Kenya in 2008. The telecommunications industry in Kenya is seen to outsource the activities of the customer care and network services to service provider with the aim of bringing down costs. For instance, Zain has outsourced the functions of its customer care services and outlets while Orange/Telkom Kenya has outsourced the customer care services to Horizon Kencall (a local company) to bring down human resource cost.

1.2 Research Problem

Rozzaque and Sheng, (2008) indicated that, while organizations struggle to sustain their positions in competitive and vibrant global marketplace, they have realized that they can lower costs and sustain quality by using skilled and qualified providers for non-core activities of the businesses. Outsourcing of any business function is a fundamental step in changing the operations of any business entity and this has seen outsourcing practices dominate all sectors across the business environment and economy. It is employed by many organizations as way of bringing and bringing down costs as well meeting the organizational strategic goals. Airtel and Orange Companies have been under intense competition pressure in the last couple of years from the market leader: Safaricom and therefore this has forced the company to change tact in the way of operating some of its business functions and the outsourcing approach to be employed so as to counter the strategies by rivals. Among these two companies. The two companies have recently announced a plan to fire more than 500 employees an exercise which is focused on aligning the companies' structure with operating model and right-sizing (Standard digital news, 2016). Several studies have looked at outsourcing practices around the world. These studies provide some insight about outsourcing practices in Kenya. Khak and Rashidi (2012) did a study on Business process outsourcing to determine its impact on performance of Iranian telecom companies and he found out that outsourcing can bring down coast as well as step up financial and non-financial services in the company. Jian et al (2009) did a literature review on the impact of outsourcing practices on the organizational operational performance in the United States of America (USA). Similarly, Avanitis and Louks (2012) investigated outsourcing and firm performance in both Swiss and Greek countries. Wambua (2014) researched on organization's operations approach and performance in the mobile phone sector in Kenya. Kiplangat (2011) dwelled on the effect of outsourcing practices on the performance of the 42 banks in Kenya. Studies done above indicate that there was no known study as yet which has been undertaken on the effect of outsourcing on performance of telecommunication sector in Kenya. It is against this background that, the current study sought to get answers on the question: what is the impact outsourcing have on performance of telecommunication sector in Kenya with specific reference to Airtel and Orange Companies?

1.3 Research Objective

i. To determine the outsourcing practices used by Airtel and Orange Companies in Kenya.
ii. To determine the effect of outsourcing practices on performance of Airtel and Orange Companies.

1.4 Value of the Study

The findings of the study are of value to the transaction cost and risk theoretical framework as it enables the study to conceptualize and empirically operationalize outsourcing as influencing the performance of organizations. The findings of the study are relevant to management as it will enable the management of Airtel and Orange to know the influence that outsourcing has on the overall company performance.

The policy makers benefits a lot in terms of obtaining guidance from the current research in coming up with appropriate regulations and policies to regulate the industry. The findings of the study enables the policy makers know the impact or importance of outsourcing on performance thus formulate policies that spur outsourcing in the telecommunication industry in order to grow and enhance efficiency.

The study provides the foundation to other researchers and scholars who may be interested to dwell and carry out further research in the current topic. The study also benefits individual researchers to identify any lacunas in the current study and undertake research in such areas, the work can be used by scholars who want to study similar area and to come up with substantive conclusion and reasoning especially in regard to outsourcing of business process.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section gives a substantive and crucial review of relevant materials or literature. Key areas of literature that took center stage and continue to take center stage in this section which includes the theoretical framework. The study further put into context outsourcing practices, outsourcing practices and organizational performance, empirical literature review, summary of literature review, knowledge gaps and conceptual model.

2.2 Theoretical Review

Theoretical foundations of this study helps in identifying a foundation of relevance within a topic and describe how they fit together. This study was guided by resource-based view theory and transaction-cost theory.

2.2.1 Resource-Based View

Outsourcing can be explained from the dimension of the relationship between service receiver (buyer) and service provider (seller). The resource based view (RBV) further analyses other aspects, taking into account internal strengths and weaknesses (S & W). This approach is founded on the fact that the company's internal competence that is the resources and capabilities. According to Barney (1991), a company's' strategic position and growth is achieved from the unique strategies the firm is putting in place towards the performance of the overall organizational goals and objectives. RBV indicates that a company can outsource all its entire functions not only the main organizational strengths. Barney (1991) noted that, resource based view encourages the firm and organization as a whole to determine make or buy decisions for products and services of an organization. In the context of theoretical orientation, outsourcing seem more rewarding and relevant when non-core competencies are left to an external supplier with the right quality and standard at the right price and is best skilled and knowledgeable in the area. In the end the aim is to reduce cost, maintain quality, service improvement and allow management more time and capacity for core strategic business concerns and growth (Khosrowpour et al, 2006).

Valmohammadi and servati (2011) noted that, RBV theory most importantly stresses the internal resources of the organization in designing a strategy to achieve a sustainable competitive edge in its markets both in country and globally. Valmohammadi and Servati (2011) observed that if the organization seems to be made of resources and skills which can be restructured to provide it with competitive gain then its perspective does certainly become inside out. In other words its internal competences and strengths determine the strategic choice it makes in competing in its external environment. The core of resource based view is that successful organizations will be competitive on the development of unique and strategic capabilities which may be intangible, rigid or implicit in nature. In Telecommunications, key resources include infrastructure, technology and expertise. It is challenging to upgrade technology on old and obsolete infrastructure. Good expert knowledge is important for regular maintenance. Telecommunication success is determined by network availability and customer experience; this is made possible by regular, proactive and up to date maintenance.

2.2.2 Transaction-Cost Theory

According to Wiliamson (2009), transaction (operation) costs are as result of the fact that it is not possible for a firm to entirely contract while incomplete contracts are brought on table when there is a misconception between the two parties. In this theory, relative transaction cost and production costs associated with the process and the services are the key determinants as whether to do outsourcing or not to outsource. Mahnke et al., (2005) observed that the three most important dimensions of cost transactions include: frequency of transactions, uncertainty of the transactions, and degree of asset specificity to the firm. If all the dimensions of the transaction are found to be low and of poor quality, then the firm will resolve to outsource its business processes to a competent service provider. Williamson (2009) observed that outsourcing of services, processes or business functions results in minimal or reduced production costs than doing in it in-house due to the large benefits of economies of scale. Williamson (2009) however pointed that such cases could raise transaction cost due to the need to manage and monitor external suppliers. This move raises an emphasis on the importance of a comprehensive contract (mostly in SLA agreements or contracts) between the service provider and the client aimed at minimizing opportunism, maintaining brand and other problems associated with performance as indicated by (Popo & Zenger, 2012). However, Popo and Zenger (2012) stated that, such highly formal and highly specific contracts may lead to distrust and opportunism. This view brings in distrust, lack of cohesion and rigidity among service providers attributed to over-specification and unworthy terms.

Transaction cost theory shows that firms outsource production and the production process in order to reduce costs, achieve cost efficiency and raise their margins. Costs that are associated with production are as a result of service delivery and can be clearly identified. Kulmala (2013) observed that labor, raw materials, human capital and core capital. Coordination costs involve monitoring, controlling, implementing and managing the work internally as some of the production related costs. If these processes are transferred to an external provider, the coordination costs become transaction costs. Kulmala (2013) indicated that outsourcing of services or production process will results to reduced production costs as compared to doing it internally due to the theory of economies of scale. But in such a case, normally the transaction cost remains high because vendors need to be managed, corrected and monitored. In Telecommunications vendors who need to be managed include Network maintenance, ICT, Construction and customer service.

2.3 Outsourcing practices

According to Qulin and Duhmel, (2013) Outsourcing can be clearly defined as the process one takes on the transferring or shifting an activity which was done within the company to an outside service provider or supplier through a contract (long-term or short-term).

Carbaughn (2010) reiterated that increasingly, all top management across many companies entirely focused on their major strengths in the businesses, i.e. the areas that the main strengths of the company are and which determine the factual success or failure of the organizations. Carbaughn (2010) continued that therefore there is a necessity to minimize management time and effort spent in carrying out more marginal activities. Outsourcing practices that have continued to be adopted by the telecommunication companies in Kenya includes but not limited to, Business Process Outsourcing (BPO), Managed Service Provision, Out-tasking, Tactical Outsourcing and Transformational Outsourcing among others (Okongo, 2012).

2.3.1 **Business process outsourcing** (**BPO**)

Kakumanu, and Portanova, (2016) defined Business Process Outsourcing as the whole process of shifting particular or all company functions such as accounting or human resource to a supplier or service provider. Non-core functions such as administering travel activities, management of payroll processes, accounts receivable/payables, HR administration issues, and numerous call center applications are similar across different businesses. By sourcing specialized processes that are labor intensive, telecommunication companies can therefore gain meaningful cost savings by moving them offshore. These processes require constant operating expenses to maintain their utility and thus represent a significant potential for efficient and effective, improvement and cost savings. Telecommunications industry is challenging its conventional wisdom as it continually struggles in the face of significantly reduced growth, market entry, entry of cheap products and services, spare capacity, a collection of fresh technology, and murky financial projections. Industry players are sourcing for ways of cutting costs, productivity improvement, and in diverse system integration while ensuring quality brand sustainability.

2.3.2 Managed service provision (MSP)

Gewald, and Dibbern, (2015) defined Managed Service Provider as a firm that undertakes the responsibility of a client's IT activities and end-user systems purely on proactive basis and subscription model. Gewald, and Dibbern, (2015) contend that the MSP subscription model provides all size customers and market niches' the advantage of predictable IT maintenance costs, and because MSPs take a proactive approach towards solving problems, they may be able to prevent IT problems from occurring and therefore from disrupting business operations. Managed IT Service Providers can be flexible; available 24 hours, have a pay-as-you-go payment plan that comes with fast growth and cost reduction in case businesses need to merge. Multiple Managed IT Services can be provided over a single "converged" connection to all users, resulting in cost-savings on infrastructure. According to Gewald, and Dibbern, (2015) productivity and efficiency benefits exists, in the fact that staffs working remotely enjoy access to voice & data applications similar to HQ staffs. A MSP data service centers and managed network services are very strong as compared to enterprise information technology services.

2.3.3 Tactical outsourcing

Brown and Wilson, (2015) observed that, the need for organizations to address unique problems experienced by tactical outsourcing leads to adoption of Tactical Outsourcing. Such problems may include deficiency of financial resources to make working capital and capital investments, inadequate in-house managerial competences or a need to right size, amalgamate and streamline. Brown and Wilson, (2015) indicated that tactical outsourcing is a form of traditional outsourcing and is based on cost comparison, process enhancement and the make-or-buy decision. The tactical outsourcing according to Brown and Wilson (2015), results in evident and clear benefits in the form of improved cash savings, minimizing the requirement for future investments and undertaking staffing issues.

2.3.4 Out-tasking

Hirscheim, Heinzel, and Dibben, (2012) the out tasking approach relies on the engagement of a service provider who can deliver a certain activity on a short term basis. A survey by Heinzel, and Dibben, (2012) found that large enterprises that had out-tasked their RMS saved at least 25% or more in their IT expenditures, with almost half of those surveyed saving between 25-50%. Out-tasking requires the firm to negotiate suitable and efficient service agreements and to manage the service delivery end to end. Hirscheim, Heinzel, and Dibben, (2012) noted that, such management skills and responsibilities involve project planning and implementation, with appropriate “project management office” oversight and running of the project ahead of completion and to implement incorporation of the delivered project. Out-tasking does not involve the long-term obligations between organizations found in an outsourcing association but rather on how the process will benefit the client. When troubles are encountered, it is more flexible for the firm to terminate the relationship and find a replacement. Heinzel, and Dibben, (2012) noted that switching costs and risks are advanced in outsourcing than in out-tasking. Cultural fit is not as important as it is in out-tasking compared to the long-term association of an outsourcing. Lacity, and Willcocks, (2015) in simple terms, there should be no confusion, Out-tasking requires a much lower level of organizational commitment and linkage (resources wise) and intertwining of organizational links between the client and the service provider. Nonetheless, the outsourcing affiliation can begin with a series of out-tasked projects (small projects), such as in the development and maintenance of software or staff growth for business process delivery to gauge the service provider.

2.3.5 Transformational outsourcing

(Murua, 2013) according to Murua, Transformational Outsourcing practice is a unique approach of outsourcing. Transformational outsourcing is aimed to achieving a steady, self-driven and sustainable step-change advancement in enterprise-level performance. Murua observed that transformational outsourcing has continued to emerge as a practice, but the track record of companies that have engaged in it is quite inspiring. Similarly, (Murua, 2013) did a study looking at 20 companies in Kenya, 17 who have been in place long enough to show outcomes. Of that group, 13 of them have attained intense, organization-level impact.

2.4 Outsourcing practices and Organizational Performance

Outsourcing can improve on the overall company performance if it is considered as a strategic position by the organization whether in short term or in long term. According to Logan *et al.*, (2004) companies that can manage the process can improve their organization performance and achieve high satisfaction level with the results obtained. BPO aimed at non-core business functions and processes allows organization more time to focus attention and resource key performance areas. This strategy helps firms to be more efficient, more innovative and more skilled in the core competences hence improve results.

Kok and Richardson (2003) observed that outsourcing to a specializing organization; the services that are not generated by main strengths of the company, companies can clearly see growth in their organizational performance. Kok and Richardson (2003) observed that there are three reasons for this firstly; the acquisition of non-strategic services allows the organization to major on its major strengths and opportunities, which is concentrating on the services whose resources have a high strategic value. Kok and Richardson (2003) indicated that focusing on products or services that are not part of core competences can cause performance to go and increase organization flexibility and adaptability. Additionally, nonstrategic services outsourcing can also improve not only the quality of the process but also the quality of products and services. Lastly, outsourcing of low strategic value services permits the companies to lower expenditures and focus on growth hence improve competitiveness.

Suppliers who are more effective and efficient will probably be in better conditions to create a maintainable competitive advantage gained from knowledge, skills and origination in order to build new products as the main source of economic income (Johannessen and Olsen, 2010). With outsourcing a firm is more likely to increase profitability, increase in market share, improvement in capacity of machinery and equipment, increase in orders, improved product functionality, improved product reliability, improving product quality, customer satisfaction and organizational competitiveness.

The exchange of organizational skills/routines and the collaboration of strengths in between the firm and a co-working organization participating in business process of outsourcing activity can further benefit the firm by generating supplementary resources (Quinn and Hilmer, 2014). Business process outsourcing on definite products and services can produce additional resources and revenues when they are carried out by experts in those areas. Kedia and Lahiri (2009) emphasize on the benefits of business process outsourcing. Kedia and Lahiri (2009) perceived that BPO assists in providing improved focus of core activities and reduction in the functional scope of the organization, enabling development of a more technology focused organization capable of increased sensitivity to market change and growth and faster adoption to technology. The balancing use of exterior resources can also provide chances for superior leverage of the organization's core resources for future use and allow management of working capital. Hayes et al., (2009) noted that outsourcing will aid firms to transfer strengths and opportunities from non-value added functions to value-added core functions.

Armstrong, (2002) indicated that, organizational operations in technology puts major impacts on the organization inner environment and on how it is systematized, accomplished and carried out. Employing fresh technology may result in considerable changes to systems, products and processes he notes. Gilley et al., (2004) noted that for companies faced with the stiff global competition and dynamic changes in the business environment, managed service provision is more important to them. Gilley et al., (2004) observed that outsourcing allows firms to enjoy the benefits of switching suppliers for cost and quality improvements that comes with new and mature technologies. On the contrary, Gilley (2004) noted that in stable environments, flexibility in technology is not very important because production and service delivery may not change so hastily. Equally, transferring demand declining risks to supplier firms makes outsourcing attractive.

Out-tasking helps organization access means of accessing high intellect and skills not readily available. In the modern IT era, companies may not have skilled manpower available in house to take on certain projects. According to Bakas (2006) professionals who may be required in some specialized services may not be readily available. It's through outsourcing that organizations seek technological competence which can be achieved by using more expensive and specialized vendors. A specialist would most likely have the required resources for hiring proper training facilities that many not be available if the function were to be kept and operated in house. Additionally, a fast growing company may not have adequate time to recruit required workers needed every time hence turn to outsourcing.

Cost proficiency is the basic driver for the development of business process outsourcing. Firms evaluate business process outsourcing to determine if current operation costs can be lowered and at the same time determine if saved resources can be ploughed in activities that are more competitive. There are researchers who contend that an important source of cost reductions is the transformational outsourcing. According to (Alexander and Young, 2007) specialized business process outsourcing experts can afford to better invest in new technologies and innovative practices as opposed to contract-granting firms. Outsourcing is able to bring down costs and relax tied or idle assets.

2.5 Empirical Literature Review

Barako and Gatere (2008) did a study on the outsourcing practices in the 40 banks in Kenya. They administered questionnaire interview on the 40 banks operating in Kenya. They found out that the highest outsourced function in the Kenyan banking sector is Automated Teller Machine (ATM), while customer account processing is the lowest outsourced function in terms of numbers. The study concludes that reputational, operational, strategic and contractual risks are associated with outsourcing by the banking sector.

Bredenlow (2012) did a questionnaire interview to find out the relationship between outsourcing practices and performance of mobile companies in the UK. In his findings he observed that outsourcing is one of the major key strategies for a company's growth; it is no longer an operational issue but a top management requirement. A successful outsourcing implementation has been recognized to cut costs, increase revenues increased capacity, improved quality, and increased productivity, improve organizational competitiveness.

Pujals (2013) conducted a cross sectional survey on 20 leading financial services companies in the European Union. Results indicated that banking institutions may outsource certain activities for various motives and risks. Some of the motives cited by Pujals are: cost reduction, risk reduction, access to new technology, concentration on core activities, quality improvement and hog levels of flexibility. The study additionally identified risks are associated with outsourcing of financial services which are: service and product control loss, risks in operations, internal skills and experience loss, flexibility loss, problems in cultural and social issues, technical constraints, quality decline and competitive advantages. The implications from this study were that there was a positive correlation between outsourcing practices and performance of organizations. Wachira, Brookes, and Haines (2013) did a random sampling study on the impact of outsourcing on profit making organizations in Nairobi. His findings established that outsourcing can yield highly positive and/or highly negative outcomes depending on the risks encountered in the business environment, company policy, function/s to be outsourced, and the competence and commitment of the outsourcing vendor.

Kamanga and Ismail (2014) in a review of literature covering the impact of outsourcing on the performance of Delmonte Kenya limited. The results showed that cost, quality, process transition, value addition and technology adoption has a positive correlation with the organizational performance. The research concludes that there is an insignificant positive weak relationship between risks and organization performance.

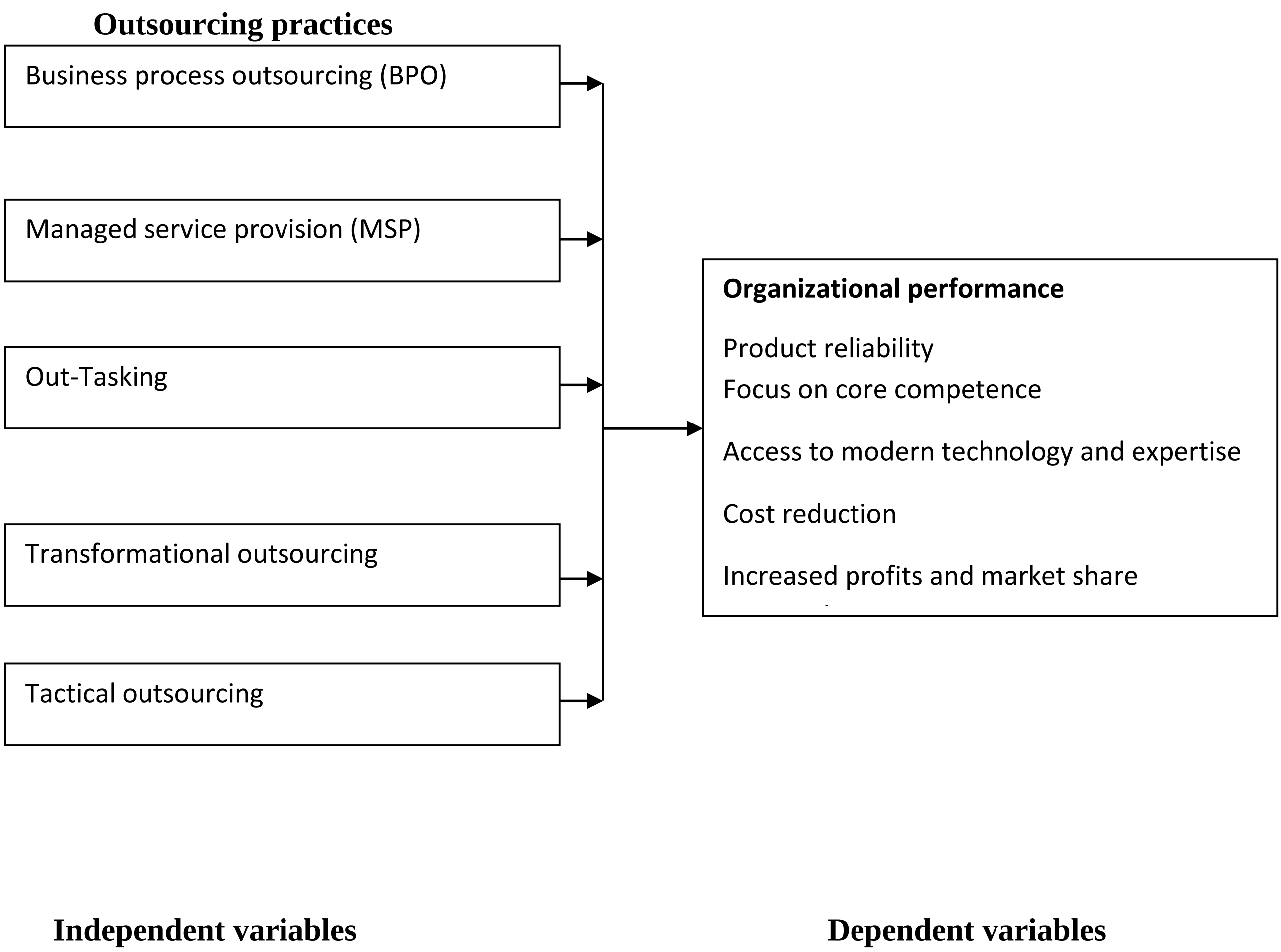
Mohamud and Iravo (2015) undertook a study on the impact of outsourcing on non-core activities on firm's performance a case study of public procurement oversight authority. The findings established that supplier selection process, staff skills, relationship management, people management, contract management and organizational resources are key essential elements in outsourcing of noncore services that influences organizational performance at Public Procurement Oversight Authority (PPOA). They concluded that very few studies have focused on outsourcing in telecommunication firms.

2.6 Summary of Literature Review and Knowledge Gaps

From the literature review, outsourcing is a very important business approach in the increasing global business hub. Competitive advantage may be gained as products and services are produced more effectively and efficiently by external suppliers. The existing literature confirms that Outsourcing has successfully been adopted by many organizations in the world. In the literature review, several scholars have pointed out that outsourcing of non-core activities have left ample time for management to allocate skills and resources to best performing tasks. This focus can improve results by allowing the firm to be more effective, more innovative and more skilled in its operations. When the organization focuses on its core competences there is improvement in their performance for they are going to concentrate on the core activities that result in improved performance. The main aim of outsourcing is found to include both the tactical and strategic approaches on a departmental level and organizational level. It is therefore advisable to adopt well planned and defined outsourcing process that has clear objectives with adequate resources so as to carry on successfully. It is evident that most of the studies cited in the literature have focused on the banking sector and in developed countries whose outsourcing practices and financial footing is different from that of Kenya. There is therefore a literature gap on the outsourcing practices in the telecommunication sector in Kenya with specific reference to Airtel and Orange telecom which this study seeks to fill.

2.7 Conceptual Model

Fig 2.1: Conceptual Model



Source: Researcher, 2016

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, data collection instruments and how data was analyzed.

3.2 Research Design

The research design was a comparative study. This model of study is charged with the analysis of and presentation of similarities, differences or patterns between two or even more firms or case scenarios that have a common objective of goal in such a way that the results revealed can be used to draw conclusions on a general point of view about causal results Godrick, (2014). The study was aimed to identify outsourcing practices and organizational performance in Airtel Kenya and Orange Telecom.

3.3 Population and Sample size

Judgmental sampling was used to select ten respondents from both companies for an in-depth discussion. The key categories of the respondents included; directors, head of departments, managers and other senior staff from the two companies.

3.4 Data Collection

The researcher used interview guide (Appendix I) as the instrument for data collection to interview the key respondents from the companies. The specific categories interviewed included directors, head of departments, managers and other senior staff from the two companies. A pilot test of the interview guide to make sure the questions are relevant and understandable to the intended audience was conducted.

3.5 Data Analysis

The data obtained was analyzed using content analysis. Hsieh and Shannon, (2005) content analysis is whereby items or things that comprise the object of study are observation and described in details. This approach allows a deep, sense, detailed accounts in changing conditions. Thus the qualitative method was suitable for this research because the research was conducted within the environment where the implementation initiatives occurred.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The main objective of this study was to determine the effect of outsourcing practices on performance of Airtel and Orange telecommunication companies in Kenya and the outsourcing practices used by the two Companies. This chapter provides a detailed analysis of the findings. The first section analysed respondents demographics, second section analysed outsourcing practices adopted by the two companies. While the last section analysed both the outsourcing practices and organizational performance. Coding was done by summarizing responses into groups, reducing the number of different responses to make comparisons easier. To maintain confidentiality, companies were referred to as company A and company B while the employees interviewed were referred to as employee A through J.

4.2 Respondents Demographics

When analysing respondents' demographics from each company, four themes were focused. They included age, gender, education, number of years worked in either company A and company B, current position in either company, the position one holds in the particular company and for how long, lastly the duration in years the companies have been in operation in Kenya.

4.2.1 Age

Out of the ten respondents interviewed in company A and company B, four of the persons interviewed were under the age bracket 20-29 whereby three of them were from company B and one from company A. Three of the persons interviewed fall under age bracket 30-39 whereby two of them were from company B and one from company A. Two respondents fall under age bracket 40-49 whereby the two came from company A. One person among the ten interviewed fell under the age bracket of above 50 years.

4.2.2 Gender

Of the ten respondents interviewed in the two companies, six were male and four female whereby the two companies shared one rationale in gender, i.e. three male from company A, three male from company B, two female from company A and two from company. Gender is important in this research because different genders have different way of thinking. Women tend to be more aware of emotions and this could help to get there inner views with respect to outsourcing practices and organizational performance.

4.2.3 Education Level

Four respondents interviewed had attained a master's degree. Five respondents had attained a bachelor's degree; three from company B and two from company A. Out of the ten employees interviewed only one from company A had attained a diploma level. No respondent interviewed from either company A and B had attained a certificate level.

Table 4.1: Education Level

Education level	Company A	Company B
Masters	2	2
Bachelor degree	2	3
Diploma	1	0
Certificate	0	0
Total	**5**	**5**

The results indicate that all the respondents were diploma graduates and above and therefore they understand the effect of outsourcing practices on performance among telecommunication sector in Kenya.

4.2.4 Duration worked in either company

Duration of service in the company was important in order to determine the respondents' level of understanding of internal information pertinent to company. The results are presented in Figure 4.2. Ten employees were interviewed and with respect to the tenure in the two companies.

Table 4.2: Duration worked in either company

Years of service	Frequency	Percentage
Less than 2 years	1	10
2-5	4	40
6-10	3	30
Above 10	2	20
Total	**100**	**100**

The results showed that two of the respondents from company A indicated that they had worked for the company for eight years. The longest serving employees interviewed were two, one from each company with 12 years of service. The analysis also indicate that three employees interviewed had served for four years; one in company A and two in company B. the least serving employee was from company B with only two years of service. Finally on the issue of tenure, one employee from company A and one from company B had served for 3 years and six years respectively.

4.2.5 Current position in the company and duration holding the same position

In company a, majority of the employees interviewed were heads of departments; one in supply chain management holding the position for four years. Head of operations was the longest holding office for seven years while the head of accounts serving in the same position for six years. Human resources assistant manager serving in that position for four years and lastly in company A, among those interviewed was a salesman holding the position for three years. In company B, most participants had held the offices for more than three years, with head of finance having served in the same position for ten good years non-interrupted. Operations manager, human resources manager together with the head of marketing serving in their respective positions for four years when the interview was being conducted. The salesman in company B had served in the same position for three years when this interview was being carried out.

The results depict that, the respondents interviewed work in different departments (Operations, Accounts, Human resource, Sales, Supply chain) and therefore they understand the outsourcing practices used by the company and the services that have been outsourced in their department. Further findings also revealed that all the respondents interviewed from the two companies had held the same job positions for a period of between 3-7years. Duration of service in the same position was important in the sense that it gives credence to the response provided because it is assumed that, the longer an employee worked in a department, the better the experience of the operations of the office and in this case, the outsourcing practices used by the company and the services that have been outsourced in their department.

4.2.6 Duration the company has been in operation in Kenya

Employees A through J from both companies indicated that the two companies have been in operation for more than 15 years. According to employees A, B, C, D and E, Company A has been in existence for 16 years while company B has been operating for 17 years according to employees F, G, H, I and J.

The above findings show that the two companies (Airtel and Orange Kenya) have been in operation for more than 15years and this depicts that they understand the dynamics of the industry and the the effect of outsourcing practices on performance.

Table 4.3: Respondents' demographic

Variable	**Departmental heads**	**Managers**	**Subordinate Staff**
Tenure with Company A and B:			
Less than 5 years	4	1	2
5-10 years	2	0	0
10 years or more	1	0	0
Education :			
Masters holder	3	1	0
Degree holder	4	0	1
Diploma holder	0	0	1
Organizational position :			
Head of departments	7		
Mangers	1		
Subordinate staff	2		

The results of demographics analysis reveal that, the total number of employees participating in this study was ten (10) whereby five (5) were degree holders. The highest number of participants (n=5) had five (5) and above years of service. Most participants (n=7) were heads of departments and a manager. Two (2) salesmen participated in this study as shown in the table 4.2 above.

4.3 Outsourcing practices

Table 4.4 Outsourcing practices

Outsourcing practices	**Company A** Frequency	**Company B** Frequency	**Percentage**
Business process outsourcing	4	4	80
Tactical outsourcing	4	5	90
Out-tasking	4	5	90
Managed service provision	4	3	70
Transformational	3	4	70

The results show that all the employees interviewed indicated that yes the company was employing various outsourcing practices. 80% of the respondents noted the importance of the company employing different approaches on outsourcing practices that improve the overall organizational performance. All ten (10) employees interviewed from company A and B noted that the company was keen on outsourcing practices and that the company employed different approaches on outsourcing practices to drive organizational performance. Of the seven heads of departments interviewed in the two companies, three departmental heads noted that the companies had multiple outsourcing partners and described that as a de-risking strategy. The employees indicated that this gave the company options to change in case they were not satisfied with services offered. They also noted that various positions were outsourced from different partners depending on their specialization.

80% of the respondents mentioned Business Process Outsourcing (BPO) as one of the key outsourcing practices embraced by the company towards improving organizational performance while 70% of the employees interviewed noted that company A and company B were keen on implementing managed service provision outsourcing strategy as one rationale for driving organizational performance. Further findings show that 90% of the respondents noted the importance of Tactical outsourcing in building a norm that can improve organizational performance. Similarly, 90% of the respondents noted that companies A and B implemented Out-tasking to improve the overall organizational performance.

Additionally, 70% of the respondents mentioned Transformational outsourcing as a one of the practices being implemented by company A and company B.

It is very clear from the analysis above that respondent A, H and I mentioned all the outsourcing practices (BPO, MSP, Tactical outsourcing, Out-tasking and Transformational outsourcing) as being implemented by company A and company B to drive and improve organizational performance. Out of the ten respondents interviewed, it was only 20% who did not mention BPO as being used by the companies. Nine out of the ten employees interviewed mentioned Tactical outsourcing and Out-tasking as used by company A and company B to improve on performance

Table 4.5: Approaches in outsourcing practices

Parameters	Frequency Co. A	 Co. B	Percentage Co. A	 Co. B
The company employs Business Process Outsourcing (BPO) which enables the company to lessen the costs and complexity of the operations thus better customer focus flexing	4	4	40	40
BPO enables the company to concentrate on aspects of business that encircle their business objectives and eventually improve their business function	4	4	40	40
Out tasking enables the company effect improvement in efficiency	4	5	40	50
Out-tasking results in the company improved service qualities	4	5	40	50
Transformational outsourcing enables the company to access companies with latest technological and to increase their competitive edge	3	2	30	20
Tactical outsourcing enable the company reduce the need to make investments in mature technology, simultaneously increasing the availability of resources related to new technologies for the client	2	3	20	30
BPO Enables the company to reduce costs from economies of scale and scope	4	4	40	40
Transformational outsourcing enables the company to reduce product costs like labour costs, capital expenditure cost	3	5	30	50
Managed service provision free up assets and reduce costs in the immediate financial period	4	5	40	50
Tactical outsourcing helps the company to reduce the risk of obsolescence	2	5	20	50
Out-tasking enables the company to reduce infrastructure investment	4	4	40	40
BPO enables the company to save on staff costs	4	4	40	40

The results show that 80% of the respondents noted that the purpose of BPO practice in organizational performance was to enable the company to minimize on the operating costs and also simplify processes for an exceptional customer satisfaction. Administration services such as air ticketing, transport management, cleaning, and front office are among those mentioned by employees to have been outsourced. They noted that the main reason was that these were non-core undertakings to the company.

Further, 80% of the respondents agreed with the statement that BPO enables the company to focus on the key functions or the key competencies of the company aimed at raising the company's business function. similarly, 80% of the employees interviewed noted that one purpose of BPO was to enable the company to reduce costs due to economies of scale and scope, while 50% of the respondents noted that Tactical outsourcing enabled the company to bring down investment plans in the already mature technological innovations, and therefore increasing the resources related to innovative technologies for the customer. Additionally, a half (5) of the employees interviewed did not agree with statement but 50% of the respondents agreed that Tactical outsourcing helps the company to reduce the risk of obsolescence. The employees attributed the reason for this on rapid change of technology, different services and technological contracts with operators to be a contributing factor for adopting tactical outsourcing. The employees gave reasons that all these require different areas of expertise that the company may not have, forcing them to outsource resources to do the job.

Out of the ten employees interviewed, half (50%) agreed that transformational outsourcing enables the company to access companies with latest technological advancements and to increase their competitive edge. Similarly, 20% did not agree with the statement that transformational outsourcing enables the company to reduce product costs like labour costs and capital expenditure cost. 90% of the employees interviewed noted that managed service provision free up assets and reduce costs in the immediate financial period.

Additionally, 10% of them did not agree that Out-tasking enabled the company effect improvement in efficiency and that this outsourcing practice resulted in the improved service qualities. It was also noted that, employee 20% did not agree with the statement that Out-tasking enabled the company to reduce infrastructure investment. They attributed this to the fact that outsourcing is majorly driven by the cost factor and got nothing to do with competency. Most employees that gave that negative rating cited other reasons as lack of skill transfer, amount of time being spent on training and a few quality concerns.

10% of the respondents emphasized on the importance of all of the outsourcing practices discussed in the study as a purpose driving organizational performance within the company.

They indicated that the principal indicator to implementing outsourcing was availability of skills and cost reduction. All the departmental heads interviewed from the two companies indicated that Outsourcing stresses a careful decision and implementation process, backed by strong business objectives and strategy to carry it out. They described outsourcing as a means of business delivery and not just a goal.

All the employees interviewed noted that a good outsourcing plan will serve as a catalyst for change in improving organizational performance by reducing variability in the quality of service offered by the company. 90% of the respondents noted that Out-tasking results in the company's improved and quality services. Similarly, 80% of the employees interviewed argued that the company would develop and retain highly effective staff by improving the skill level of all staff through outsourcing practices as noted by 60% of the respondents that tactical outsourcing helps the company to reduce the risk of obsolescence. 80% of the respondents, described one need for BPO to be implemented within the company was that BPO enables the company to save on staff costs.

4.4 Outsourcing practices and functional areas in the company

In analysing the effect of Outsourcing practices on the key functional areas in company A and B the researcher wanted to know from the respondents on how outsourcing has changed the ways of doing business on these key functional areas three years before outsourcing and three years after outsourcing. The key functional areas considered by the researcher included; Recruitment, Human resource and administration, Network, Finance department, Supply chain management, Information technology, Customer services, Sales and marketing and finally legal services. Participants in the study were required to indicate in terms of average percentage (0%- 100%) the extent to which the following functional areas have improved in the company three years prior to outsourcing and three years after outsourcing.

Table 4.6: Outsourcing practices and functional areas in the company

Parameters	Performance before outsourcing (%)	Performance after outsourcing (%)
Human resource and administration	20	80
Network	30	80
Finance	20	80
Supply chain	20	60
Information technology	30	80
Customer service	10	90
Sales and marketing	30	60
Legal services	30	60

4.4.1 Human Resource and Administration

Employee A indicated a relatively low average of 10% performance on recruitment, training and development and employee relations three years before outsourcing. Similarly, employee A indicated an average performance of 30% on health and safety, compensation and benefits, security services and janitorial services on the same period before outsourcing. According to employee A, the performance of this functional area was below average three years before outsourcing. Additionally, employee A described a relatively high improvement on these functional areas three years after outsourcing and indicated an average performance of 80%.

Employee A described janitorial services to have improved by an average performance of 90% three years after outsourcing this function. Of the ten employees interviewed, six employees described the reason for outsourcing being to cut down operational cost. All employees, A through J, reasoned that the organizations went into outsourcing so as to handle sudden spikes of work. They noted that this is usually short term when projects (advertisements and promotion campaigns) start and then the outsourced employees are released when pressure of work reduces.

Employee B indicated an average performance of 20% on the overall Human resource and administration function three years before outsourcing. Employee B noted an improvement on this functional area three years after outsourcing indicating an average improvement of 80% in performance. Employees C, D, E, F, G, H, I and J described the performance of this function as below average three years before outsourcing indicating an average of 20%. Additionally they indicated an improvement of 80% across the key functional areas in Human Resource and Administration achieved three years after outsourcing.

4.4.2 Network

In this particular area, the researcher was interested on the following four areas; Building infrastructure, Maintenance, Network Upgrade, Network Configuration and supervision. Employees A,B,C,D,E,F,G,H,I and J indicated that the performance was below 30% three years before outsourcing this function. Additionally, all the ten employees interviewed described a significant improvement in Network function three years after outsourcing indicating an average of 80% improvement.

4.4.3 Finance department

The focus here was on four functional areas; financial reporting, business planning, accounts payable and accounts receivable. The researcher was interested to know the performance of these areas before and after outsourcing. All the ten employees described a below average performance on the mentioned functional areas most of them indicating an average performance of 20% before outsourcing was employed. Employees F, G, H, I and J all from company A, indicated a 60% improvement on performance on assets, financial reporting and business planning and analysis three years after outsourcing. Additionally, they also noted a 60% improvement on liabilities after outsourcing. Similarly, employees A,B,C,D and E all from company B, described a major improvement on assets, liabilities, financial reporting, business planning and analysis indicating an average of 80% improvement on these key areas after outsourcing three years down the line.

4.4.4 Supply chain management

The focus here was four areas under this function; procurement, contract management, clearing and forwarding, logistics and warehousing. All the ten employees interviewed described these four areas as performed dismally three years before outsourcing. They indicated an average of 20% performance. Employees A, B, C, D and E indicated a 60 %

improvement on this functional area three years after outsourcing. Additionally, employees F, G, H, I and J all from company B also described a 50% performance improvement on the four areas of supply chain management after outsourcing.

4.4.5 Information technology

Focus was on systems development, operations and technical support. Employees A, B, F, G, H, I and J indicated that these three areas under IT performed below average indicating an average performance of 30% three years before outsourcing was implemented. Employees A,B,C,D and E described a significant improvement on systems development, operations and technical support three after outsourcing, indicating 80% improvement on performance three years after outsourcing was employed.

4.4.6 Customer service

This area looked at public relations and customer relations. All the ten employees interviewed indicated an average of 10% on the performance of public and customer relations before outsourcing was employed by the company. Employee E indicated 100% improvement on public and customer relations in the first two years after outsourcing was employed. Of the ten employees interviewed, nine indicated an average of 70% improvement on the performance of this function three years after outsourcing.

4.4.7 Sales and marketing

This function looked at three key areas; sales, market share, branding and advertisement. Employee E was the only one who indicated that even after outsourcing was employed by the company, sales and market share remained relatively below average. Employee E argued that these departments handle critical company information and the organizations only want their employees to handle these. Employee E indicated an average of 30% improvement in performance three years after outsourcing. However, employees A, B, C and D indicated an average of 70% improvement on sales, market share, branding and advertisement after outsourcing was employed by the company. Similarly, employees F, G, H, I and J noted above average improvement on this function indicating an average of 60% improvement three years after outsourcing.

4.4.8 Legal services

All the ten employees interviewed described the function to have performed below average before outsourcing indicating an average of 30% performance. Additionally, all the ten employees indicated an average of 60% improvement on this function three years after outsourcing.

4.6 Summary of Findings in Relation to Literature Review

The study found out that the two companies were keen on outsourcing practices and they employed different approaches (BPO, Out-tasking, Tactical, Managed service provision and Transformational outsourcing) to drive organizational performance.

Tactical outsourcing and Out-tasking were the most popular outsourcing practices between the two companies as revealed by the findings. 90% of employees interviewed mentioned Tactical outsourcing and Out-tasking as used by company A and company B to improve on performance. This finding is supported by Heine, and Deben, (2012) who observed that costs associated with switching including risks are minimal in out-tasking as compared to other outsourcing practices. The two scholars further noted that the type of business is not a key factor to consider when considering out-tasking as compared to other approaches of outsourcing. The finding is further amplified by Lacity, and Willcocks, (2015) who indicated that this approach demands a relatively minimal level of involvement by the company or the intertwining of the company links between the outsourcer and the service provider Brown and Wilson, (2015) observed that tactical outsourcing is employed by firms to tackle particular limitations or challenges that are seen as seen as an obstacle in the company. The challenges may include financial constraint, inadequate management intellect within the firm or a plan to cut down staff costs and it is based on comparison of costs and the make-or-buy decision. The tactical outsourcing results in benefits that are visible in the form of enhanced cash savings, minimizing the need for future investments and resolving staffing issues.

The study revealed that the main purpose for employing BPO by the two companies was to enable the companies to bring down the costs and make the processes easier to manage aimed at customer focus and satisfaction. As shown by 80% of the respondents in table 4.5. Administration services such as air ticketing, transport management, cleaning, and front office are among those mentioned by employees to have been outsourced. This is consistent with the study by Kakumanu, and Portanova, (2016) who observed that Business process outsourcing (BPO) is the sourcing of a specific organizational activity or task such as payroll, human resources (HR) or accounting, to an outside party. They noted that Non-core business functions such as travel administration, payroll management, accounts receivable/payables, HR administration, and numerous call center applications are remarkably similar across different industries Telecommunications companies can realize significant cost reduction by taking specialized process activity that is very labor intensive and moving it offshore.

The findings also revealed that customer service benefited the most from the outsourcing practices being employed by the two companies as indicated by analysis of 90% improvement after adoption of outsourcing in table 4.6. Followed by human resource (80%), Finance (80%) and Network (80%). This depicts that the companies focus on their core competencies which is telecommunication services and outsource other areas to experts. This finding is in line with Carbaughn (2010) who observed that managers are keen to focus their energies on their core business activities, that is, those activities which are the source of competitive advantage and which determine the success or failure of the organizations. There is thus a desire to minimize the amount of management time and effort which is spent carrying more marginal activities. However this finding contradicts with earlier findings by Kamanga and Ismail, (2014) who indicated that sales department and Human resource office handle critical company information and the organizations only want their employees to handle these.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, the conclusion derived from the findings and recommendation arrived at. The summary, conclusions and recommendations drawn were focused on addressing the purpose of this study which was to determine the effect of outsourcing practices on performance of Airtel and Orange telecommunication companies in Kenya and the outsourcing practices used by the two Companies.

5.2 Summary of the Findings

The focus was to determine the outsourcing practices by Airtel and Orange Companies in Kenya and the effect of outsourcing practices on performance of Airtel and orange Telecom.The two companies employed various outsourcing practices (BPO, Out-tasking, Managed service provision, Transformational and Tactical). The study shows that the widely used outsourcing practices between the two companies are Tactical and Out-tasking as indicated by 90% of the total respondents interviewed. The reason for outsourcing was found to be, to outsource non-core activities of the company in various departments. The other reasons why the two companies outsourced were to cut down operational cost and to handle sudden spikes of work. The findings show that 80% of the respondents noted that the purpose of BPO practice in organizational performance was to enable the company to bring down the costs and complexity of the operations for improved customer focus and flexing. As described by a number of heads of departments from the two companies, during sudden spike of work, there would be no time to train new employees in the domain to be deployed hence outsourcing due to availability of required skills. 50% of respondents noted that Tactical outsourcing enabled the organizations avoid investments in already mature technology hence increasing the availability of resources related to new technologies for the target customers.This study found out that there was a positive improvement on organizational performance after employing outsourcing practices on various functional areas. The study also revealed that the biggest beneficiaries after outsourcing was employed by the two companies was customer service, human resource, and finance and Network departments.

5.3 Conclusion

Product knowledge, cost reduction and skill availability are key drivers for many outsourcing decisions which as well apply to outsourcing in Telecommunication sector. The results indicated that all the ten employees interviewed noted that a good outsourcing plan will help change towards improving organizational performance by reducing variability in the quality of service offered by the company. Out-tasking and tactical outsourcing are the widely used outsourcing practices by the two companies as indicated by 90% of the respondents interviewed. 90% of the respondents noted that Out-tasking results in the company's improved and quality services. Similarly, 80% of the employees interviewed argued that by improving the skill level of all staff through outsourcing practice, the company would develop and retain highly effective staff. 60% of the respondents noted that tactical outsourcing helps the company to bring down the risk of obsolescence. 80% of the respondents, described one need for BPO to be implemented within the company was that BPO enables the company to save on staff costs.

Human resource, Network and finance are among the biggest beneficiaries of outsourcing in the two companies as indicated by percentages of 90%, 80% 80% and 80% respectively. It is therefore safe to say that there is a substantial relationship between outsourcing practices and organizational performance.

Employees interviewed indicated that companies can use multiple outsourcing practices and partner with multiple companies depending on their specialization as a de-risking strategy. The findings showed that all the ten (10) employees interviewed noted that the company employed more than one of the outsourcing practices (BPO, managed service provision, out-tasking, transformational or tactical). However some (10%) of those interviewed noted that telecommunication companies should re-think twice before outsourcing the sales function because the department handle a critical company information and the organizations only want their employees to handle these.

The companies interviewed reveal that companies employ outsourcing in different ways, depending on the size of the company. Even though practices of outsourcing like BPO cause job loss, there are other types of outsourcing which pursue establishment of business presence in many markets and strengthen companies in the long haul. Based on the findings of this study, bringing down operational costs like staff costs allows businesses to remain competitive in a dynamic and rigid consumer market hence lower prices in products and services. Similarly, firms that choose to outsource some business functions are able to keep a customer service channel available round the clock. Technical support lines are also able to operate at all times. These enables cross cultural business practices.

5.3 Recommendations

Before outsourcing is implemented, the entire organizational strategy should be considered. Once organizational strategy is aligned, then suitable measures and objectives can be bound into the contract or the SLA agreement entered into between the client and the service provider. For instance, it would be appropriate to ensure the pricing tables take the pre-planned growth into account for a company that intends to grow through tactical outsourcing. Likewise, if there are plans that the service provider will perform significant integration projects, then a service provider with those skills should be selected along with terms and conditions around lead times and process delivery timeline, project pricing mechanisms among others. In aligning the outsourcing decision to the strategic plan, the heads of departments and managers become more concerned with the project and run with it “with one heart”. Among the key successes of outsourcing is top management. Business Process outsourcing is complex and it’s advisable to provide ample time rather than issuing a definite deadline. The challenges that are encountered need to be solved by keeping with the customized requirements of a company. A lower optimal agreement can quickly be signed between both parties, but could leave the customer underprivileged.

Employees suffer a range of emotions when they get to learn about outsourcing for the first time. For organisations to keep up productivity, it is crucial to involve entire teams, affected or not and allow them to own up changes being made. Many often, only affected employees receive information and they are not involved anyway. Lack of adequate communication results to staffs suspecting their jobs are being lost. This trend may result in low productivity and hence poor organizational performance and increased management effort to refute the “rumour mill”.

Managed service arrangement usually runs for several years even up to a decade. It is key that the parties can work effectively and efficiently together over the entire life of the contract. By selecting a single service provider or multiple providers who can complement their corporate culture and business strategy the chance of outsourcing process success is maximised. Without cultural compatibility the best outcome that can be hoped for is a strictly

transactional relationship that is strictly monitored, which rarely allows customers to tap into the wealth of products and services and depth of skill service providers have to offer.
When considering outsourcing, define the strategy, set goals, identify objectives and then communicate and discuss the strategy with the stakeholders. The organization must develop comprehensive revenue, cost and capital expense plan. Conduct risk analysis and identify the required support infrastructure. Detail the solution defined, organize a program that is focussed to implement the solution and identify changes required.

5.4 Limitations of the Study

Airtel Kenya and Orange Telecom being private companies, financial information was not available to the public. For this case study I was not able to determine whether indeed the implementation of various outsourcing practices had any positive or negative impact to overall company profitability.
The senior staffs who were interviewed were also reluctant to divulge transactional information citing confidentiality. As a result the researcher could only obtain qualitative information. From the study, we cannot therefore determine the level of cost saving that both telecoms achieved or hoped to achieve before or after outsourcing various functions. The contract terms with the outsourced partners were also not available to the researcher as the interviewees cited confidentiality. As such the researcher could not establish the deficiencies or shortcomings in the contracts between the Companies and Outsourced partners.

5.5 Suggestions for Further Research

This study did not pay attention to what the customers had to say about the outcomes of outsourcing. Therefore further research could consider the customers perspective on Outsourcing. The study confined itself to the telecommunication companies. This research should be replicated in other sectors to establish the factors that affect performance of outsourcing practices in those sectors. Similarly, more research needs to be done to establish the relationship between outsourcing and organizational performance in a different sector like banking sector. This will go a long way in providing further answers on the effects of outsourcing on performance of organizations.

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APPENDIX I: INTERVIEW GUIDE

(i) The information to be given in this interview will be confidential and purely for academic purposes.

(ii) The interview guide aims to establish the outsourcing practices and organizational performance in your company.

SECTION A: RESPONDENTS DEMOGRAPHICS

(*Fill in the blank spaces and tick once in the below given choices of all questions)*

1. Please indicate your age bracket?
   20-29 years [ ]
   30-39 years [ ]
   40-49 years [ ]
   Above 50 years [ ]

2. Please indicate your gender: Male [ ] , Female [ ]

3. Please indicate your education level

   Masters [ ] Certificate [ ]

   Bachelor's degree [ ] others (specify)………………………..

   Diploma [ ]

4. For how long have you worked for the company? ....
5. What is your current position in the business? ....
6. For how long have you been holding the same position? ....
7. For how long has your company been operating in Kenya? ....

SECTION B: OUTSOURCING PRACTICES

8. Has your company been employing different approaches in outsourcing to improve organizational performance?

   Yes ( ) No ( )

9. Which of the following outsourcing practices are being implemented in the company?

Outsourcing practice	**Yes**	**No**
Business process outsourcing (BPO)		
Managed service provision (MSP)		
Tactical outsourcing		
Out-Tasking		
Transformational outsourcing		

Any other outsourcing practices employed by the company?

………………………………………………………………………………..

SECTION C: OUTSOURCING PRACTICES AND ORGANIZATIONAL PERFORMANCE.

In this section please tick (√) the most appropriate response for each of the questions in the table below.

10. The following statements are true about outsourcing practices that can be employed by the company. What is your position with respect to the current state in the company?

Statement	Yes	No
The company employs Business Process Outsourcing (BPO) which enables the company to lessen the costs and complexity of the operations thus better customer focus flexing		
BPO enables the company to concentrate on aspects of business that encircle their business objectives and eventually improve their business function		
Managed service provision enables the company to exploit more advanced technologies		
Out tasking enables the company effect improvement in efficiency		
Out-tasking results in the company improved service qualities		
Transformational outsourcing enables the company to access companies with latest technological and to increase their competitive edge		
Tactical outsourcing enable the company reduce the need to make investments in mature technology, simultaneously increasing the availability of resources related to new technologies for the client		
BPO Enables the company to reduce costs from economies of scale and scope		
Transformational outsourcing enables the company to reduce product costs like labor costs, capital expenditure cost		
Managed service provision free up assets and reduce costs in the immediate financial period		
Tactical outsourcing helps the company to reduce the risk of obsolescence		
Out-tasking enables the company to reduce infrastructure investment		
BPO enables the company to save on staff costs		

17.

Indicate in terms of average percentage (0%- 100%) the extent to which the following functional areas have improved in the company three years prior to outsourcing and three years after outsourcing.

Function	Functional areas	Year Before 3	Year Before 2	Year Before 1	Year Outsourced	Year After 1	Year After 2	Year After 3
Human Resource and Administration	Recruitment							
	Training and Development							
	Employee Relations							
	Health and Safety							
	Compensation and Benefits							
	Security Services							
	Janitorial Services							
Network	Building infrastructure							
	Maintenance							
	Network Upgrade							
	Network Configuration and supervision							
Finance Department	Payables							
	Receivables							
	Financial Reporting							
	Business Planning & Analysis							
Supply Chain Management	Procurement							
	Contract Management							
	Clearing and forwarding							
	Logistics and Warehousing							
Information Technology	Systems Development							
	Operations							
	Technical Support							
Customer Services	Public Relations							
	Customer Relations							
	Market share							
Sales and Marketing	Sales							
	Branding and advertising							
Legal Services								

Thank you so much for your cooperation