BUSINESS PROCESS OUTSOURCING AS A STRATEGIC DECISION AND PERFORMANCE OF COCA COLA KENYA LIMITED

MOSES WAKAYA AKUMU

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DECLARATION

This research project is my original work and has not been presented for an academic award in any other University.

……5th October 2020…….

Signature Date

MOSES WAKAYA AKUMU

D61/5090/2017

This project has been submitted for examination with my approval as the University supervisor.

14th October 2020

Signature Date

SUPERVISOR: Prof. ZACHARY AWINO

Department of Business Administration,

School of Business,

University of Nairobi.

DEDICATION

I dedicate this research project to my parents who have constantly encouraged me throughout my academic struggle until I achieved my cherished academic dream.

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ABBREVIATIONS AND ACRONYMS

BPO	Business Processing Outsourcing
CEWABU	Central, East and West Africa Business Unit
RBV	Resource Based View
HR	Human Resource
KPO	Knowledge Process Outsourcing
ITO	Information Technology Outsourcing
BAT	British American Tobacco
FRBNY	Federal Reserve Bank of New York

ABSTRACT

The aim of the study was to establish how business process outsourcing enhances performance of Coca Cola Kenya Limited in Kenya. This study adopted a case study design for the Coca Cola Kenya Study Unit. This research relied on both secondary and primary sources of information. The study utilized an interview guide to collect data. Data analysis was done using content analysis. Computer software was utilized to tabulate, code, and process the responses obtained in the interview guide. Fully filled out feedback forms were proofread and edited for uniformity and completeness. The researcher also coded and checked the data for any omissions and errors. Frequency distribution tables with graphs and percentages were used to present the final product of data synthesis. The study found that the organization has outsourced 85% of their marketing activities, 80% of its packaging services to PET Recycling Company (PETCO), research and development, as well as bottling services to other bottling companies to do its sales. The study found that reputation risks affects implementation of business process outsourcing in their organization. The study found that the company has a strong brand name and when choosing an agency to work with, the company follow strict guidelines to ensure that the appointed agency does not misuse the company brand name when doing marketing on its behalf. The study concluded that compliance risks affect the business process outsourcing implementation. The Coca-Cola Kenya Limited has its own policies which it would want the distribution agencies to comply with. The study recommends that Coca Cola Kenya Limited should ensure that service providers satisfy the need of clients by formulating a client approach plan and insist that outsource provider remains committed to the plan. The outsourced services by the company should focus on the bringing quality and minimize cost which could enhance operational performance of the company. The government should also come up with ways on how to work with these organizations so that to moderate the different services and activities which falls within their mandate and those which are a statutory requirement for their clients.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Business Process Outsourcing (BPO) has become a key strategic initiative and an operational cost cutting mechanism enabling firms to gain competitive advantage and improve firm performance. Business process outsourcing is a business strategy in which a firm delegate some of its core operations and processes to a third party while keeping ownership of the whole underlying process, product or service. Recent operation efficiency studies have proposed methods of improving cost effectiveness and make or outsource decisions alternatives to better understand impact of outsourcing on operational efficiency and performance. Despite the many advantages of business process outsourcing, outsourcing faces various strategic challenges such as reduced firm's control and coordination over its products and services impacting operational efficiency attributes of quality and timely delivery of products and services raising the firm's liability. BPO enables organizations to achieve increased market share, optimized resource utilization, ability to increase or decrease capacity, increased dominance in core activity and improved financial performance (Prajapati et al., 2020)

The competitive world of today is marked by increasing industry and technical instability, thereby facing different new challenges for companies. In the marketplaces, firms have moved away from market-based and hierarchical modes to mixed structures encompassing substantial supplier involvement. These changes in new market structures are making BPO more famous for business exchanges between new forms of business. Hesterly and Barney (1996), defines outsourcing as an agreement whereby a firm offers services to another firm that may or may not have been offered internally.

Elmuti and Kathawala (2000), define outsourcing as the acquisition of services and goods that were formerly provided in-house. The desire to have competitive advantage has pushed organizations to making strategic decisions of outsourcing on what they are bad at and concentrate their attention instead on what they do best to improve their performance. This effort has enabled enhancement of efficiency, hence efficiency, by achieving higher asset returns, while at the same time increasing flexibility and investing minimal time to react to changes in the market's conditions. Thus, business process outsourcing is born out of a need for this competitiveness.

Hesterly and Barney (1996), noted that the core assumption of the RBV concept is that a firm's skills and resources differ substantially among organizations, and such variations may be constant. They further elaborated that if the company's assets and skills are combined and properly implemented, they will build the company's competitive advantage. In outsourcing, the main assumption of RBV is that an enterprise lacking essential, unique, structured, and incomparable capabilities as well as resources would seek a provider from outside to address this problem. Thus, the very influential utilization of the concept is in the selection stage of the vendor to choose the correct vendor as well as in the preparation stage of the outsourcing process to identify the context for making decisions.

Hamel and Prahalad (1990), explained the core competencies as an organization's collective training, in particular how to incorporate different technological streams and organize diverse production skills. The idea is primarily employed to create and measure different decision processes for outsourcing, suggesting that the key tasks are to remain in house. The concept's training and interaction principles made it useful in the Reconsideration stages and Relationship Management phases as well.

According to Feeney et al., (2005); Levina and Ross, (2003), competencies of suppliers are believed to be a key determinant of the performance of the outsourcing strategy. Clott, (2004), noticed that outsourcing is a fast-growing aspect of the world economy with a worldwide spending approximated to be 3.7 trillion US dollars in 2011. In outsourcing market, Business Process Outsourcing has been recommended as the biggest area needing growth. But, still countless firms are unwilling outsource key business processes (Kakabadse and Kakabadse, 2002). Business process outsourcing firms in Kenya are facing a new reality with the evolving behaviors of customers and associates who demand new and customized services. Thus, this has created a research gap on the link between business process outsourcing and performance in organizations.

Coca Cola Kenya, being part of World's and Africa's leading soft drink manufacturer, some factors ranging from political behavior (incremental-political view), through rationality (Synoptic view) to cognitive intuition affect its decision-making process. The complexity of decision-making processes for such an international organization raises concerns about what the effect of outsourcing business processes on strategic decision-making in their various volatile operating environments could be. Therefore, there is a need to conduct an inquiry to establish a link between outsourcing of the business process and performance.

1.1.1. Business Process Outsourcing

Many business organizations use business process outsourcing as a strategic initiative. Business process outsourcing can be thought of as an organizational plan that shifts some of the organizational processes, decision-making as well functional duties from within the organization to the external service provider.

This includes negotiating contracts with providers of certain services tasked with managing customer service, quality assurance, personnel, production process, as well as the management of valuable assets. Through this process, the company can cut a significant of its fixed overhead costs (Scarborough, Wilson & Zimmeren, 2009). According to Armstrong (2020), business process outsourcing can be a temporary or permanent plan to reduce costs, improve quality and customer service, bridge staff gaps and learn better quality techniques. Firms should search for possible areas and each element within that area while analyzing opportunities for outsourcing so as to ascertain or all of or no part of that ought to be contracted out. What to outsource always differs from one organization to another.

Common operational functions that are outsourced; HR, legal, accounting and auditing, cleaning services, security services, Customer call centers, Facility Management, Information and Technology including maintenance of the IT system equipment, Transport, Order Fulfillment, Market Research and advertising. According to Elmuti (2003), the outsourcing market is developing so fast because many organizations are using it to a means of value generation. The outsourcing arrangement enables the firm to take advantage from a reduction in operational cost. Majority of firms outsource their services, such as human resource, manufacturing, and payroll activities, to countries like China and India because these states can offer quality labor pool that will result in low-cost, high quality service thus cost reduction (Oza & Hill, 2007). Kenya has not been left behind. In Kenya, the company process is being remodeled to tackle global economic challenges and to meet fierce rivalry with developed nations. Kenya's outsourcing business has been made more practical and a lucrative venture for many enterprises due to rapid changes in technology. In Kenya, outsourcing has been described as an important approach for reinventing their operations (Waema 2009).

Business process outsourcing functions and activities are grouped into those cuts across specific industries (horizontal offerings) and those which are tailor-made to certain industries and activities based certain knowledge need to be known as (vertical specific offerings). It also involves front office such as customer service and contact center. Business process outsourcing can be outside the country of the outsourcing firm known as offshore outsourcing. Much of the processes are information technology functions which is technology enabled services, for example process outsourcing that focuses on provision of legal services knowledge process outsourcing legal (Lacity & Willcocks, 2013).

Further, strategic motivation decisions also realign a business processes towards outsourcing. This would further necessitate acceleration of business process reengineering and critical success factor is to focus on core competence. The major driving force for outsourcing is flexibility. Due to advancement in technology, firms do outsource for time flexibility such as flexibility in resource management and quality control of services and activities. By outsourcing firms can focus much on core activities (King, 2013).

Financial services aimed at reduction of costs and efficiency improvement as well as transparency in undertakings, advanced knowledge and skills and economic of scale benefits are the common and most considered by outsourcing firms. Strategically, the objective is to address the ability of outsourcer to boost and increase the vendor's capabilities to achieve strategic advantages such as technological intent to acquire to technology related expertise which are important in improvement and for innovations and related functions (Kern & Blois, 2012).

Technology, growing international agreements and decline of communism ideology has made the business world a global village, this is what is referred by Friedman (2015) as flat business platform. In current 21st century characterized by technological advancement, firms which have embraced technological innovations and invention such 3 as India and China which are characterized by sophisticated technology setups are most likely to dominate the industry. The advanced technological structural setup has put them in world map as giants economically in this emerging market.

Creativity and innovation are the lifeblood of the knowledge economy. The western economies characterized by aging and shortage in skills comprising part of the population has seen them opt for global knowledge and skills from the global arena. With internet and advanced telecommunication, creative skills and knowledge can easily be accessed globally. The leading multinational national corporations are utilizing the opportunity through development globally (Florida, 2012). Many of the early adopters of business process outsourcing were those who were looking for software development expertise and those who wanted experts in help desk and call center.

In 1990 the labour pool for such service in united states of America (U.S. A) were very tight, a situation that made leading companies opt for the next best alternative labour providers which lead to global personnel consideration and occasionally the very institution turned their focus to international labour market for skilled and cheaper labour. In summary the process of outsourcing has involved only outsourcing of IT related services but currently it covers almost every business process. The business process outsourcing has thus turned out to be a business innovation strategy that proves a new way of providing solutions.

1.1.2. Strategic Decisions

The creation of a strategy is a management determination to follow certain measures to attract and retain clients, increase the business, compete effectively, function and enhance the financial and market performance of the company (Johnson & Paddy, 2008). The firm's policy is the Management Action Plan for the Management of Company and Services (Thompson, 2007). Business strategy refers to the balance of choices and actions between a firm’s external conditions and internal capabilities. Therefore, a strategy can be thought of as a perspective, plan, position, play, and a pattern (Mintzberg et al., 2009).

The process of making strategic decision directly influences the efficiency of strategic decisions, and is mediated by firm characteristics, decision-making features, and environmental factors. When evaluating the influence of system variables on strategic decision-making effectiveness, both environmental characteristics and contingent variables must be factored in. According to Hart and Banbury (1994), an analysis into the correlation of system with firm performance should take into consideration of the contingency variables.

These authors reported that empiric studies on the relationship amid the firm performance and strategic decision-making process has assumed a contingency view from the time when the first works by Mitchell and Fredrick (1984) were done. Contingency factors comprise of both firm characteristics like the size of the company and characteristics of the strategic decisions themselves, including their inherent value.

A variety of factors specific to a firm's strategic decisions can influence the relation amid organizational outcomes and decision making (Rajagopalan et al., 1997). Therefore, it can be argued that the application of a study model with background and contingency variables as mediators and process variables as key predictors; which measure variability in the effectiveness of strategic decision making as opposed to prior approaches that, for instance, predicted simple bivariate correlations. Hart and Banbury (1994) argued that majority of current models for making strategic decisions; however, fail to capture this degree of variance and complexity.

1.1.3. Organizational Performance

Firm performance is characterized as an evaluation of the performance of an organization in relation to its goals and objectives (Jamroy 2002). Venkatranaman and Ramanujam (1986) take organizational performance to mean a sign for measuring how well a business meets its goals. The quality of an organization can be measured by how effective and efficient the enterprise is at achieving its objectives. There are three areas of organizational performance: investor return such as economic value added and total shareholder return; financial performance including ROI, profits, and return on equity; and customer market performance like market share and sales. Experts in a number of disciplines have an interest in the performance of an organization, such as strategic operations, planners, organization growth, and finance.

Measurement of performance equips the managerial team with input on all elements of procedures, operation resources, and implications. It's a point where organizational training, planning, and decision-making meet. The purpose of organizational quality assessment is to aid maximize the relationship between these components. Tools of performance measurement are critical in achieving this goal.

The Balanced Scorecard (BSC) is a method that offers a way of connecting organizational approaches to events and outcomes. The BSC comprises of a tactical plan and related steps as well as pointers of performance. The Strategic Map is basically a distinct type of Sound Model that portrays the enterprise from four different viewpoints – learning and growth, financial, customer, and internal business process perspective. Firm performance is tracked and measured in multiple dimensions. A Logic Model refers to quality tool for performance measurement utilized to chart the correlation of firm operations and effects (outcomes). Resources and processes are linked through costing. Through mapping the resources utilized for all operations performed (that have been mapped to the outcomes obtained through Logic Modelling), firms can determine the resources for the effects of the linkages.

The instrument used to coordinate and provide ready accessibility to performance information is known as the performance Dashboard. This tool is commonly applied in Executive Information System and Business Intelligence systems to enable the analysis. The Dashboard is often used in Business Intelligence and Executive Information systems to enable the analysis of critical performance metrics.

1.1.4. Soft Drink Industry in Kenya

Soft drink was a term initially used for fizzy or non-fizzy condensed beverages, though it now usually applies to any cold drink without alcohol content, with the exception of milk. Examples include carbonated soft drinks, water, iced tea, nectars and juices, as well as fruit punch. The sector has a long history in Kenya, with Kenya Ice and Aerated Water Factory being the first indigenous soft drink manufacturer founded in Mombasa in 1931.

A further early entrant was Aggaruwal Brothers Limited in Nanyuki (Ibanda 1979). They specialized in mineral and non-carbonated soft drinks. At that time, investments in the soft drink sector were mostly in the hands of indigenous people, primarily Asians. In the 1940s, the local soft sector consisted of a large number of small-scale producers. The Kenyan industry is currently branded by rivalry amongst companies of diverse business strategies, company size, and product ranges.

There has been limited competition on part of Coca Cola Company since Kenya's independence. However, throughout 1980s, the soft drink industry in Kenya was dominating the market. According to Owino (2002), majority of these former rivals were limited to different parts of Kenya and lacked much scope compared to its fierce rival. Currently, Coca-Cola is dominating the industry, however, SABMiller Plc-UK-based firm and Pepsi Cola- US Multinational company plan to launch manufacturing plant in Kenya (Nairobi), because market information point to a compressing for beverages. In the 1970s, SABMiller took control over a Crown Foods, bottlers of the Keringet brand for drinking water, whereas Pepsi Cola ended its operations in Kenya due to stiff competition from Coco Cola, though it presently establishing a USD 28.4 million factory (Wangechi, 2011).

An argument from company officials is that this is the largest investment in a company that used to dominate Kenyan market in 70s before losing its shares to Cola. In 2008, Alvaro (a non-alcoholic malt drink) was launched by East African Breweries. This move angered Cola who responded by introducing Novida in November, the same year. Forecasts suggest ongoing expansion for totality of classes over the projected era, with enormous increased in volume because of the increased healthy consciousness being witnessed in fresh fruits drinks (Baldridge, 2011).

Therefore, the low quality of drinking water in cities will drive increased expenditure on beverages, especially as income rises. New attention is being paid to the soft drink industry during the moment when the manufacturing industry is facing low profit margins because of high operating costs and increased competition, with industry actors opting for price wars to boost sales. Renewed attention is being paid to the soft drink industry at a time when the manufacturing sector is facing lower margins due to increased competition and high operating costs, with players resorting to price wars to boost sales.

1.1.5. Coca Cola Kenya Limited

According to Carnegie, (2011) Cola is the largest drinks company across the world, enticing customers with over 500 fizzy and non-carbonated products. Cola variety spans the world with over 3, 500 drinks, ranging from regular carbonated and dietary beverages including coffees, teas, 100% fruit drinks and juices, soy and milk-based drinks, as well as sports and energy drinks. Being the most valuable brand globally, Cola has a range of 15 billion-dollar brands such as Del Valle, Diet Coke, PowerAdem and Vitamin water.

Globally, Cola is the leading manufacture of soft water, juice drinks, and coffee drinks. Due to its vast distribution network of beverages, Coca-Cola serves its customers in more than 200 countries with 1.7 billion of Cola drinks a day. Here in African continent, the company works across the region, subdividing the region into business sections such as, Islands business units; North, west, and East African business sections, and Southern Africa Business units. Kenyan Cola is part of CEWABU business unit and is responsible for 8 franchise bottlers including Coca-Cola Juices Kenya Ltd, Nairobi Bottlers Ltd, Coastal Bottlers Ltd, Kisii Bottlers Ltd, Equator Bottlers Ltd, Rift Valler Bottlers Ltd, and Mt. Kenya Bottlers Ltd.

In Kenya, Cola Kenya is a frontrunner in the industry, a business with huge market share and dictates the essence of the basis of market rivalry due to its price, marketing frequency, technological innovation, distribution reach, and the new level of brand launch. Being the leader in the market, Coca Cola Kenya needs to expand the overall market, defend its current market share and raise market size in order to ensure its continued dominance. While selecting their favorite soft drinks, customers have become more health conscious.

Though carbonated soft drinks have not yet had a significant impact on volume sales, the major percentage of Cola commodities have high chances of becoming less famous due increased health awareness and consciousness of similar products, like the correlation of soda with obesity, and the relationship amid chemical additives and cancer. In the view of this, Cola must make effective strategies in order to retain its market share.

1.2. Research Problem

Globally, Cola is the leading manufacture of soft water, juice drinks, and coffee drinks. Due to its vast distribution network of beverages, Coca-Cola serves its customers in more than 200 countries with 1.7 billion of Cola drinks a day (Marynenko et al., 2019). In Kenya, Cola Kenya is a frontrunner in the industry, a business with huge market share and dictates the essence of the basis of market rivalry due to its price, marketing frequency, technological innovation, distribution reach, and the new level of brand launch. Outsourcing has been beneficial to Coca Cola as it has been able to outsource some of its activities to different organizations (Prajapati et al., 2020).

Despite the benefits and increased performance of outsourcing services, most companies still rely on traditional means of service provision when subcontracting these solutions is a clear indication that delivery efficiency and operating cost savings will be attained. Outsourcing has come out as a key strategy for companies to remain competitive in an increasingly challenging global economic climate, and many businesses have successfully embraced it. Outsourcing can be divided into three categories. In business process outsourcing, a specific procedural work, either back office or front office, is contracted out. Normally, front office task is work relating to customer, such as mobile technical support and sales.

According to Rose, (2011) good case of outsourcing business processes include bookkeeping and business consulting, call centers, proofreading and editing, marketing, data entry, as well as web design and development. In knowledge Process Outsourcing, the task is carried out that require high levels of engagement from employees. There is need for more advanced degrees of technical, research, and analytical prowess.

Good cases of Knowledge process outsourcing are content writing and creation, pharmaceutical research, legal services, and animation. Last but not least of all, ITO. ITO is outsourcing work related to computers or the Internet such as coding (Rose, 2011). India and China are famous for Information Technology Outsourcing. The Kenya's soft drink sector is amongst the industries of the wider economy that has undergone a huge proliferation of brands. There is fierce competition that forces companies to diversify their brand options in an effort to better serve their consumers.

The level of entry into the industry has been rising, resulting in a loss of income for the players. Organizations were therefore forced to implement strategies that would allow them to have a competitive edge in the marketplaces and, in effect, to achieve their short-term and long-term objectives. It's on this notion that this study is based on finding out how business process outsourcing affects strategic decision in Coca Cola Kenya Limited. A number of research works have been conducted on diverse elements of outsourcing.

For instance, Yan Kelovil (2003), on his study of "Analysis of The Landmark Forum and Its Benefits" which consisted of a survey of more than 1300 people who completed The Landmark Forum during a three-month period found out that 33% of businesses across the globe have already outsourced at minimum one business process to a third party. He points out that the concept of outsourcing is today a rule in many sectors globally. Nonetheless, this idea is also brimming with countless downfalls, if not thought out and handled as it should be. Outsourcing, among other issues, decreases the control of the company over how such goods are provided, which in turn raises the liability of the company (Lysons and Farriangton, 2016).

The FRBNY investigated outsourcing schemes in the banking industry in 1999 and found that though outsourcing financial services come with many benefits, the system gives rise possible challenges. However, a study done by Central bank of Europe in 2004 indicates that though the advantages of subcontracting are obvious, in real-life situations, most banks feel that contracting out presents new risks and challenges. In a similar survey, Pujals (2004) examined the coastal outsourcing in the financial services industry of European Union. He identified numerous risks and benefits associated with outsourcing financial services.

Gakii (2010) conducted an examination on the problems of adopting outsourcing in EAB and uncovered that the firm considered it necessary to come up with clear approach for the selection of providers of services. Mbuya (2010) investigated the adoption of the subcontracting approach for the Kenya’s cement manufacturing sector. The findings revealed that the initiative helped to reduce the company's operating costs. Elsewhere, Bosire (2010) analyzed the effect of outsourcing on customer service and lead time on Kenya’s retail industry. He found out that lead time and outsourcing were positively correlated, though errors in the adoption of the approach were cited. In another study on the competitive edge via subcontracting of non-core transportation practices in the supply chain of BAT Kenya, Kirui (2001) concluded that sub-contraction of non-core shipment practices is fueled by the desire to get rid of replication of dysfunction, roles, and efforts within the firm.

The analysis of these studies suggests that there is a need to research the soft drink industry more in the light of the fact that it deals with fast-moving goods that are heavily dependent on customer expectations, attitudes, tastes and desires and income levels. There is therefore a need to carry out a case study on how business process outsourcing as a strategic decision enhances performance in organizations with reference to Coca Cola Kenya Limited. Therefore, this study will answer the Question-How does business process outsourcing as a strategic decision enhances performance of Coca Cola Kenya Limited?

1.3. Research Objective

The current research work sought to establish how business process outsourcing enhances performance of Coca Cola Kenya Limited in Kenya.

1.4. Value of the Study

The inquiry explores and validates the extant literature to find how business process outsourcing as a strategic decision enhances performance of soft drink companies with reference to Coca Cola Kenya Ltd. The study outcomes may be beneficial to soft drink organizations. This may provide useful information that help the management in addressing the challenges facing the industry in performance and device strategies to ensure the organizations remain competitive. The examination may also add value to practical, methodological, and practical policies.

Researchers and academicians may also benefit a lot by borrowing the results to develop topics for further studies and to support literary citations. Furthermore, the study outcomes may play a part to career expansion of current knowledge in outsourcing business processing by facilitating an understanding of how outsourcing the business process as a strategic decision enhances the performance of organizations. This research will help to address issues related to strategies for outsourcing business processes in which businesses work, in particular in the following areas:

Government and policy implementers at different management scales would acquire valuable information regard hot to adapt outsourcing to enterprise processing in order to respond to the highly competitive and volatile business environment. For example, executives in charge of strategies may rely on these results to develop better control and monitoring systems to alleviate problems while developing and implementing approaches for outsourcing business processing. Also, the Coca Cola Kenya Limited will gain from the understandings of the inquiry during the development and execution of policies of processes of strategic management as regards outsourcing of the business process. The research would add to the existing literature on outsourcing strategies in relation to the quality of firms.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Presented in this chapter is the relevant literature on the theme under study. It sums up the facts of other scholars and academicians who have conducted their inquiry in similar study area. The theoretical and analytical analysis of existing literature and the conceptual context are the specific areas discussed here. The reviews are of interest to this research because they form the basis for the findings that will be made during the analysis consistent with the study goals and objectives.

The outsourcing trend has gained growing attention from both the academic community and the community of practitioners. Many theories have tried to look into the phenomenon of outsourcing. Quite a good number of them are related, while others are opposite; thus, creating confusion amongst academicians and researchers concerning the concept of outsourcing. The purpose of this case study is to add to the current body of knowledge on the process of outsourcing by discussing the way the concepts have been applied in research, comprehend and explain outsourcing practices.

The process of business outsourcing is a sophisticated framework, with a variety of activities and sub-activities, with countless management problems. This is the reason why several models have been used to aid researchers develop an understanding of the architecture of these practices and for effective management of this process. Its well-known that every single concept can be explained in a number of contexts that are rooted in different theoretical methods. Since its inception, various ideas have been applied to sub-contracting. Numerous researchers have identified a large number of models that could explain the concept of outsourcing (McIvor, 2005; Gotttschalk & Solli-Sæther, 2005).

2.2. Theoretical Foundation of the Study

The research project is anchored on RBV model. The resource-based view draws close attention to in-house organizational resources. As per this this model, the competitive performance of firms does not always result from the external conditions in which it operates; but from the unique intangible and tangible capabilities and resources that they manage. Theory of resource-based examines the contribution of important resources against intangible and tangible capabilities and assets, in producing superior performance and competitive edge.

Such resources and skills decide how effectively and efficiently companies carry out their operations. A company that possess suitable capital inventory for its operations and strategy is the very firm that will survive in the market. From the RBV point of view, the creation as well as utilization of skills and resource that create special, unmatched and inimitable competencies offers a competitive edge. As a result, in presence of a similar resource in the environment, the company has a reason to internalize. If the asset is capable of generating greater value in conjunction with companies other than outsourced capital, the resource should be internalized.

There are also other theories that decision makers/managers may use in making outsourcing decisions for their organizations. The cost-benefit analysis in decision model assesses the potential benefits and the risks that come with taking a certain decision so as to get maximum outcomes (Jurison, 1995). When this term is extended to sub-contracting, this implies that person in charge of decision-making process or business director should consider the possible benefits and risks associated with outsourcing method. The theory of perceived risk analyzes the costs that an individual is personally associated with the outcomes of a choice made together with effect on the motive to transact (Bauer 1967).

Model of perceived risk is based on the assumption that provided the possible benefits offset observed costs, the responsible person will respond positively towards a certain choice. The observed risk intrinsic in a business event contributes greatly to information system research, especially in technological implementation. It’s clear that a person’s view of contracting out could be either negative or positive. Adverse perceptions of sub-contracting are usually linked with risks of outsourcing. That is, the probability of outsourcing failures of Aubert (1998).

Also, there are a variety of benefits associated with outsourcing that can be summed up as sub-contracting gain. The risk-benefit model is therefore used in this research to analyze decision for outsourcing. The system is consistent with the decision model on choices involving uncertainty or risk. For outsourcing analysis, the theoretical model for tradeoff between costs and risks is well known. Organizational managers analyze all possible benefits and costs when making outsourcing decisions.

These variables are summed up to reach at the final decision about whether or not to outsource a function. In line with this theoretical structure, it’s much possible to claim that outsourcing decision is adversely affected by the observed risks of sub-contracting and positively determined by the possible benefits of contracting out. Relational view evolves and describes how companies achieve and retain competitive edge in relationships between organizations (McIvor, 2005). The core principle – the idea of mutual rentals – has been discussed to understand how companies choose their potential sub-contracting allies and the desired type of linkage. Also, it has been applied in understanding the Reconsideration stages, transition, and managing relationship.

2.3. Business Process Outsourcing and Organizational Performance

Quinn and Hilmer (2014) suggested that Business Process Outsourcing (BPO) has become a key strategic initiative and an operational cost cutting mechanism enabling firms to gain competitive advantage and improve firm performance. Business process outsourcing is a business strategy in which a firm delegate some of its core operations and processes to a third party while keeping ownership of the whole underlying process, product or service.

Kotler (2003) established that business process outsourcing may be imposed by firms through processes and policies and has seen an increase of firms engaging third parties to provide almost all services. Many appealing arguments offered in support of BPO indicate that outsourcing is a means of achieving competitive advantage and improving operational efficiencies to improve performance (Rasheed & Gilley, 2015). Outsourcing has benefited firms in terms of improved brand awareness, enhanced value-added services and boosted customer focus through supplier specialist knowledge in various business processes, (Tas & Sunder, 2014).

Despite the great achievements gained from outsourcing, a few empirical discussions have indicated potential obstacles in outsourcing gains and indicate glaring inconsistencies in research work. Butler, Henderson and Raiborn (2011) argue that BPO may lead to loss of control of firms own innovation and technology, decreased product and service quality standards, increased long term unforeseen contractual and transaction costs and loss of organizational trust between employer and employee relationship. Beaumont and Sohal (2014) examined a wide range of costs and risks in various outsourcing partnerships but opined that the critical ones include; lack of supplier due diligence assessment, quality failure during delivery, lack of intellectual property protection and negative impact on brand name.

This study proposes that despite the unforeseen challenges, gains from outsourcing a business process outweighs the risks and adds a lot of value from the corporate strategy leading to improved firm performance. Research reveals outsourcing implementation improves internal coordination of business processes and enhances both short and long term financial and non-financial performance (McCormack, Johnson & Walker, 2013). Other authors contend that firms should venture into an outsourcing partnership when the client service provider relationship is beneficial to the sharing of knowledge, capabilities and risks. However, some authors (Abdul-Halim & Chetta, 2013) are against the foreseen positive impacts of outsourcing on performance.

Recent operation efficiency studies have proposed methods of improving cost effectiveness and make or outsource decisions alternatives to better understand impact of outsourcing on operational efficiency and performance. However, Lysons and Farrington (2016) opine that despite the many advantages of business process outsourcing, outsourcing faces various strategic challenges such as reduced firm's control and coordination over its products and services impacting operational efficiency attributes of quality and timely delivery of products and services raising the firm's liability.

Other authors who oppose outsourcing state that outsourcing bears the loss of operational efficiencies and competitive advantage creating future competition (Haizer & Render, 2011). The other associated risks with outsourcing include complexity in management of contracts between the client and supplier, loss of control of processes, poor environmental and governance adherence and inconsistent communication which may lead to lack of visibility on critical projects (Mohiuddin & Su, 2013).

2.4. Business Process Outsourcing and Challenges of Implementing Outsourcing Strategies

As said by Beaumont and Sohal (2004), contracting out a business function does not always lead to cost reduction. The inability to achieve indirect contract costs will result in an upsurge in operating costs. Costs incurred before or after outsourcing ate usually incurred in areas of office, administration, and operation expenditure. After more than 10 years of economic growth times, the latest world economic downturn has greatly intensified and heightened market rivalry, forcing many companies to try creative measures to respond to the changing economic environment.

As a result, many organizations around the world have switched to business process outsourcing, which substantially lowers operational costs without compromising the levels of productivity or performance. In today's business world, business process outsourcing is a both a straightforward cost-cutting tool and a business strategy that is intended to design and set up the company for future trends in business performance.

A number of intuitively convincing reasons have been put forward both to support and refute outsourcing as measures for attaining a lasting competitive edge (Gilley & Rasheed, 2000). Jennings (2002) argues that the lack of capacities of service providers result in a decrease in market share and loss of competitive edge. Research reveals outsourcing implementation improves internal coordination of business processes and enhances both short and long term financial and non-financial performance (McCormack, Johnson & Walker, 2003). Other authors (Dyer & Sign, 1998) contends that firms should venture into an outsourcing partnership when the client service provider relationship is beneficial to the sharing of knowledge, capabilities and risks.

However, some authors (Abdul-Halim & Chetta, 2013) are against the foreseen positive impacts of outsourcing on performance. According to Lankford and Parsa (1999), business service providers, the corner stone of sourcing business process, face major problems including legal obligations, organizing and planning work, managing employee turnover, facilitating employee transfers, and managing efficiency. These authors argue that the absence of able service suppliers is a key subcontracting challenge, such as lack of IT capabilities and qualified staff, poor transport tools, inability to provide efficient transport networks, and old-fashioned warehousing facilities.

Another possible hindrance related to outsourcing is inadequate control; the effects of sacrificing core competencies and the dangers of not involving customers. Loss of command over outsourcing operation is also known to be one of the most frequently quoted outsourcing inhibitors. The alignment of employee activities with the goals of the company is often encouraged by the results of the management process. Despite the challenges of verifiable business process outsourcing gains, Abdul-Halim and Chetta (2009) concur that even dramatic levels of outsourcing improvements may not translate into better firm performance.

However, substantial evidence of the strong and positive impact of outsourcing on firm performance exists (McCormack, Johnson & Walker, 2003). Tas and Sunder (2014) confirmed that the more outsourced processes a firm has, the better its performance. This study therefore proposes that business process outsourcing positively influences firm performance.

2.5. Empirical Studies and Research Gaps

There is a vast body of empirical literature dealing with the interrelationship amid firm results, outsourcing, and company features prior to subcontracting to determine the reason for contracting out choices. The proponents of the positive impact of outsourcing business process reiterate that outsourcing allows companies to increase its strategic emphasis, thereby focusing maximum energy and company resources on value chain operations which are at the heart of their initiatives and from which unique values can be created (Thompson, 2007). To defend the claim that business process outsourcing offers positive effect, it can be posited that by permitting external professional bodies to focus on specific projects, companies can improve their performance by selectively concentrating on what they do best (Gilley & Rasheed, 2000).

While examining factors affecting outsourcing of business process the banking sector of Germany, Fritsch and Wüllenweber (2007) made a differing conclusion. They found that business process outsourcing is a critical component in cost cutting strategies and is practiced in successful banks with increased revenue diversification. Therefore, it was inferred that outsourcing business process is utilized as a tactical element for strategies of market differentiation to guarantee increased competitive edge.

Their study findings indicated that all human resource resulted in general organizational effectiveness and that human resource contracting is positively related to an organizational performance. Yet in another study that focused on logistical outsourcing in the e-commerce market, Cho et al. (2008) found that this capability was positively linked to the company's performance. This was for the reason that logistical sub-contraction may work in certain firms and markets but not others.

In support of this claim, the writers demonstrated that e-commerce organizations had spread huge resources on their websites but could not reach their clients on time. Because of this, the study recommended proposed that they ought to improve their logistic capabilities despite contracting them. Arvanitis and Loukis (2012) comparative study focused on outsourcing and firm performance of Swiss and Greek firms and concluded that outsourcing enhances innovation performance. However, the study did not account for the negative or weak relationship impacting productivity and operational efficiency.

Ichoho, (2013) from her research on the implementation of outsourcing strategy at Nairobi hospital, concluded that outsourcing benefits were many such as enhanced level of expertise, reduced costs, increased efficiency in service delivery, these benefits however have to be counter checked against drawbacks such as risk of hospital confidential information exposure and reduced customer service focus by the outsourced firms. According to a study done Wanyonyi, (2014) it indicated a strong relationship exists between logistics outsourcing and performance of road construction projects in Nairobi County, meaning outsourcing of transport services, material handling, and information management had an impact on projects performance in terms of cost reduction, quality service, increased productivity as well as risk control.

According to study by Dorobin (2014) on ICT outsourcing and performance of humanitarian organizations in Kenya. The findings revealed that over 50 percent of the respondents agreed that outsourcing of ICT services has benefits to the general performance of the organization. To a large extent use of ICT services has improved the performance humanitarian organization and further revealed that majority of the respondents gave data security risk as the highest challenge.

Based on the aforementioned researchers and their works, the literature on outsourcing is based on desire to implement new business processes, sub-contract the required aspect of business functions, and contract where possible to make more profits and sustain growth for the company by concentrating on and pleasing customers through quality product offerings. The reviewed literature clearly indicates that this assertion is verifiable in many nations and sectors.

The use of business process outsourcing of companies in third world countries to enhance profitability has not earned the same publicity as in countries with large economies. The current examination purposes to bring an understanding of how business process outsourcing as a strategic decision enhances performance in organization in reference to Coca Cola Kenya Limited. Thus, by identifying the degree and value of mediating outsourcing parameters which influence the performance of the firm with regard to profitability, cost reduction, and productivity.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The methodology helped the researcher in establishing how outsourcing will emerge as a main strategy for companies in remain competitive in rapidly changing global and technological conditions and if many companies will adopt it with much achievement in the future. It also assisted the researcher to establish if implementing business process outsourcing strategies will enable organizations have competitive advantage in the market and in turn achieve their short terms and long-term goals. Also, the researcher focused on establishing challenges facing the implementation of business process outsourcing by identifying various risks and benefits associated with outsourcing.

Last but not least, the researcher drew attention on establishing the correlation of business process outsourcing strategies with performance in organizations with reference to Coca Cola Kenya Limited. Being a case study, the researcher used secondary and primary data altogether to obtain information. A semi-structured feedback form with a likert scale as the main part of the interview guide was used to obtain first-hand information. The semi-structured interview guide was used among eight top executives, at Cola Kenya to gather primary data.

The interview guide was administered among the eight top executives during a face to face interview by the researcher. This gave the researcher a one on one interaction with the interviewees and enough time to get more explanations on the questions raised in the interview guide. In broad, this section establishes the study methodology that was employed to achieve the study goals. This enabled the researcher to give details regarding the procedure that was used to conduct the study. Research methodology guides on the orderly resolution of a research problem (Kothari, 2004).

3.2. Research Design

As said by Kombo & Tromp (2006), a study design is defined as the framework of research. Babbie (2002) defined research design as the procedure of obtaining and analyzing information in a way that seeks to integrate research pertinence and integrates economy. The section therefore provided a description of the methods and techniques chosen by the researcher to combine various study elements in a fairly logical manner in order to deal effectively with the research problem. This study adopted a case study design for the Coca Cola Kenya Study Unit. In Mugenda and Mugenda, (2003) views, a case study as s detailed analysis of a phenomenon, individual, or institution. Since the research involved complete observation of Coca Cola Kenya emphasizing on its comprehensive as opposed to its in-breadth assessment, a case study is considered appropriate for this research.

This approach is most suitable when a comprehensive examination is required for one study group. Case study development offers direct and useful understandings into concepts that might otherwise be unclearly recognized or comprehended. In a case study, almost each element of the history and life of the subjected is considered for trends and behavioral triggers. The case study structure is also useful for checking whether a particular concept or model actually applies to phenomena in the real world. It's a useful model when little is understood about a phenomenon. This study model excels in the interpretation of a complex issue through a detailed conceptual examination of a small number of events or situations and their relationship. Case study explores current real-life situations and provides the basis for the implementation of principles and theories and the expansion of methods. Both secondary and primary data were collected and used to address the study problem.

3.3. Data Collection

This research relied on both secondary and primary sources of information. The interview guide contained both closed and open-ended study question and was administered by researcher himself by use one on one interview. The interview guide composed of four parts; Part A, had questions of general nature mainly demographics, Part B, was on different outsourcing strategies used by organizations in strategic decision making, as Section C concentrates on challenges facing the implementation of business process outsourcing in in Coca Cola Kenya Limited.

And finally, Part D focused on establishing the link amid strategies of business process outsourcing and profitability of Coca Cola Kenya Ltd. Both Section B and C questions were designed in a manner that addressed the study objectives. Semi- structured interview guide was used among eight top executives at Cola Kenya to obtain first-hand information. The managers included supply chain manager, marketing manager, R & D manager, strategic planning and innovation manager, Human resources manager, Customer relations manager and Finance manager. According to Frankfort –Nachmias and Nachmias (1996) the feedback form is the commonly used data collection approach for social sciences. This is on the grounds that the scientist has a full oversight of the sort of data recorded during information assortment measure. The specialist likewise had the benefit of deciding the information types and how information ought to be sorted out. The meeting guide strategy likewise helped the analyst to check as well as update data or information from endorsed or chronicled records. The interview guide enabled the researcher to have easy comparison since its standardized. The questions were simple and quick for respondents to be able to respond to with ease.

3.4. Data Analysis

The data analysis process helped the researcher to inspect, clean up, transform and model data with the aim of uncovering valuable details, encouraging decision making, and informing conclusion. This analysis corresponded to the study objective formulated at the start of the project piece. Data analysis was done using content analysis. Computer software was utilized to tabulate, code, and process the responses obtained in the interview guide. Fully filled out feedback forms were proofread and edited for uniformity and completeness.

The researcher also coded and checked the data for any omissions and errors. Frequency distribution tables with graphs and percentages were used to present the final product of data synthesis. To address the study objective, the open-ended questions were coded by combining responses as per recurring themes. The analysis focused on different outsourcing strategies used by organizations in strategic decision making, on challenges facing the implementation of business process outsourcing and lastly on establishing the link amid strategies of business process outsourcing and performance of Coca Cola Kenya Limited.

The data analysis enabled the researcher to understand the risks/challenges facing the firm and analyze data in useful manners. By itself, data is simply figures and facts. The analysis of data arranges, structures, interprets, and depicts the data into meaningful information that offers framework for the data. The respondents for this study were eight senior managers in Coca-Cola Kenya. The respondents included, supply chain manager, marketing manager, R & D manager, strategic planning and innovation manager, Human resources manager, Customer relations manager and Finance manager.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

Many business organizations use business process outsourcing as a strategic initiative. Business process outsourcing can be thought of as an organizational plan that shifts some of the organizational processes, decision-making as well functional duties from within the organization to the external service provider. This includes negotiating contracts with providers of certain services tasked with managing customer service, quality assurance, personnel, production process, as well as the management of valuable assets.

Business process outsourcing functions and activities are grouped into those cuts across specific industries (horizontal offerings) and those which are tailor-made to certain industries and activities based certain knowledge need to be known as (vertical specific offerings). It also involves front office such as customer service and contact center. Business process outsourcing can be outside the country of the outsourcing firm known as offshore outsourcing.

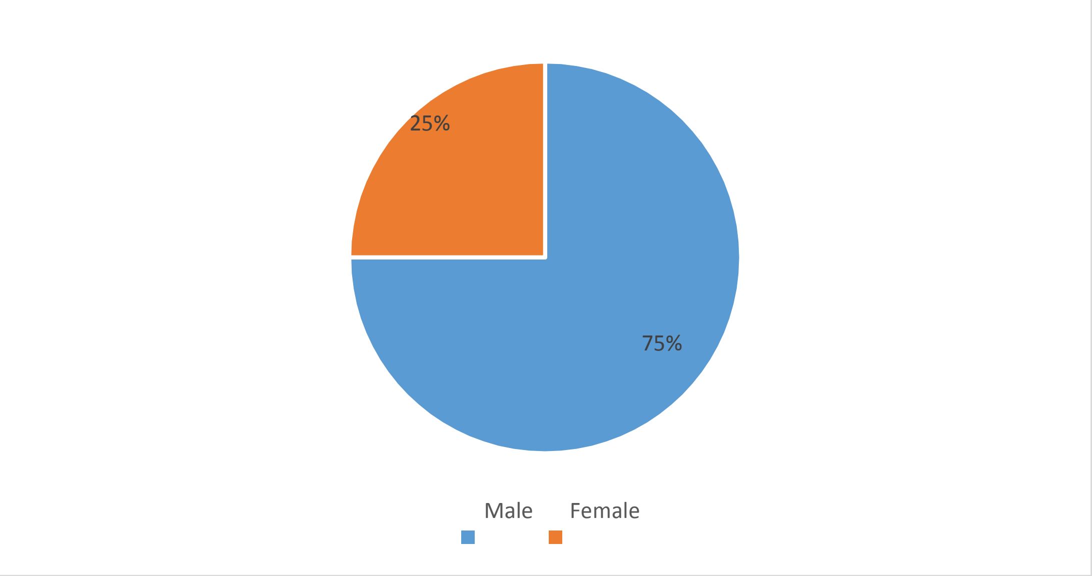
This chapter presents data analysis and discussions. The study objective was to establish how business process outsourcing enhances performance of Coca Cola Kenya Limited in Kenya. Primary data was collected using a comprehensive interview guide from eight top executives who are directly involved in business process outsourcing. Secondary data was collected from Coca Cola website including the company's current strategic plan. The data was thereafter analyzed using content analysis based on the objective of the study and the findings were presented as per the different themes underlined below.

4.2. Background Information

This section presented findings on respondent background information that comprised of respondent's gender, age bracket, level of education, level of management, and the length of time they have worked in the organization.

4.2.1. Respondents Gender

The respondents were requested to indicate their gender. This was important as it helped the researcher to determine the number of male and female who were employed in the organization. The findings are shown in Figure 4.1



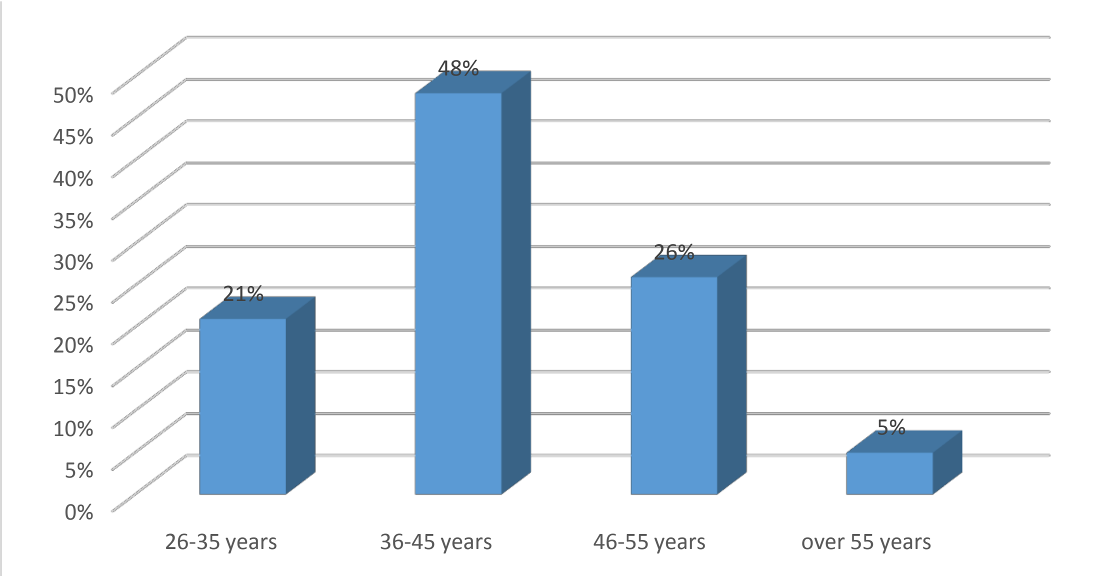
Source: Primary data 2020

Figure 4.1. Gender of the Respondents

From the findings, majority (75%) of the respondents were male while 25% were female. This implies that even though most of the responses emanated from males there was gender imbalance. This further indicated that most male were the ones who were employed in the organization.

4.2.2. Respondents Age

The respondents were requested to indicate their age. The findings are shown in figure 4.2:



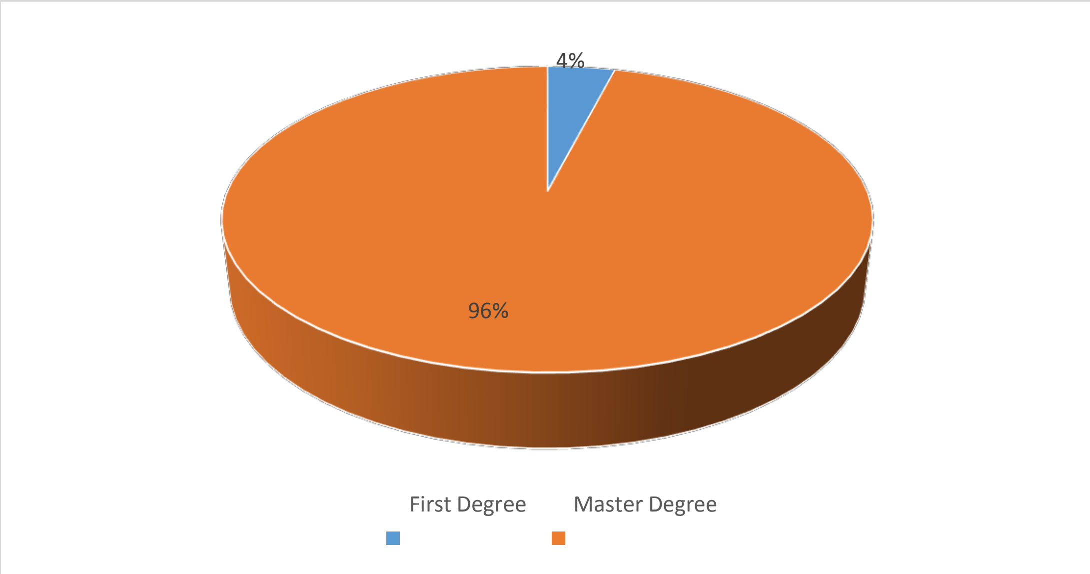
Source: Primary data 2020

Figure 4.2. Respondents Age

From the findings the most (48%) of the respondents indicated they were aged between 36-45 years, 26% indicated 46-55 years, 21% indicated 26-35 years, while 5% indicated over 55 years. This depicts that the respondents were middle aged and thus were conversant with the subject of the study.

4.2.3. Level of Education

The respondents were requested to indicate their highest level of education. This was important as it enabled the researcher to know whether the respondents had adequate knowledge in relation to the subject of the study and whether they understood its importance. The findings were as shown in Figure 4.3:



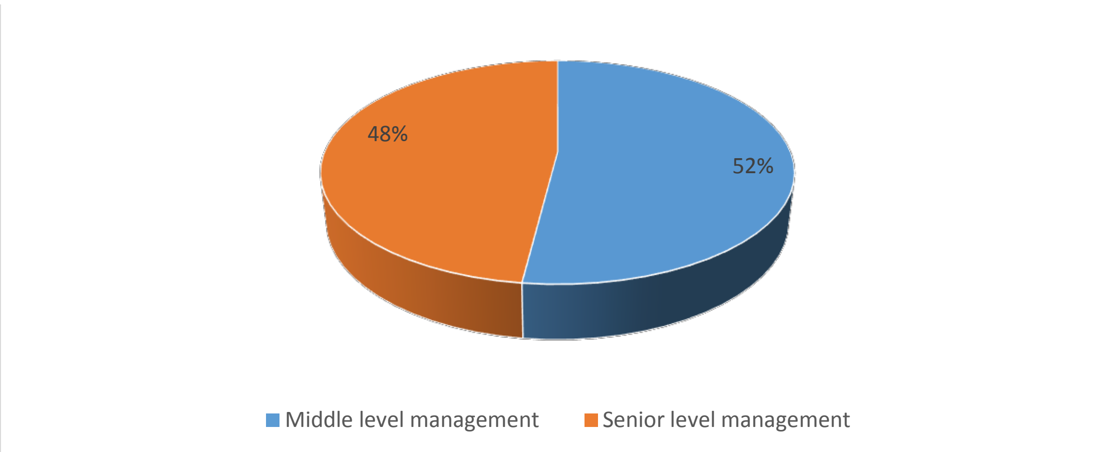
Source: Primary data 2020

Figure 4.3. Level of Education

From the findings, majority (96%) of the respondents had master's degree level of education, while 4% had first degree level of education. This depicts that majority of the respondents had adequate education which was adequate in comprehending issues to do with business process outsourcing.

4.2.4. Level of Management

The respondents were requested to indicate their level of management. This was important as it would help the researcher to ask questions in relation to their level of management. The findings are as shown in Figure 4.4.



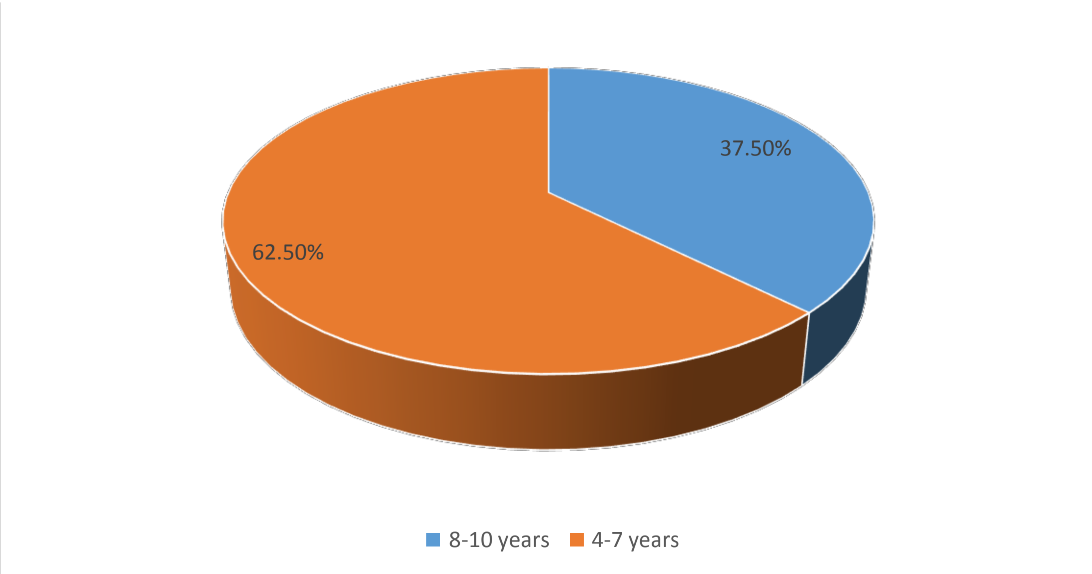
Source: Primary data 2020

Figure 4.4. Level of Management

From the findings, majority (52%) of the respondents were middle level management while 48% were senior level management. This depicts that majority of the respondents were middle level managers in the organization.

4.3.4. Respondent Length of Time they have worked in the Organization

The respondents were requested to indicate the length of time they have worked in the organization. The findings on analysis of respondent's length of time have worked in the organization is presented in Figure 4.5.



Source: Primary data 2020

Figure 4.5. Respondent Length of Time they have worked in the Organization

From the findings, majority (62.5%) of the respondents had worked in the organization for a duration of 4-7 years while 37.5% indicated 8-10 years. This implies that respondents had worked in the organization for a longer duration of time and hence higher chances of getting reliable data in relation to the subject of the study.

4.3. Business Process Outsourcing Strategy Used in Organization

The respondents were requested to indicate which business process does their organization outsource and the extent to which their organization outsource the process. The respondents indicated that their organization has outsourced 85% of their marketing activities to various advertising agencies in a bit to promote their products to the target market. The respondents further indicated that their organization has outsourced its 80% of its packaging services PET Recycling Company (PETCO). The respondents also indicated that their organization has fully outsourced their bottling services to other bottling companies to do its sales. In addition, the respondents indicated that their organization has outsourced its research and development.

4.4. Challenges of Business Process Outsourcing Strategy in Organization

This section provides finding on challenges of business process outsourcing strategy in Coca Cola Kenya Limited. Many organizations around the world have switched to business process outsourcing, which substantially lowers operational costs without compromising the levels of productivity or performance. In today’s business world, business process outsourcing is a both a straightforward cost-cutting tool and a business strategy that is intended to design and set up the company for future trends in business performance. However, the organizations have experienced major challenges in the process of outsourcing. Coca Cola Kenya Limited is among these organizations and the findings on the challenges are presented in the following subsections.

4.4.1. Risks/Challenges of Outsourcing

The respondents were requested to indicate the risks/challenges of outsourcing that affects implementation of business process outsourcing in their organization.

The respondents indicated that reputation risks affect implementation of business process outsourcing in their organization. The respondents further stated that the company has a strong brand name and when choosing an agency to work with, the company follow strict guidelines to ensure that the appointed agency does not misuse the company brand name when doing marketing on its behalf. The respondents further stated that to allow another organization (outsourced organization) to implement the strategies formulate by Coca-Cola poses a risk on how the laid down strategies are going to be achieved.

The respondents further indicated that compliance risks affect the business process outsourcing implementation. The Coca-Cola has its own policies which it would want the distribution agencies to comply with. The policies may not be adhered to by the distributing agencies and this poses risks to implementation of business process outsourcing. The respondents further indicated that the company experience operation risks in the process of outsourcing some function. The outsourcing bottling companies may inflate the cost incurred in their day to day operations and this may lead to the loss of revenue.

4.5. The Relationship Between Business Process Outsourcing and Performance

The respondents were requested to elaborate how business process outsourcing has impacted on performance of the organization. According to the respondent's business outsourcing has made the cost of operations in creating awareness to come to its bear minimum. The respondents further have indicated that outsourcing packaging services has reduced the operation cost which has enabled the company to focus on its core business and increase flexibility in responding to shifting consumer behavior and other changes in the retail market.

The respondents also indicated that the company has been able to redirect its resources to other department which has helped in enhancing its performance. The respondents indicated that Business process outsourcing (BPO) plays an important role to Coca Cola helping it ensure competitiveness and competitive advantages and increase efficiency and effectiveness. The respondents further indicated that outsourcing has allowed the organization to focus on their core competencies while having external experts handle non-core activities.

The specialized company that handles the outsourced work is often streamlined and often has world class capabilities and access to new technology that a company could not afford to buy on their own, plus if a company is looking to expand, outsourcing is a cost effective way to start building foundations in other countries. The respondents further stated that outsourcing plays a big role on organizational performance through; improved focus on core competencies, access to modern technology and expertise, cost savings, specialization and access to innovation.

According to the respondent's business measure redistributing activity diminish interest in resources, let loose assets for different purposes, and create money by moving advantages for the specialist. The respondents demonstrated that regardless of the advantages of business measure redistributing one significant danger is the conceivable loss of separation in the administration, which, when moved operations to a provider from whom another client additionally procures it, turns out to be effectively imitable, and the chance of increasing any upper hand from it is lost.

Business need to outsource non-core business processes has led to a large number of studies on business process outsourcing. The studies are driven by need to reduce costs, time, better customer services and improved products. However, the business world continues to improve with regard to invention and innovation. The field is IT related and thus continues to evolve over time with increased business relation and global sourcing therefore need to do more and more research on the field in relation to technological and business advancements. The respondents indicated that the organization must develop specific, idiosyncratic relationships that enable it to generate relational capabilities and rents.

The respondents indicated that the benefits that can be accrued through business process outsourcing benefits include focus on strategy is ranked the highest with the managers agreeing while freed up of internal resources, incorporating outsourcing into the firm's value chain to maintain competitive advantage and take advantage of technology coming second agreeing. The least considered was obtaining additional flexibility was least considered as a value gaining activity. These should be incorporated into the outsourcing strategy. R&D department did not indicate positive response to outsourcing due to protection of company's secrets and advancement so as to increase their competitive edge.

4.6. Discussion of Findings

The study found that the organization has outsourced 85% of their marketing activities, 80% of its packaging services to PET Recycling Company (PETCO), research and development, as well as bottling services to other bottling companies to do its sales. The study found that the company has a strong brand name and when choosing an agency to work with, the company follow strict guidelines to ensure that the appointed agency does not misuse the company brand name when doing marketing on its behalf. These findings agree with a study by Lankford and Parsa (2014) who stated that business service providers, the corner stone of sourcing business process, face major problems including legal obligations, organizing and planning work, managing employee turnover, facilitating employee transfers, and managing efficiency.

These authors argue that the absence of able service suppliers is a key subcontracting challenge, such as lack of IT capabilities and qualified staff, poor transport tools, inability to provide efficient transport networks, and old-fashioned warehousing facilities. Another possible hindrance related to outsourcing is inadequate control; the effects of sacrificing core competencies and the dangers of not involving customers (Tas and Sunder, 2014). Loss of command over outsourcing operation is also known to be one of the most frequently quoted outsourcing inhibitors. The alignment of employee activities with the goals of the company is often encouraged by the results of the management process.

In relation to the theory of perceived risk, the theory analyzes the costs that an individual is personally associated with the outcomes of a choice made together with effect on the motive to transact (Tas and Sunder, 2014). Model of perceived risk is based on the assumption that provided the possible benefits offset observed costs, the responsible person will respond positively towards a certain choice. The observed risk intrinsic in a business event contributes greatly to information system research, especially in technological implementation. It’s clear that a person’s view of contracting out could be either negative or positive. Adverse perceptions of sub-contracting are usually linked with risks of outsourcing.

The study found that compliance risks affect the business process outsourcing implementation. The Coca-Cola has its own policies which it would want the distribution agencies to comply with. The policies may not be adhered to by the distributing agencies and this poses risks to implementation of business process outsourcing. The study also found that the company experience operation risks in the process of outsourcing some function.

The outsourcing bottling companies may inflate the cost incurred in their day to day operations and this may lead to the loss of revenue. The cost-benefit analysis in decision model theory assesses the potential benefits and the risks that come with taking a certain decision so as to get maximum outcomes (Jurison, 2015). When this term is extended to sub-contracting, this implies that person in charge of decision-making process or business director should consider the possible benefits and risks associated with outsourcing method. The study found that business outsourcing has made the cost of operations in creating awareness to come to its bear minimum.

Outsourcing packaging services has reduced the operation cost which has enabled the company to focus on its core business and increase flexibility in responding to shifting consumer behavior and other changes in the retail market. The company has been able to redirect its resources to other department which has helped in enhancing its performance. This finding agree with the authors Lysons and Farrington (2016) who opine that despite the many advantages of business process outsourcing, outsourcing faces various strategic challenges such as reduced firm's control and coordination over its products and services impacting operational efficiency attributes of quality and timely delivery of products and services raising the firm's liability.

Other authors who oppose outsourcing state that outsourcing bears the loss of operational efficiencies and competitive advantage creating future competition. The other associated risks with outsourcing include complexity in management of contracts between the client and supplier, loss of control of processes, poor environmental and governance adherence and inconsistent communication which may lead to lack of visibility on critical projects (Mohiuddin & Su, 2013).

Coca Cola can take advantage of being a current market leader in the industry in East and Central Africa and having been voted the Best Company 2008, 2009; take advantage of the many vendors would want to partner with them through outsourcing. This will enable them to source the best quality with best value financially. The findings also agree with a study by Fritsch and Wüllenweber (2007) who found that business process outsourcing is a critical component in cost cutting strategies and is practiced in successful banks with increased revenue diversification. Therefore, it was inferred that outsourcing business process is utilized as a tactical element for strategies of market differentiation to guarantee increased competitive edge.

Their study findings indicated that all human resource resulted in general organizational effectiveness and that human resource contracting is positively related to an organizational performance. The study found out that all three types of outsourcing lead to better performance in terms of return per employee. On the other hand, only increased material input has a positive influence on overall firm performance measured as return over sales while services outsourcing has a negative effect. In relation to resource-based view theory the creation as well as utilization of skills and resource that create special, unmatched and inimitable competencies offers a competitive edge.

As a result, in presence of a similar resource in the environment, the company has a reason to internalize. If the asset is capable of generating greater value in conjunction with companies other than outsourced capital, the resource should be internalized. According to Armstrong (2020), business process outsourcing can be a temporary or permanent plan to reduce costs, improve quality and customer service, bridge staff gaps and learn better quality techniques. Firms should search for possible areas and each element within that area while analyzing opportunities for outsourcing so as to ascertain or all of or no part of that ought to be contracted out.

What to outsource always differs from one organization to another. Common operational functions that are outsourced; HR, legal, accounting and auditing, cleaning services, security services, Customer call centers, Facility Management, Information and Technology including maintenance of the IT system equipment, Transport, Order Fulfillment, Market Research and advertising (King, 2013). The study found that business process outsourcing plays an important role to Coca Cola helping it ensure competitiveness and competitive advantages and increase efficiency and effectiveness.

The study also found out that outsourcing has allowed the organization to focus on their core competencies while having external experts handle non-core activities. According to the study by Lacity & Willcocks (2013) business outsourcing enables an organization like Coca Cola to be able to utilize its time of freed up time and labour force with the core business of the organization, this study agrees with the study by these two scholars. This is because the Coca Cola benefits by utilizing the extra time in its main operations therefore increases chances for better financial performance of the firm.

The study also concurs with the findings by the King (2013) who found out that the main or major reason behind business process outsourcing for most firms is to increase flexibility and create time for more functions of the organization. Also, Levin et al. (2016) on their exploration of the factors that leads firms to offshore innovations. Levin et al. (2016) made a conclusion that the firms and organizations partake in the global contest from talents so that they could acquire the needed talents for problem solving within their operations. The current study agrees with the study by these scholars because Coca Cola is in the business of acquiring the necessary skills and talents to be able to assist in its operations and to solve its problems which may be either technical or none-technical.

In the case of Coca Cola, the organization scouts for the best firms in the business process outsourcing industry which can be able to handle its needs flawlessly. This earns that if this strategy is adopted by Coca Cola for any process or stage of operation the same will appear or would give the same results as if it has been undertaken by Coca Cola. The study found that outsourcing plays a big role on organizational performance through; improved focus on core competencies, access to modern technology and expertise, cost savings, specialization and access to innovation (Tas and Sunder, 2014).

This would automatically reduce the operational costs thus increasing the net worth of the company. Business need to outsource non-core business processes has led to a large number of studies on business process outsourcing. The studies are driven by need to reduce costs, time, better customer services and improved products. However, the business world continues to improve with regard to invention and innovation. With introduction and wide adoption of information technology and faster communication, business is increasingly adopting the business process outsourcing concept.

The field is IT related and thus continues to evolve over time with increased business relation and global sourcing therefore need to do more and more research on the field in relation to technological and business advancements. The findings agree with a study by Armstrong (2020), who stated that business process outsourcing can be a temporary or permanent plan to reduce costs, improve quality and customer service, bridge staff gaps and learn better quality techniques. Firms should search for possible areas and each element within that area while analyzing opportunities for outsourcing so as to ascertain or all of or no part of that ought to be contracted out. What to outsource always differs from one organization to another (Tas and Sunder, 2014).

In relation to resource-based view theory the competitive performance of firms does not always result from the external conditions in which it operates; but from the unique intangible and tangible capabilities and resources that they manage. Theory of resource-based examines the contribution of important resources against intangible and tangible capabilities and assets, in producing superior performance and competitive edge. The study found that compliance risks affect the business process outsourcing implementation.

The Coca-Cola has its own policies which it would want the distribution agencies to comply with. The policies may not be adhered to by the distributing agencies and this poses risks to implementation of business process outsourcing. According to Lankford and Parsa (1999), business service providers, the corner stone of sourcing business process, face major problems including legal obligations, organizing and planning work, managing employee turnover, facilitating employee transfers, and managing efficiency.

These authors argue that the absence of able service suppliers is a key subcontracting challenge, such as lack of IT capabilities and qualified staff, poor transport tools, inability to provide efficient transport networks, and old-fashioned warehousing facilities. Another possible hindrance related to outsourcing is inadequate control; the effects of sacrificing core competencies and the dangers of not involving customers. Despite the challenges of verifiable business process outsourcing gains, Abdul-Halim and Chetta (2013) concur that even dramatic levels of outsourcing improvements may not translate into better firm performance. However, substantial evidence of the strong and positive impact of outsourcing on firm performance exists. Tas and Sunder (2014) confirmed that the more outsourced processes a firm has, the better its performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RCOMENDATIONS

5.1 Introduction

Many organizations around the world have switched to business process outsourcing, which substantially lowers operational costs without compromising the levels of productivity or performance. In today's business world, business process outsourcing is a both a straightforward cost-cutting tool and a business strategy that is intended to design and set up the company for future trends in business performance. The major driving force for outsourcing is flexibility.

Due to advancement in technology, firms do outsource for time flexibility such as flexibility in resource management and quality control of services and activities. By outsourcing firms can focus much on core activities. Financial services aimed at reduction of costs and efficiency improvement as well as transparency in undertakings, advanced knowledge and skills and economic of scale benefits are the common and most considered by outsourcing firms.

Strategically, the objective of outsourcing is to address the ability of outsourcer to boost and increase the vendor's capabilities to achieve strategic advantages such as technological intent to acquire to technology related expertise which are important in improvement and for innovations and related functions. This chapter presents a summary, conclusions and recommendations of the study. This study focused on how business process outsourcing enhances performance of Coca Cola Kenya Limited in Kenya.

5.2 Summary of findings

The study found that the organization has outsourced 85% of their marketing activities, 80% of its packaging services to PET Recycling Company (PETCO), research and development, as well as bottling services to other bottling companies to do its sales. The study found that reputation risks affects implementation of business process outsourcing in their organization. The study found that the company has a strong brand name and when choosing an agency to work with, the company follow strict guidelines to ensure that the appointed agency does not misuse the company brand name when doing marketing on its behalf.

The study found that compliance risks affect the business process outsourcing implementation. The Coca-Cola has its own policies which it would want the distribution agencies to comply with. The policies may not be adhered to by the distributing agencies and this poses risks to implementation of business process outsourcing. The study also found that the company experience operation risks in the process of outsourcing some function. The outsourcing bottling companies may inflate the cost incurred in their day to day operations and this may lead to the loss of revenue. The study found that business outsourcing has made the cost of operations in creating awareness to come to its bear minimum.

Outsourcing packaging services has reduced the operation cost which has enabled the company to focus on its core business and increase flexibility in responding to shifting consumer behavior and other changes in the retail market. The company has been able to redirect its resources to other department which has helped in enhancing its performance. The study found that business process outsourcing plays an important role to Coca Cola helping it ensure competitiveness and competitive advantages and increase efficiency and effectiveness.

The study also found out that outsourcing has permitted the association to zero in on their center abilities while having outside specialists handle non-center exercises. The specific organization that handles the redistributed work is frequently smoothed out and regularly has a-list capacities and admittance to new innovation that an organization couldn't bear to purchase all alone, in addition to if an organization is hoping to extend, re-appropriating is a financially savvy approach to begin building establishments in different nations. The study found that redistributing assumes a major function on hierarchical execution through; improved spotlight on center skills, admittance to present day innovation and aptitude, cost investment funds, specialization and admittance to advancement.

5.3. Conclusion

The study concluded that the organization has outsourced 85% of their marketing activities, 80% of its packaging services to PET Recycling Company (PETCO), research and development, as well as bottling services to other bottling companies to do its sales. The study concluded that reputation risks affects implementation of business process outsourcing in their organization. The study concluded that the company has a strong brand name.

When choosing an agency to work with, the company follow strict guidelines to ensure that the appointed agency does not misuse the company brand name when doing marketing on its behalf. The study concluded that compliance risks affect the business process outsourcing implementation. The Coca-Cola Kenya Limited has its own policies which it would want the distribution agencies to comply with. The policies may not be adhered to by the distributing agencies and this poses risks to implementation of business process outsourcing.

The study also found that the company experience operation risks in the process of outsourcing some function. The outsourcing bottling companies may inflate the cost incurred in their day to day operations and this may lead to the loss of revenue. The study concluded that business outsourcing has made the cost of operations in creating awareness to come to its bear minimum. Outsourcing packaging services has reduced the operation cost which has enabled the company to focus on its core business and increase flexibility in responding to shifting consumer behavior and other changes in the retail market. The company has been able to redirect its resources to other department which has helped in enhancing its performance.

The study concluded that outsourcing plays a big role on organizational performance through; improved focus on core competencies, access to modern technology and expertise, cost savings, specialization and access to innovation. The findings by the study will not only affect the future operations of how Coca-Cola Kenya Limited operates and conducts its business, it will also affect the operations and administrations and capital investment decisions by other organization in the same industry and related industries.

The study will therefore impact on the policies implications made by Coca-Cola Kenya Limited in future such that the policies will support the findings where it will lead to increased profits and withhold support where the findings will not aid in performance of the organization. Coca-Cola Kenya Limited should not capitalize on those activities and stage processes which are not profitable to the organization and the performance of which reduces the margin of profit on the final product. This processes and stages should be considered for outsourcing only after deep consideration and consultations within all levels of the organization.

Coca-Cola Kenya Limited as an organization should ensure that it does not rely on a specific organization for a certain outsourced service. This will deny the organization a chance for monopoly of such a service against the company, this also means that the organization will be confident that the independence of such organizations are intact and their decisions and services are not in any way influenced by any external forces from either competitors or people with certain interest. This will also ensure that the sensitive information concerning the organization (Coca-Cola Kenya Limited) does not fall into the wrong hands.

In future Coca-Cola Kenya Limited should ensure that the bidding for any outsourcing services done by other organizations is properly protected by the organizations constitutions and measure should be instituted to ensure that such a process cannot be easily influenced and driven to favor certain bidders against other. That all the selected organizations on the Business Process Outsourcing industry are identified and selected by use of a credible and transparent process to increase the level and chances of an independent handler.

5.4. Recommendation and Implication of the Study

From the findings of the study the following recommendations are made:

On policy the study recommends that Coca Cola Kenya Limited should ensure that service providers satisfy the need of clients by formulating a client approach plan and insist that outsource provider remains committed to the plan. The outsourced services by the company should focus on the bringing quality and minimize cost which could enhance operational performance of the company.

The government should also come up with ways on how to work with these organizations so that to moderate the different services and activities which falls within their mandate and those which are a statutory requirement for their clients. The government should also make sure that there is a level of professionalism and a body which follows on the registrations and certification of these organization. This means that the people or organizations practicing in this industry would be regulated and can be known with certainty. This will make the industry to grow and develop so that when they are dealing with such organizations like the Coca Cola Kenya Limited, they are in a position to air their professional opinions on how to proceed.

On theory the study recommends that more research should be done with regard to resource-based view to help established how well the theory is coined with regard to application in real life. The researcher should relook the criticism levelled against the resource-based view theory and help come up with alternative that will help neutralize the criticism. This would ensure that the recommendations given by various theories are well articulated with matters of business process outsourcing and performance.

On practice the study recommends that Coca Cola Kenya Limited should provide clear criterion for measuring the outcomes of the outsourcing process. Coca Cola Kenya Limited should ensure that methodology exists for determination of whether the expected results have been realized in the process of outsourcing that meets their operational performance. This will ensure that the company does not incur unnecessary cost in outsourcing services which could be effectively provided from within the organization.

5.5. Limitation of the Study

The scope of the study could be a limiting factor in that the study relied on the headquarters of Coca Cola in Kenya. The findings may thus not be a representative of the whole population of the Coca Cola Company in Kenya. However, the case study design used ensured that each of the respondent had a non-zero chance of participating in the study. Certain respondents lacked confidence during the data collection time as they feared disclosing some vital information. Others feared exposing the weaknesses of their company. Getting feedback from the targeted respondents was also another hurdle. This was due to their busy schedule that required their attention in the company.

Further, the study would have had different findings with different levels of significance if the study could have concentrated on more companies. The study was also faced with constraints and limitations in getting all the managers and the required personnel due to their tight schedules and their caliber. The study would have been better and the findings more appealing if the researcher was able to get a chance to interview and administer questions to all the managers of Coca Cola Company in Kenya.

Respondents also feared that releasing some of their confidential information could be leaked to their business rivals, which in turn could be used against them.

To encounter this, the researcher solved the problem by introducing the authorizing letter from the institution. The researcher also gave them assurance that the data collected would be used for the purposes of academics only. Collection of the data became a big challenge due to shortage of time. This is because the researcher has an employment and most of the time occupied with office work.

Getting permission from the management to go for data collection was not that easy. All in all, the researcher managed to collect the data as per the stipulated time. The researcher also would wait for too long before securing a chance to interview the respondents. Sometimes the researcher would even get one interview done in a day.

5.6. Suggestions for Future Research

The main focus of the study was to establish how business process outsourcing enhances performance of Coca Cola Kenya Limited in Kenya. The area of study was in Nairobi County and thus the study had a limited scope. Further research is recommended to establish how business process outsourcing enhances competitive advantage of Coca Cola Kenya Limited in Kenya.

In addition, a research study can be formulated to carry out the challenges facing business process outsourcing in Kenya. From the conclusions and the findings, the study ought to recommend an in-depth research to be conducted to establish whether business process implementation has relation with organization performance in Kenya rather than just business process outsourcing.

The study recommends comparative studies could be conducted within other beverage companies in the corporate sector. It would also be prudent to assess the actual business process outsourcing and operations in the beverage sector as a whole.

These studies will provide a sector wide evaluation of measure that can enhance outsourcing of corporate services. The study focused on the business process outsourcing and operational performance of Coca Cola Kenya Limited and it therefore recommended that a comparative study can be carried out to establish whether the concept of business process outsourcing in other sectors of economy is able to yield the same effect on performance.

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APPENDIX

APPENDIX I: INTERVIEW GUIDE

This interview guide aims at collecting information and data for academic purpose only by the researcher. Your kind participation will go a long way in providing useful information required to complete this research. The information provided will be treated in confidence. There is no mentioning of your name. Please answer the questions precisely and objectively; the information will be treated with confidentiality.

PART A: BIOGRAPHIC INFORMATION

Kindly tick (✓) in the bracket as it applies to you.

1. Gender:

   Male ( ) Female ( )

2. Age:

   26 years – 35 years ( ) 36 years – 45 years ( ) 46 years - 55 years

   Above 55 years ( )

3. Level of Education:

   Secondary school ( ) Diploma ( ) Higher Diploma First Degree ( )

   Masters Degree ( ) PhD ( )

4. Level of Management:

   Senior level Management () Middle level Management ( )

   Lower level Management ( )

5. (a) Department in the organization…………………………………

   (b) How long have you worked with the organization?

   Below 3 years ( ) 4 years - 7 years ( ) 8 years – 10 years ( ) above 10 years ( )

PART B: BUSINESS PROCESS OUTSOURCING STRATEGY USED IN ORGANIZATION

6. (a) Which of the following business process does your organization outsource? Kindly tick (✓) in the bracket as it applies to your organization.

   Human resources ( ) Sales and Marketing ( ) Packaging ( ) Manufacturing ( )

   Distribution ( ) Research & Development ( ) Customer care ( ) Innovation ( )

   (b) In your own views to what extent does your organization outsource any of the above processes?

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PART C: CHALLENGES OF BUSINESS PROCESS OUTSOURCING STRATEGY IN ORGANIZATION

7. (a) Which of the following risks/challenges of outsourcing affects implementation of business process outsourcing in your organization?

   Kindly tick (✓) in the bracket as it applies to your organization.

   Strategic risks ( ) Reputational risks ( ) Compliance risks ( ) Exit ( )

   Operational risks ( ) Country risk ( ) Contractual risks ( ) Systemic risk ( )

   (b) In your own opinion, kindly elaborate how the above selected risk/challenges of outsourcing affects implementation of business process outsourcing in your organization.

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PART D: THE RELATIONSHIP BETWEEN BUSINESS PROCESS OUTSOURCING AND PERFORMANCE:

8. In your views elaborate how business process outsourcing has impacted on performance of the organization.

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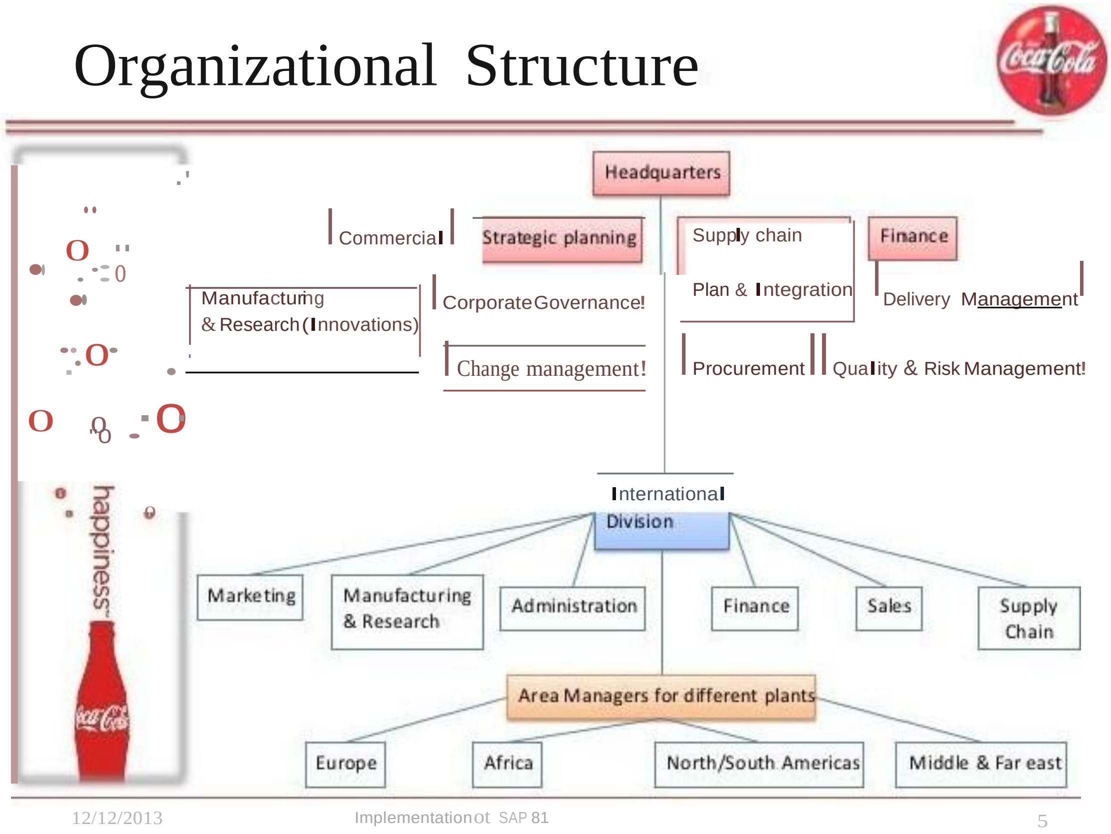
THE END

APPENDIX II: ORGANOGRAM OF COCA COLA



Source: Muhammad, K. (2013),

URL: https://sites.google.com/site/muhammadkaroliav3/Coca-Cola