

**Business Process Offshoring in Kenya: Effects of National  
Culture on Organizational Capabilities.**

**By:**

**Athman Fadhili**

**D61/7730/2006**

**A management research project report submitted in partial fulfillment of the  
requirements for the award of the Master of Business Administration (MBA)  
degree.**

**Department of Management Science,  
School of Business,  
University of Nairobi.**

**October, 2010.**

## **DECLARATION**

I, the undersigned, declare that this management research project report is my original work and has not been submitted for the award of any degree in any other university or institution of learning other than the University of Nairobi.

Signed: ..... Date: .....

**ATHMAN FADHILI**

This management research project report has been submitted for examination with my approval as the supervisor:

Signed: ..... Date: .....

**DR. NIXON MUGANDA**

Lecturer,  
Department of Management Science,  
School of Business,  
University of Nairobi.

## **ACKNOWLEDGEMENT**

First, I thank Allah for sustaining and helping me throughout the study time.

I would like to acknowledge the contribution of IBM in financing this study. I would like to express my special appreciation to Jurij Paraszczak and Dr. Jane L. Snowdon (both) of the Industry Solutions and Emerging Business Department at the IBM T. J. Watson Research Center in Yorktown Heights, New York. I thank them for the practical insights and useful tips throughout the conference calls.

I would like to thank my supervisor Dr. Nixon Muganda for providing useful academic advice and insights in the research. And specifically for encouraging and assisting me to complete the MBA program. Thanks to all the respondents and research partners without whom the study would not have been complete.

Finally, special thanks are due to my mum Halima Omar, the beacon of my hope, and my grandma Hadija Omar Fadhili for instilling the sense of discipline and hard work in me.

Last but not least I thank all my aunts, uncles, brothers, sisters and cousins especially the little ones for being a big source of inspiration.

## **DEDICATION**

This project work is dedicated to my grandma Hadija Omar Fadhili. Bibi, you have always been a source of my inspiration. May Allah grant you health and happiness in this life and the hereafter! Aamiin!

## ABSTRACT

As companies strive to become globally competitive, part of the strategy they adopt is to offshore-outsource. Offshoring has therefore become a business imperative leading companies to look beyond the cost advantage. This new paradigm provides opportunities for emerging markets to become offshoring destinations. Developing nations like Kenya have a chance to participate in global sourcing. This study seeks to explain how national culture influences the competitiveness of offshoring firms in the context of Kenya.

A mixed-method research design underpinned by critical realism assumptions was used. A case study and a survey were conducted. The analysis was grounded on empirical results of the study, and employed theoretical thematic analysis. Under the alienating factor conditions revolving around education, ICT infrastructure, capital, stifling regulations, inadequate role of government, lack of local demand and inadequate intercultural competence, the trajectory of BPO development in Kenya shows promise but requires change of tact.

A myriad of challenges need to be overcome. In Kenya the government's focus on BPO and the ICT sector generally points to the potential of IT offshoring in the country. Indeed, the potential for Kenya exists but as the study finds out, enhancing the potential calls for efforts and strategies for overcoming the challenges.

From the analysis, and in line with Critical Realist approaches, this study recommends a framework that can be employed to enhance the competitiveness of BPO firms within their countries. Dubbed the RCS (*Renewal, Credibility & Sensitivity*) framework, the critical dimensions revolve around the need for BPO firms enhance their capabilities through *organizational renewal*; countries to enhance their competitiveness through development of their *national credibility*; while global stakeholders should recognize that there is a need for development

of *intercultural sensitivity*, not only from vendor perspectives, but also from client organizations.

The framework recognizes that the key drivers that underlie the development of offshoring success include the need to build organizational capability, positive convergence of country factor conditions for enhancing competitiveness and enhancing intercultural competence.

**Keywords**

Offshoring, BPO, Business Process Outsourcing, Kenya, Organizational Capability, National Culture.

## TABLE OF CONTENTS

DECLARATION .....	i
ACKNOWLEDGEMENT .....	ii
DEDICATION.....	iii
ABSTRACT.....	iv
TABLE OF CONTENTS.....	vi
LIST OF TABLES.....	viii
LIST OF FIGURES .....	ix
CHAPTER ONE: INTRODUCTION.....	10
1.1 Background .....	10
1.2 Statement of the problem .....	13
1.3 Objectives of the study .....	14
1.4 Research questions.....	14
1.5 Importance of the study.....	15
CHAPTER TWO: LITERATURE REVIEW .....	16
2.1 Definitions.....	16
2.2 Basic “sourcing” strategies .....	17
2.2.1 Insourcing .....	17
2.2.2 Outsourcing .....	17
2.3 The “shoring” concept .....	18
2.3.1 Onshoring .....	18
2.3.2 Nearshoring .....	18
2.3.3 Offshoring .....	19
2.3.4 Other emerging BPO terms .....	21
2.4 Sourced services.....	22
2.4.1 Business Process Outsourcing (BPO).....	22
2.4.2 Information Technology Outsourcing (ITO).....	23
2.5 Outsourcing vs. Offshoring.....	24
2.6 The theoretical framework .....	26
2.6.1 Organizational capability as the nexus of IT offshoring success.....	26
2.6.2 Sustainable Competitive Advantage (SCA) in BPO firms .....	26
2.6.3 Organizational renewal through dynamic capabilities .....	30
2.6.4 Building national credibility in offshoring through factor conditions .....	33
2.6.5 Intercultural competence and its link to offshoring success .....	35
CHAPTER THREE: RESEARCH METHODOLOGY.....	38
3.1 Research design: mixed-method approach.....	38
3.1.1 Case study.....	39
3.1.2 Survey.....	40
3.2 The population.....	40
3.3 Sampling .....	40
3.4 Data collection.....	41
3.4.1 Individual Depth Interviews (IDIs) .....	41
3.4.2 Administered questionnaire .....	41
3.4.3 Secondary documents .....	42
3.5 Data analysis.....	42

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .....	44
4.1 Case study .....	44
4.1.1 Organizational context of G7 Systems in Kenya .....	44
4.1.2 Case analysis approach.....	46
4.2 Case results analysis .....	47
4.2.1 Initiating demand through organizational renewal.....	48
4.2.2 Role of government in enhancing national credibility.....	55
4.2.3 Developing cultural competence for demand sustenance.....	57
4.3 Survey results analysis.....	61
4.3.1 Demographic information.....	61
4.3.2 BPO services & ICT infrastructure in BPO organizations.....	64
4.3.3 Critical factors influencing BPO national competitiveness .....	70
4.3.4 Indicators of intercultural competitiveness .....	85
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .....	98
5.1 Summary of the findings.....	98
5.1.1 Objective 1: Factors influencing BPO national competitiveness .....	98
5.1.2 Objective 2: Factors influencing intercultural competitiveness.....	103
5.2 Conclusion: Towards a framework for BPO success.....	103
5.2.1 The RCS framework .....	104
5.2.2 Critical features of the RCS framework.....	105
5.3 Recommendations .....	106
5.4 Limitations of the study.....	107
5.4.1 Generalization limitations.....	107
5.4.2 Data collection challenges .....	107
5.4.3 Financial constraints .....	107
5.4.4 Lack of local studies.....	108
5.5 Suggestions for further research .....	108
REFERENCES .....	109
APPENDICES.....	119
Appendix I: Questionnaire .....	119
Appendix II: Interview schedule.....	128
Appendix III: List of companies considered for the study .....	131
Appendix IV: Variable names .....	134
Appendix V: Rotated component matrix (a).....	136
Appendix VI: Correlation matrix.....	137



## LIST OF TABLES

Table 1: The major difference of the shoring strategies .....	19
Table 2: The firm's resource bundle.....	32
Table 3: Case study respondents .....	44
Table 4: Discursive practices .....	47
Table 5: Dominant theme: negative path dependency .....	51
Table 6: Restrictive asset endowment .....	53
Table 7: Negative factor and demand conditions .....	56
Table 8: Intercultural Incompatibility.....	58
Table 9: Position of interviewees in the organization .....	61
Table 10: Company ownership .....	62
Table 11: Sector under which firms operate .....	62
Table 12: Year companies were started .....	63
Table 13: Total employees.....	63
Table 14: Source of customers .....	63
Table 15: Government influence on location.....	65
Table 16: Percent of budget spent on ICT .....	65
Table 17: Dedicated or leased line connection .....	66
Table 18: Intranet.....	67
Table 19: Extranet.....	67
Table 20: Satellite technology.....	67
Table 21: Standalone databases .....	68
Table 22: Customized web-based platform.....	68
Table 23: Website with a registered domain .....	69
Table 24: Enterprise Resource Planning .....	69
Table 25: Relationship with international ICT firms as a customer.....	71
Table 26: Relationship with international ICT firms as a supplier.....	71
Table 27: Relationship with international ICT firms as a partner.....	72
Table 28: Collaboration with local institutions in interlinked clusters.....	73
Table 29: Collaboration with local institutions in R&D .....	73
Table 30: Collaboration with local institutions in internships / attachments.....	74
Table 31: Collaboration with local institutions in market research.....	74
Table 32: Collaboration with local institutions in BPO skills transfer .....	75
Table 33: Collaboration with local institutions in industry liaisons .....	75
Table 34: Existence of domestic demand for BPO services .....	76
Table 35: BPO national vision.....	76
Table 36: National BPO strategy.....	77
Table 37: Adequacy of ICT infrastructure .....	77
Table 38: Broadband status.....	78
Table 39: BPO related education programs .....	78
Table 40: Comprehensive implementation plan.....	79
Table 41: BPO regulatory framework.....	79
Table 42: Awareness among citizens .....	80
Table 43: Local market for outsourced services.....	80
Table 44: Resistance to change from government employees .....	81

Table 45: Capacity building / training programs for government employees.....	81
Table 46: Internet costs .....	82
Table 47: Employee costs.....	82
Table 48: Adequacy of financing.....	83
Table 49: Adequacy of sustained investments through bank credit.....	83
Table 50: Adequacy of sustained investments through venture capital .....	84
Table 51: Adequacy of sustained investments through business partners .....	84
Table 52: Adequacy of sustained investments through subsidies.....	84
Table 53: Adequacy of sustained investments through stock trading .....	85
Table 54: Reliability analysis – scale (alpha) .....	87
Table 55: Descriptive statistics.....	88
Table 56: Total variance explained .....	89
Table 57: Component matrix (a) .....	91
Table 58: Rotated component matrix (relevant factors) .....	93
Table 59: Significant rotated factor loadings .....	94
Table 60: Factor 1 (cultural learning) .....	95
Table 61: Factor 2 (respect for otherness).....	96
Table 62: Factor 3 (behavioral flexibility) .....	96
Table 63: Factor 4 (cultural sensitivity) .....	97

## **LIST OF FIGURES**

Figure 1: Visual depiction of “sourcing” and “shoring” strategies .....	20
Figure 2: Outsourcing and offshoring.....	25
Figure 3: Reciprocal relationship of ITO success.....	28
Figure 4: Resource-based model of SCA .....	31
Figure 5: Determinants of national competitive advantage .....	34
Figure 6: Front view of the G7 Systems (K) premises.....	45
Figure 7: Dial up Internet .....	66
Figure 8: Types of BPO services .....	70
Figure 9: Critical features of the RCS framework.....	105

## **CHAPTER ONE: INTRODUCTION**

This chapter introduces the study with an overview of its background and relevance. It first gives some background information, states the problem, and then lists the study objectives. Finally, the value of the study is proposed by stating its importance to several stakeholders. Issues raised in this opening chapter form the foundation of the details discussed in the later chapters.

### **1.1 Background**

The current intense globalized competition leaves no choice for firms but to continue to offshore-outsource certain jobs in order to remain world class competitive (American Electronics Association, 2004). Minevich & Richter, (2005) note that in today's highly competitive world, offshoring can provide an irresistible combination of huge benefits in terms of productivity, prices, profits and wages.

Offshoring occurs when business processes or IT functions are being executed in a country that is different from the client's country. It is also known as offshore sourcing (Chakrabarty, 2007) or global sourcing.

The global outsourcing market is estimated at \$77 billion per year, with U.S. companies accounting for about \$44 billion. Outsourcing of IT functions alone is so huge in potential. Forrester Research notes that only about 30% of U.S. businesses outsource IT infrastructure, putting the potential U.S. outsourcing market at \$110 billion (Tucci, 2007).

Sales (2007), observes that "The global ITES [Information Technology Enabled Services] market is very big and there is more than enough opportunity for everyone". Minevich & Richter, (2005) concur and describe offshoring as "a natural evolution of how the global marketplace operates today". They portend that "offshoring is on the way to becoming a mainstream business" and the future for outsourcing looks even brighter.

It is this opportunity that many other countries (including African nations) are now scrambling for. In fact India, which has been the leading BPO services provider, is being threatened by a myriad of challenges. Key among them, according to Bhatnagar (2005) (citing a Gartner report of 2005) is a looming labor crunch and rising wages that could have eroded as much as 45% of India's market share by 2007 which stood at 85% in 2005. Destinations likely to challenge India as emerging markets for offshore outsourcing include: Philippines, China, Eastern Europe, New Zealand, Mexico, West Africa, South Korea, Malaysia, Taiwan and Vietnam among others (Bhatnagar, 2005).

Indeed there is a whole new paradigm in offshoring changing the dynamics in the hitherto preferred offshoring destinations like India. Minevich & Richter (2005) contribute to this new paradigm by observing that, "The trend toward offshore outsourcing is a lot more complex than simply seeking skills and resources in the lowest-cost locations. The driving forces ... are quality and speed to market, not just cost of services." With today's intense competition and rapidly changing business needs, offshore outsourcing is indeed, no longer just a function of cheap labour. Rising labor costs, workforce mobility, language proficiency and the urge "to follow the sun" are just but a few of the new dynamics providing opportunities for the emerging markets. Worthy of note is the fact that most of the above aspects are affected by culture e.g. communication and working long hours.

The Government of Kenya, for example, is gearing up for this opportunity through a number of ICT strategies conceptualized in the Vision 2030. The vision seeks to make Kenya the Information Communication Technology (ICT) hub of Africa. The Government of Kenya considers her location strategic, with a highly educated English speaking workforce and a time zone convenient to Western and Eastern countries that are critical as an offshoring destination. The Vision 2030 identifies Business Process Offshoring (BPO) as one of the key sub-sectors that are the economic growth drivers (Republic of Kenya, 2007).

A number of commercial organizations in Kenya are already offering offshoring services to client organizations based in USA and Europe and the government's expectation is that the BPO sector will be a key pillar meeting national socio-economic objectives. While the experiences of Kenyan vendors may be considered limited, the government's increasing focus on the sector as well as the channeling of resources by her development partners to this sector is expected to result in an increase of more players taking part in offshoring activities.

Thus increasingly, the vendors engaged in offshoring are expected to meet the client needs, despite the resource constraints that developing countries such as Kenya face. Knowledge transfer is a critical part of the offshoring project, and the expectation is that the vendors will enhance their ability to learn and become increasingly competitive. Thus offshoring as a cross-border project is assumed to influence organizational capability, while national culture influences how the organization works.

As long as offshoring involves nations executing tasks on behalf of others, it can be argued that a link between national culture of a country and organizational capability of BPO firms exists. Indeed, national culture affects most of the aspects of the new paradigm in offshoring. By way of example; workforce mobility, language proficiency and the urge to "follow the sun"<sup>1</sup> are impacted in a very direct way by the culture of a particular nation. Working long, sometimes odd, hours, communicating with the right accent and employee travel can be impacted by one's cultural orientation and behaviour which is largely informed by the national culture of their country.

Therefore as the offshoring vendor companies are, without a doubt, seeking to improve their organizational capabilities and enhance their unique resources in

---

<sup>1</sup> "Follow the sun" principle refers to a situation where operations are done (round-the-clock) from all over the world. People in different time zones take over the work when the others go to sleep. A good example is handing over customer care duties to operators in China when US operators go to sleep. There is a 12 to 15 hours time difference between the US and China.

order to develop and/or sustain their competitive advantage, there is need to understand how culture can impact on their efforts. By the same token offshoring clients need to understand the cultural aspects of their vendors as they impact the success of their offshored business. This study aimed to make a contribution by deepening the understanding of cultural influence on BPO activities.

## **1.2 Statement of the problem**

While the global imperative dictates that companies will continue to offshore outsource, (American Electronics Association, 2004, and Minevich & Richter, 2005) a new paradigm is changing the dynamics of offshoring regarding the hitherto preferred offshoring destinations.

Vendor companies are increasingly competing to offer more than just the cost benefit. Clients are strategically outsourcing and increasingly looking for value for their money beyond the traditional cost savings. Such benefits include: additional skills that a client would get, technology expertise, predictable delivery costs, access to global markets, new ways of doing business and time to market (Tucci, 2007 and Minevich & Richter, 2005).

The competition, especially for countries in Africa and other developing nations, is further toughened by other challenges. Unreliable telecommunications infrastructure, inadequate competences and skills availability, and a not so conducive business environment are some of the key challenges that could be barriers towards BPO success.

The above challenges and others therefore call for offshoring vendors to develop some organizational capabilities that enhance the uniqueness of their resources. It is these resources that will in turn help the vendors to develop and sustain a competitive advantage. The organizational capabilities for offshoring include among others: human resources, entrepreneurial orientation, technological capability, government support, collaborative research and training (Sales, 2007).

However, since knowledge transfer is critical in offshoring projects, organizational capabilities are affected by the vendors' ability to learn and become increasingly competitive. Thus offshoring as a cross-border project is assumed to influence organizational capability, while national culture influences how the organization works.

Although much work has been done in offshoring generally (Vassiliadis, 2005, Sales, 2007, Minevich & Richter, 2005, Chakrabarty, 2007 and Chakrabarty, 2006) the issues of national culture and organizational capability in offshoring projects are deemed to be problematic and unresolved.

### **1.3 Objectives of the study**

The main aim of the study was to deepen understanding of cultural differences and organizational capability in offshoring projects practices.

This aim was achieved by addressing the following specific objectives of the study:

- To identify the critical factors influencing BPO national competitiveness.
- To identify the factors influencing intercultural competitiveness in BPO.

The study hoped to achieve these objectives by adopting a Resource Based View (RBV) to unearth how organizational capabilities change as a result of participating in offshoring projects. In addition, the Theory of National Culture was employed to provide a landscape of the influences of culture on vendors' ability to offer offshoring services.

### **1.4 Research questions**

This study aimed at contributing to the issue by seeking an answer to the key question: *What are the effects of culture on organizational capabilities in Business Process Offshoring?* The study purposed to seek answers to the following specific questions about BPO in Kenya:

- What are the critical factors influencing BPO national competitiveness?
- Which are the indicators of intercultural competence in BPO?

### **1.5 Importance of the study**

This study is unique in that it focuses on connecting the problematic factors of national culture and organizational capability. The results are probable new conceptualization that will be critical in setting up offshoring linkages.

The main deliverable is a master's project report that fulfills the requirements for the award of the Master of Business Administration degree, Department of Management Science, School of Business, in the University of Nairobi.

Besides its usefulness to academicians and researchers, the study findings will be of interest to:

- BPO vendor firms who can use the findings for developing strategies to penetrate the global offshoring market.
- BPO client firms who can use the findings for developing strategies for identifying and selecting vendors.
- ICT sector associations could use the findings to develop appropriate initiatives to support and develop BPO.
- The government could use it to appropriately inform its BPO policies, projects and initiatives.



## CHAPTER TWO: LITERATURE REVIEW

This chapter provides a review of the relevant literature. After some important definitions, the chapter begins by looking at the basic “sourcing” strategies and zeroes in to the “shoring” concept. Two different types of activities sourced (business processes and information technology) are described after which a look into the normally confused two terms: outsourcing and offshoring is taken. A theoretical framework is then discussed by reviewing literature on the resource based view (RBV), organizational capabilities and the national culture theory. Finally a conceptual framework is proposed based on the literature reviewed.

### 2.1 Definitions

Some important definitions are deemed necessary at this juncture in order to provide some basis for understanding the literature that is reviewed. In this study, Chakrabarty's (2006) definitions in his aptly titled article “*Making sense of the Sourcing and Shoring Maze*” are adopted:

We broadly define a *client* as anyone in need of services. For the purposes of maintaining clarity, the terms "*client*", "*customer*" and "*buyer*" have been treated synonymously to imply a firm (or even an individual) that is seeking services, from either internal service providers (like the client's own internal department, or a subsidiary) or from external service providers (a vendor/supplier). The client *owns* [has legal ownership of] any "*client-entity*" such as the client's internal IS department or a subsidiary. In the same vein, the terms "*vendor*," "*supplier*," "*third party*", and external "*consultant*" have been treated synonymously to imply an "*external service provider*" or a *non-client entity* whose business is to provide services to the client.

## **2.2 Basic “sourcing” strategies**

To understand the concept of outsourcing we will now look at two basic sourcing strategies. “Sourcing” can simply be looked at as “an arrangement in which a company seeks provision of services”. Insourcing and outsourcing therefore are the two basic sourcing strategies (Chakrabarty, 2006). Simplistically, it is the choice between either "walking the path alone" or "building on acquaintances along the way" such that a firm's business interests are best served.

### **2.2.1 Insourcing**

In insourcing, the service provider is a client entity.

Often organizations have their own IS departments or IS subsidiaries from where they insource their IS needs. The responsibility and delegation of tasks involved [in] the firm's IS needs are handled internally (in-house). Hence, when the service provider to the client is a client-entity such as a subsidiary or the internal IS department, it is known as insourcing.

(Chakrabarty, 2006)

In business process insourcing, it is the business processes that are performed by the client themselves or a client entity (such as a subsidiary or an internal department).

### **2.2.2 Outsourcing**

In outsourcing, the service provider is a non-client entity.

Due to various factors, organizations (clients) often need to outsource work to external entities. Hence, when the service provider is a non-client entity, such as a vendor/ supplier it is known as outsourcing.

(Chakrabarty, 2006)

Chase et al, (2006) define outsourcing as “...the act of moving some of a firm's internal activities and decision responsibility to outside providers.”

Over time outsourcing has become popular due to its cost reduction benefits. Vassiliadis et al, (2005) note that, “it is often cheaper to utilize a third-party's

resources than your own". However, benefits of outsourcing go beyond the cost savings. Tucci (2007) quotes one Forrester Research analyst saying, "There are other benefits of outsourcing that have a multiplier effect on the dollars saved." Such benefits include additional skills that you would get, technology expertise, predictable delivery costs, access to global markets, new ways of doing business and time to market.

### **2.3 The "shoring" concept**

As described earlier, the client's service provider can be either internal (its own IS department or a subsidiary) or external (a vendor) (Chakrabarty, 2006). In today's globalized world of business, the exact location of this service provider leads us to the shoring concept. While "*sourcing*" is simply "an arrangement in which a company seeks provision of services", *shoring* brings in the element of geographical location of the vendor in relation to the client. Various "shoring" strategies are discussed below by looking into the question: In our shrinking world where exactly is this service provider?

#### **2.3.1 Onshoring**

The service provider is located in the same country as the client. This is also known as domestic sourcing or onshore sourcing (Chakrabarty, 2006). This is irrespective of whether it is outsourcing or insourcing *onshoring* occurs when the business processes or IT functions are being executed in a country that is the same as the client's country.

#### **2.3.2 Nearshoring**

The service provider is located in a country which is geographically close to the client's country. Hence, countries which share borders, or are neighbours can be considered as "nearshore" countries (Chakrabarty, 2006). Ireland and Spain may be considered as nearshore for the United Kingdom, whereas Mexico and Canada may be considered as nearshore for U.S. Locally, Kenya can be

considered nearshore for Tanzania and Uganda. This is also known as nearshore sourcing. Irrespective of whether it is outsourcing or insourcing *nearshoring* occurs when the business processes or IT functions are being executed in a country which is geographically close to the client country.

### 2.3.3 Offshoring

The service provider is located in a country which is geographically far away from the client's country (Chakrabarty, 2006). India and China as well as Kenya may be considered as "offshore" for both the United Kingdom and U.S. Irrespective of whether it is outsourcing or insourcing, *offshoring* occurs when the business processes or IT functions are being executed in a country that is different from the client's country. It is also known as offshore sourcing (Chakrabarty, 2007) or global sourcing.

**Table 1: The major difference of the shoring strategies**

	<b>Offshoring</b>	<b>Nearshoring</b>	<b>Onshoring</b>
<b>Vendor location</b>	any country other than your own or a neighboring country	a country that is close geographically especially a neighboring country	to your own country

As the table above depicts, we can thus adopt the following three terms to describe the offshoring concept:

*“Offshoring involves outsourcing to any country other than your own or a neighboring country while nearshoring involves outsourcing to countries that are close geographically especially neighboring countries. On the other hand, onshoring involves outsourcing within the same country.”*

Important to note is that "shore" in the words *onshore*, *nearshore* and *offshore* only indicates different geographical location. It does not necessarily mean the vendor location country has land along the edge of a water body (Chakrabarty, 2006). The *geographical distance* is a predominant differentiator when comparing

between onshore, nearshore and offshore locations. By the same token, the *time zones* of the locations can be considered. Chakrabarty (2006) contends that in the IS industry, as communication technology improves, the exact geographical distance is a lesser barrier when compared to the time zones. It is therefore all right to classify between onshore, nearshore and offshore on the basis of both time zones as well as geographical distance.

One may do away with the specific term "*nearshoring*," and generally use "*offshoring*" instead. The term "*offshoring*" is often used to broadly imply "*nearshoring*" too. When someone says that work has been "*offshored*," it may simply imply that work has been sent away from *onshore* (i.e., to *nearshore* or *offshore*). Hence, we can adopt a simpler binary logic of onshore versus offshore, where anything that is not "*onshore*" can be simply called "*offshore*". *Offshoring* may therefore be defined as a scenario where the service provider is located in a country that is different from the client's country; this is also known as "*global sourcing*".

(Chakrabarty, 2006)

Before looking into other emerging terminologies in the “sourcing and shoring maze”, let us visualize the above concepts with a diagram.

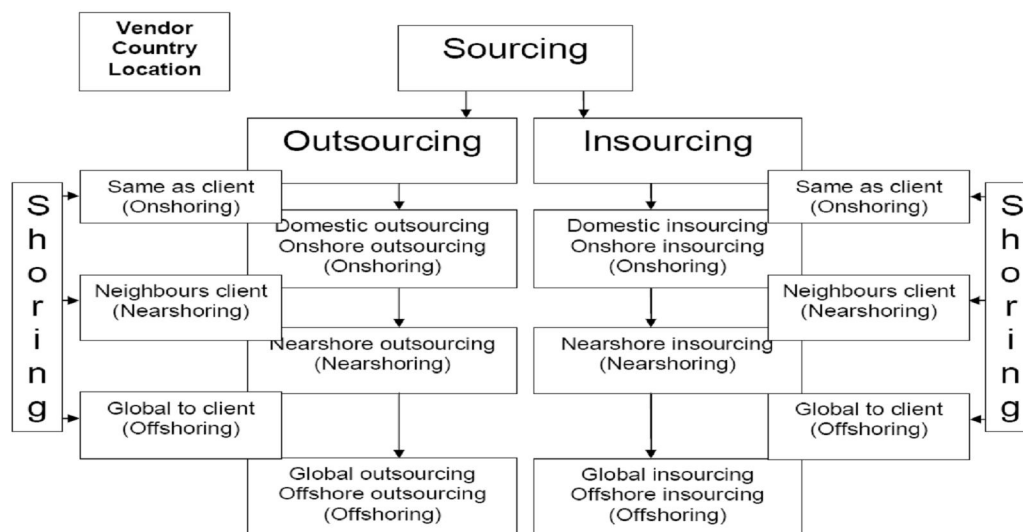


Figure 1: Visual depiction of “sourcing” and “shoring” strategies

The diagram depicts all the “sourcing” and “shoring” strategies as explained above. On top are the two sourcing strategies depicting where the sourced tasks are performed. On both right side (outsourcing) and left side (insourcing) the aspect of geographical distance comes in leading into the three major shoring strategies. However, as the search for right strategies evolves, new terminologies have emerged. A look at some of them follows below.

#### **2.3.4 Other emerging BPO terms**

One critical aspect to note is the fact that offshoring has faced its fair share of criticism. Searchcio (2007) notes that, “Critics of offshore outsourcing worry that if too much IT-related work is farmed out to other countries, home-grown IT talent will “dry up.” They point out that once a company begins outsourcing overseas, they will find it difficult to reverse the trend...”

This idea of “reversing the trend” leads us to another emerging term: *inshoring*. It occurs when foreign-based companies move some work back to their home countries by bringing in foreign workers (Fast Company, 2006).

Another emerging term is “rightshoring” which simply refers to getting “the right service from the right place at the right price” in the bid to obtain the optimum benefits of different locations in the world (Rijsenbrij, 2005). It therefore means striking a balance between the various types of outsourcing especially foreign and domestic outsourcing i.e. balancing between offshoring and / or nearshoring on one hand with onshoring and / or inshoring on the other hand. An example is given of a company getting application development from Mumbai in India, exploitation of the service from Guangzhou in China and a multiple language help-desk in Antwerp, Belgium (Rijsenbrij, 2005).

Vieth, (2004), sums it well by noting that “the people who help U.S. companies shift white-collar work overseas offered potential clients a ... buffet of outsourcing options: “nearshoring,” for those willing to stray no farther than Canada or

Mexico; "inshoring," for those who prefer to bring foreign workers to America, and "rightshoring," for those desiring a custom package of in-house and offsite, foreign and domestic." Having a better understanding of the terms and concepts, we now look at what activities or functions are "sourced" or "shored" especially in the context of this study.

## **2.4 Sourced services**

There are different services that can be sourced. Outsourcing activities may range from simple web hosting to business process outsourcing or even complete IS (information system) outsourcing (Vassiliadis et al, 2005). In outsourcing, usually, non-core business operations and services such as human resources, finance, administration and customer relationship management are outsourced.

The outsourcing trend has become more common in information technology and other industries (Searchcio, 2007). Today services that have traditionally been perceived to be core to managing a business are increasingly being outsourced. "In some cases, the entire information management of a company is outsourced, including planning and business analysis as well as the installation, management, and servicing of the network and workstations" (Searchcio, 2007). It should be noted that the services sought could also be, or usually have been, provided in-house.

Outsourcing has evolved so much and taken several forms over the years with the evolution of new terms. Now, we will briefly describe two major types of outsourced activities: Business Processes Outsourcing (BPO) and Information Technology Outsourcing (ITO).

### **2.4.1 Business Process Outsourcing (BPO)**

In BPO the client firm establishes a contractual relationship and hands over the responsibility of executing the business processes to a vendor (Chakrabarty,

2007). Certain business processes of the client are transferred over to the vendor, and the vendor's office then becomes the "back office" for the client's outsourced business processes. Arguably, the most pervasive, it is mainly implemented as a measure for saving costs on tasks a company requires, but does not depend upon, to maintain or attain a competitive position i.e. non-core activities.

Examples of business processes that can be outsourced include: call/contact centres, emergency hotlines, claims management, helpdesk, data management, payroll, auditing, website services, transcription, remote education, e.t.c. (Vassiliadis et al, 2005, Sales, 2007 & Chakrabarty, 2007). Other BPO functions include: finance, accounting, procurement, customer relationship management and human resources. BPO is often divided into two categories: back office outsourcing which includes internal business functions such as billing or purchasing, and front office outsourcing which includes customer-related services such as marketing or tech support (Searchcio, 2007).

#### **2.4.2 Information Technology Outsourcing (ITO)**

ITO entails an enterprise using a third party to provide IT service. Vassiliadis et al, (2005) note that IT outsourcing is not a new concept at all. They trace its origins in the early 60's in the form of application "time sharing". During this time "Service Bureaus" emerged, where an external vendor would provide time sharing or processing services. In the 70's, enterprises were relying more in standard application packages than outsourcing. In the 80's the term "facilities management" emerged. In facilities management, a company contracts another company to manage and run its IT facilities at a fee (Vassiliadis et al, 2005). "IT outsourcing has evolved to the application service provision (ASP) model, in the late 90's to pure services in the beginning of the century."(Vassiliadis et al, 2005).

Vassiliadis et al, (2005) gives two examples of IT services outsourced as:



*Applications services:* they were initially focused on transaction processing (e.g. payroll services). Later, this type included other activities such as reporting, analysis, data mining and distribution. The ... vendor provides a complete information system (including s/w, h/w and network infrastructure) in order to process customer data. This category of application services also includes web services that have a different focus from transactions mainly scalability, flexibility and ease of use. ...

*Infrastructure services:* they are also called utility services. The user runs its own services on a vendor provided information system. Data centre services are an example of this type of SP [service provision] while web hosting is a simple model.

## **2.5 Outsourcing vs. Offshoring**

Chakrabarty (2006) observes that "Outsourcing" and "Offshoring" are two terminologies that are often confused and misunderstood. This could be more the case in Kenya since the whole concept of BPO is new to majority of the people. To set things clear from the onset, an attempt is made to clarify the two terms in this section.

Chakrabarty (2006) explains that the notion of jobs moving out of some economically rich countries due to "*outsourcing*" may not be terminologically correct. In "*onshore-outsourcing*" (or "*domestic-outsourcing*") for example, the tasks are outsourced to a vendor located in the same country the client is (Chakrabarty, 2006). In fact, the correct notion is that jobs move out to another country due to "offshoring." A similar case is when some programmers think that "*offshoring*" of software development might mean that people from a different organization write their code. In such a case they may be terminologically incorrect (Chakrabarty, 2006). In "*offshore-insourcing*" (or "*global-insourcing*"), the same company performs the sourced task though in a different country.

From the two illustrations above it is thus clear that outsourcing is different from offshoring in that outsourcing per se does not involve jobs moving to other countries. While this happens in offshoring it does not necessarily mean that the company in the other country is not the same as that in the client country.

Chakrabarty (2006) differentiated offshoring and outsourcing by using the following diagram which adopts an onshore centric view.

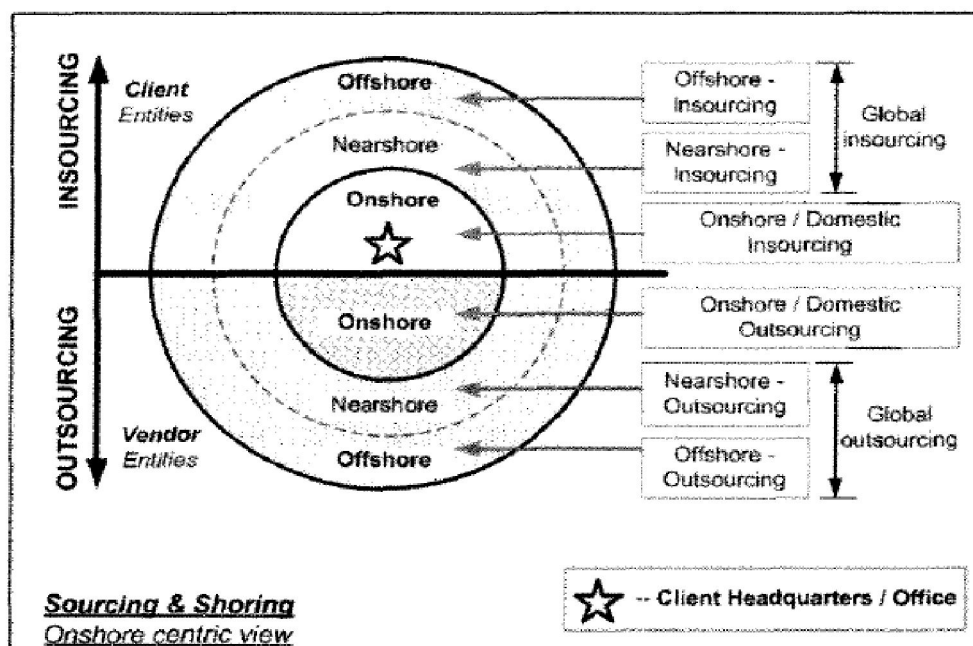


Figure 2: Outsourcing and offshoring  
(Source: Chakrabarty, 2006)

As figure 2 above depicts, *outsourcing* occurs whenever a client organization seeks services for executing business processes from an external organization; the vendor entity. On the other hand *offshoring* occurs whenever the business processes are performed from a global location whether by the firms own entity (like a captive center, a subsidiary or a department) or by a vendor entity. In brief, work is "*outsourced to vendors*" and "*offshored to another country*." It can, therefore, be said that outsourcing of work is across organizational borders, while offshoring of work is across geographical borders (Chakrabarty, 2006).

## **2.6 The theoretical framework**

In order to obtain conceptual clarity of the problem of national culture and organizational capability, this section focuses on developing an argumentation and basis for a blueprint that can be used for addressing the research problem. The framework describes the theories upon which this study was based.

### **2.6.1 Organizational capability as the nexus of IT offshoring success**

The main thrust is that of global competitiveness as advocated by Porter (1998) in "*The Competitive Advantage of Nations*". However, recognizing the fact that it is the firms in the nations that compete [according to Porter], the analysis of the study was carried out at the firm level. A specific focus was taken on the resources the firms possess and therefore the Resource Based View of the firm was adopted as the theoretical lens for explaining organizational capability as an antecedent for offshoring success. The construct of national culture is introduced from the basis of national culture theory. These ideas are explored in the ensuing section below.

### **2.6.2 Sustainable Competitive Advantage (SCA) in BPO firms**

The quest for outsourcing from a client perspective is mainly driven by a need to obtain scale economies as well as for strategic reasons. During the 1990s, scholars and outsourcing practitioners argued that the global competitive pressures positioned organizations to adopt greater market discipline by reducing product range and loosening vertical links in the production process (Grant, 1995; Domberger, 1998, JMD, 2000). The result was that client organizations started 'divesting' from peripheral businesses in order to focus upon 'core' business processes (Grant, 1995). This was likened to as a search for greater efficiency, which in turn, led to increased specialization, and as such, outsourcing was seen by certain writers as a manifestation of an attempt to achieve *scale economies* (Domberger, 1998).

However strategic literature suggest that offshoring has been changing from a focus on greater efficiency to also include strategic improvement (especially cost reduction), strategic business impact (improving contribution to companies' performance within existing lines of business) and strategic commercial exploitation with a focus on leveraging technology-related assets (DiRomualdo & Gurbaxani, 1998; Lacity, Khan & Willcocks, 2009). Therefore to ensure that client firms meet their offshoring intentions, the firms need to engage in practices that ensure they succeed by making the right offshoring decision.

Success factors thus involve ensuring that the right decision-to-outsource is made (ITO decision), contractual governance and relational governance between the supplier and the client is conducive for meeting the strategic intentions of offshoring (See Lacity et al, 2009). The complimentary relationship amongst these success factors are depicted in Figure 3.

Therefore from an offshoring perspective, literature suggest that success is evaluated by considering client organizations make the ITO decision, how they manage the contracts with suppliers and how they manage their relationships with the offshoring vendors. The quality of decisions made by the client organizations on the mix of variables (ITO decision, contractual governance, relational governance) determines offshoring success.

The nature of offshoring requires that BPO firms also have specific capabilities so that they can deliver on the success that client organizations expect from the offshoring relationship. Specifically, Levina & Ross (2003) found out that offshoring firms require at least three key capabilities: personnel career development, offshoring methodology development and knowledge dissemination, and client relationship management. Thus to ensure sustainable competitive advantage (as the thrust of current of offshoring), the emphasis is on whether the client and supplier organizations have certain *capabilities* to ensure success.

*Organizational capability* is defined as prior experience, productive capacity, human resource, and other resources which indicate that the vendor organization can successfully carry out an offshoring project (Lacity, Khan & Willcocks, 2009).

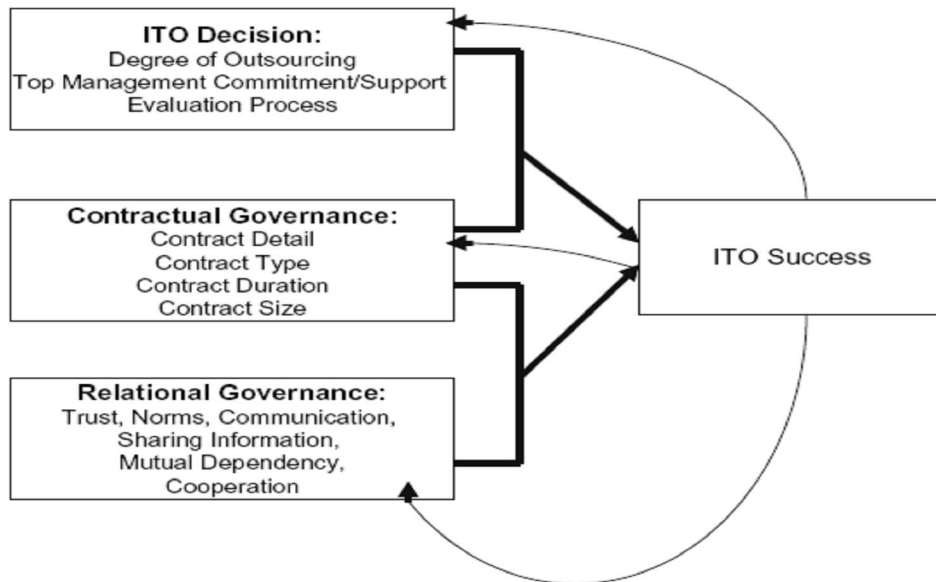


Figure 3: Reciprocal relationship of ITO success  
(Source: Lacity, Khan & Willcocks, 2009)

From a review of literature sources, the most important supplier-side capability is the “IS human resource management capability.” (e.g., Gopal et al., 2003; Beulen and Ribbers, 2003; Rao et al., 2006; Oshri et al., 2007) which is considered as an organization’s ability to identify, acquire, develop, and deploy human resources to achieve its organizational objectives (Lacity, Khan, & Willcocks, 2009). However, the focus on IS human resources does not in any way belittle the other resources. The argument then is that for an understanding of organizational capabilities, there is need for a deliberate intent to understand how offshoring firms employ their *resources* to build their capabilities to achieve success. In building the theoretical framework, this study partly relied on the *strategic management perspective* based on resource-based view of the firm of the resource-dependency theory (Olsson et al, 2008). This perspective is contrasted from the *economic perspective*, which is primarily based on transaction cost economics or agency theory and the *social perspective*, with the

underlying assumption that there are shared norms and harmony of interests that go beyond formal contracts (Olsson et al, 2008). While the three perspectives are all valid, this study adopted a strategic management perspective, given that most of current literature critically brings to the fore the role of resources in influencing organizational capabilities.

The next section builds on this resourced-based view and links it to the debate on national culture in order to develop a framework for addressing the social problem enumerated earlier. Dubbed the NCOC, the National Culture and Organizational Capabilities framework, the critical dimensions focus attention on the how national culture influences organizational capabilities from a resource-based perspective. The NCOC framework is based on a synthesis of various literature sources, but principally those related to the *resource-based-view* (RBV)<sup>2</sup> as well as *national culture theory*.

An attempt to link national culture with the concept of organizational capability is inevitable in offshoring firms, since the 'softer issues' of offshoring success are linked to practices related to human resources, communication and client relationship management (Levina & Ross, 2003). The study relied on Porter's Diamond Model (Porter, 1990) to explain national level organizational capability; the Dynamic Capabilities Framework (Teece, Pisano & Shuen, 1997) to aid in providing a link to organizational level capabilities; while National Culture theory of Hofstede (1980) is employed to show how the cultural construct influences the competitiveness of offshoring firms.

---

<sup>2</sup> Fahy & Smithee (1999) are of the view that the RBV begins with the assumption that managers in a firm put effort in order to attain some desired sustainable competitive advantage (SCA). Achieving a SCA lies in the possession of certain key resources, that is, resources that have characteristics such as value, barriers to duplication and appropriability. If the firm effectively deploys these resources in its product-markets it can obtain a SCA. The RBV emphasis is on strategic choice, which charges the firm's management with the important tasks and responsibilities of identifying, developing and deploying key resources in order to maximize returns.

### **2.6.3 Organizational renewal through dynamic capabilities**

The resource-based view of the firm has its roots in the organizational economics literature (Wright et al, 1994). The RBV theory is based on two major underlying assertions, as developed in strategic management theory (Barney, 1991; Mata et al, 1995). The first is that the resources and capabilities possessed by competing firms may differ (resource heterogeneity); and the second is that these differences may be long lasting (resource immobility). The two conditions (resource heterogeneity and resource immobility) are linked to sustained competitive advantage (SCA) as follows. If an organization has in its possession a resource or capability which numerous other competing organizations do possess, that resource or capability cannot be a source of competitive advantage. On the other hand, if an organization has in its possession a resource or capability that competing firms are not currently possessing, the condition of resource heterogeneity is met and a firm may obtain a competitive advantage at least temporarily (Mata et al, 1995).

A resource is deemed mobile if organizations that do not have the resource (or capability) face no cost disadvantage in developing, acquiring, and using that resource compared to organizations in whose possession the resource (or capability) already is. In such a case, that resource (i.e., mobile resource) at best will only be a source of temporary competitive advantage. On the other hand, if an organization not having a resource or capability faces a cost disadvantage in obtaining, developing, and using it compared to an organization in whose possession the resource (or capability) already is (i.e., resource immobility), then the organization that already possesses that resource will have a sustained competitive advantage (Barney, 1991). In figure 4, Mata et al (1995) captures various scenarios in relation to SCA.

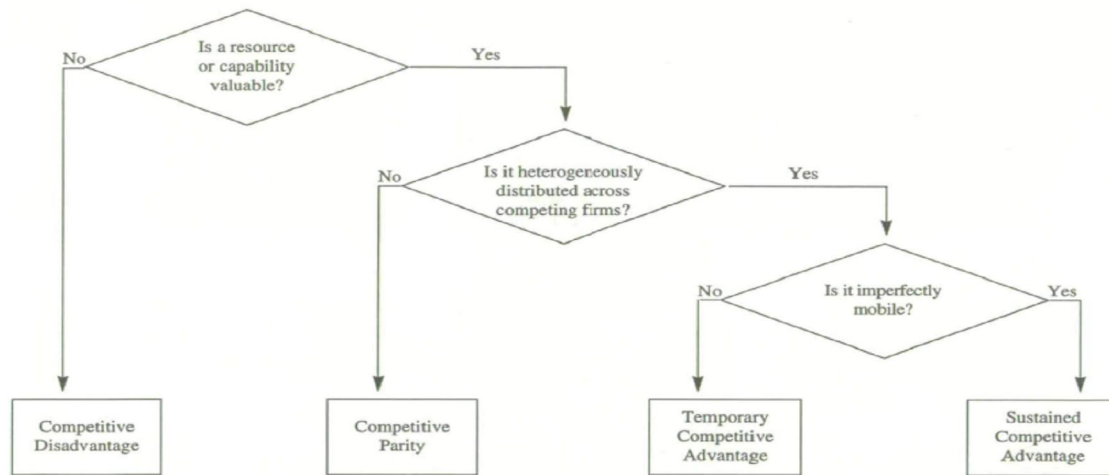


Figure 4: Resource-based model of SCA

(Source: Mata et al, 1995)

Fahy & Smithee, (1999) look at a firm's bundle of resources as comprising of three distinct sub-groups, namely tangible assets, intangible assets and capabilities. Table 2 notes points of commonality with the existing, diverse range of classification schemes used in the literature that they reviewed. From a BPO perspective, the ability of the firm to harness (integrate, build and reconfigure) these and other resources to match its competition as well as broader environmental changes are critical for developing the dynamic *capabilities* for sustaining competitive advantage (Teece, Pisano & Shuen, 1997).

Essentially **capabilities** encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources are coordinated (Grant, 1995). Where capabilities are *interaction-based* (typical of BPO operations), they are even more difficult to duplicate due to causal ambiguity and the RBV literature has tended to favor capabilities as the most likely source of sustainable competitive advantage (Collis 1994). Ulrich & Lake (1991) define organizational capability as the firm's ability to manage people to gain competitive advantage. They argue that organizational capability can be established through the creation of internal structures and processes that influence employees to create organization specific competencies. Thus the



human resource function (a 'soft BPO' critical success issue), according to Ulrich & Lake (1991) becomes a critical resource for sustainable competitiveness.

**Table 2: The firm's resource bundle**

	THE FIRM'S RESOURCE BUNDLE		
Author	Tangible Assets	Intangible Assets	Capabilities
Wernerfelt (1989)	Fixed Assets	Blueprints	Cultures
Hall (1992)		Intangible Assets	Intangible Capabilities
Hall (1993)		Assets	Competencies
Prahalad and Hamel (1990)		Core Competencies	
Itami (1987)			Invisible Assets
Amit and Schoemaker (1993)			Intermediate Goods
Selznick (1957); Hitt and Ireland (1985); Hofer and Schendel (1978)			Distinctive Competencies
Irvin and Michaels (1989)			Core Skills

Source: Fahy & Smithee (1999)

It is this emphasis on 'soft' BPO critical success issue that the construct of culture finds traction in this study. Ulrich & Lake (1991) observe that developing organizational capability involves adopting *principles* and *attitudes*, which in turn determine and guide behavior. It is a way of thinking as well as acting and it begins with the realization that there is a strong link between *competitiveness* and *effective people management* (Ulrich & Lake, 1991).

In offshoring firms, IT is a critical resource that is integral to the very operational mandate of the organization. In fact the very concept of BPO is unimaginable without factoring in the global IT infrastructure (such as the Internet), but also due consideration of nation- as well as firm-specific IT infrastructure and resources. Thus inevitably, organizational capabilities cannot be addressed from a firm level only, but also need to be considered at meso (national) levels as well as at macro (global) levels. The nature of BPO operations lends itself to such an analysis. For

instance at the firm level, and based on the fact that IT is inherently a part of a BPO firm operations, a specific focus on the dynamic capabilities from a resource-based view contributes to the argument that the achievement of sustainable competitive advantage (SCA) of a specific BPO firm is hinged on its firm level resources or assets as argued above.

From a dynamic capabilities perspective, the emphasis is on the capacity of offshoring firms to *renew* competencies to achieve congruence with changing environmental conditions (Teece et al, 1997). The claim by Chen et al (2008) that dynamic capabilities are antecedent organizational and strategic routines used to *create, adapt and combine* other resources into new sources of competitive advantage is used to underscore the concept of *renewal* as an explanatory metaphor for organizational adaptability and capability.

#### **2.6.4 Building national credibility in offshoring through factor conditions**

At the national level, there are certain capabilities that need to be in place in order for organizational capabilities to be realized. This also calls for a framework that is able to link organizational to the competitiveness at the national, especially since the practice of offshoring requires the interlinking of inter-organizational information systems.

Porter (1998) observes that competitiveness has become one of the central preoccupations of government and industry in every nation. Further, he notes that “several and often conflicting explanations are given as to why some nations are more competitive than others”. Explanations range from: cheap and abundant labor, natural resources, government policy and differences in management practices. He however notes that “no nation can be competitive in everything” since a nation’s pool of human and other resources is necessarily limited. The ideal is that these resources be deployed in the most productive uses possible.

Porter (1998) called for analyzing competitiveness by focusing not only on the firm, but also on a nation as a whole. Analysing growth from a microeconomic

perspective is one of the new frontiers of economics. Porter points out that competitive advantage of a nation is demonstrated by the competitiveness of some of its industries since no nation can or will be competitive in every industry or even most industries. Ning (2004) observes that Porter's model has largely been applied as a strategic tool for analyzing the competitiveness of firms, industries as well as nations. Porter identifies four determinants of competitiveness. The diagram below depicts Porter's diamond.

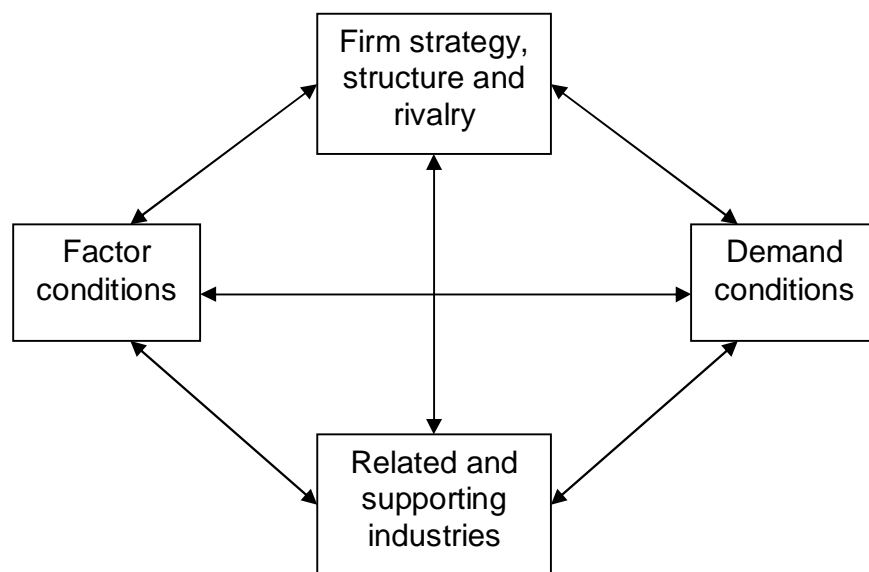


Figure 5: Determinants of national competitive advantage  
(Source: Porter, 1998)

1. *Factor Conditions*: According to the standard economic theory, capital, land, natural resources, human resource and infrastructure are the important factors that determine competitiveness. Porter notes that the factor conditions must constantly be *reevaluated* and *improved* so that firms and industries can sustain the competitive advantage in the long term.

2. *Demand Conditions*: Porter points out that the increased demand of home market for the particular products or services can help build competitive advantage of the industry.

3. *Related and Supporting Industries*: The presence or absence in the nation of supplier industries and other industries that are internationally competitive. This means one competitive industry helps to create another industry in a mutually reinforcing process.

4. *Firm Strategy, Structure, and Rivalry*: The conditions in the nation governing how companies are created, organized and managed as well as the nature of domestic rivalry. Competitiveness in a specific industry results from convergence of the management practices and organizations modes favored in the country and the sources of competitive advantage in the industry (Porter, 1998).

From a country level competitive index, the adequacy of the factor conditions influence to a great deal the success of the organizations. The decision to offshore to a particular firm in a particular country is partially moderated by the adequacy of the factor conditions. Therefore, an assumption is made in this study that the factor conditions influence the national *credibility* of a country while the decision to offshore to a particular country is being made. Only when a client organization views a country as credible to offer offshoring services do they decide to outsource to a specific firm in the country.

### **2.6.5 Intercultural competence and its link to offshoring success**

Culture is defined as an “an integrated system of learned behavior patterns that are characteristic of the members of any society. It includes everything a group thinks, says, does, and makes — its customs, language, material artifacts, and shared systems of attitudes and feelings” (Czinkota et al., 1996; p. 298). The success of global IT outsourcing is moderated by a number of country and individual firm factors such as telecommunications infrastructure, legal and security issues, time zone differences, national culture, and language barriers (Rao, 2004).

The interest in linking national culture to organization capabilities in offshoring success is that patterns of thought and behavior that seem so natural and

ingrained in employees of offshore vendors may appear quite alien and incomprehensible to the companies that hire them (Rao, 2004). This is because there are cultural differences between countries, and the nature of offshoring requires that culture needs to be situated in order to understand how cross-cultural IT offshoring has an impact on the success of the practice of offshoring (Weisinger & Trauth, 2003).

Studies have been conducted that clearly point to the implications of national culture on offshoring success. Swabey (2008) points out the danger of cultural stereotyping that may have arisen due to rapid globalization, despite the fact that there have been technological developments that have resulted in overcoming geographical distances. That cultural distance between countries is still pronounced, the intercultural competence of individuals working in offshore organizations is still quite nebulous. Olsson et al (2008) underscores the cultural problem through the notion of cultural compatibility, where they argue that the extent of the cultural problem experienced amongst Indian [software] developers is dependent on proper training. Earlier research by ITNet (1999) stressed that any kind of cross-country partnerships, such as those in offshoring, requires an understanding of each other's style and culture. Few studies have focused on how culture affects BPO operations in Kenya and the focus of attention by individuals in BPO firms should be on intercultural competence.

This study attempts to address the extent to which BPO firms in Kenya are culturally competent to enable them interact with their client organizations. The Developmental Model of Intercultural Sensitivity (DMIS) of Bennett (1993) is adopted in order to understand the level at which the BPO firms have reached. The DMIS consists of six stages grouped into three *ethnocentric* stages (the individual's culture is the central worldview) and three *ethnorelative* stages (the individual's culture is one of many equally valid worldviews), as follows (Sinicrope, Norris & Watanabe, 2008):

(1) In the first ethnocentric stage, *denial*, the individual denies the difference or existence of other cultures by erecting psychological or physical barriers in the forms of isolation and separation from other cultures.

(2) In the second ethnocentric stage, *defense*, the individual reacts against the threat of other cultures by denigrating the other cultures (negative stereotyping) and promoting the superiority of one's own culture. In some cases, the individual undergoes a reversal phase, during which the worldview shifts from one's own culture to the other culture, and the own culture is subject to disparagement.

(3) Finally, in the third ethnocentric stage, *minimization*, the individual acknowledges cultural differences on the surface but considers all cultures as fundamentally similar.

The three ethnorelative stages of development lead to the acquisition of a more complex worldview in which cultures are understood relative to each other and actions are understood as culturally situated.

(4) During the *acceptance* phase, the individual accepts and respects cultural differences with regard to behavior and values.

(5) In the second ethnorelative stage, *adaptation*, the individual develops the ability to shift his frame of reference to other culturally diverse worldviews through empathy and pluralism.

(6) In the last stage, *integration*, the individual expands and incorporates other worldviews into his own worldview.

Together, these six stages are used to provide a continuum of analysis from least culturally competent to most culturally competent, and they illustrate a dynamic way of modeling the development of intercultural competence (Sinicrope, Norris & Watanabe, 2008). The analysis process should provide an indication as to what extent a particular individual in an organization is *culturally competent*.

## CHAPTER THREE: RESEARCH METHODOLOGY

This chapter outlines the research methodology that was adopted for conducting the study. It begins by highlighting the exploratory and qualitative nature of the study and then outlines the mixed methods that were used.

### 3.1 Research design: mixed-method approach

This study was largely exploratory in nature since not many studies have been carried on the effects of culture on organizational capabilities within an offshoring context especially here in Kenya. Due to this fact and the limitations of measuring culture cited above, a mixed-method approach, involving qualitative and quantitative techniques was used in the study.

Cooper & Schindler (2008) note that; both qualitative and quantitative techniques are applicable in exploratory studies. Referring to the approach as multiple methods, Saunders et al (2007) observe that this approach is increasingly advocated for in business and management research. In a mixed-method a research may use quantitative and qualitative techniques and procedures in combination as well as use primary and secondary data (Saunders et al, 2007).

Creswell (2009) observes that qualitative procedures rely on text and image data, have unique steps in data analysis, and draw on diverse strategies of inquiry. Differentiating the two terms, Saunders et al (2007) cite that:

*Quantitative is predominantly used as a synonym for any data collection technique (such as questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorizing data) that generates or uses non-numerical data. Qualitative therefore can [also] refer to data other than words such as pictures and video clips.*

Besides the fact that a mixed-method approach utilizes the strengths of both qualitative and quantitative research, Creswell (2009) asserts that the problems addressed by social sciences researchers are complex and the use of either quantitative or qualitative approaches by themselves is inadequate to address this complexity. The other reason for using mixed-methods is the exploratory nature of this study as stated above. The study sought to deepen understanding on the issues of culture in BPO. This called for insights which could best be gained through the mixed-method approach. Creswell (2009) argues that there is more insight to be gained from the combination of both quantitative and qualitative research than either form by itself.

However, since Cooper & Schindler (2008) also observe that exploration relies more heavily on qualitative techniques than quantitative techniques, this study thus used more of qualitative than quantitative approaches. This study explored the virgin territory of culture in offshoring projects which is complex. In the bid to unearth the effects of culture there was need to gain insights and develop themes along the area. An understanding of how organizational capabilities change as firms participate in BPO and the influence of culture is complex.

A case study and a survey were therefore conducted so as to enable tackle the research problems more efficiently than using non-mixed methods approach. Data from both the survey and the case study were triangulated with the expectation of getting explanations in a qualitative form from the case study to corroborate the survey findings. This is believed to have led to better conclusions and recommendations.

### **3.1.1 Case study**

Case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Cooper & Schindler, 2008). The intention is generally proposed as to gain an “in-depth” understanding of the concerned phenomena in a “real-life” setting (Dobson (1998).



This approach was, thus, appropriately adopted since the aim of this study was to deepen understanding of the problematic and unresolved issues of national culture and organizational capability in offshoring projects. Since the study was investigating a contemporary set of events [culture] over which we have no control (Egerkrans & Weckner, 2007) a case study approach was also justified. Given time and resource constraints only one case study, G7 Systems (K) Ltd, was undertaken to help in addressing the research questions. This was supplemented by secondary information as well as an empirical survey.

### **3.1.2 Survey**

To triangulate the case study findings, a national survey of the vendors involved in offering offshoring services as well as ICT companies that have the capability to offer the services was undertaken. The study targeted all the 39 BPO vendors as listed in the Kenya Business Process Outsourcing guidebook prepared by the Kenya ICT Board. Creswell (2009) contends that

*A survey design provides a quantitative or numeric description of trends, attitudes, or opinions of a population. From sample results a researcher generalizes or makes claims about the population.*

### **3.2 The population**

The study's targeted population of interest was all the BPO organizations in the republic of Kenya. The list of all the BPO organizations is available in the Kenya Business Process Outsourcing Guidebook prepared by the Kenya ICT Board. According to the Kenya ICT Board (2009) there are currently 32 BPO and contact centers and 7 consultants and service providers in Kenya. Therefore the population of the study consists of 39 BPO organizations which formed the sampling frame for the study.

### **3.3 Sampling**

The sampling included all the 39 BPO firms identified above. All of them were targeted since the total population is small (39 companies) and was therefore

considered feasible to deal with them all. Only 11 organizations responded. This formed a response rate of 28.2%.

### **3.4 Data collection**

Primary data was collected using the mixed-method approach. This means that a combination of methods was used to collect the primary data. A mixed-method approach was deemed appropriate due to the complex and exploratory nature of the study.

Saunders et al (2007) provide two types of qualitative research interviews: semi-structured and unstructured interviews. They note that in semi-structured interviews the researcher will have a list of themes and questions to be covered, although they may vary from interview to interview. Unstructured interviews on the other hand are noted to be informal and used to explore in-depth a general area. Both the two types of interviews were used to collect primary data.

#### **3.4.1 Individual Depth Interviews (IDIs)**

IDIs are usually conversational rather than structured (Cooper & Schindler, 2008). These interviews are deemed appropriate given the busy nature of the targeted interviewees. An interview guide was developed and used for this purpose. Face to face interviews were done and electronic recording devices were used to record the information and transcription was done later for analysis. Note taking was also done as a backup procedure. This enhanced accuracy and objectivity.

#### **3.4.2 Administered questionnaire**

A semi-structured questionnaire was used to carry out the survey. The questionnaire was pre-tested and amendments done before final administration. It was mostly administered in person, face to face preferably. However, another method was employed when it was deemed necessary. This was the “drop and pick” for respondents who needed more time. The questionnaire was designed to

include the following sections covering the specific research objectives outlined in chapter one:

1. Respondent Demographic Information
2. BPO Services & ICT Infrastructure in BPO Organizations
3. Critical Factors Influencing BPO National Competitiveness
4. Indicators of Intercultural Competence as an Antecedent to BPO Success (INCA, LdVII, 2004).

### **3.4.3 Secondary documents**

Secondary data was also used to augment the findings from the primary data. The sources of the secondary data were some online publications, websites of the targeted firms, newspaper articles and magazines (Cooper & Schindler, 2008). This information was analyzed and used to corroborate the information from the survey and case study.

### **3.5 Data analysis**

The specific mixed-method approach that was used for analysis is the mixed-method research which uses quantitative and qualitative data collection techniques and analysis procedures either at the same time (parallel) or one after the other (sequential) but does not combine them (Sunders et al, 2007). The case study, using the Individual Depth Interviews (IDIs) was qualitatively analyzed while the survey results were quantitatively analyzed. Secondary documents were analyzed qualitatively or quantitatively as the case might have been.

Collected data was analyzed using SPSS (Statistical Package for Social Sciences) and spreadsheets. Descriptive statistics were used for analyzing the administered questionnaire: respondent demographic information; BPO Services & ICT Infrastructure in BPO organizations and the critical factors influencing BPO national competitiveness. The descriptive data was analyzed and presented

using graphs, frequency tables, charts and thereof calculating the measures of central tendency (e.g. mean, median and mode) as well as measures of dispersion (e.g. standard deviation, variance) (Saunders et al, 2007).

Factor analysis was used for the fourth section of the questionnaire: indicators of intercultural competence. Factor analysis is a statistical technique used to identify a relatively small number of factors that can be used to represent relationship among a set of many interrelated variables. It helps to identify the underlying, not directly observable constructs in a study. It is thus deemed appropriate as culture is one such factor which is not directly observable.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter discusses the results of the data analysis. The first section presents the case study, the analysis approach used and its results. The second section presents the descriptive statistics from the survey as well as the factor analysis results.

### 4.1 Case study

For the case study, a number of qualitative Individual Depth Interviews were conducted in G7 Systems as a representative BPO in Kenya. Three respondents from this organization who are directly involved in the running of the firm were interviewed. These respondents were selected on the basis that they were involved in offshoring implementation within G7 Systems for a period of time. The interview questions focused on the respondents experiences in the running of the BPO. To ensure the reliability of the responses, the researcher relied on documentation on BPO in Kenya available from Government agencies, consultant views and cross-validation from other individuals that were engaged in implementation. In addition, a BPO consultant and an ICT Officer with the Communications Commission of Kenya (CCK) were also interviewed.

**Table 3: Case study respondents**

G7 Systems	General Manager
G7 Systems	Managing Director
G7 Systems	Systems Administrator
IT Consultant	GOK Projects
ICT Officer	CCK

#### 4.1.1 Organizational context of G7 Systems in Kenya

G7 Systems Kenya Ltd (G7K), created in 2006, is a BPO subsidiary company of G7 Systems LLC incorporated in the US in 1996. The parent company has

grown from inception as an Information Warehousing services organization serving Fortune 500 clients in the United States, to the present organization whose goal is to create sustainable development in rural Kenya through ethical outsourcing. It aims to provide ICT services to G7 Systems financial services clients in the United States. Since then, G7K has expanded its core offerings in computer programming to include Rural ICT Infrastructure implementation, hosted Project Management Software (SaaS), and ERP (Enterprise Resource Planning) implementation and support.

In order to increase sustainable employment for youth that don't have the benefit of a university education, G7 created the New Ventures division in 2008. The objective is to leverage the talents of rural youth to create sustainable micro-entities in rural Kenya. The company has a total of 18 employees with 4 of them being female. The employees are rallied behind the company's motto: "together we can make a difference". G7K is located in rural Kenya, in a town called Kakamega. Its operation is located on a science park in a rural Kenyan University: Masinde Muliro University of Science and Technology [MMUST].



Figure 6: Front view of the G7 Systems (K) premises

Mr. Geoff Ridden is Chief Executive Officer of G7 Systems LLC [USA] and Managing Director of G7 Systems Kenya Limited. Mr. Ridden founded G7

Systems LLC in 1996. For 13 years prior to founding G7 Systems, Mr. Ridden was an IT Manager with the British Columbia Telephone Company. Mr. Ridden serves as a Director of Afretech Aid Society [Canada] and Afretech Inc [USA] a charitable organization whose goal is to transform the poorest African rural schools into true institutions of learning by providing them with the educational resources that they need. Mr. Ridden holds a Bachelors degree in Mathematics and a Masters Degree in Business Administration.

#### **4.1.2 Case analysis approach**

The philosophical assumption underpinning this case study analysis is Critical Realism (CR) with the overarching theme explaining the social practice of offshoring in a Kenyan context with the aim of implementing change in its practice. The case study relied on thematic analysis, primarily as a tool that can be employed across different methods. There are two versions of thematic analysis: inductive and theoretical thematic analysis (Braun & Clarke, 2006). In an inductive approach, the themes identified are strongly linked to the data themselves, which in the end may bear little to the specific questions that were asked of the participants (Braun & Clarke, 2006). The themes identified in the inductive approach would also not be driven by the researcher's theoretical interest in the area or topic. Theoretical thematic analysis on the other hand is driven by the researcher's theoretical or analytic interest in the area, and is thus more explicitly analyst-driven (Braun & Clarke, 2006).

This study employed theoretical thematic analysis even though it is recognized to provide a less rich description of the data overall but allows for a more detailed analysis of some aspect of the data. Theoretical thematic analysis was selected because the data was coded for a specific purpose of explaining how offshoring is practiced in Kenya and it is also in line with Critical Realism assumptions (Braun & Clarke, 2006).

Latent themes relevant to offshoring practice from a dynamic capabilities perspective to ensure BPO success characterized by the formative constructs of Organizational Renewal, National Credibility and Cultural Sensitivity were derived using this approach. The metaphors for theorizing what is emergent from the data were therefore from these three concepts. These were regarded as the Discursive Practices (DP) used for interpretation purposes. Table 4 summarizes these discursive practices and the indicators of the DP or Discursive Types (DT).

**Table 4: Discursive practices**

<b>Discursive Type</b>	<b>Discursive Practices (DP)</b>
Processes, Positions, Paths	Organizational Renewal
Education, R&D, Capital, ICT Infrastructure	National Credibility
Communication Effectiveness	Cultural Sensitivity

#### **4.2 Case results analysis**

This part of the paper assesses the status of offshoring in G7 Systems by using the three discursive practices of Organizational Renewal (*Renewal*), National Credibility (*Credibility*) and Cultural Sensitivity (*Sensitivity*) as formative constructs that can be used for explaining offshoring success. These three constructs shall form the basis of making what in critical realism is regarded as ‘generalizing claims’ (Danermark et al, 2002) towards the development of a framework for BPO operations within the Kenyan context.

First, *Renewal* is used as a show of how the dynamic capabilities of an organization are used to initiate demand. Secondly, *Credibility* is used to tease out how various factors constrain a country’s BPO capability and how this affects overall competitiveness of a country at the global level. Thirdly, *Sensitivity* is employed to unravel how cultural factors aid in sustaining demand for offshoring business. The interview transcripts selected are those that are considered relevant and adequate for a critical realist agenda.



#### 4.2.1 Initiating demand through organizational renewal

The ability of an offshoring firm to build demand for its services can be linked to specific dynamic capabilities that it possesses. In this section, the resource oriented perspective of Teece; Pisano & Shuen (1997) is employed to assess how G7 Systems develops dynamic capability to continue operating as an offshoring firm in Kenya. If not, the analysis also seeks to address why it is not able to develop the dynamic capabilities<sup>3</sup> it needs to aid in sustaining competitive advantage with other global offshoring firms. The responses in table 5, 6 and 7 are used to illustrate three themes (*processes, paths, positions*) from the dynamic capabilities literature to help in making generalizing claims for the need for organizational renewal.

Teece, Pisano & Shuen (1997) define processes as the way things are done in the firm or routines and patterns of current practices and learning. Positions are considered as current endowments of technology, intellectual property, complimentary assets, customer base and external relations with suppliers and other commentators. Paths are taken to mean strategic options available to the firm, the presence or absence of increasing returns and attendant path dependencies (Teece, Pisano & Shuen, 1997).

In table 5, what becomes apparent from the responses is how politics and the political environment are likely to play a key role on decisions regarding the future strategic options available to the organizations (R1, R3, and R4). The negative portrayal of the political environment may have a direct influence on the ability of the firm to develop the required capability for future competitiveness. R2 indicates that the setup of a BPO firm is partly dependent on experience and 'local knowledge' by the owners, thus reinforcing the concept in capability development that 'the past matters' and 'bygones are not bygones'. The ability of the BPO firm to negotiate for a presence within the university science park

---

<sup>3</sup> the capacity of an organization to purposefully create, extend, or modify its resource base' (Helfat *et al.*, 2007: 4)

provides it with access to affordable skills, a factor that plays a key role in ensuring successful cost-effective operations of the BPO firm.

From table 5, it may be construed that there is a predominance of what may be characterized as negative capability (R1, R3, and R4) as opposed to positive capability (R2). An implication of these responses may be made: that while the CEO's unique past experiences have been critical in establishing the organization on a firm footing, an unstable political environment is likely to hamper the normally 'emergent and gradual' (Helfat & Peteraf, 2003) development of dynamic capabilities. The concerns raised regarding the political environment are not far-fetched, given that Kenya experienced political violence after her elections in 2007. The continued expectation of political instability may render the existing firm-based capabilities obsolete.

Strategic management literature recognizes how the importance of specific firm assets<sup>4</sup> has a direct influence on strategic posture (Teece et al, 1997). Table 6 attempts to capture how the asset endowment of the firm is likely to influence its future success.

In R5, the customer base of the firm is highlighted to be partly constrained by the decision to locate the firm within an EPZ, which emphasizes a regulatory regime limiting access to the local market. R6 points to how the national system of education negatively influences the institutional asset structure, since the organization has to invest further in training new employees, especially in problem solving skills. R7 paints a positive picture of technological capability to offer offshoring services. However, the heavy investments in costly technological assets extends the payback period, thus exacerbating the cash flow position of the firm in the short run.

---

<sup>4</sup> Specific assets mean for example its specialized plant and equipment. These include its difficult-to-trade knowledge assets and assets complementary to them, as well as its reputational and relational assets (Teece et al, 1997).

Thus the limited customer base, costly technological assets and weak financial asset base are likely to impact negatively on specific strategic paths that the firm chooses which may be a pointer to the negative path capability outlined in table 5. When the negative path capabilities (table 5) and restrictive asset endowments (table 6) of the firm are assessed in terms of their likely effects on the managerial and organizational processes, the likely result are heavier investments in processes which further erodes profits.

<b>Table 5: Dominant theme: negative path dependency</b>			
Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R1	<p>Politicians lack leadership and we will have a massive problem in a few years. For instance, there will be lack of power (electricity) due to lack of planning. We have a large youth population (15 – 35 years) who are unemployed and are idle. This is a recipe for disaster. The politicians are carefully engineering internal conflict to keep the population down. 2012 will be worse than 2007. <b><i>“I am prepared to button down all the hatches”.</i></b> [CEO].</p>	<p>The future political environment is likely to affect the strategic alternatives.</p>	<p><i>Negative Path Dependency</i></p>
R2	<p>He used to run a certain computer project. He used to supply computers to Mbale. Somehow he met the management of this university where they talked and then from there. You know as a business person (Geoff Ridden, CEO) he probably saw an opportunity why this was the best place for setting up the BPO. <b>[Assistant General Manager]</b></p>	<p>The insinuation the setup of the BPO firm was partly due to ‘local knowledge’ of the CEO.</p>	<p><i>Positive Path Dependency</i></p>

R3	Kenya should bring in a company that will set up <b>a profitable BPO</b> and give this company incentive and other BPO firms' incentives. BPO firms should hire Kenyans. Clinton was around de-selling Kenya [In reference to when Hillary Clinton came on a mission largely viewed as an attempt to pressurize the political class towards reforms]. <b>[CEO]</b>	A probable inference to an inadequate role in incentive-zing BPOs. Political failure and bad reputation abroad.	<i>Negative Path Dependency</i>
R4	We are not profitable yet, even though heavy investments were made. The technology we are using is very expensive; it costs about US\$ 100,000 for just the licensing fees to develop the software (for a data warehousing solution). Geoff (CEO) says that 'you may recoup all your investments with one client'. We are still looking for that one client. Geoff has 30 years experience in the industry (IT industry). <b>[General Manager]</b>	The path to profitability is unclear.	<i>Negative Path Dependency</i>

<b>Table 6: Restrictive asset endowment</b>			
Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R5	<p>Our major client was in IT area, of HSBC in US, domestic retail mortgage division, which we lost due to the global financial meltdown. We are now turning to the domestic market opportunity e.g. South Sudan.</p> <p><b>[CEO]</b></p> <p>We don't have any local customers. At times we develop some local applications that we expect will be used in all the different countries. But all our customers currently are in the United States. <b>[Assistant GM]</b></p> <p>No local customers because this is an EPZ zone that requires 80% exports. May be the firm will split into two in future to have one outside the EPZ area focusing on local clients. <b>[GM]</b></p>	<p>The customer base is currently weak, while the choice to place the firm within a free-tax zone area constrains access to local demand. This may point to an inability to define a market which makes economic sense within a restrictive regulatory system.</p>	Positions

R6	<p>There is only a problem with “problem-solving” skills due to the schooling system. The teacher ratio is low and the focus is on discipline. There is no atmosphere of creativity and problem solving. By the time a graduate finishes university they have no idea where to start the procedure, you have to take them step by step where you start and where you go. You train them and it is done. Training takes about 3-6 months for one to learn but it is individual-based. <b>[CEO]</b></p>	<p>The system of higher education affects the institutional asset structure, by investing in additional training</p>	<p>Positions/ Processes</p>
R7	<p>The uplink and downlink. Generally our speeds are very very reliable, unless there is a problem from the ISP side in the USA. This is rarely the case. We also have a backup satellite dish that we can rely on incase one fails.</p> <p><b>[Assistant GM]</b></p> <p>It is not yet profitable, heavy investments were made. If it were purely Kenyan it would have collapsed. The technology is very expensive; it costs about USD 100, 000 just the licensing fees to develop the software. Payback period, Geoff says “you may recoup all your investments with one client”. We are still looking for that one client. Jeff has 30 years experience in the industry. <b>[GM]</b></p>	<p>The heavy investments in ICT infrastructure, though costly, enable the firm to offer quality service (<i>technological asset</i>). However, the lack of profitability constrains the cash position of the firm (<i>financial assets</i>)</p>	<p>Positions</p>

The analysis reported in table 5 and table 6 may allow an inference to be made: that the negative path dependency, the restrictive position of the firm could lead to ineffective and inefficient managerial and organizational process that limits organizational renewal. In dynamic environments which rely on technology to sustain competitive advantage, the need for continual transformation and renewal is inevitable (Langlois, 1994). In the above analyses, while there are indications that the firm is building an asset structure supportive of its business goals, the strategic paths are clearly curtailed by the conditions in the external environment. The lack of organizational renewal would limit the ability of the firm to attract customers, thus its current weak customer base. The next section further extends the analysis by looking at how organizational success in offshoring is hinged on what the study refers to as national credibility.

#### **4.2.2 Role of government in enhancing national credibility**

An analysis of the role of government in developing a positive perception about the country by building national credibility is captured in various responses (R8, R9 and R10) in table 7. The cost of the infrastructure needed to provide offshoring services is prohibitive (R8), while the structure of government in which government services related to business operations being located in Nairobi ultimately affects factor conditions negatively (R8, R9). In addition, there is an insinuation that the role of marketing the country by the government is inadequate (R10), which negatively influences the market conditions. National marketing is therefore not being pursued to build a sustainable national brand which can aid offshoring firms be viewed positively by potential customers. The role of government in building national credibility is therefore insufficient to BPO firms in attaining their objectives. Kenya's national competitiveness is therefore in question, which is likely to influence her ability to attract customers (*demand pull*) for BPO firms situated within her borders.



<b>Table 7: Negative factor and demand conditions</b>			
Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R8	The communication cost in Kenya is very high for example it costs about 750 USD per mb per month in Kenya compared to 40 USD per mb per month in the US. <b>[CEO]</b>	<i>Cost of Access:</i> Offshoring is dependent on a stable affordable Internet infrastructure, yet this is not the case in Kenya.	Negative Factor Conditions
R9	Kenya is Nairobi (capital city) focused, everything is centered around Nairobi despite the fact that BPO can be done from anywhere. Indeed it can help to reduce the migration problem to cities. The government seems to pay lip-service to the idea of rural BPO. For example all legal agreement registration has to be done in Nairobi. Despite the fact that Kakamega is a provincial headquarters you can hardly get any paperwork done here. <b>[CEO]</b>	<i>Location:</i> Centralization of Government services in Nairobi inhibits or negatively affects the possible competitiveness of offshoring firms based outside the capital city. This limits access to the resources that are critical in building the institutional capability of the firms.	Negative Factor Conditions

R10	<p>In Africa, South Africa is on top and deemed not corrupt but it is not true. It is all about perception since SA has done very good marketing. Kenya needs to eliminate corruption with development partners. The government has not asked us to participate in BPO internal marketing materials development and we believe we are key in BPO in Kenya. The ICT Board is Nick Nesbitt's [CEO, Kencall] private marketing tool. He is the true beneficiary from policy and this is creating an ugly situation. The BPO society was tried and did not have time to market Kenya.</p> <p><b>[CEO]</b></p>	<p>Marketing: There is an inability to craft a positive image about Kenya that counteracts the negative perception about the country. The policy environment regarding this activity is not institutionalized to serve the country but is built around personalities. This maybe a pointer to inadequate knowledge on national marketing.</p>	<p>Negative Demand Conditions</p>
-----	---	---	-----------------------------------

#### 4.2.3 Developing cultural competence for demand sustenance

Cultural competence aims to attain the external outcome of behaving and communicating effectively to achieve certain goals by relying on an internal frame of reference that enables staff to be adaptable, flexible, and show empathy (Deardorff, 2004). All the responses in R11, R12, R13 and R14 show that attainment of these external and internal outcomes is fraught with difficulties.

<b>Table 8: Intercultural Incompatibility</b>			
Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R11	During the initial stages, we found it a little bit difficult and challenging. Like for example time, we are told you have to be here by 8 or you are to go for lunch for 1 hour. Since he came, even being late by 1 minute is enough to get a warning. Thus the issues of time required that we need to adjust. <b>[GM]</b>	The concept of time is not the same from the two cultural groups of staff from the US and from Kenya. However, there is some sense of adaptability to the US concept of time.	Time Horizon
R12	Americans don't observe social presentations. They will not greet you [for example] but get straight to business. [In a conference call] they just ask who is on the call and then it's all business, no good mornings. Kenyans find it shocking. <b>[CEO]</b>	The process of interaction is different, since from a Kenyan's perspective, starting the process by engaging in 'niceties' is part of the norm. This is unlike the US culture. This calls for communicative awareness of the differences between cultures.	Communicative Awareness

R13	<p>Management and motivating people is also a cultural challenge because the work culture is different in Kenya due to massive unemployment and the culture of responsibility to the extended family. This makes it difficult because regardless of motivating with training and others, people go [to work] where there is money. An American has to balance money and other factors. For G7 the people who stay value what we have. Although our staff have stress to support extended family. <b>[CEO]</b></p> <p>Also, they (US staff) have different culture of doing things, but someone who has been here understands how things work here. For instance the COO, there are a lot of things that she finds it difficult to adapt. This has forced her of late to give her perspective and also we give our perspective so that we arrive at a compromise. <b>[Assistant GM]</b></p>	<p>Differences in work cultures are also evident which requires behavioral change to ensure a favorable work environment. This is not necessarily in support of building positive capability within the organization.</p>	<p>Behavioral Flexibility/ Respect for Otherness</p>
-----	--	---	--

R14	The English structure is not there and hence there is need for English accent neutralization. It is a big cultural challenge to get Kenyans to speak like Americans. The English accent, Kenyans speak good English but with local accent. <b>[CEO]</b>	There are subtle references to the problem of language incompetence, which is the basis of communication.	Language Competence
R15	Problem solving is group-oriented in Kenya. You get 5 people to solve a particular problem. In US it is individual-based, here we have 5 people. Communicating this to US clients is a challenge because they need to know how many people and how many hours are dedicated to a problem. It is difficult for clients to understand. <b>[CEO]</b>	Offshoring involves engaging others in problem solving initiatives. Incompatibility of problem solving frames of reference may make the process less efficient.	Collectivism versus Individualism

All the responses in table 8 show some level of intercultural incompetence between staff from Kenya and those from the US as well as their customers. The likely scenario that may arise is a situation where BPO firms that exhibit such traits would be unable to sustain their customers in the long run (*'demand sustenance'*) unless programs are developed that ensure staff develop the capability to be adaptable, flexible and be empathic to other cultures, thus ensuring cultural sensitivity. In all the analyses above, the ability of the organization to develop dynamic capability is flawed and its ability to sustain competitive advantage in question. The analysis focused on certain factors that are critical for *demand initiation*, *demand pull* and *demand sustenance*.

### 4.3 Survey results analysis

This analysis, done on SPSS, is based on the 11 questionnaires that the researcher was able to get filled and collect. It should be noted that out of the 39 registered firms some were not in operation hence the non-response. Some were in the initial stages of setting up and proved uncooperative. However, it was not clear how many were up and running as this was difficult to ascertain. The analysis of the survey questionnaire is presented in the following sections covering the specific research objectives outlined in chapter one. This section will provide the descriptive statistics on the following sections of the questionnaire.

1. Respondent demographic information
2. BPO services & ICT infrastructure in BPO organizations
3. Critical factors influencing BPO national competitiveness
4. Indicators of intercultural competitiveness

#### 4.3.1 Demographic information

This section presents the demographic information of the respondent firms to the survey questionnaire.

##### 4.3.1.1 Position in the organization

Most of the interviewees were in management position. In deed 6 out of the 11 were at the uppermost echelon of the pecking order. Only two held other (non-management) positions (see table 9).

**Table 9: Position of interviewees in the organization**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Managing Director/General Manager/CEO/Permanent secretary	6	54.5	54.5	54.5
Department Manager	3	27.3	27.3	81.8
Other	2	18.2	18.2	100.0
Total	11	100.0	100.0	

#### 4.3.1.2 Ownership of the firms

All the company surveyed fall under three categories: locally owned, partially foreign owned or completely foreign owned.

**Table 10: Company ownership**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Locally owned	8	72.7	72.7	72.7
Partially foreign-owned	2	18.2	18.2	90.9
Foreign-owned	1	9.1	9.1	100.0
Total	11	100.0	100.0	

Almost 73% of the companies interviewed are locally owned with 18% being partially owned by foreigners. Only one company was fully foreign owned.

#### 4.3.1.3 ICT firms sector

The firms surveyed fall under the following major sectors depicted in table 11 below. The sectors targeted for the study included Internet Service Providers (ISPs), Public Data Network Operators (PDNOs), Call/Contact Centers (CCs) and Software Developers. Others included those in the provision of training services within the BPO sector.

**Table 11: Sector under which firms operate**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Public Data Network Operator (PDNO)	1	9.1	9.1	9.1
Call/Contact Centre (CC)	4	36.4	36.4	45.5
Software Application Developer (SAD)	1	9.1	9.1	54.5
Other	5	45.5	45.5	100.0
Total	11	100.0	100.0	

As seen from table 11 above, majority of the firms were Call/Contact Centers at 36.4%. There was 1 PDNO and 1 software applications developer. The other firms stood at 45.5%. They included a training institution, a hardware vendor and an equipment provider among other stakeholders in the BPO sector.

#### 4.3.1.4 Year companies were started

The average time the surveyed companies were started is 2003. This coincides with the post liberalization era of the telecommunication industry in Kenya, which peaked in the year 2000. The oldest firm was started in 1997 while the newest was started in 2008, barely two years old in the industry.

**Table 12: Year companies were started**

	Minimum	Maximum	Mean
Year company was started	1997	2008	2003

#### 4.3.1.5 Number of employees

91 percent of the firm's surveyed have less than 100 employees. Only one firm has more than 100 employees. None of the firms surveyed had more than 200 employees (see table 13 below).

**Table 13: Total employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than 100	10	90.9	90.9	90.9
101 - 200	1	9.1	9.1	100.0
Total	11	100.0	100.0	

#### 4.3.1.6 Source of customers

One company alone has only overseas customers. About 64% rely on the home country for customers and 27% have both homegrown and overseas customers.

**Table 14: Source of customers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Home country	7	63.6	63.6	63.6
Overseas	1	9.1	9.1	72.7
Both	3	27.3	27.3	100.0
Total	11	100.0	100.0	



#### **4.3.2 BPO services & ICT infrastructure in BPO organizations**

This section presents the type of services offered and the infrastructure existing in the BPO firms surveyed.

From the analysis that follows, only 9.1% of the respondents were influenced by government on where to locate (see table 15). This means the BPO firms select their own location. A very critical factor for BPO success is the ICT infrastructure a firm needs to have. This is evident from the fact that over 70% of the surveyed firms spend 20% or more of their budget on ICT (see table 16). The actual ICT technology infrastructure that is critical for BPO includes: a dedicated or lease line connection (82% of respondents have it, see table 17); Intranet (72% of respondents have it, see table 18); a registered website (73% of respondents have it, see table 23). Of moderate importance is: extranet (45.5% of respondents have it, while a further 27.3% expect to have it within three years, see table 19), and a customized web-platform (55% of respondents have it, while a further 9.1% expect to have it within three years, see table 22).

Appearing, from the survey results, not to be critical for BPO includes: satellite technology (only 18% of respondents have it while 73% don't even know when they will have it, see table 20); dial-up Internet (only 36% of respondents have it, see the figure 7, a similar percent don't even know when they will have it); standalone databases (only 27.3% of respondents have it, while a further 36.4% don't even know when they will have it, see table 21); and Enterprise Resource Planning (ERP) system (only 9.1% of respondents have it, while a further 54.6% don't even know when they will have it, see table 24). Regarding BPO services offered (see figure 8), data entry services is offered the most (4 firms), while the least offered is multimedia and animation support and web-based customer support (only 1 firm offers each of the two). However, other high value services like data research analytics, software development and transcription services are also being offered (3 firms for each). Call centre services are also offered by 3 firms. A detailed analysis of the ICT infrastructure and BPO services now follows.

#### 4.3.2.1 Government influence on location

Only one firm was influenced by the government on where to locate. This is because it was under the Export Processing Zone program.

**Table 15: Government influence on location**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	1	9.1	9.1	9.1
	No	10	90.9	90.9	100.0
	Total	11	100.0	100.0	

#### 4.3.2.2 Percent of budget spent on ICT

Majority of firms (36.4%) spend about 20 percent of their budget on ICT. Only one firm spends over 50 percent of its budget on ICT (see table 16).

**Table 16: Percent of budget spent on ICT**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	1	9.1	9.1	9.1
	5	1	9.1	9.1	18.2
	10	1	9.1	9.1	27.3
	20	4	36.4	36.4	63.6
	35	1	9.1	9.1	72.7
	40	2	18.2	18.2	90.9
	60	1	9.1	9.1	100.0
	Total	11	100.0	100.0	

#### 4.3.2.3 Dial up Internet

About 36% of the firms have dial up Internet now while a similar percentage do not know when they will have it. One firm expects it in 3 years and one expects it in more than 3 years. One company did not answer the question while one said it was not applicable (see figure 7 below).

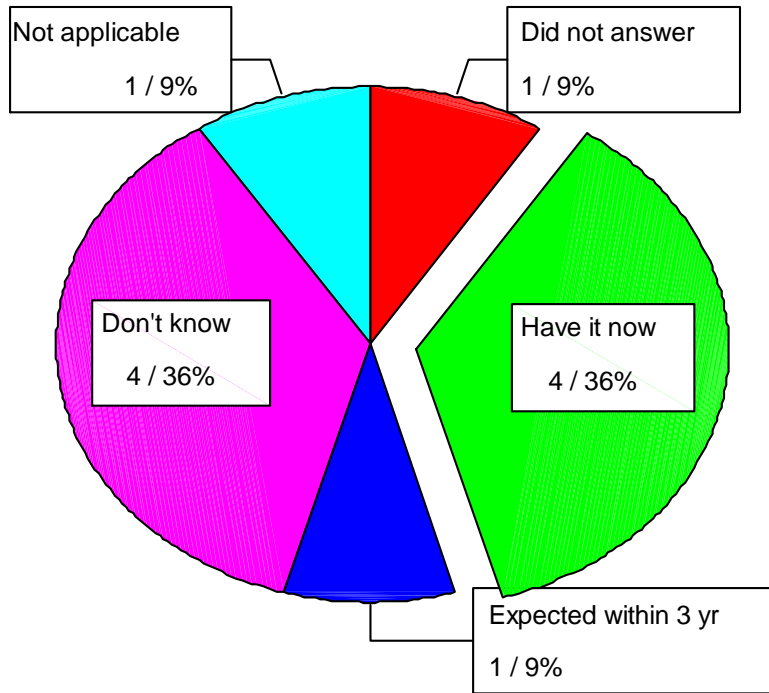


Figure 7: Dial up Internet

#### 4.3.2.4 Dedicated or leased line connection

82% have a dedicated or leased line Internet connection and only 2 firms do not know when they expect it (see table17).

**Table 17: Dedicated or leased line connection**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Have it now	9	81.8	81.8	81.8
Don't know	2	18.2	18.2	100.0
Total	11	100.0	100.0	

#### 4.3.2.5 Intranet

72.7% have an Intranet as opposed to just two firms who don't know when they will have it. One firm did not respond to the question.

**Table 18: Intranet**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Did not answer	1	9.1	9.1	9.1
	Have it now	8	72.7	72.7	81.8
	Don't know	2	18.2	18.2	100.0
	Total	11	100.0	100.0	

**4.3.2.6 Extranet**

46% have an extranet while 27%. don't know when they will have it. A similar percentage (27%) expects to have it within three years (see table 19).

**Table 19: Extranet**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Have it now	5	45.5	45.5	45.5
	Expected within three years	3	27.3	27.3	72.7
	Don't know	3	27.3	27.3	100.0
	Total	11	100.0	100.0	

**4.3.2.7 Satellite technology**

Only 18.2 percent use Satellite technology while a whopping 72.7% don't know when they will have it. This could be explained by the fact that it is an expensive technology and the other technologies have taken over i.e. dial up and dedicated lease line connection.

**Table 20: Satellite technology**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Did not answer	1	9.1	9.1	9.1
	Have it now	2	18.2	18.2	27.3
	Don't know	8	72.7	72.7	100.0
	Total	11	100.0	100.0	

#### 4.3.2.8 Standalone databases

Those who have a standalone database are 3 out of the 11 firms surveyed. This is 27.3%. Majority (36%) do not know when they will have it.

**Table 21: Standalone databases**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Did not answer	1	9.1	9.1	9.1
Have it now	3	27.3	27.3	36.4
Expected within three years	2	18.2	18.2	54.5
Expected in more than three years	1	9.1	9.1	63.6
Don't know	4	36.4	36.4	100.0
Total	11	100.0	100.0	

#### 4.3.2.9 Customized web-based platform

Those who have a customized web platform stand at 54.5 percent (see table 22). This indicates the necessity of a website for BPO firms.

**Table 22: Customized web-based platform**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Have it now	6	54.5	54.5	54.5
Expected within three years	1	9.1	9.1	63.6
Don't know	4	36.4	36.4	100.0
Total	11	100.0	100.0	

#### 4.3.2.10 Website with a registered domain

While over half have a customized web platform, about 73% have websites with registered domains. This could be a pointer to the importance BPO firms attach to a web presence. Only 27% don't know when they will register a domain.

**Table 23: Website with a registered domain**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Have it now	8	72.7	72.7	72.7
Don't know	3	27.3	27.3	100.0
Total	11	100.0	100.0	

#### **4.3.2.11 Enterprise Resource Planning**

More than half the surveyed firms don't know when they will acquire an ERP.

Only one firm has an ERP now and 3 firms expect it within three years. An ERP seems not to be a solution being used for the BPO firms.

**Table 24: Enterprise Resource Planning**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Did not answer	1	9.1	9.1	9.1
Have it now	1	9.1	9.1	18.2
Expected within three years	3	27.3	27.3	45.5
Don't know	6	54.5	54.5	100.0
Total	11	100.0	100.0	

#### **4.3.2.12 BPO services offered**

Data entry services is offered the most (4 firms), while the least offered is multimedia and animation support and web-based customer support (only 1 firm offers each of the two). However, other high value services like data research analytics, software development and transcription services are also being offered (3 firms for each). Call centre services are also offered by 3 firms (see figure 8 below).

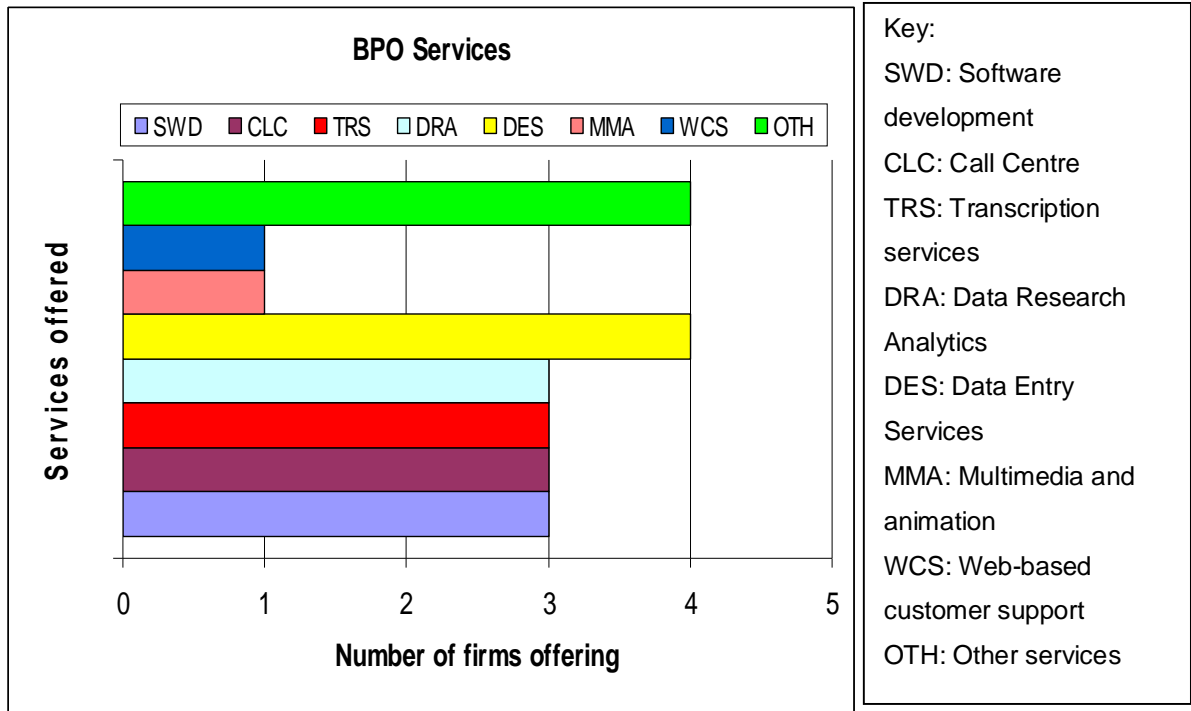


Figure 8: Types of BPO services

### 4.3.3 Critical factors influencing BPO national competitiveness

Factors considered for analysis include: existing relationships with international ICT firms, collaboration with local institutions, government-related factors, financial resources and financial / cost factors.

#### 4.3.3.1 Relationship with international ICT firms

The type of relationship considered was as a customer, supplier or a business partner. These three types are considered important. Respondents rated the importance of each of these types of relationship for BPO development. All in all the three were considered as important (extremely important, very important and important) for BPO development as follows; customer (81.8%) supplier (81.8% and business partner (90.9%).

**Existing relationship with international ICT firms as a customer**

About 73% of the respondents rate a relationship with international ICT firms as a customer as being extremely important while a further 9% rate it as very important (see table 25). This clearly indicates the fact that BPO activities are mostly international in nature.

**Table 25: Relationship with international ICT firms as a customer**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Extremely Important	8	72.7	72.7	72.7
Very Important	1	9.1	9.1	<b>81.8</b>
Not Very Important	1	9.1	9.1	90.9
Not Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**Existing relationship with international ICT firms as a supplier**

About 36.4% of the respondents rate a relationship with international ICT firms as a supplier to be extremely important while a similar percent rate it as very important. Such a relationship was deemed important (extremely important, very important and important) by a whole 81.8% of the respondents (see table 26 below).

**Table 26: Relationship with international ICT firms as a supplier**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Extremely Important	4	36.4	36.4	36.4
Very Important	4	36.4	36.4	72.7
Important	1	9.1	9.1	<b>81.8</b>
Not Very Important	1	9.1	9.1	90.9
Not Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	



### Existing relationship with international ICT firms as a partner

About 54.5% of the respondents rate a relationship with international ICT firms as a business partner to be extremely important while 27.3% rate it as very important. Such a relationship was deemed important (extremely important, very important and important) by a whole 90.9% of the respondents (see table 27 below).

**Table 27: Relationship with international ICT firms as a partner**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Extremely Important	6	54.5	54.5	54.5
Very Important	3	27.3	27.3	81.8
Important	1	9.1	9.1	<b>90.9</b>
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### 4.3.3.2 Collaboration with local institutions

The importance of a BPO firm to collaborate with local institutions in order to develop BPO appears high from the detailed analysis that follows. Rated by respondents as important (extremely important, very important or important), the highest in importance is a BPO skill transfer program at 90.9%. It was followed by existence of domestic demand for BPO services at 81.8%. R&D, interlinked clusters, internships / attachments and market research were all considered important (extremely important, very important or important) by 72.7% of the respondents. The least important is industry liaisons rated by 63.6% of respondents as important (extremely important, very important or important) for BPO development.

### Interlinked clusters

About 27.3% of the respondents rated the existence of interlinked clusters to be extremely important while a similar 27.3% rate it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and

important) to such interlinked clusters (see table 28 below). Mainly for learning from each other clusters can help BPO to develop in a country.

**Table 28: Collaboration with local institutions in interlinked clusters**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	3	27.3	27.3	36.4
Very Important	3	27.3	27.3	63.6
Important	2	18.2	18.2	81.8
Not Very Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

### **Research & Development (R&D)**

About 36.4% of the respondents rated R&D to be extremely important while 27.3% rate it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and important) to collaboration in R&D.

**Table 29: Collaboration with local institutions in R&D**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	2	18.2	18.2	18.2
Extremely Important	4	36.4	36.4	54.5
Very Important	3	27.3	27.3	81.8
Important	1	9.1	9.1	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### **Internships / Attachments**

About 27.3% of the respondents rated internships / attachments to be extremely important while a similar 27.3% rated it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and important) to collaboration in internships / attachments (see table 30 below). This can help with skills development and availability.

**Table 30: Collaboration with local institutions in internships / attachments**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	3	27.3	27.3	36.4
Very Important	3	27.3	27.3	63.6
Important	2	18.2	18.2	81.8
Not Very Important	1	9.1	9.1	90.9
Not Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**Market research**

36.4% of the respondents rated market research to be extremely important while 18.2% rated it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and important) to collaboration in market research (see table 31 below). This could be pointing to the need of understanding how to best serve the BPO market.

**Table 31: Collaboration with local institutions in market research**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	4	36.4	36.4	45.5
Very Important	2	18.2	18.2	63.6
Important	2	18.2	18.2	81.8
Not Very Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

**BPO skills transfer programs**

54.5% of the respondents rated BPO skills transfer programs as extremely important while 18.2% rated it as very important. All in all, a whole 90.9% attach some importance (extremely important, very important and important) to collaboration in BPO skills transfer programs (see table 32 below). This insinuates to the need for learning amongst BPO firms especially considering the fact that most of them are still growing if not starting.

**Table 32: Collaboration with local institutions in BPO skills transfer**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Missing	1	9.1	9.1	9.1
Extremely Important	6	54.5	54.5	63.6
Very Important	2	18.2	18.2	81.8
Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

### **Industry liaisons**

45.5% of the respondents rated industry liaisons as extremely important while 18.2% rated it as very important. A whole 63.6% attach some importance (extremely important and very important) to collaboration in industry liaisons (see table 33 below). This could be interpreted to mean there is need to align industry needs and the BPO services provided. Especially considering the fact this is a technology industry that relies heavily on rapid innovation.

**Table 33: Collaboration with local institutions in industry liaisons**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Missing	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	2	18.2	18.2	72.7
Not Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

### **Existence of domestic demand for BPO services**

54.5% of the respondents rated existence of domestic demand for BPO services as extremely important while 18.2% rated it as very important. A whole 81.8% attach some importance (extremely important, very important and important) to the existence of domestic demand for BPO services (see table 34 below). As porter (1998) pointed out in his diamond, this could be interpreted to mean that for BPO to succeed there is need for local demand.

**Table 34: Existence of domestic demand for BPO services**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	6	54.5	54.5	63.6
Very Important	2	18.2	18.2	81.8
Important	1	9.1	9.1	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**4.3.3.3 Government-related factors**

These factors are those which involve the participation of the government. They affect the national competitiveness of a BPO country. Out of those factors considered for analysis, the highest number of respondents (90.9%) rated broadband status and BPO related education programs as important (extremely important, very important or important). The rest; BPO national vision, national BPO strategy, ICT infrastructure, comprehensive implementation plan and a BPO regulatory framework were rated as important (extremely important, very important or important) by 81.8%. A detailed analysis follows.

**BPO national vision**

72.7% of the respondents rated existence of BPO national vision as extremely important while 9.1% rated it as very important. A whole 81.8% attach some importance (extremely important, very important and important) to the existence of BPO national vision (see table 35 below).

**Table 35: BPO national vision**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	8	72.7	72.7	81.8
Very Important	1	9.1	9.1	90.9
Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### National BPO strategy

45.5% of the respondents rated existence of a national BPO strategy as extremely important while 18.2% rated it as very important. 81.8% attach some importance (extremely important, very important and important) to the existence of a national BPO strategy (see table 36 below).

**Table 36: National BPO strategy**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	2	18.2	18.2	72.7
Important	2	18.2	18.2	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### Adequacy of ICT infrastructure

63.6% of the respondents rated the adequacy of ICT infrastructure as extremely important while 18.2% rated it as very important. A whole 81.8% attach some importance (extremely important and very important) to adequacy of ICT infrastructure (see table 37 below).

**Table 37: Adequacy of ICT infrastructure**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	7	63.6	63.6	72.7
Very Important	2	18.2	18.2	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### Broadband status

63.6% of the respondents rated broadband status as extremely important while 18.2% rated it as very important. A whole 90.9% attach some importance (extremely important, very important and important) to broadband status (see table 38 below).

**Table 38: Broadband status**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	7	63.6	63.6	72.7
Very Important	2	18.2	18.2	90.9
Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### BPO related education programs

A total of 81.8% of the respondents rated BPO related education programs as extremely important while 18.2% rated it as very important. A whole 90.9% attach some importance (extremely important and important) to BPO related education programs (see table 39 below).

**Table 39: BPO related education programs**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	9	81.8	81.8	90.9
Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### Comprehensive implementation plan

45.5% of the respondents rated existence of a comprehensive implementation plan as extremely important while 27.3% rated it as very important. A whole 81.8% attach some importance (extremely important, very important and important) to the existence of a comprehensive implementation plan (see table 40 below).

**Table 40: Comprehensive implementation plan**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	3	27.3	27.3	81.8
Important	1	9.1	9.1	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**BPO regulatory framework**

63.6% of the respondents rated existence of a BPO regulatory framework as extremely important while 9.1% rated it as very important. A whole 81.8% attach some importance (extremely important, very important and important) to the existence of a BPO regulatory framework (see table 41 below).

**Table 41: BPO regulatory framework**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	7	63.6	63.6	72.7
Very Important	1	9.1	9.1	81.8
Important	1	9.1	9.1	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**4.3.3.4 Financial resources**

Out of the four factors considered for analysis, resistance to change from government employees, capacity building / training programs for government employees and awareness among citizens were rated as important (extremely important, very important or important) by 72.7% of the respondents. Lowly rated was local market for outsourced services which was deemed important (extremely important, very important or important) by 63.6% of the respondents. A detailed analysis follows.



**Awareness among citizens**

45.5% of the respondents rated awareness among citizens as extremely important while 9.1% rated it as very important. A whole 72.7% attach some importance (extremely important, very important and important) to awareness among citizens (see table 42 below).

**Table 42: Awareness among citizens**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	1	9.1	9.1	63.6
Important	2	18.2	18.2	81.8
Not Very Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

**Limited local market for outsourced services**

18.5% of the respondents rated a local market for outsourced services as extremely important while 27.3% rated it as very important. In total 63.6% attach some importance (extremely important, very important and important) to a local market for outsourced services (see table 43 below).

**Table 43: Local market for outsourced services**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	2	18.2	18.2	18.2
Extremely Important	2	18.2	18.2	36.4
Very Important	3	27.3	27.3	63.6
Important	2	18.2	18.2	81.8
Not Very Important	1	9.1	9.1	90.9
Not Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**Resistance to change from government employees**

45.5% of the respondents rated resistance to change from government employees as extremely important while 9.1% rated it as very important. In total

72.7% attach some importance (extremely important, very important and important) to resistance to change from government employees (see table 44 below).

**Table 44: Resistance to change from government employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	1	9.1	9.1	63.6
Important	2	18.2	18.2	81.8
Not Very Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

**Capacity building / training programs for government employees**

45.5% of the respondents rated capacity building / training programs for government employees as extremely important while 9.1% rated it as very important. In total 72.7% attach some importance (extremely important, very important and important) to capacity building / training programs for government employees (see table 45 below).

**Table 45: Capacity building / training programs for government employees**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	1	9.1	9.1	63.6
Important	2	18.2	18.2	81.8
Not Very Important	2	18.2	18.2	100.0
Total	11	100.0	100.0	

**4.3.3.5 Financial / cost factors**

Out of the cost factors analyzed, adequacy of financing turned out to be the highest in importance since it was rated important (extremely important, very important or important) by a whole 91% of the respondents. Internet costs,

employee costs, adequacy of sustained investments in the sector through bank credit and adequacy of sustained investments in the sector through business partners were second in importance, rated important (extremely important, very important or important) by a whole 81.8% of the respondents. Adequacy of sustained investments through venture capital, government subsidies and stock trading was rated important (extremely important, very important or important) by 72.7% of the respondents. A detailed analysis now follows.

**Internet costs**

63.6% of the respondents rated Internet costs as extremely important while 18.2% rated it as very important. In total 81.8% attach some importance (extremely important, very important and important) to Internet costs.

**Table 46: Internet costs**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	7	63.6	63.6	72.7
Very Important	2	18.2	18.2	90.9
Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

**Employee costs**

45.5% of the respondents rated employee costs as extremely important while 36.4% rated it as very important. In total 81.8% attach some importance (extremely important and very important) to employee costs (see table 47 below).

**Table 47: Employee costs**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	4	36.4	36.4	90.9
Not Very Important	1	9.1	9.1	100.0
Total	11	100.0	100.0	

### **Adequacy of financing**

45.5% of the respondents rated adequacy of financing as extremely important while a similar 45.5% rated it as very important. A whole 91% attach some importance (extremely important and very important) to adequacy of financing (see table 48 below).

**Table 48: Adequacy of financing**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	1	9.1	9.1	9.1
Extremely Important	5	45.5	45.5	54.5
Very Important	5	45.5	45.5	100.0
Total	11	100.0	100.0	

### **Adequacy of sustained investments through bank credit**

54.5% of the respondents rated adequacy of sustained investments through bank credit as extremely important while 27.3% rated it as very important. A whole 81.8% attach some importance (extremely important and very important) to adequacy of sustained investments through bank credit (see table 49 below).

**Table 49: Adequacy of sustained investments through bank credit**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	2	18.2	18.2	18.2
Extremely Important	6	54.5	54.5	72.7
Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

### **Adequacy of sustained investments through venture capital**

45.5% of the respondents rated adequacy of sustained investments through venture capital as extremely important while 27.3% rated it as very important. 72.7% attach some importance (extremely important and very important) to adequacy of sustained investments through venture capital (see table 50 below).

**Table 50: Adequacy of sustained investments through venture capital**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	3	27.3	27.3	27.3
Extremely Important	5	45.5	45.5	72.7
Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

**Adequacy of sustained investments through business partners**

54.5% of the respondents rated adequacy of sustained investments through business partners as extremely important while 27.3% rated it as very important. In total 81.8% attach some importance (extremely important and very important) to adequacy of sustained investments through business partners.

**Table 51: Adequacy of sustained investments through business partners**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	2	18.2	18.2	18.2
Extremely Important	6	54.5	54.5	72.7
Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

**Adequacy of sustained investments in through government subsidies**

45.5% of the respondents rated adequacy of sustained investments through government subsidies as extremely important while 27.3% rated it as very important. In total 72.7% attach some importance (extremely important and very important) to adequacy of sustained investments through government subsidies (see table 52).

**Table 52: Adequacy of sustained investments through subsidies**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	3	27.3	27.3	27.3
Extremely Important	5	45.5	45.5	72.7
Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

### **Adequacy of sustained investments in the sector through stock trading**

45.5% of the respondents rated adequacy of sustained investments through stock trading as extremely important while 27.3% rated it as very important. In total 72.7% attach some importance (extremely important and very important) to adequacy of sustained investments through stock trading (see table 53 below).

**Table 53: Adequacy of sustained investments through stock trading**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid <i>Missing</i>	3	27.3	27.3	27.3
Extremely Important	5	45.5	45.5	72.7
Very Important	3	27.3	27.3	100.0
Total	11	100.0	100.0	

### **4.3.4 Indicators of intercultural competitiveness**

Factor analysis was done to identify the indicators of intercultural competitiveness as an antecedent of BPO success.

#### **4.3.4.1 Reliability analysis**

A reliability analysis was done and the SPSS output below shows the results of this basic analysis. The values in the column *Corrected Item-Total Correlation* are the correlations between each item and the total score from the questionnaire. In a reliable scale all items should correlate with the total. If any of the values is close to zero, then one should consider removing the item from the scale because it is not measuring the same thing as the rest of the items.

In the column *Corrected Item-Total Correlation* of the SPSS output (see table 54) the lowest values are CULTR2 (.2730) and CULTR15 (.1936). None of these is close to zero and hence neither is removed.

Citing Kline (1999), Field (2006) notes that, a value of alpha between 0.7-0.8 is generally acceptable while according to Nunnally (1978), the alpha of a scale should be greater than .70 for items to be used together as a scale. In the output,

the reliability test shows that the overall Cronbach alpha is .9431 and thus the scale is acceptable as being reliable as per both Kline (1999) and Nunnely (1978).

Looking in the *Alpha if Item Deleted* column (see table 54), all values are around .9431. Values with alpha greater than .9431 are: CULTR1 (.9442), CULTR2 (.9454) and CULTR15 (.9450). If deleting an item increases the overall alpha, this means that the deletion of that item improves reliability. However, deleting any of these items does not substantially affect reliability since the increase in the value of the overall alpha is by 0.0011 (CULTR1: .9442 - .9431), by .0023 (CULTR2: .9454 - .9431) and by 0.0019 (CULTR15: .9450 - .9431). None of these increases (0.0011, 0.0023 and 0.0019) is substantial.

From the foregoing observation from the reliability test, we can conclude that the indicators of intercultural competitiveness appeared to have good internal consistency,  $\alpha = .9431$ . All items appeared to be worthy of retention: increase in alpha would come from deleting CULTR1, CULTR2, and CULTR15, but removal of these items would increase alpha only by .0053. All items correlated with the total scale to a good degree (lower  $r = .1936$ ).

**Table 54: Reliability analysis – scale (alpha)**

Item-total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
<b>CULTR1</b>	92.6364	219.4545	0.3960	<b>0.9442</b>
<b>CULTR2</b>	92.7273	224.4182	<b>0.2730</b>	<b>0.9454</b>
CULTR3	92.5455	217.8727	0.7856	0.9396
CULTR4	92.7273	222.2182	0.5499	0.9416
CULTR5	92.6364	217.6545	0.4986	0.9424
CULTR6	92.3636	215.6545	0.6836	0.9400
CULTR7	92.6364	219.6545	0.6789	0.9405
CULTR8	92.9091	214.2909	0.7120	0.9397
CULTR9	92.5455	209.2727	0.8912	0.9374
CULTR10	92.5455	209.2727	0.6659	0.9404
CULTR11	92.3636	210.4545	0.7916	0.9386
CULTR12	92.6364	220.2545	0.5355	0.9417
CULTR13	92.5455	214.0727	0.6268	0.9407
CULTR14	92.6364	215.6545	0.7321	0.9396
CULTR15	93.0000	229.0000	0.1936	0.9450
CULTR16	92.4545	217.8727	0.8210	0.9394
CULTR17	93.4545	216.2727	0.5618	0.9416
CULTR18	92.5455	215.6727	0.5715	0.9415
CULTR19	92.8182	220.3636	0.6567	0.9407
CULTR20	92.6364	210.8545	0.8196	0.9383
CULTR21	92.6364	211.4545	0.7964	0.9386
CULTR22	92.3636	223.8545	0.4249	0.9428
CULTR23	92.4545	219.0727	0.5256	0.9419
CULTR24	92.6364	221.0545	0.6083	0.9411
CULTR25	92.5455	213.2727	0.6547	0.9403
CULTR26	92.1818	221.1636	0.5295	0.9418
CULTR27	92.5455	220.4727	0.5343	0.9417

Reliability Coefficients

N of Items = 27

N of Cases = 11.0

**Alpha = .9431**

**4.3.4.2 Factor analysis**

After the scale was found to be reliable, factor analysis was then done on SPSS. A detailed analysis of the results follows.

**4.3.4.3 Descriptive statistics (ranking of factors)**

According table 56 below, the highest mean score was CULTR26 (I use my communication strategies to prevent, solve and mediate problems arising from



differences in language or other communication conventions) at 4.000 (disagree). Lowest mean score was CULTR15 (I learn bit by bit the best ways of behaving, but have not yet arrived at underlying principles and do not have a plan for reacting to events. When a situation becomes confusing, I tend to take a passive role) at 3.1818 (neutral).

**Table 55: Descriptive statistics**

	Mean	Std. Deviation	Analysis N
CULTR1	3.5455	1.12815	11
CULTR2	3.4545	1.03573	11
CULTR3	3.6364	.67420	11
CULTR4	3.4545	.68755	11
CULTR5	3.5455	1.03573	11
CULTR6	3.8182	.87386	11
CULTR7	3.5455	.68755	11
CULTR8	3.2727	.90453	11
CULTR9	3.6364	.92442	11
CULTR10	3.6364	1.20605	11
CULTR11	3.8182	.98165	11
CULTR12	3.5455	.82020	11
CULTR13	3.6364	1.02691	11
CULTR14	3.5455	.82020	11
<b>CULTR15</b>	<b>3.1818</b>	.75076	11
CULTR16	3.7273	.64667	11
CULTR17	2.7273	1.00905	11
CULTR18	3.6364	1.02691	11
CULTR19	3.3636	.67420	11
CULTR20	3.5455	.93420	11
CULTR21	3.5455	.93420	11
CULTR22	3.8182	.75076	11
CULTR23	3.7273	.90453	11
CULTR24	3.5455	.68755	11
CULTR25	3.6364	1.02691	11
<b>CULTR26</b>	<b>4.0000</b>	.77460	11
CULTR27	3.6364	.80904	11

#### 4.3.4.4 Total variance explained

The table below shows the final output of the principal axis factoring, which expresses the sums of the squared loadings of the variables.

**Table 56: Total variance explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.983	44.382	44.382	11.983	44.382	44.382
2	4.332	16.043	60.424	4.332	16.043	60.424
3	2.769	10.257	70.681	2.769	10.257	70.681
4	2.212	8.194	78.876	2.212	8.194	78.876
5	1.969	7.291	86.167	1.969	7.291	86.167
6	<b>1.421</b>	5.262	91.429	1.421	5.262	<b>91.429</b>
7	.832	3.081	94.510			
8	.707	2.619	97.129			
9	.430	1.592	98.721			
10	.345	1.279	100.000			
11	9.577E-16	3.547E-15	100.000			
12	4.861E-16	1.800E-15	100.000			
13	4.115E-16	1.524E-15	100.000			
14	3.377E-16	1.251E-15	100.000			
15	2.708E-16	1.003E-15	100.000			
16	1.897E-16	7.025E-16	100.000			
17	1.361E-16	5.042E-16	100.000			
18	7.265E-19	2.691E-18	100.000			
19	-4.123E-17	-1.527E-16	100.000			
20	-8.438E-17	-3.125E-16	100.000			
21	-1.687E-16	-6.248E-16	100.000			
22	-1.730E-16	-6.407E-16	100.000			
23	-2.239E-16	-8.293E-16	100.000			
24	-2.885E-16	-1.068E-15	100.000			
25	-3.101E-16	-1.148E-15	100.000			
26	-5.265E-16	-1.950E-15	100.000			
27	-1.469E-15	-5.442E-15	100.000			

Extraction Method: Principal Component Analysis.

From table 57, any factor with less than 1.00 (eigenvalue) was not used because it accounts for less than the variation explained by a single variable. Therefore six components which explain about 91% of the total variation have been extracted using the principle component analysis.

#### **4.3.4.5 Component matrix**

In this matrix, the variables with factor loadings of 0.5 and above are highlighted in bold. These are identified and rotated in the next matrix for simpler interpretation.

**Table 57: Component matrix (a)**

	Component					
	1	2	3	4	5	6
CULTR1	.402	<b>.816</b>	-.261	-.035	-.269	.070
CULTR2	.256	<b>.746</b>	.301	.130	-.108	-.353
CULTR3	<b>.805</b>	-.065	-.368	.329	-.264	.109
CULTR4	<b>.586</b>	-.100	-.150	.498	<b>-.528</b>	-.095
CULTR5	<b>.564</b>	-.340	-.455	.426	-.259	.129
CULTR6	<b>.747</b>	<b>-.513</b>	.285	.066	.033	.017
CULTR7	<b>.758</b>	-.290	.023	-.379	.182	-.026
CULTR8	<b>.773</b>	-.126	-.072	-.322	-.471	-.179
CULTR9	<b>.894</b>	.021	.058	.145	-.121	-.232
CULTR10	<b>.669</b>	<b>.564</b>	.280	.025	-.206	-.131
CULTR11	<b>.788</b>	.138	.407	.115	-.061	.095
CULTR12	<b>.531</b>	<b>.516</b>	.351	-.364	-.119	.101
CULTR13	<b>.682</b>	-.270	.147	.014	.326	-.491
CULTR14	<b>.747</b>	.378	-.302	.029	.243	-.297
CULTR15	.195	-.098	.555	<b>.701</b>	.260	.033
CULTR16	<b>.840</b>	.194	.272	-.273	.144	-.060
CULTR17	<b>.635</b>	-.230	-.484	-.254	.105	.030
CULTR18	<b>.648</b>	<b>-.555</b>	.283	-.110	-.265	.275
CULTR19	<b>.706</b>	.009	-.472	-.286	-.317	.171
CULTR20	<b>.858</b>	-.255	.280	.144	-.057	.066
CULTR21	<b>.844</b>	-.260	.256	-.208	.020	-.160
CULTR22	<b>.423</b>	<b>.533</b>	.111	-.126	.151	<b>.684</b>
CULTR23	<b>.611</b>	<b>-.564</b>	.293	-.255	.228	.262
CULTR24	<b>.645</b>	.274	-.476	-.234	.459	-.066
CULTR25	<b>.663</b>	.184	-.138	.492	.362	.310
CULTR26	<b>.511</b>	<b>.702</b>	.040	.159	.242	.132
CULTR27	<b>.603</b>	-.230	<b>-.516</b>	.210	.473	-.082

Extraction Method: Principal Component Analysis.

a 6 components extracted.

#### 4.3.4.6 Rotation

This was done in order to differentiate factors from each other because if several factors have high loadings on the same variables, it is difficult to ascertain how the factors differ.

The method used is the varimax method which tries to minimize the number of variables that have high loadings on a factor – this enhances the interpretability of the factors.

From the rotated component matrix (see table 58), the highest factor loading (in absolute value) for each variable is highlighted in bold and / or italic. Each row (in table 58) contains coefficients used to express a standardized variable in terms of the factors. These factors are factor loadings and show how much weight is assigned to each factor. Factors with large coefficients (in absolute value) for a variable are closely related to the variable.

However, only variables with factor loadings of 0.7 and above are picked for analysis while the rest are dropped from the analysis (see those in bold italics in table 58). Those with cross loadings were also dropped. Factors with only one variable loading were also dropped. This is due for the need of a high explanatory power of the indicators of cultural competitiveness for success in BPO.

**Table 58: Rotated component matrix (relevant factors)**

<b>Factor</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
CULTR1	-.265	<b>.764</b>	.282	.182
CULTR2	-.133	<b>.901</b>	-.027	-.003
CULTR3	.291	.186	<b>.844</b>	.349
CULTR4	.192	.233	<b>.893</b>	-.004
CULTR5	.204	-.168	<b>.871</b>	.275
CULTR6	<b>.866</b>	-.018	.314	.140
CULTR7	<b>.779</b>	.078	.047	.410
CULTR8	<b>.610</b>	.347	.446	.072
CULTR9	<b>.546</b>	.491	.486	.317
CULTR10	.261	<b>.883</b>	.206	.059
CULTR11	<b>.604</b>	<b>.543</b>	.268	.060
CULTR12	.360	<b>.738</b>	-.118	-.037
CULTR13	<b>.640</b>	.192	.057	<b>.508</b>
CULTR14	.149	<b>.556</b>	.231	<b>.741</b>
CULTR15	.233	.098	.136	-.054
CULTR16	<b>.667</b>	<b>.584</b>	-.014	.326
CULTR17	.397	-.084	.300	<b>.585</b>
CULTR18	<b>.876</b>	-.106	.372	-.160
CULTR19	.327	.178	<b>.520</b>	.312
CULTR20	<b>.782</b>	.231	.421	.140
CULTR21	<b>.862</b>	.271	.162	.240
CULTR22	.138	.416	-.033	.121
CULTR23	<b>.924</b>	-.209	-.006	.152
CULTR24	.155	.282	.025	<b>.882</b>
CULTR25	.163	.216	.415	<b>.565</b>
CULTR26	-.031	<b>.694</b>	.060	.388
CULTR27	.230	-.154	.342	<b>.869</b>

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 7 iterations.

#### 4.3.4.7 The four factor interpretation

To identify the factors, the variables that have large loadings (0.7 and above) for the same factors were grouped as follows (see table 59 below). The factor pattern matrix (rotated) was sorted so that variables with high loadings on the same factor appear together. Small factor loadings (loadings less than 0.7 in absolute values) were omitted.

From the summary of the factor loadings below, factor 5 and factor 6 are dropped since only one variable loads significantly on each of the two factors. We therefore have 4 factors that explain intercultural competence in BPO. These four are the indicators of intercultural competitiveness as antecedent for BPO success.

**Table 59: Significant rotated factor loadings**

Factor	1	Factor	2	Factor	3	Factor	4	Factor	5	Factor	6
CULTR23	0.924	CULTR2	0.901	CULTR4	0.893	CULTR24	0.882	CULTR15	-0.910	CULTR22	0.879
CULTR18	0.876	CULTR10	0.883	CULTR5	0.871	CULTR27	0.869	CULTR19			
CULTR6	0.866	CULTR1	0.764	CULTR3	0.844	CULTR14	0.741	CULTR8			
CULTR21	0.862	CULTR12	0.738								
CULTR20	0.782										
CULTR7	0.779										

#### 4.3.4.8 Factor interpretation

The four factors are interpreted by a summary of what they imply. Variables that are close to each other are interpreted by one or so factors. These four (summaries) are thus the indicators of intercultural competitiveness as identified through factor analysis using the principal component analysis.

The rotated component matrix (table 58 further summarized by table 59), indicates that the four significantly loaded factors that explain intercultural competence are as follows:

**Table 60: Factor 1 (cultural learning)**

Cultr6	Respect for other cultures
Cultr7	Knowledge about relevant cultures
Cultr18	Awareness of communication differences
Cultr20	Behavioural adaptation and adoption
Cultr21	Clear communication by adopting conventions of others
Cultr23	Learning about cultural differences with people from another culture

The first factor can aptly be named ***cultural learning*** and was significantly loaded by the following variables:

Cultr6: This variable (with a factor loading of 0.866) holds it that as an antecedent to BPO success, BPO firm operators have to respect other cultures (i.e. those of their clients, partners, suppliers, etc).

Cultr7: This variable (with a factor loading of 0.779) holds it that as an antecedent to BPO success, BPO firm operators have to have a good knowledge about the relevant cultures they are dealing with.

Cultr18: With a factor loading of 0.876, awareness of the communication differences in different cultures is antecedent to BPO success.

Cultr20: With a factor loading of 0.782, BPO operators need to not only adapt to, but also adopt their behaviour to fit their relevant culture if they are to succeed.

Cultr21: With a factor loading of 0.862, communication clarity and adoption of the convention of others, is antecedent of BPO success.

Cultr23: With a factor loading of 0.924, learning about cultural differences, is the most significant antecedent for BPO success.



**Table 61: Factor 2 (respect for otherness)**

Cultr1	Tolerance for cultural differences
Cultr2	Realising that jumping to conclusion is not entirely correct
Cultr10	New cultural experience develops into an overall system of principles
Cultr12	Knowledge and researching when in new intercultural situations

The second factor is appropriately identified as **respect for otherness** and was significantly loaded by the following variables:

Cultr1: With a factor loading of 0.764, tolerance for cultural differences, is significant antecedent for BPO success.

Cultr2: With a factor loading of 0.901, avoiding jumping into cultural conclusions, is significant antecedent for BPO success.

Cultr10: With a factor loading of 0.883, systemic new cultural experiences, are critical antecedent for BPO success.

Cultr12: With a factor loading of 0.738, others' cultural knowledge and research, is significant antecedent for BPO success.

**Table 62: Factor 3 (behavioral flexibility)**

Cultr3	Seeing intercultural uncertainties as an interesting challenge
Cultr4	Neutral reaction to cultural differences rather than categorising them
Cultr5	Awareness of ways of coping with ambiguous situations

The third factor identified is **behavioural flexibility** and was significantly loaded by the following variables:

Cultr3: With a factor loading of 0.844, seeing intercultural uncertainties as an interesting challenge, is significant antecedent for BPO success.

Cultr4: With a factor loading of 0.893, neutral reaction to cultural differences, is also antecedent for BPO success.

Cultr5: With a factor loading of 0.871, being aware of ways to cope with ambiguity, is also significant antecedent of BPO success.

**Table 63: Factor 4 (cultural sensitivity)**

Cultr14	Concern for others to receive fair treatment and consideration
Cultr24	Clarifying ambiguous situations or dealing with them for group benefit
Cultr27	Understanding and resolving communicative difficulties

The fourth (and last) factor identified is ***cultural sensitivity*** and was significantly loaded by the following variables:

Cultr14: With a factor loading of 0.741, concern for others, is significant antecedent for BPO success.

Cultr24: With a factor loading of 0.882, clarifying ambiguous situations, is significant antecedent for BPO success as well.

Cultr27: With a factor loading of 0.869, understanding and resolving communicative difficulties, is also a significant antecedent for BPO success.

From the summary above we can observe that the four indicators of intercultural competitiveness as identified through factor analysis are: ***cultural learning, respect for otherness, behavioral flexibility*** and ***cultural sensitivity***. A BPO firm, just as shown in the analysis of the case study, needs to demonstrate these four in order to succeed. The four are considered antecedent to BPO success, just as it also emerged from the case analysis. These findings of the factor analysis therefore corroborate the case study results.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This chapter summarizes the study results as per the objectives set out in chapter one. Its conclusions are built on the analyses by proposing a framework that can be employed as a basis for ensuring offshoring success within the Kenyan context. The chapter concludes with limitations of the study and suggestions.

### **5.1 Summary of the findings**

The broad aim of the study was to deepen understanding of cultural differences and organizational capability in offshoring projects practices. Specifically, two objectives were set out for the study as:

- To identify the critical factors influencing BPO national competitiveness.
- To identify the factors influencing intercultural competitiveness in BPO.

To achieve the above objectives, the Resource Based View (RBV) theory was adopted as a lens to unearth how organizational capabilities change as a result of participating in offshoring projects. In addition, the Theory of National Culture was employed to provide a landscape of the influences of culture on vendors' ability to offer offshoring services. The critical realist approach was adopted as a methodology to derive the latent themes relevant to offshoring practice from a dynamic capabilities perspective to ensure BPO success. The themes thus derived are characterized by the formative constructs of Organizational Renewal, National Credibility and Cultural Sensitivity. In addition factor analysis was conducted to identify the indicators of intercultural competence.

#### **5.1.1 Objective 1: Factors influencing BPO national competitiveness**

This section will address the first specific objective by answering the question: What are the critical factors influencing BPO national competitiveness? From the analysis in chapter four, the critical factors are two-fold: Infrastructural and

National competitiveness. This means that for a BPO firm to succeed it needs to have in place the necessary infrastructure but the country has to be competitive as well.

#### **5.1.1.1 Critical infrastructure for BPO**

Chapter four revealed that with regard to BPO services being offered (see figure 8), data entry services is offered the most, while the least offered is multimedia and animation support and web-based customer support. While data entry may be a low value service, web-based customer support though front-end, is a high value service. However, other high value services like data research analytics, software development and transcription services are also being offered. This is a good indication of the potential Kenya has to globally compete for BPO. Call centre services are also offered and it's a common service as well. Not offered at all (as per survey results) is IT maintenance services, financial services and desktop publishing. There is potential in this area. For any of these services to be offered some infrastructure issues become critical.

Among the infrastructural factors, location of the firm is very critical. As the case study revealed, being influenced by the government to locate in an Export Processing Zone (EPZ) had its benefits that included tax relief. However, it has its downside in terms of marketing as G7 Systems explained that they are limited in marketing locally. The survey results indicate that only 9% of the respondents were influenced by government on where to locate. This could be construed to point at the restrictive nature of operating within a government designated area, again a factor that came out from the Case study.

Another critical factor for BPO success is the ICT infrastructure a firm needs to have. This is evident from the fact that over 70% of the surveyed firms spend 20% or more of their budget on ICT (see table 16, those who spent 10% and below are only 27.3%). G7 Systems had to invest massively in a satellite technology as well as other software, including language software to mitigate the language cultural barrier of its employees by teaching them how to Americanize

their English accent. As well as being existent at G7 Systems, the actual ICT technology infrastructure that is critical for BPO includes: a dedicated or lease line connection (82% of respondents have it, see table 17); Intranet (72% of respondents have it, see table 18); a registered website (73% of respondents have it, see table 23)

Of moderate importance is: Extranet (45.5% of respondents have it, while a further 27.3% expect to have it within three years, see table 19), and a customized web-platform (55% of respondents have it, while a further 9.1% expect to have it within three years, see table 22). While those who have it are about half of the respondents (insinuating that it may not be necessary for BPO in the immediate term), the fact that others would like to have it within three years indicates its importance for BPO in the long term.

Appearing, from the survey results, not to be critical for BPO includes: satellite technology (only 18% of respondents have it while 73% don't even know when they will have it, see table 20); dial-up Internet (only 36% of respondents have it, (see the figure 7), a similar percent don't even know when they will have it); standalone databases (only 27.3% of respondents have it, while a further 36.4% don't even know when they will have it, see table 21); and Enterprise Resource Planning (ERP) system (only 9.1% of respondents have it, while a further 54.6% don't even know when they will have it, see table 24). An explanation could be that dial-up technology is inefficient and more efficient technologies are available especially broadband. As for satellite it is highly inhibitive cost-wise as seen from the G7 systems case, and broadband as an alternative is cheaper. As for the ERP and standalone databases, the BO firms don't need them especially since most offer low end services and are small in operations.

#### **5.1.1.2 Critical national competitiveness factors for BPO**

These are factors that are required to be present in a country for it to be competitive for BPO. Factors considered include: existing relationships with

international ICT firms, collaboration with local institutions, government-related factors, financial resources and financial / cost factors.

**Relationships with international ICT firms** enhance the competitiveness of a BPO country due to knowledge transfer and learning. These relations could be as a customer, supplier, or business partner. When asked to rate the importance of such relationships between a BPO firm and an international ICT firm, respondents rated the importance of each of these types of relationship for BPO development. All in all the three were considered as important for BPO development as follows; customer (81.8%) supplier (81.8% and business partner (90.9%). From the above, this study therefore observes that relationships with international ICT firms are necessary for enhancing national competitiveness.

**Collaboration with local institutions** is also very critical. From the analysis in chapter four, the importance of a BPO firm to collaborate with local institutions appears high for all types of collaboration. 90.9% of the respondents rated R&D and existence of domestic demand for BPO services as important. The lowest rated is interlinked clusters (72.7% of respondents). The rest i.e. internships / attachments, market research, BPO skills transfer programs and industry liaisons are rated by 81.8% of respondents as important for BPO development. From this observation a conclusion can be drawn that collaboration with local institutions is also a critical factor for developing national competitiveness.

**Government-related factors** are those which involve the participation of the government. They affect the national competitiveness of a BPO country. Out of those factors considered for analysis, the highest number of respondents (90.9%) rated broadband status and BPO related education programs as important (extremely important, very important or important). The rest; BPO national vision, national BPO strategy, ICT infrastructure, comprehensive implementation plan and a BPO regulatory framework were rated as important (extremely important, very important or important) by 81.8%.

It can be construed that broadband was rated the most important since it is necessary for BPO. We can also observe that there is need for a national BPO vision, strategy and an implementation plan. These will guide the sector and assist in achieving the vision 2030 of Kenya becoming the ICT hub of Africa. However, the regulatory framework should not be impeding since it is equally important.

**Financial resources** considered were those which affect financial flow in the BPO organization. Out of the four factors considered for analysis, resistance to change from government employees, capacity building / training programs for government employees and awareness among citizens were rated as important (extremely important, very important or important) by 72.7% of the respondents. Lowly rated was local market for outsourced services which was deemed important (extremely important, very important or important) by 63.6% of the respondents. A detailed analysis follows. We can conclude that all of these are important. Awareness has to be created among the citizens and government employee capacity has to be build to assist reducing resistance to change.

**Financial / cost factors** are highly critical given their importance. Out of the cost factors analyzed, adequacy of financing turned out to be the highest in importance since it was rated important (extremely important, very important or important) by a whole 91% of the respondents. This is a pointer to the need of proper financing in the sector. Most BPO firms deem finances to be inadequate. Internet costs, employee costs, adequacy of sustained investments in the sector through bank credit and adequacy of sustained investments in the sector through business partners were second in importance, rated important (extremely important, very important or important) by a whole 81.8% of the respondents. Despite the widespread availability of Internet infrastructure, Internet costs still ranked high in importance. This indicates that the cost of Internet is yet to drop despite the country being connected to the world via fiber optics cable. Employee costs are also considered high may be because of the lack of specialized skills. The few available therefore cost highly.

Adequacy of sustained investments in the sector through venture capital, government subsidies and stock trading was rated important (extremely important, very important or important) by a whole 72.7% of the respondents. This percentage is high and as such there is need for sustained investments in the sector by all means. The government should consider subsidizing the sector and encouraging venture capitalists.

### **5.1.2 Objective 2: Factors influencing intercultural competitiveness**

This section addresses the second specific objective by answering the question: Which are the indicators of intercultural competence in BPO? The factors were identified using factor analysis technique done on SPSS. The principal component analysis approach was used.

The findings of the factor analysis corroborate the case study results and leads to the attainment of objective two: to identify the factors influencing intercultural competitiveness in BPO. These factors have been thus identified as: ***cultural learning, respect for otherness, behavioral flexibility*** and ***cultural sensitivity***. A BPO firm, just as shown in the analysis of the case study, needs to demonstrate these four in order to succeed. The four are considered antecedent to BPO success.

### **5.2 Conclusion: Towards a framework for BPO success**

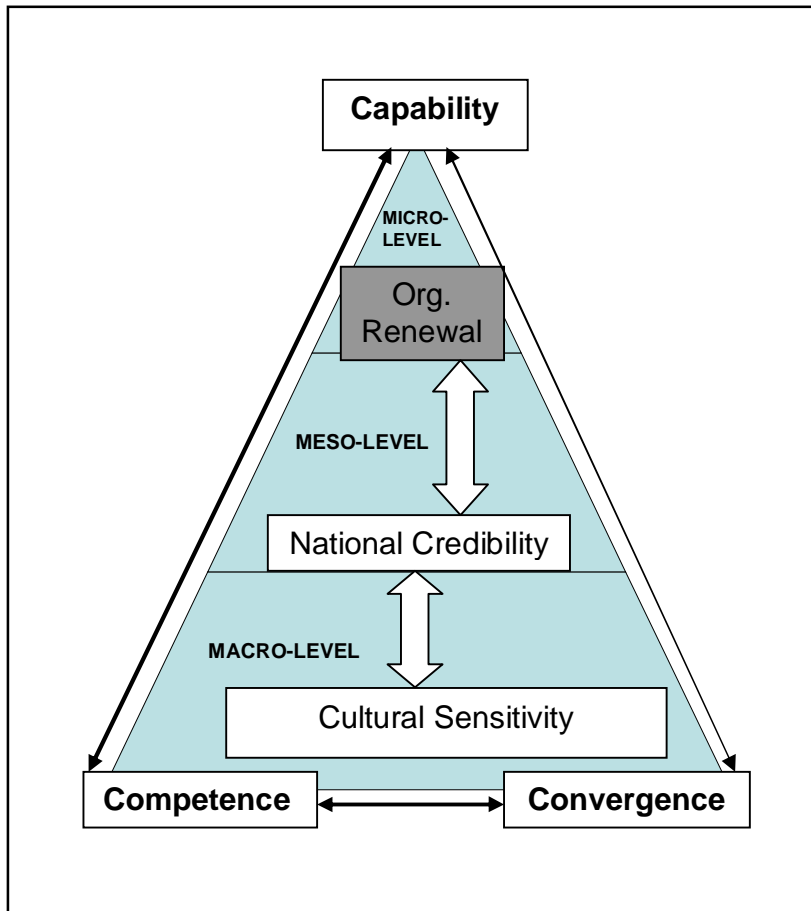
In order to tease out the masked transfactual conditions, the retroductive approach of this study relied on concepts of organizational Renewal; National Credibility and Cultural Sensitivity as the foundation for a framework for offshoring success in Kenya. These concepts are used as 'lenses' to a reality that already exists (Danermark et al, 2002) and they are thus used to unearth the underlying conditions. These concepts are used to get beyond the description and analysis that have been presented in chapter four above.



### 5.2.1 The RCS framework

Dubbed the RCS (*Renewal, Credibility & Sensitivity*) framework, the critical dimensions revolve around the need for BPO firms to enhance their capabilities through *organizational renewal*; countries to enhance their competitiveness through development of their *national credibility*; while global stakeholders should recognize that there is a need for development of *intercultural sensitivity*, not only from vendor perspectives, but also from client organizations.

The framework recognizes that the key drivers that underlie the development of offshoring success include the need to build organizational capability, positive convergence of country factor conditions for enhancing competitiveness and enhancing intercultural competence. The framework is based on a synthesis of various literature sources from the resource-based-view and those with a specific focus on national culture. The proposition also finds justification from empirically-based data to motivate for a different approach to making Kenya a competitive offshoring destination. Figure 9 presents on the proposed critical dimensions of the framework.



**Figure 9: Critical features of the RCS framework**

### 5.2.2 Critical features of the RCS framework

The pyramid structure captures increasing *individualization* of firms involved in offshoring operations to take into account their unique capabilities. Individual vendor organizations involved in offshoring need to focus on developing their dynamic capabilities through the renewal of their processes, positions and paths<sup>5</sup> to support their organizational objectives. Organizations that continually renew their dynamic capabilities are well-placed to attract clients. The implication of continual renewal is therefore “*Demand Initiation*”<sup>6</sup>.

<sup>5</sup> Processes describe the patterns of practice and learning in a firm; positions are the technological assets, intellectual property and complementary assets; and paths refer to the strategic alternatives available to organizations, which are influenced by current positions, processes and future paths. (Chen et al., 2008).

<sup>6</sup> As a result, the vendor organization stands a good chance of turning prospects into clients. Thus how good an organization is provides it with a chance to make their pitch.

On the other hand, National Credibility is the basis of enhancing country level competitiveness. The Diamond Model of Michael Porter specifically points out the influence of various factor conditions such as availability of capital, local demand, R&D, educational factors and ICT infrastructure. These are constraining conditions and therefore the favorable presence of these factor conditions is likely to result in “*Demand Pull*”<sup>7</sup> situation.

The third aspect of the framework at the base focuses attention on the need for organizations, individuals and other global stakeholders to develop *Cultural Sensitivity* because the nature of offshoring requires the interaction of various cultures. Interacting actors therefore need to be sensitive towards other cultures and once this is inculcated, the result is likely to be a “*Demand Sustenance*”<sup>8</sup> situation.

The framework is enveloped by three concepts of Capability (Need for Organizational Capability), Converge (Positive convergence of country-level factor conditions to enhance national competitiveness), and Competence (general need for all offshoring stakeholders to develop intercultural competence).

### **5.3 Recommendations**

From the analysis, and in line with Critical Realist approaches, this study recommends a framework that can be employed by nations to enhance the competitiveness of BPO firms within their countries. Dubbed the RCS (*Renewal, Credibility & Sensitivity*) framework, the critical dimensions revolve around the need for BPO firms enhance their capabilities through *organizational renewal*; countries to enhance their competitiveness through development of their *national*

---

<sup>7</sup> Since offshoring involves communication across countries, organizational capability alone is not enough. Thus the presence of this factor conditions is likely to influence a client organizations to move its offshoring business to a particular country.

<sup>8</sup> Once you obtain a client as a BPO firm, you need to maintain the client. Perception of cultural similarity is likely to help ‘lock’ a client’s business with a vendor organization.

*credibility*, while global stakeholders should recognize that there is a need for development of *intercultural competence*, not only from vendor perspectives, but also from client organizations. The framework recognizes that the key drivers that underlie the development of offshoring success include the need to build organizational capability, positive convergence of country factor conditions for enhancing competitiveness and enhancing intercultural competence.

#### **5.4 Limitations of the study**

This section considers the limitations of this study. Some of the limitations are as enumerated below:

##### **5.4.1 Generalization limitations**

The generalization of this study required collecting data from the whole BPO sector since it is deemed to be at its infancy. However, 11 out of the 39 firms targeted responded. While it may be considered acceptable for statistical analysis, caution should be taken if generalization to the whole BPO sector is to be done. However, the combination of the case study and the survey approaches tried to mitigate this challenge.

##### **5.4.2 Data collection challenges**

The questionnaires were all filled in and collected while some were done face to face. It would also have been better if all the respondents participated as case studies to provide deeper and more insightful information. However, time and manpower was a limitation.

##### **5.4.3 Financial constraints**

Limited finances and time constraints were also a factor in this study. This affected the study design such as the data collection technique that was adopted and the time horizon over which it was done.

#### **5.4.4 Lack of local studies**

This was a maiden study trying to give insights into the cultural aspects of BPO. There are no locally known studies on BPO in Kenya, mostly because even the industry is at its infancy still. The study therefore relied mainly on studies from other countries, which operate in different cultural, economic and socio-political contexts.

#### **5.5 Suggestions for further research**

Since this was an exploratory study on the influence of culture on BPO organizational capability, a larger sample, or a census, of the BPO firms is required to make the empirical results more generalizable. This should involve the consideration of other stakeholders involved in BPO in Kenya such as the CCK and BPO consultants. It would also be important to extend the case study approach to a larger number or the whole BPO sector.

However, despite the limitations, the study should be considered as a step towards a deeper understanding of cultural influences on BPO operations within the Kenyan context. This work therefore sets up future contributions that will enable academicians; managers and other BPO stakeholders to better understand different issues surrounding the cultural influence of BPO operations which is a critical but often overlooked factor for BPO success.

## REFERENCES

AL-KINANI & AL-BASHER, 2008. Analysis Study of Culture's Impact on E-Readiness Assessments in Developing Countries. *Communications of the IBIMA*. **6**.

AMERICAN ELECTRONICS ASSOCIATION. Board of Directors. 2004. *Offshore Outsourcing in an Increasingly Competitive and Rapidly Changing World: A High-Tech Perspective*. Website. [http://www.aeanet.org/publications/IDMK\\_AeA\\_Offshore\\_Outsourcing.asp](http://www.aeanet.org/publications/IDMK_AeA_Offshore_Outsourcing.asp). 28th May 2008.

A. T. KEARNEY. 2009. *The shifting geography of offshoring: The 2009 A.T. Kearney Global Services Location Index*. Website. <http://www.atkearney.com/index.php/Publications/global-services-location-index-gsli-2009-report.html>. 9th September 2009.

BARNEY, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*. **17** (1) 99 – 120.

BESHAY, M. & SIXSMITH, A. 2008. Dimensions of Culture: A Project Perspective. *Communications of the IBIMA*. **5**

BHATNAGAR, P. 2005. *Is India's outsourcing honeymoon over?* Website. [http://money.cnn.com/2005/08/23/news/international/india\\_outsourcing/index.htm](http://money.cnn.com/2005/08/23/news/international/india_outsourcing/index.htm). 28th May 2008.

BRAUN, V. & CLARKE, V. (2006). Using Thematic Analysis in Psychology. *Qualitative Research in Psychology*, 33: 77-101

CHAKRABARTY, S. 2006. *Making Sense of the Sourcing and Shoring Maze: The Various Outsourcing & Offshoring Alternatives*. In H. S. Kehal, & V. P. Singh (Eds.), *Outsourcing & Offshoring in the 21st Century: A socio economic perspective*, 1 ed.: 18-53. Hershey, PA: IGI Publishing.

CHAKRABARTY, S. 2007. *Strategies for Business Process Outsourcing: An Analysis of Alternatives, Opportunities and Risks*. In J. Sounderpandian, & T. Sinha (Eds.), *Ebusiness Process Management: Technologies and Solutions*, 1 ed.: 204-229. Hershey, PA: IGI Publishing

CHASE, R. B. et al, 2008. *Operations Management for Competitive Advantage*. New Delhi: Tata McGraw-Hill Publishing Company Ltd.

COLLIS, D. J. 1994. Research note: How valuable are organisational capabilities. *Strategic Management Journal*. **15** (Winter): 143-152. Cited in

COOPER, D. R. & SCHINDLER, P. S. *Business Research Methods*. 9 ed. New Delhi: Tata McGraw-Hill Publishing Company Ltd.

CRESWELL, J. W. 2009. *Research Design – Qualitative, Quantitative and Mixed Methods Approaches*. 3rd edition. California: SAGE Publications Inc.

DEARDORFF, D.K. 2004. *The Identification and Assessment of Intercultural Competence as a Student Outcome of Internationalization at Institutions of Higher Education in the United States*. Raleigh NC: North Carolina State University, 2004.

DIERICKX, I. & COOL, K. 1989. Asset stock accumulation and sustainability of competitive advantage. *Management Science*. **35** (December): 1504-1511. Cited in FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.

DOBSON, P. J. 1999. *Approaches to Theory Use In Interpretive Case Studies – a Critical Realist Perspective*. Proceedings of 10th Australasian Conference on Information Systems.

DOMBERGER, S., Fernandez, P. & Fiebig, D.G., 2000. Modeling the price, performance and contract characteristics of IT outsourcing. *Journal of Information Technology* **15**, 107–118.

EGERKRANS, H. & WECKNER, L. 2007. *The Effects of Culture when Transferring Knowledge in Offshoring Projects - A case study conducted between IBM Nordic and IBM India*. Uppsala: Uppsala University.

FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.

FAST COMPANY. 2006. *Is Inshoring a Threat?*. Website. [http://www.collegerecruiter.com/weblog/2006/11/is\\_inshoring\\_a.php](http://www.collegerecruiter.com/weblog/2006/11/is_inshoring_a.php). 3rd February, 2009.

FIELD, A. 2006. *C8057 (Research Methods II): Reliability Analysis*. Website. [www.statisticshell.com/reliability.pdf](http://www.statisticshell.com/reliability.pdf). 6th November, 2010.

GRANT, R. M. 1991. The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*. **33** (Spring): 114-135. Cited in FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.



HALL, E. T. 1981. *The silent language*. New York: Doubleday. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

HALL, E. T. & HALL, M.R. 1990. *Understanding cultural differences*. Yarmouth, Maine: Intercultural Press. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

HALL, R. 1992. The strategic analysis of intangible resources. *Strategic Management Journal*. **13** (February): 135-144. Cited in FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.

HOFSTEDE, G. 1980, 2001. *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. Thousand Oaks, CA: Sage Publications. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

HOUSE, R. J., et al. 2004. *Culture, leadership and organizations: The GLOBE study of 62 societies*. Thousand Oaks, CA: Sage Publications. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

INCA, LdVII, 2004. *INCA Assessee Manual*. Website. [http://www.incaproject.org/en\\_downloads/20\\_INCA\\_Assessee\\_Manual\\_eng.pdf](http://www.incaproject.org/en_downloads/20_INCA_Assessee_Manual_eng.pdf)

KENYA ICT BOARD. 2009. *Kenya Business Process Outsourcing Guide Book*. Website. [http://www.ict.go.ke//index.php?option=com\\_content&task=view&id=132&Itemid=293](http://www.ict.go.ke//index.php?option=com_content&task=view&id=132&Itemid=293). 15th August, 2009.

KLUCKHOHN, F. & STRODTBECK, F. 1961. *Variations in value orientations*. Evanston, IL: Row, Peterson. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

LACITY, M. & WILLCOCKS, L. 2001. *Global Information Technology Outsourcing*. Chichester, England: John Wiley & Sons.

LACITY, M.C., et al (2009). A review of the IT outsourcing literature: Insights for practice. *J. Strateg. Inform. Syst.* (2009), doi:10.1016/j.jsis.2009.06.002

LEVINA, N. & Ross, J. W. 2003. From the Vendor's Perspective: Exploring the Value Proposition in Information Technology Outsourcing. *MIS Quarterly* (27:3), pp. 331-364.

MATA, F. J. et al 1995. Information Technology and Sustained Competitive Advantage: A Resource-Based Analysis. *MIS Quarterly*, December.

MINEVICH, M. D. & RICHTER, F-J. 2005. The Global Outsourcing Report: Opportunities, Costs, and Risks. *The CIO Insight Whiteboard* 55. Website. [http://globalequations.com/Global%20Outsourcing%20report\\_whiteboard.PDF](http://globalequations.com/Global%20Outsourcing%20report_whiteboard.PDF) 28<sup>th</sup> July, 2009.

MORONEY, H. 2006. *Africa BPO & Call Centre Conference – Full Report*. Website. <http://www.aitecafrica.com/node/415>. 28th May 2008.

NATIONAL ECONOMIC AND SOCIAL COUNCIL. 2008. *Promoting Kenya's Competitiveness in the Region*. Website. <http://www.nesc.go.ke/News&Events/Competitiveness25feb05Intro.htm>. 26th May 2008.

NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

NING, M. 2004. *The Competitiveness and Export Potential of Software Industry in Hunan Province in China*. Leipzig: Universität Leipzig.

NUNNELLY, J.C. 1978. *Psychometric Theory* 2nd ed. New York: McGraw Hill.  
Cited in YAFFEE, R. A. 2003. *Common Correlation and Reliability Analysis with SPSS for Windows*. Website. <http://www.nyu.edu/acf/socsci/Docs/intracls.html>.  
7th November, 2010.

OCHARA, N. M. et al, 2008. Global Diffusion of the Internet XIII: Internet Diffusion in Kenya and Its Determinants – A Longitudinal Analysis. *The Communications of the Association for Information Systems*. **23** (Article 7) 123 – 150.

OLSSON, H. H., CONCHUIR, E.O., AGERFALK & P.J, FITZGERALD, B. (2008). Two-Stage Offshoring: An Investigation of the Irish Bridge. *MIS Quarterly*, **32** (2), pp.257-279.

OSHRI, I., KOTLARSKY, J., WILLCOCKS, L., (2007). Global software development: exploring socialization and face-to-face meetings in distributed strategic projects. *Journal of Strategic Information Systems* **16**, 25–49.

PORTER, M. 1998. *The Competitive Advantage of Nations*. London: Macmillan Press Ltd.

RAO, M.T., POOLE, W., RAVEN, P.V., LOCKWOOD, D.L. 2006. Trends, implications, and responses to global IT sourcing: a field study. *Journal of Global Information Technology Management* **9** (3), 5–23.

REPUBLIC OF KENYA. 2007. *Kenya Vision 2030*. Website. [http://www.hdwgkenya.com/publications/files/Vision\\_2030\\_BROCHURE%20\\_July\\_2007.pdf](http://www.hdwgkenya.com/publications/files/Vision_2030_BROCHURE%20_July_2007.pdf). 28th May 2008.

RIJSENBRIJ, D. 2005. Rightshore™: Custom-tailored Outsourcing. The right service, from the right place, for the right price. *Facetoface Capgemini Magazine* 3 (2) Summer. Website. [http://www.nl.capgemini.com/m/nl/f2f/rightshore/f2f\\_eng.pdf](http://www.nl.capgemini.com/m/nl/f2f/rightshore/f2f_eng.pdf)

SALES, C. 2007. *Evaluating the Internal Capabilities and External Linkages of the Philippine IT-Enabled Services (ITES) Industry*. Leipzig: Universität Leipzig.

SAUNDERS, M. et al. 2007. *Research Methods for Business Students*. 4th edition. Essex: Pearson Education Limited.

SCHWARTZ, S. H. 1992. *Universals in the content and structure of values: Theoretical advances and empirical tests in 20 countries*. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

SCHWARTZ, S. H. 1994. *Beyond individualism/collectivism: New cultural dimensions of values*. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

SEARCHCIO. 2007. *Business Process Outsourcing*. Website. [http://searchcio.techtarget.com/sDefinition/0,,sid182\\_gci928308,00.html](http://searchcio.techtarget.com/sDefinition/0,,sid182_gci928308,00.html) . 30th July 2009.

SINICROPE, C., NORRIS, J., & WATANABE, Y. 2008. Understanding and assessing intercultural competence: A Summary of theory, research and practice. *Second Language Studies*, **26** (1), Fall 2007, pp. 1-58.

TEECE, D. J., PISANO, G., & SHUEN, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, **18** (7), 509–533.

TROMPENAARS, F. 1993. *Riding the waves of culture: Understanding cultural diversity in business*. London: Economists Books. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

TROMPENAARS, F. & HAMPDEN-TURNER, C. 1998. *Riding the waves of culture: Understanding diversity in global business*. New York: McGraw Hill. Cited in NARDON, L. & STEERS, R. M. 2006. *Navigating the culture theory jungle: divergence and convergence in models of national culture*. Vlerick Leuven Gent Working Paper Series 2006/38. Website. <http://www.vlerick.com/en/2422-VLK/version/default/part/AttachmentData/data/vlgms-wp-2006-38.pdf>. 3rd February 2009.

TUCCI, L. 2007. *Outsourcing's true value still goes largely untapped*. Website. [http://searchcio.techtarget.com/news/article/0,289142,sid182\\_gci1271881,00.htm](http://searchcio.techtarget.com/news/article/0,289142,sid182_gci1271881,00.htm) | 28th May 2008.

ULRICH, D. & LAKE, D. 1991. Organizational capability: creating competitive advantage. *Academy of Management Executive*. **5** (1).

VASSILIADIS, B. et al. 2005. From application service provision to service-oriented computing: A study of the IT outsourcing evolution. *Telematics and Informatics* **23** (2006) 271–293

VIETH, W. 2004. *Outsourcing Variations Have Some Appeal*. Website. <http://www.wordspy.com/words/inshoring.asp>. 19th June 2008.

WERNERFELT, B. 1989. From critical resources to corporate strategy. *Journal of General Management*. **14** (Spring): 4-12. Cited in FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.

WILLIAMS, J. R. 1992. How sustainable is your competitive advantage. *California Management Review*. **34** (Spring): 29-51. Cited in FAHY, J. & SMITHEE, A. 1999. Strategic Marketing and the Resource Based View of the Firm. *Academy of Marketing Science Review*. **1999** (10) Website. <http://www.amsreview.org/articles/fahy10-1999.pdf>. 3rd February 2009.

WRIGHT, P. M. et al 1994. Human resources and sustained competitive advantage: a resource-based perspective. *International Journal of Human Resource Management*. **5** (2) May 301-326.

YAFFEE, R. A. 2003. Common Correlation and Reliability Analysis with SPSS for Windows. Website. <http://www.nyu.edu/acf/socsci/Docs/intracls.html>. 7th November, 2010.

## APPENDICES

### Appendix I: Questionnaire

#### Section 1 – Demographic Information

**The following section contains questions that shall be used for background information for this study. Please respond to the questions by putting a tick mark (√) at the choice that best describes your agency or organization**

1. Your position in this organization or agency
  - Managing Director/General Manager/CEO/Permanent Secretary
  - Information Technology Director/Chief Information Officer
  - Information Technology Manager/Computer Manager
  - Department Manager, Please indicate your department \_\_\_\_\_
  - Other, Please specify you position \_\_\_\_\_
  
2. In which year was the company started: \_\_\_\_\_
3. Company ownership (please tick):
  - Locally Owned by Citizens of the country
  - Partially Foreign-Owned
  - Is a Foreign-Owned Company
  - Government - Owned
  - Other: \_\_\_\_\_
  
4. Classification/Sector(s) under which the firm operates (*Multiple answers possible*):
  - Internet Service Provider (ISP)
  - Public Data Network Operator (PDNO)
  - Call Centre/Contact Centre (CC)
  - Software Application Developer
  - Other: \_\_\_\_\_
  
5. How many employees are there in the organization?
  - Less than 100
  - 101-200
  - 201-500
  - 501-1000
  - More than 1000
  
6. Besides Swahili, English and Vernacular, do your employees speak other languages?  
 If Yes: How many employees speak?
 

Language	French	Arabic	Italian	German	Dutch	Spanish
<b>Number</b>						

Other (*please specify*): \_\_\_\_\_



## Section 2 – Outsourcing Services & BPO Infrastructure

2.1 What outsourcing services do you offer? (Tick all that apply)

- Software Development
- Bookkeeping and Financial Services
- Call Center
- Desktop Publishing
- Transcription Services
- Data Research & Analytics
- Web Development
- Data Entry
- Multimedia & Animation
- Web-Based Customer Support
- IT Maintenance
- Others \_\_\_\_\_

2.2 Has the government (local, provincial, or national) influenced your organisation's setting up of BPO facilities in a particular location?

- no
- yes

If **yes**, explain how:

---



---



---

2.3 Roughly what percentage of your organisation's **total** budget is spent on ICT (equipment, training, etc.)? \_\_\_\_\_%

2.4 When does your agency/organization expect to have the following BPO ICT Infrastructure Capabilities? For each of the items please indicate by putting a tick (✓) mark on the appropriate column.

BPO Capability	Have it now	Within 3 Years	In more than 3 Years	Do not know
a. Access to the Internet on a dial-up connection				
b. Access to the Internet in a dedicated or leased line connection				
c. Intranet				
d. Extranet				
e. Satellite Technology				
f. Standalone Databases				
g. Customized Web-Based Platform				
h. Website with a registered Domain name				
i. Enterprise Resource Planning				
j. Others (Please specify)				

### Section 3 – Critical Factors Influencing BPO National Competitiveness

There are a number of critical factors that are considered to be essential for making BPO in various countries to be competitive internationally. What is your opinion regarding the importance of the factors below in enhancing the competitiveness of BPO firms in Kenya. Use the scale below to guide you in your answers.

\* (1 = Extremely Important, 2 = Very Important, 3 = Important, 4 = Not Very Important, 5 = Not Important)

\*\* (1 = No Constraint, 2 = Minor Constraint, 3 = Sizeable Constraint, 4 = Major Constraint, 5 = Very Severe Constraint)

Parameter (key success factor for the development of BPOs Africa)	Importance of the parameter in BPO development (Please rate on a scale of 1 to 5)*	Is it a constraint in your case? (Y/N)	Severity of the constraint/gap (Please rate on a scale of 1 to 5)**
<b>Existing Relationships with International ICT Firms as:</b>			
• Customer			
• Supplier			
• Business Partner			
• Other			
<b>Collaboration with Local Institutions:</b>			
• Interlinked clusters of firms exist in the country such as in the USA's Silicon Valley or India's Software Outsourcing in Bangalore			
• R & D Collaboration			
• Internship/Attachment			
• Market Research Collaboration			
• BPO Skills transfer Programs with International Organizations			
• Industry liaisons			
• Existence of Domestic Demand for BPO Services			

<b>Government – Related Factors:</b>			
• BPO Vision as a pillar for National Development			
• Absence of a national BPO strategic plan			
• Adequacy of ICT infrastructure			
• Broadband status			
• Adequacy of BPO Related Educational Programs			
• Comprehensive Implementation Plan			
• BPO Regulatory Framework			
<b>Financial resources</b>			
• Awareness among citizens			
• Limited Local Market for Outsourced Services			
• Resistance to change from government employees			
• Capacity building/training programs for government employees			
<b>Financial /Cost Factors:</b>			
• Internet Costs			
• Employee Costs (for instance high salaries demanded by BPO experts)			
• Adequacy of Financing			

<ul style="list-style-type: none"> <li>• Adequacy of Sustained Investments in the Sector through (please assess individually): <ul style="list-style-type: none"> <li>○ Bank Credit</li> <li>○ Venture Capital</li> <li>○ Business Partners</li> <li>○ Government Subsidies</li> <li>○ Stock Trading</li> </ul> </li> </ul>			
---	--	--	--

*\*(1 = Extremely Important, 2 = Very Important, 3 = Important, 4 = Not Very Important, 5 = Not Important)*

*\*\* (1 = No Constraint, 2 = Minor Constraint, 3 = Sizeable Constraint, 4 = Major Constraint, 5 = Very Severe Constraint)*

**Section 4: Indicators of Intercultural Competitiveness as an Antecedent of BPO Success**

<b>To what extent do you consider these aspects of culture have played a role in influencing the success of your BPO Operations [please tick the appropriate square bracket]</b>	<b>1 Strongly agree</b>	<b>2 Agree</b>	<b>3 Neutral</b>	<b>4 disagree</b>	<b>5 Strongly disagree</b>
When uncertainty arises from cultural differences, I adopt a tolerant attitude as long as the issue is not a sensitive one for me	[ ]	[ ]	[ ]	[ ]	[ ]
Sometimes I may jump to conclusions about different behaviour that I later realise were not entirely correct	[ ]	[ ]	[ ]	[ ]	[ ]
I now see the uncertainties that can arise from intercultural encounters as an interesting challenge, provided that the issues involved are not sensitive for me	[ ]	[ ]	[ ]	[ ]	[ ]

I react neutrally to cultural differences, rather than hastily categorising them as good or bad	[ ]	[ ]	[ ]	[ ]	[ ]
I am aware of ways of coping with ambiguous situations even when these give rise to inner moral conflicts that are serious for me	[ ]	[ ]	[ ]	[ ]	[ ]
I fully respect the right of those from other cultures to have different values from my own and can see how these values make sense as part of a way of thinking	[ ]	[ ]	[ ]	[ ]	[ ]
I have some general knowledge about the cultures of those I work with. This knowledge consists of facts that are not always connected and I don't yet have an overall picture of the relevant cultures	[ ]	[ ]	[ ]	[ ]	[ ]
Although I often find culturally different behaviour curious, I try to make allowances for it	[ ]	[ ]	[ ]	[ ]	[ ]
I learn from intercultural experiences and add to my previous knowledge I take the trouble to find out about the cultures I am likely to be working with, paying attention not only to isolated facts, but to values, customs and practices common in those cultures	[ ]	[ ]	[ ]	[ ]	[ ]
When I experience new values, customs and practices I use the knowledge to develop into an overall system of principles	[ ]	[ ]	[ ]	[ ]	[ ]
I have developed a mental checklist of how others may perceive, feel and respond differently to, a range of routine circumstances. This supports my concern to put others at ease and avoid upsetting them	[ ]	[ ]	[ ]	[ ]	[ ]

I have a deep understanding of cultures I encounter frequently. When involved in new intercultural situations I strive to acquire the best possible available knowledge and understanding both through prior research and by seeking regular clarification within the group	[ ]	[ ]	[ ]	[ ]	[ ]
I have acquired a system of principles that can be applied reliably to almost any intercultural encounter	[ ]	[ ]	[ ]	[ ]	[ ]
I often imagine myself in the place of those from different cultures when trying to understand all aspects of a work problem. This supports my spontaneous concern that others in the group should receive fair treatment and consideration	[ ]	[ ]	[ ]	[ ]	[ ]
I learn bit by bit the best ways of behaving, but have not yet arrived at underlying principles and do not have a plan for reacting to events. When a situation becomes confusing, I tend to take a passive role	[ ]	[ ]	[ ]	[ ]	[ ]
I take events as they come, doing what seems right at the time	[ ]	[ ]	[ ]	[ ]	[ ]
When people communicate in ways I do not understand I try in an unsystematic way to take part, but hope that they will eventually adapt to the way I communicate	[ ]	[ ]	[ ]	[ ]	[ ]
I know that others may communicate in ways I am not familiar with	[ ]	[ ]	[ ]	[ ]	[ ]
My behaviour is now influenced by principles that guide me and I often plan for eventualities, including ambiguous situations	[ ]	[ ]	[ ]	[ ]	[ ]

I adapt my behaviour in new situations, taking account of lessons learnt in previous intercultural situations. I sometimes adopt the behaviour patterns of others, rather than waiting for them to adopt mine	[ ]	[ ]	[ ]	[ ]	[ ]
I seek to achieve good communication both by making my own conventions clearer and by adopting those of others. When there is, or might be, a problem with communication, I quite often find ways around it, e.g. using gesture, re-explaining, simplifying etc.	[ ]	[ ]	[ ]	[ ]	[ ]
I am aware of a number of useful strategies for dealing with common communication problems.	[ ]	[ ]	[ ]	[ ]	[ ]
When having a conversation about cultural differences with people from abroad, I try to learn something from the people from another culture.	[ ]	[ ]	[ ]	[ ]	[ ]
When ambiguous situations arise, I can usually clarify or otherwise deal with them to the benefit of the group	[ ]	[ ]	[ ]	[ ]	[ ]
I make use of my knowledge and understanding to inform tactfully, support and encourage others in an intercultural group. I consistently adopt behaviour that minimises the risk of offending or hurting others' feelings	[ ]	[ ]	[ ]	[ ]	[ ]
I use my communication strategies to prevent, solve and mediate problems arising from differences in language or other communication conventions	[ ]	[ ]	[ ]	[ ]	[ ]

I have a good overall understanding of the kinds of communicative difficulties that can arise in an intercultural context and of a wide range of strategies for resolving them	[ ]	[ ]	[ ]	[ ]	[ ]
--	-----	-----	-----	-----	-----

**Thank you very much for your cooperation.**





## **PART III: CULTURAL ISSUES**

### ***Cultural differences***

- Does the Kenyan society reward innovation? High standards and performance improvement?
- Are workers in your country (US, UK, etc) different from the Kenyan workers? How different are they?
- Can you link differences to some common culture in your country?
- What type of culture can you say the culture is in your country?
- Is this causing problems how your Kenyan workers are performing? How are you handling these problems?
- How do you relate with your employees? Is it more based on relationships or is it guided mostly by formal rules and procedures that guide action? Why?

### ***Time***

- Do your employees work for today or they also appear to be focusing on tomorrow?
- Do your employees have a precise concept of time and tend to be punctual or do they have a relative concept of time and tend to be late?
- Do they need a steady flow of information to do their work?
- Do they separate work and family or do they see them as an integrated whole?
- Do they appear focuses and impatient or unfocused and patient?

### ***Rule***

- Do you emphasize trust as opposed to rational rules in how your employees work?
- Are there certain employees who play key 'championship' roles without whose support the organization may flounder?

### ***Power Distance***

- Does the nature of BPO require a lot of consultations with the employees?
- Do the employees expect a lot of consultation or they rely on formal/written procedures on how to work?

***Social Organization***

- When your employees make calls, are they direct in how they talk with the clients or they go 'beat around the bush'?
- Would you say they are direct communicators?

**THANK YOU FOR YOUR COOPERATION!**

### Appendix III: List of companies considered for the study

The sampling frame was designed to be an enumeration of all the BPO organizations in Kenya as at August 18th 2009. The information used to develop the frame was acquired from the Kenya Business Process Outsourcing Guide Book prepared by the Kenya ICT Board. It is available online at [http://www.ict.go.ke//index.php?option=com\\_content&task=view&id=132&Itemid=293](http://www.ict.go.ke//index.php?option=com_content&task=view&id=132&Itemid=293). ([http://www.ict.go.ke/pdfs/guide\\_book.pdf](http://www.ict.go.ke/pdfs/guide_book.pdf)) The guidebook was accessed and downloaded on 18th August 2009. According to the guidebook, there are two types of BPO organizations: BPO and Contacts Centres, as well as Consultants and Service Providers. Thus the sampling frame consisted of 26 BPO and Contacts Centres as well as 7 Consultants and Service Providers. These firms are as listed below:

No	Name	Contact	Phone / Fax	Email	Website
1	Kesyde Enterprises	David Otwoma	020 2032720	otwomad@gmail.com	www.kesyde.com
2	Adept Technologies	Diana Muthee	020 603112	diana@adept-techno.com	www.adept-techno.com
3	M5 BPO Solutions	Mr. Kibwage	020 313031	kkibwage@yahoo.com	
4	Preciss International	Joe Kiogera	020 4450448	joe@precissinternational.com	www.precissinternational.com
5	Oriak Digital	Francesca Kairo	0734311610	francesca.kairo@gmail.com, francesca.kairo@oriakafri ca.com	www.orakafri.com
6	eManage Africa and BPO	Marilyn Kamuru	020 6602000	mkamuru@emanageafrica.co m	www.emanageafrica.com
7	Verve K.O.	Sylvia Kimani	020 3555249	info@verveko.com sylvia@verveko.com	www.verveko.com
8	Capstan Systems	Oliver	0720 958973	oliver@mynairobi.com	www.capstan.co.ke
9	Cygnnet Call Solutions	Fred	0722475263	fred@cygnnetcallsolutions.com	www.callcentresolutions.co.ke
10	G7 Systems Kenya	Geofrey Gridden	020 2722642	gridden@g7systems.com	www.g7systems.com

11	Andest Bites	Esther Muchiri	020 241376	emuchiri@andestbites.com	www.andestbites.com
12	Quest Holdings	Mariam Ahmed	020 2724814 or 2720790	info@questholdings.biz	www.questholdings.net
13	Bidco Oil - Axis Division	Vimal Shah	020 2145947	vimal@bidco-oil.com	www.bidco-oil.com
14	Raybridge Multi-Lingual Centre	Raychelle	067 655777 202711446	Raychelle@kisere.co.ke	www.kisere.co.ke
15	Kentech Data	Lucy Mwatibo	030-2795322/ 0720 633707	lmwatibo@ken-techdata.com	www.ken-techdata.com
16	Cascade Global	Peres Were	020 650690-2	pwere@cascadegl.com	www.cascadegl.com
17	Kesyde Enterprises	David Otwoma	020 2032720	otwomad@gmail.com	www.kesyde.com
18	Skyweb Evans	Gilda Odera	20210302	godera@skywebevans.co.ke	www.skyweb.co.ke
19	Beeline BPO and Call Centre	Mwangi Muthui	202154718	ewachira@lifeskills.or.ke	www.beelineltd.co.ke
20	Strategic Sourcing International (K) Ltd	Jackie Nyarotho	0725525972 or 0736 225 384	info@ssi-bpo.com	www.ssi-bpo.com
21	Global Matrix	Tobias Ngeru	056-31738, kakamega 20 4185535 /3580111-7	info@globalmatrixltd.com tobiasngeru@hotmail.com	globalmatrixltd.com
22	Global Connect Call Centre	Elijah Migwi	0720278136	elijahmigwi@globalconnectbpo.com	www.globalconnectbpo.com
23	Fly Tech Ltd	Andrew Kimotho	444861 (NBI?)	sysadmin@kandia.com	www.flytechbpo.com
24	Daproim Africa	Steve Muthee	020 3518282	info@daproim.com	www.daproim.com
25	Lantech Enterprises Solutions Ltd	Francis Kioko	020-316778	fkioko@lantech.co.ke	www.lantech.co.ke
26	NorthWest Offshore Ltd		20-3559598 Fax: (20) 3559558	Info@northwestoffshore.com	
27	Smart Level BPO		+25402023782 25 / 2713111	info@smartlevelbpo.com	www.smartlevelbpo.com

28	Newbry		+254-0728-601170	nfo@newbry.co.ke / igioko@yahoo.com	www.newbry.co.ke
29	Arch-Link Consultants	Gathogo	254724783393	info@arch-link.com	www.arch-link.com
30	KenCall EPZ Ltd.		20.660.2000, Fax20.6602222	nnesbitt@kencall.com	www.kencall.com
31	Consumer Kenya LTD	Aloyce Obare		obare@consumerkenya.com	
32	Direct Channel Simbatech (K) Ltd			(Address to be confirmed)	
33	Augustana College	Rose Goes	20 3201000	rose@augustanacollege.co.ke	www.augustanacollege.co.ke
34	Target Africa	Fannis Anne		fanisanne@yahoo.com	www.targetafricamarketing.com
35	Data Bit	Carole Wamarema		carol@databit.net gaito@databit.net	www.databit.net
36	Wisemen Trainers			admin@wisementrainers.co.ke	www.wisementrainers.co.ke
37	Future Force Consultancy	Grace Ngungi	0722421801	grace@futureforceconsultancy.com	www.futureforceconsultancy.com
38	Mbagu Enterprises	Stanley Kimani		mbagu@africaonline.co.ke	www.mbagu.com
39	Jalipa Ernesta	Jalipa Ernesta	0720 958973		

#### Appendix IV: Variable names

Code	Variable
Cultr1	Tolerance for cultural differences
Cultr2	Realising that jumping to conclusion is not correct
Cultr3	Seeing intercultural uncertainties as an interesting challenge
Cultr4	Neutral reaction to cultural differences rather than categorising them
Cultr5	Awareness of ways of coping with ambiguous situations
Cultr6	Respect for other cultures
Cultr7	Knowledge about relevant cultures
Cultr8	Allowance for culturally different behaviour
Cultr9	Learning from intercultural experiences
Cultr10	New cultural experience develop into principles
Cultr11	Concern to put others at ease
Cultr12	Knowledge and researching when in new intercultural situations
Cultr13	Principles applied to any intercultural encounter
Cultr14	Concern for others to receive fair treatment and consideration
Cultr15	Learning best ways of behaving and reacting to events.
Cultr16	Taking events as they come and doing what is right
Cultr17	Trying unsystematically to communicate to those you don't understand
Cultr18	Awareness of communication differences
Cultr19	Principles influence behaviour in ambiguous situations
Cultr20	Behavioural adaptation and adoption
Cultr21	Communication by adopting others' conventions
Cultr22	Awareness of strategies for dealing with communication problems
Cultr23	Learning about cultural differences

Cultr24	Clarifying ambiguous situations or dealing with them for group benefit
Cultr25	Minimising risk of hurting others' feelings in an intercultural group
Cultr26	Handling problems from differences in language or other conventions
Cultr27	Understanding and resolving communicative difficulties



**Appendix V: Rotated component matrix (a)**

	Component					
	1	2	3	4	5	6
CULTR1	-.265	<b>.764</b>	.282	.182	.319	.324
CULTR2	-.133	<b>.901</b>	-.027	-.003	-.159	-.099
CULTR3	.291	.186	<b>.844</b>	.349	.068	.141
CULTR4	.192	.233	<b>.893</b>	-.004	-.071	-.138
CULTR5	.204	-.168	<b>.871</b>	.275	.011	.045
CULTR6	<b>.866</b>	-.018	.314	.140	-.192	-.035
CULTR7	<b>.779</b>	.078	.047	.410	.225	.036
CULTR8	<b>.610</b>	.347	.446	.072	<b>.504</b>	-.157
CULTR9	<b>.546</b>	.491	.486	.317	-.051	-.114
CULTR10	.261	<b>.883</b>	.206	.059	-.016	.100
CULTR11	<b>.604</b>	<b>.543</b>	.268	.060	-.219	.218
CULTR12	.360	<b>.738</b>	-.118	-.037	.206	.311
CULTR13	<b>.640</b>	.192	.057	<b>.508</b>	-.202	-.398
CULTR14	.149	<b>.556</b>	.231	<b>.741</b>	.071	-.025
CULTR15	.233	.098	.136	-.054	<b>-.910</b>	.032
CULTR16	<b>.667</b>	<b>.584</b>	-.014	.326	.064	.145
CULTR17	.397	-.084	.300	<b>.585</b>	.404	.077
CULTR18	<b>.876</b>	-.106	.372	-.160	.063	.141
CULTR19	.327	.178	<b>.520</b>	.312	<b>.612</b>	.227
CULTR20	<b>.782</b>	.231	.421	.140	-.195	.085
CULTR21	<b>.862</b>	.271	.162	.240	.053	-.103
CULTR22	.138	.416	-.033	.121	.028	<b>.879</b>
CULTR23	<b>.924</b>	-.209	-.006	.152	-.036	.203
CULTR24	.155	.282	.025	<b>.882</b>	.262	.191
CULTR25	.163	.216	.415	<b>.565</b>	-.422	.470
CULTR26	-.031	<b>.694</b>	.060	.388	-.186	.429
CULTR27	.230	-.154	.342	<b>.869</b>	-.091	.006

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 7 iterations.

### Appendix VI: Correlation matrix

		C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20	C21	C22	C23	C24	C25	C26	C27		
CORRELATION	C1	1.000																												
	C2	.622	1.000																											
	C3	.418	.117	1.000																										
	C4	.293	.102	.824	1.000																									
	C5	.148	-.161	.885	.740	1.000																								
	C6	-.194	-.121	.555	.484	.562	1.000																							
	C7	-.035	-.102	.471	.269	.243	.681	1.000																						
	C8	.330	.175	.671	.585	.466	.575	.702	1.000																					
	C9	.401	.399	.729	.601	.541	.653	.501	.728	1.000																				
	C10	.675	.706	.436	.460	.015	.216	.384	.558	.677	1.000																			
	C11	.369	.384	.494	.431	.206	.540	.458	.512	.801	.783	1.000																		
	C12	.619	.621	.214	.048	-.032	.292	.306	.453	.420	.625	.508	1.000																	
	C13	-.071	.171	.368	.258	.299	.699	.592	.440	.690	.286	.523	.259	1.000																
	C14	.619	.385	.575	.403	.321	.292	.484	.453	.683	.625	.508	.405	.615	1.000															
	C15	-.247	.269	.144	.211	.117	.360	-.018	-.228	.249	.191	.456	-.015	.354	-.015	1.000														
	C16	.361	.353	.438	.307	.095	.611	.818	.653	.654	.758	.702	.686	.589	.686	.112	1.000													
	C17	.232	-.157	.575	.197	.539	.392	.524	.528	.526	.075	.349	.198	.570	.560	-.192	.334	1.000												
	C18	-.157	-.205	.512	.399	.487	.810	.592	.656	.584	.206	.622	.259	.431	.022	.224	.438	.474	1.000											
	C19	.502	.026	.760	.471	.547	.293	.608	.805	.554	.425	.412	.329	.210	.510	-.341	.480	.748	.499	1.000										
	C20	.069	.028	.664	.665	.489	.869	.736	.635	.716	.549	.773	.356	.644	.486	.415	.767	.386	.749	.447	1.000									
	C21	.069	.132	.505	.354	.385	.869	.736	.753	.832	.460	.664	.486	.749	.486	.130	.767	.492	.749	.447	.771	1.000								
	C22	.601	.246	.251	-.018	.012	.097	.211	.080	.183	.472	.493	.664	-.094	.340	.065	.506	.192	.165	.341	.298	.156	1.000							
	C23	-.330	-.281	.313	.058	.281	.817	.745	.467	.468	.083	.502	.221	.528	.086	.228	.544	.458	.851	.343	.667	.785	.214	1.000						
	C24	.481	.179	.471	.058	.243	.182	.577	.380	.501	.384	.310	.306	.451	.838	-.211	.593	.668	.026	.608	.269	.425	.405	.263	1.000					
	C25	.361	.171	.657	.399	.487	.365	.309	.117	.584	.448	.622	.140	.336	.615	.483	.438	.377	.241	.355	.540	.332	.554	.313	.592	1.000				
	C26	.687	.623	.383	.188	.125	.148	.188	.143	.419	.642	.395	.630	.126	.630	.172	.599	.000	-.126	.191	.276	.276	.688	.000	.563	.629	1.000			
	C27	.020	-.141	.650	.327	.618	.463	.572	.286	.474	.056	.160	-.123	.547	.630	.120	.365	.601	.186	.450	.421	.421	.045	.398	.752	.667	.319	1.000		