

**OUTSOURCING AND COMPETITIVE ADVANTAGE AT  
SAFARICOM LIMITED**

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## DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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

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## **DEDICATION**

This research paper is lovingly dedicated to my dear parents who have been my constant source of inspiration and whose words of encouragement have given me the drive and discipline to tackle any task with enthusiasm and determination.

To my siblings; brothers and sisters who have never left my side and are very special. Thank you for believing in me and my abilities.

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## **ABSTRACT**

Outsourcing is the delegation of non-core operations from internal production to an external entity specializing in the management of that operation. This study aimed at finding out the gap between existing state of security outsourcing and the expected state of security outsourcing in relation to performance. The purpose of this study was to determine the effectiveness of business process outsourcing in Safaricom Limited Kenya and how it can derive value out of the strategy. A content analysis was used in this study. This study was specific to employees at Safaricom limited who were divided into stratum of different levels of management and general staff. Primary data was obtained to provide the needed input for the study. Data analysis was done through use of content analysis. The findings of the study showed that outsourcing could be used as a strategy of choice to gain competitive advantage and the respondents acknowledged that not all activities could be outsourced, thus the major task of the management is to make decision on which departments to outsource. According to the study, the main activities that Safaricom Limited could outsource were maintenance and operation, transmission, equipment hiring and network management. There was resistance to outsourcing of product development and customer service departments. With regards to values and benefits gained, cost cutting and revenue generation were the main values that could be gained while there was opposition with regards to improved product Development. Further the major challenges identified from the study include Formulation and quantifying service requirement. The major conclusions of the study as guided by the research questions were that there were very few option than outsourcing for Safaricom Limited. The respondent acknowledged, although it was also clear that not all activities could be outsourced, there was a general agreement that outsourcing decision should come from the board level. The major benefits, focus on strategy is the highest of the managers agreeing while freed up of internal resources, Areas that did not indicate positive response to outsourcing was mainly improved research and product development. The general outlook based on the study was outsourcing could be used as a strategy of choice to off load non-core function of Safaricom Limited to gain competitive advantage and enhancing its maintenance of the market leadership within the industry.

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## **CHAPTER ONE: INTRODUCTION**

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

Outsourcing has provided organic growth to organizations and has enabled them to reduce costs and compete more effectively in global markets (Abraham and Taylor, 1996). While this proliferation of outsourcing has been beneficial to short term growth, it may also be dissolving the competitive advantage that the country has enjoyed in the past century. Through changing the historical model of economies of scale, the intangible consequences and hidden costs of outsourcing will weigh heavily on the U.S. economy in future years. The competitive advantage of high technology is at risk, and the spillover will enable developing countries to compete directly with the United States (Barthelemy, and Adsit, 2003).

According to Hays, Hunton and Reck, (2000). Outsourcing for instance is defined as the process of transferring an existing business function, including the relevant physical and or human assets, to an external provider in order to strategically use outside resources to perform activities previously handled in-house. The study makes use of strategy theory that concerns the explanations of firm performance in a competitive environment (Porter, 1980). There are many strategy perspectives, and the strategy process perspectives based on competitive advantage. A business that engages its external accountant to provide advice which directly assists performance (strategic advice on growing revenue), or advice that has an indirect impact on performance, such as advice directed at improving management control (advice on regulatory compliance, risk, systems, performance

reviews), finance structure (introducing sources of finance) or financial planning will lead to a competitive edge over the other.

Competitive success in the information technology industry is predicated on the innovative efforts of today designed to favorably impact the operating models, processes, products and customer relationships adopted by Safaricom. Safaricom offers abundance of operational support alternatives, permits executives to compare providers, analyze the operations chain and identify efficiency, enhancement and organizational transformation opportunities. Outsourcing is one mechanism to achieve these gains. An outsourced claims management process can transform an insurance company, but requires thoughtful planning, partnering, transition and execution with great skill.

### **1.1.1 Concept of Outsourcing**

Outsourcing often refers to the delegation of non-core operations or jobs from internal production to an external entity specializing in the management of that operation. The decision to outsource is often made in the interest of lowering firm's costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of worldwide labor, capital, technology and resources (Barthelemy and Adsit, 2003). Though often used interchangeably, outsourcing differs from offshoring in that outsourcing is relative to the restructuring of the firm while offshoring is relative to the nation. Fundamentally, outsourcing is a term relative to the organization of labor within and between societies. Offshoring, also known as international outsourcing, can occur when a segment of a nationally located production process gets moved offshore -

perhaps still under the control of a national firm, or sold off to a different firm operating overseas. These concepts have become a popular trend among many U.S. companies and at times raise controversial debates.

The single most important tactical reason for outsourcing is to reduce or control operating costs, increase profits and creating competitive advantage (Roodhooftn and Warlop, 1999). Access to an outside provider's lower cost structure is one of the most compelling short-term benefits of outsourcing. Partnering with an organization with world-class capabilities can offer access to new technology, tools and techniques that the organization may not currently possess; more structured methodologies, procedures and documentation, and a competitive advantage through expanded skills. Competing corporations are outsourcing operations offshore to have the cost advantages over the market and to free up management resources. Although outsourcing has achieved cost savings and has been used to enter key foreign markets, these benefits may not outweigh the long-term impacts on industries and the economy.

### **1.1.2 Concept of Competitive Advantage**

A competitive advantage is when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for itself. Cost advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1980). A firm utilizes its

resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Mc Lauren (2000) argues that resources are the sources of a firm's capabilities, while capabilities are the source of a firm's competitive advantage. Porter (1980) provides a framework that models an industry and how it is influenced by five forces. The strategic manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of those forces close to a firm that affect its ability to serve its customers and make a profit. A change in any force requires a firm to assess its marketplace.

It involves, bargaining power of suppliers, bargaining power of buyers, threat of substitute product and threat of new entrants. The above four forces combine with other variables to influence a fifth force, the level of competition in an industry. The intensity of rivalry among firms varies across industries. If rivalry among firms in an industry is low, the industry is considered to be disciplined. This discipline may result from the industry's history of competition, the role of leading firm, or informal compliance with a generally understood code of conduct (Porter, 1980)

It is important because it comprises of all the moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three Approaches to

competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one's product offering from that of one's competitors, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy.

### **1.1.3 Telecommunications Industry in Kenya**

Telecommunications is the exchange of information over significant distances by electronic means. A complete, single telecommunications circuit consists of two stations, each equipped with a transmitter and a receiver. It means transmission between or among points specified by the subscriber, of information of the subscriber's choosing, without a change in the form or content of the information as sent or received (Laffont & Tirole, 2000). Telecommunications is also defined as forms of communications by electrical, optical, wire, cable and radio signals.

In Kenya, the drive to deregulate and liberalize the market has led to attempts at more precise economic definitions of what constitutes a natural monopoly: taking cost as exogenous. This has led to the opening of these markets, which previously were thought to be natural monopolies, to competition. Major ways of introducing competition into regulated utilities with different competitive potential, at each stage, was to separate the monopolistic and competitive components as different units. This approach has overcome, but not very effectively, the problem of a monopolist extending his monopoly power in the whole industry. However, this approach hinders realization of economies of scope and that of density (in telephony industry) that might be available for a firm

undertaking several connected activities. Telecommunications policy statement was issued in 1997 that set out the government vision on telecommunications development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing a liberalized telecommunication market.

Telecommunications firms in a competitive environment also seem more likely to engage in innovative activities than other firms. The process of innovating may affect a firms general competitive abilities, sharpening its ability to perceive environmental threats and opportunities, and then to respond flexibly to them (Geroski, 1995 p. 8). Many factors influence the competitiveness of companies and their products. These can for example be financial aspects, complexity, supply chain management, quality, education of the employees, engineering capacity, networking or corporate culture. Further factors can be marketing, product strategy, sensitivity to weak signals and the ability to be innovative on all company levels.

#### **1.1.4 Safaricom Limited Company**

Safaricom Limited Company started its global systems for mobile communications (GSM) operations on 16th May of 2002 when it actually became a public company with limited liabilities and ceased being a private company under the companies Act. It had been established in 3rd of April 1997. Safaricom is a leading provider of converged communication solutions that also operates on matters of voice, video and data requirements as pointed out on the company's homepage. Safaricom provides broadband

high-speed data to its clientele through its 3G network. Safaricom is a service-providing company specializing in telecommunications. It is considered to be amongst the top performers in the industry in Kenya. With a highly competitive thriving telecommunications market that Kenya has to offer; it is of utmost importance for the telecommunications companies to take into consideration the level of its customers' satisfaction. Safaricom has already made a name for itself in the Kenyan market hence an interesting choice for the author who is a subscriber and a shareholder of the firm.

Safaricom is faced with the daunting task of having to face its competitors and performing well enough to emerge as Kenya's largest mobile telecommunications network service provider. With over 10 million subscribers it has clearly taken the lead in the market share at 78%. Safaricom's competitors are: Zain Kenya that has 10.4% market share, Essar with 6.4% and Telkom Kenya, which has, and 5.2% of the market share. With its dominant role in the market, Safaricom has had a fair share of benefits until recently when its rival Zain Kenya introduced low-call rates as reported in the Business Daily Africa webpage that leaves Zain as the cheapest network a move that is set to increase its subscriber base. It could mean a shift from Safaricom for most of these subscribers.

## **1.2 Research Problem**

Outsourcing is seen by many economists as a win-win situation but is not always so. It has lots of downsides that most of us can't possibly conceive and only have to leave it to time (Abraham, and Taylor, 1996). The present major downside of outsourcing is the fact

that policies of outsourcing of the first world nations like United Kingdom and United States of America are nothing but sloppy. There is no fair playing ground for companies big and small and the only alternative is that they are forced to believe is to outsource. Imagine the plight of an organization that is quite happy without outsourcing and feels the punch when the rival starts grabbing all the profits by lowering the price.

All of us need services too at a lower cost. Here the products and services that come cheaper and with high quality get better sales than those with only quality. The concept of a fair playing ground is that an organization must not be affected much irrespective of the fact whether it wants to outsource or not. This is where the Company fails and this is where the fault lies. Organizations resort to outsourcing mainly because it is the general trend without assessing the cost benefit analysis. Different companies use different outsourcing strategies for different reasons. The Safaricom Company is a corporation that provides outsourcing services countrywide like any other service offering company. It faces some setbacks in its operations. The research aims at finding out the gap between existing state of security outsourcing and the expected state of security outsourcing in relation to performance. However, the outsourcing company considers this strategy to affect positively the trend of performance in the company.

In Kenya much has been studied in the area of experiences of outsourcing. Ndegwa (1996), Masinde (1986), Mwendwa (1987), Mwaura (2002), Murugu (2003) and Njoroge (2003) studied diverse industries including, banking and financial services, hospitality, transport, port services, power and lighting and the matatu industry respectively. Chebet

(2005), Kirui (2001), Mbone (2002) and Motari (2002) researched outsourcing of services. Whereas Kinyua (2000) did a survey on outsourcing of selected financial activities by publicly quoted companies in Kenya, Kirui (2001) did a study on competitive advantage through outsourcing of non-core logistics activities within the supply chain of British American Tobacco Kenya and Oyugi (2007) did on the effect of outsourcing on corporate performance at British American Tobacco Kenya. As the business environment continues changing and presenting new challenges, it is important that the existing knowledge from these previous studies be updated. Previous studies have touched on challenges posed by outsourcing employees and effects on organization performance. There is therefore need to conduct further studies to find out how outsourcing contributes to creating competitive advantage at Safaricom Company in the changing business environment of today. The question that will be addressed by this study will be: How does Safaricom use outsourcing to achieve competitive advantage?

### **1.3 Research Objective**

The objective of this study was to determine the contribution of outsourcing to creating competitive advantage in Safaricom Centre in Nairobi.

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

Findings of the study will particularly be useful in providing additional knowledge to existing and future institutions on the contribution of outsourcing to creating competitive advantage and provide information to potential and current scholars on strategic management in Kenya. This will expand their knowledge on competitive advantage and

also identify areas of further study. The study will be a source of reference material for future researchers on other related topics.

The findings of this study will help in enlightening the key decision makers in the telecommunication industry in policy formulation and on how to successfully implement outsourcing to create competitive advantage. The study will in addition to the above, be useful to stakeholders, and investors in formulating and planning areas of intervention and support.

Finally, the study is important not only to Safaricom Company Limited, but also to other managers in other sectors. It would help them understand the contribution of outsourcing to creating competitive advantage. It would help them understand why different firms achieve success better than others.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the literature on Theoretical Underpinnings, The Concept of Outsourcing, Outsourcing strategies, Competitive Advantage and Independent variables are cost efficiency, core activities, productivity and financial performance while the dependent variable is outsourcing of maintenance.

### **2.2 Theoretical Underpinnings**

The study uses two theories of competitive advantage, that is Porter's five forces model and Ansoff Growth theory to explain the contribution of outsourcing to creating competitive advantage.

#### **2.2.1 Porter's Five Forces Model**

The industry can be analyzed using Porter's five competitive forces: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes and rivalry among existing competitors. Porter (1957) famous Five Forces of Competitive Position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business. Porter has a special ability to represent complex concepts in relatively easily accessible formats, notably his Five Forces model, in which market factors can be analysed so as to make a strategic assessment of the competitive position of a given supplier in a given market. The five forces that Porter suggests drive competition are: Existing competitive rivalry between suppliers, Threat of new market entrants, Bargaining power of buyers, Power of suppliers and Threat of

substitute products (including technology change). Porter's Five Forces model provides suggested points under each main heading, by which you can develop a broad and sophisticated analysis of competitive position, as might be used when creating strategy, plans, or making investment decisions about a business or organization.

### **2.2.2 Ansoff Growth Theory**

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance.

The matrix consists of four strategies: The matrix illustrates, in particular, that the higher the element of risk, the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than 'penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

## **2.3 The Concept of Outsourcing**

The term outsourcing refers to contracting out of non-core activities (Elmuti, 2003). The outsourcing institute has defined outsourcing as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources, though this is not an indication that the activities to be outsourced are less important. Outsourcing is therefore concerned with the external provision of functional activity and thus outsourcing decisions are strategic in nature. Consequently outsourcing decisions are not taken at the operational level nor at the tactical level but at the top management level.

In today's world public sector and private sector organizations can hardly ignore the opportunities for cutting down costs. In fact to be more precise, as pressures mount on the heads of procurement and chief executives to contribute more to profitability they tend to outsource non-core functions as a measure to cut down costs and increase profitability. This has led to an increase in discussion of the factors promoting the use of outsourcing as well as the advantages and disadvantages of outsourcing the non-core functions to the experts. The current attitude is that outsourcing is possible but care must be exercised not to outsource the core activities of what an organization does best.

## **2.4 Outsourcing Strategies**

Strategic considerations such as the use of outsourcing to accelerate re-engineering benefits, to focus on core competence, to increase flexibility, and to facilitate market penetration, are usually identified. Environmental factors like information technology

(IT) development and capability of suppliers can influence organizations' decisions to outsource (Embleton, and Wright, 1998).

Outsourcing has become a critical strategic decision that can allow organizations to develop and leverage the capabilities required to compete in today's global business environment. Outsourcing is increasingly being employed to achieve performance improvements across the entire business. Leading firms have been adopting more sophisticated outsourcing strategies and have been outsourcing core processes such as design, engineering, manufacturing, and marketing. These organizations have been benefiting greatly from accessing the specialist capabilities of supplier in a range of business processes (Elmuti, 2003). Too often companies look at outsourcing as a means to lower short-term direct costs. However, through strategic outsourcing, companies can lower their long-term capital investments and leverage their key competencies significantly. They can also force many types of risk and unwanted management problems onto suppliers (Quinn and Hilmer, 1994).

Many specialists' suppliers can develop a greater depth of knowledge, invest more in systems and processes, and achieve efficiencies through economies of scale and experience. Many companies can substantially leverage their resources through strategic outsourcing by developing a few well-selected core competencies of significance to customers. When approached within a genuinely strategic framework using the variety of outsourcing options available and analyzing the strategic issues developed, companies can overcome many of the costs and risks when intelligently combined, core competency

and extensive outsourcing strategies provide improved returns on capital, lowered risk, greater flexibility, and better responsiveness to customer needs at lower costs (Maloney, 1992).

## **2.5 Competitive Advantage**

A competitive advantage is when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus a competitive advantage enables a firm to create superior value for its customers and superior profits for itself. Cost advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Porter, 1985). A firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Mc Lauren (2004) argues that resources are the sources of a firm's capabilities, while capabilities are the source of a firm's competitive advantage. Porter (1980) provides a framework that models an industry and how it is influenced by five forces. The strategic manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates. The framework uses concepts developed in micro-economics to derive five forces that determine the attractiveness of a market. They consist of those forces close to a firm that affect its ability to serve its customers and make a profit. A change in any force requires a firm to assess its marketplace.

The increase in competition and growing awareness of the role of logistics lead more companies to exploit the potential of outsourcing. Manufacturers are increasingly looking for logistics solutions to move their goods to the fast-expanding consumer markets. Further, the trend towards consolidation in many of the industries and the emergence of national chains are also creating demand for outsourcing (Denis, and Denis, 1993). McLean (2006) is of the view that business enterprises usually opt to go for outsourcing for the following benefits: Cost savings, including cost restructuring: Businesses become successful when they are able to minimize costs, and outsourcing provides this advantage.

## **2.6 Effects of Outsourcing on Competitive Advantage**

According to Rothman, (2003) organizations that outsource are seeking to realize benefits as well as address various issues amongst them ,cost saving whereby lowering of overall cost of the service to the organization. This involves reducing the scope, definition of quality levels, re-pricing, re-negotiation, cost re-structuring, and access to lower cost economies through cost re-structuring. Operating leverage is achieved and this is a measure that compares fixed costs to variable costs, outsourcing changes the balance of this ratio by offering a more from variable to fixed cost and also making variable costs more predictable. Improve quality involves achieving a step change in quality through contracting out the service with a new service level agreement.

Competition can be introduced into an institution services that are often isolated from the profit factor thus private managers are forced to find the most cost effective means to

provide a service to ensure that a profit is realized. Risk avoidance, risks such as liability issues can be transferred to the service provider allowing the contracting agency to share or avoid risks associated with providing a service. Variable staffing, contracting for seasonal work, such as lawn cutting can be done as and when need arises basis. Using variable service contracts allow an institution to pay only for the services needed without incurring the overhead associated with a permanent staff.

### **2.6.1 Efficiency**

Despite the concerted efforts of lawyers, bureaucrats, economists and managers, very few outsourcing projects turn out the way they are expected. This is simply a reflection of the fact that all projects are inherently risky: contracts are necessarily incomplete, project costs are unknown and outputs are often intangible (Corts, 1998). When a company decides to outsource provision of a service, it must determine how risk should be allocated between parties to the contract meaning the principal and the agent. An important determinant of project success, therefore, involves the design of the contract. The principal attempts to design a contract that allocates risk to the agent in an efficient manner, whilst providing appropriate incentives for performance which is typically either cost-reduction or quality improvement (Dube, Arindrajit, and Ethan 2008).

Through Outsourcing institutions are forced to be more responsive to the needs of their clients and outsourcing can generate efficiencies that can enhance the institutions goals. Outsourcing can reduce an institutions labour and benefit costs, provide a single point of accountability and provide predictable costs allowing an institution to use the savings on

its core operations. Through outsourcing there is added expertise where contracts are structured so that vendors can bear the cost of acquiring new equipment and technology. In the same way, the institutions can bring new levels of expertise in an organization. Institutions can take advantage of economies of scale achieved by vendors specifically, private vendors who specialize in a particular service area allowing them to purchase goods or service at a lower cost.

### **2.6.2 Cost Efficiency**

Cost efficiency remains the primary explanation for outsourcing. Firms evaluate outsourcing to determine whether current operating costs can be reduced and if saved resources can be reinvested in more competitive processes. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver (Anderson and Weitz, 1986; Roodhooft and Warlop, 1999). Since these outsourcing contract receivers typically serve many clients, they often achieve lower unit costs than can any single company. Specialist outsourcing vendors can also afford to invest more in new technologies and innovative practices than can many outsourcing contract-granting firms (Alexander and Young, 1996). Specialists in payroll processing, for example, typically handle this task for a number of companies, thus spreading fixed costs and achieving economies of scale. Such specialists have the focus needed to identify areas that are candidates for improvement and the knowledge needed to act successfully on that awareness (economies of skill). On the other hand, outsourcing contract-granting firms generally engage in several different activities besides the core activity. By outsourcing

some of these activities, they can concentrate their resources on the core business in which they have unique economies of skills or knowledge.

On the cost side, the ability of the airline to achieve many cost savings is fairly limited because of its fixed location in terms of area of operation and also because of the apparent lack of economies of scale beyond a certain size, Porter (1980). More generally, the relevance of such a strategy to airlines has to be questioned given the relative price insensitivity of many of the markets and thus the lack of competitive pressures to produce a reduction in costs. Moreover the issue is complicated by the weak relationship between airline costs and prices at some airlines. For example when public sector owners subsidize airline operations to achieve some broader objective such as economic development or when an airline is operated as part of a group with uniform prices across the group which do not link very closely to the costs (Meincke, 2002).

### **2.6.3 Productivity**

Several studies seek to explain the relationship between productivity growth and outsourcing. Abraham and Taylor (1996) find that firms “contract out” services with the objectives of smoothing production cycles and benefiting from specialization. Ten Raa and Wolff (2001) find a positive association between the rate of outsourcing and productivity growth.

Efficient firms allocate their resources to activities for which they enjoy comparative advantage. Other activities are increasingly outsourced. Contracting out production of

goods and services to a firm with competitive advantages in terms of reliability, quality and cost is emphasized by Perry (1997). The outsourcing contract-granting firms assess the productivity of their in-house service functions and only undertake outsource actions if outside producers can provide comparable services better. The cost reductions due to differences in labor costs lead to outsourcing and positive changes in labor input, and output produced is altered by profits and productivity growth. Outsourcing not only results in a shift of labor but also exacerbates the productivity differential between outsourcing contract granting firms and outsourcing contract receiving firms (Siegel and Griliches, 1992).

#### **2.6.4 Quality Service**

By outsourcing, companies are able to tap better into pools of expertise and gain access to intellectual property, as well as sustainable sources of skills. Moreover, this method avoids the time consuming process of training to develop the particular services in house. Also, by providing new service level agreements in their contracts, enterprises are able to make sure that the quality of the outputs or products is not lost. These contracts usually contain penalties or legal redress for transgressions.

Many organisations are working towards the concept of organisation dealing with core or strategic activities and with individuals providing a range of supporting ancillary services on contracted basis. These services must be performed at the highest standard possible so as to meet quality requirements (Daniels, 1998). When a company chooses to outsource employees or certain functions, the following advantages are normally harvested as

rewards: trimmed down labor expenses, augmented productivity, reduced employer liability, better employee retention and improved acquiescence with laws and regulations (Lawrence, 2002).

When a company outsource, it can add top quality candidates to its employee base. The hiring process can be overwhelming for a small or even medium size human resource department, so finding employee hiring solutions outside the business can benefit the company's overall productivity tremendously. Finding outsourcing solutions that will take over part or all of the hiring process from recruiting through hiring. Leave the hiring to experts in the field who can bring in well-qualified candidates. With hiring left to the experts, a company gains more time to focus on improving their business and leave the recruitment outsourcing basics to the experts.

### **2.2.5 Technology Advancement**

Regarding environmental dynamism: outsourcing may be useful for firms competing with increasing levels of environmental dynamism (Anand and Ward, 2004; Gilley et al., 2004b; Stonebraker and Liao, 2004). For example, when new technologies emerge and mature technologies become obsolete, outsourcing enables firms to switch suppliers to exploit any cost or quality improvements that may then be available. On the contrary, this technology-related flexibility is not so necessary in stable environments because production and service technologies do not change so rapidly. Similarly, demand uncertainty makes outsourcing attractive because it allows firms to shift much of the risk associated with declining demand to supplier firms.

Technology of the business exerts major influences on the internal environment and how it is organized, managed and carried out Armstrong (2002). The introduction of new technology may result in considerable changes to systems and processes he notes. The availability or the lack of technology in a firm may be the cause to outsource some human resource functions.

### **2.5.6 Financial Performance**

Traditionally, when business is booming, the temptation is to hire more staff, expand facilities, and bring more of the business “in-house,” where firms hope to better control costs. However, today's knowledge- and service-based economies offer innumerable opportunities for well-run companies to increase profits through outsourcing (Quinn, 1999). When used properly, outsourcing can boost profitability in many ways, including: The use of independent contractors provides employers with the flexibility to hire help only when they need it, for only as long as they need it. Outsourcing of staffing also allows firms to avoid having to provide costly benefits.

Outsourcing enables even the smallest firms to have a marketing expert, researcher, or other specialist on staff. While it may not pay for them to “own” that expertise, firms can “rent” it without adding to their payroll. While firms may need additional facilities to serve short-term needs, pouring cash into buildings may not match their long-term plans. When possible, firm should focus on reducing inventory, another cash drain, to minimize the need for additional facilities. When more space is needed, firms may lease and still

avoid long-term investment obligations. Profitability is arguably the most important criterion for evaluating the performance of a firm. Profitability metrics measure the return that the firm's owners receive from their investments (Smith *et al.*, 1998).

## **2.7 Drivers of Outsourcing Processes**

While many drivers are unique to specific organizations and industries, there are some common key factors that motivate organizations of all industries to make outsourcing decisions. These factors can broadly be categorized as economic, strategic, and environmental. By means of outsourcing, organizations can gain competitive advantage through cost reduction and improved responsiveness to changing business environment and market demand (Lau and Zhang, 2006). One of the most significant reasons for outsourcing is to enable organizations to focus on core activities. “Increased flexibility to configure resources to meet changing market needs” is also a very important reason.

All companies consider economic factors pivotal in the outsourcing decision process. “Cost reduction” or “cost saving” is the primary reason for outsourcing. “Capital investment reduction” is also the most prominent reason for outsourcing of companies, which is expected to reduce capital investment in transportation, warehousing, manufacturing information technology, and employees in order to release capital for core business and to improve return on assets. Reducing capital investment and cost is an important part of survival strategy, in order to enhance competitiveness and flexibility (Embleton and Wright, 1998).

Environmental reason for outsourcing is “to facilitate market penetration” which is principally viewed as a global outsourcing that helps organizations to enter new markets quickly without heavy initial investments and get geographically closer to customers to enhance responsiveness to changing customer needs (Kakabadse and Kakabadse, 2000).

By outsourcing certain business processes, institutions can greatly improve the performance of these functions or departments, as they support the overall business. Outsourced processes can be redesigned to achieve higher levels of productivity and efficiency, which translate into increased profitability.

Outsourcing also allows management to focus more time and attention on building the institutions core business. Responsibility of managing the day-to-day operations and administrative activities is transferred to the outsourced service provider. Management has greater flexibility in allocating human resources and in house staff can be freed up for more interesting tasks. The most significant risks lie in the need to develop new management competencies, capabilities and decision-making processes.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the research methodology that was used in the study. It focuses on the research design, data collection method and data analysis.

### **3.2 Research Design**

This was a case study design. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. Since this study sought to determine the contribution of outsourcing to creating competitive advantage in Safaricom Limited, a case study design was deemed the best design to fulfill the objectives of the study.

This design was most appropriate for a single unit of study because it offered a detailed in depth analysis that gave valuable insights to phenomena.

### **3.3 Data Collection**

In this study, emphasis was given to primary data. The primary data was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). It made it possible to obtain data required to meet specific objectives of the study.

The interview involved 7 respondents from 7 departments, that is; the human resource director, the chief finance officer, the marketing director, the chief operating officer, procurement director, customer relations officer and ICT department. Since the researcher was required to get in-depth information on issues surrounding the contribution of outsourcing to creating competitive advantage at Safaricom Limited, interview was regarded as the best method and the interview guide gave a clear guidance on what questions were asked.

### **3.4 Data Analysis**

Qualitative data was analyzed using qualitative analysis. Qualitative data analysis seeks to make general statements on how categories or themes of data are related (Mugenda and Mugenda, 2003). Since data was qualitative in nature, content analysis was used to analyze the data. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends.

It is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). The data was obtained from the various management team members belonging to different departments and compared against each other in order to get more revelation on the issues under study. This research yielded qualitative data from the interview schedules and analyzed using content analysis because this study seeks to solicit data that is qualitative in nature. Analysis of data collected was

compared with the theoretical approaches and documentations cited in the literature review.

## **CHAPTER FOUR**

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

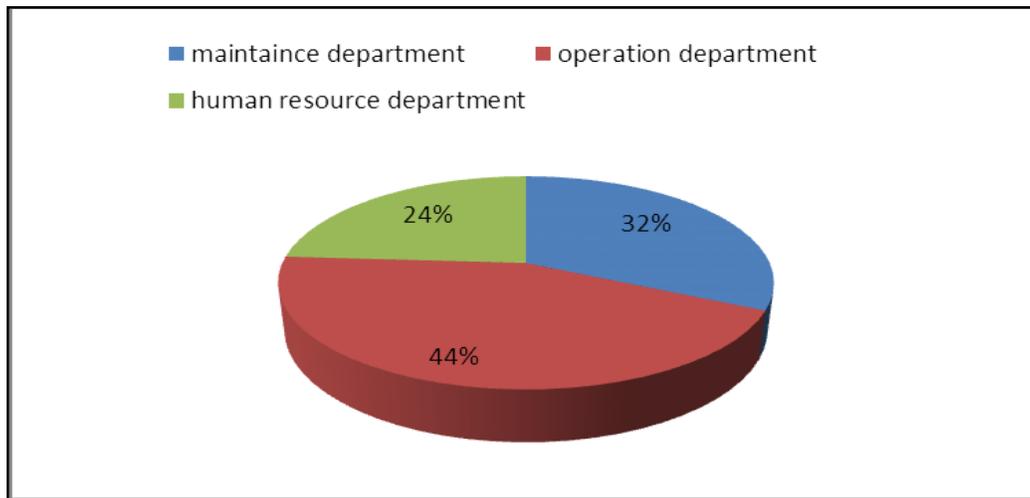
#### **4.1 Overview of the Chapter**

This chapter entails data analysis and interpretations of the study findings. The main objective of the study is to determine the contribution of outsourcing to creating competitive advantage at Safaricom Limited Company. The target respondents were the staff working at Safaricom headquarters offices situated in Nairobi. The study focus was the staff involved in execution of various outsourcing functions. Data was collected using interview guides administered to departmental heads in charge of Department of finance, Human Resource Department, Operation department, Marketing Department, Department of Supply Chain. The study also collected data from Chief Public Relations Officer at Safaricom, Human Resources Manager, Chief Monitoring and Evaluation Officer and officers in charge of training, internal audit, ICT and Security.

#### **4.2 Informants Working Department**

Informants were asked to indicate the departments they are working in at Safaricom limited. The findings of the research question are presented in Figure 4.1.

**Figure 4.1: Responses of Informants Working Departments**



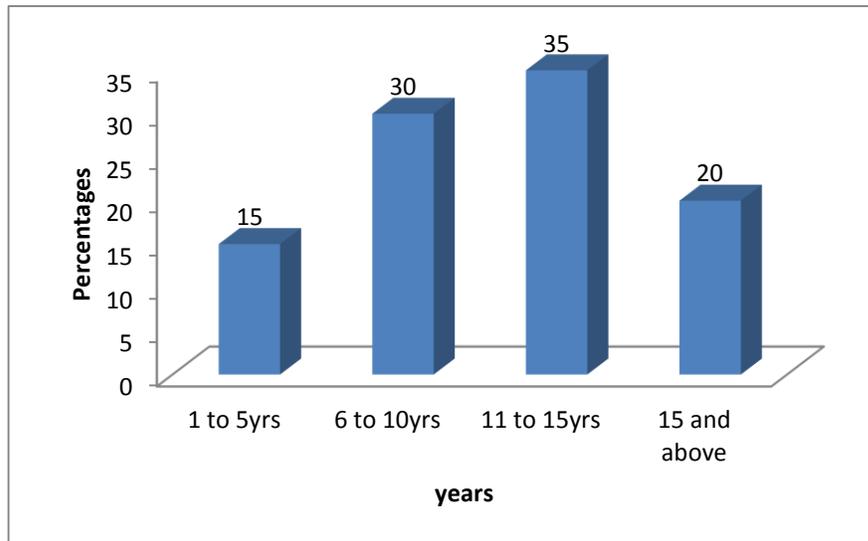
Source: Researcher, (2013)

The results presented in Figure 4.1 show that a large proportion of 44% of the informants were working in operations department; this was followed by a significant percentage 32% that indicated they are working in maintenance department, 24% indicated they are working in human resource department. The composition shows that most of the respondents were working in operation department and therefore their working departments, could also appreciate the importance of the study.

### **4.3 Length of service**

The interviewees were asked to indicate the number of years worked in safaricom limited. Figure 4.2 show the results of the study.

**Figure 4.2: Length of Service**



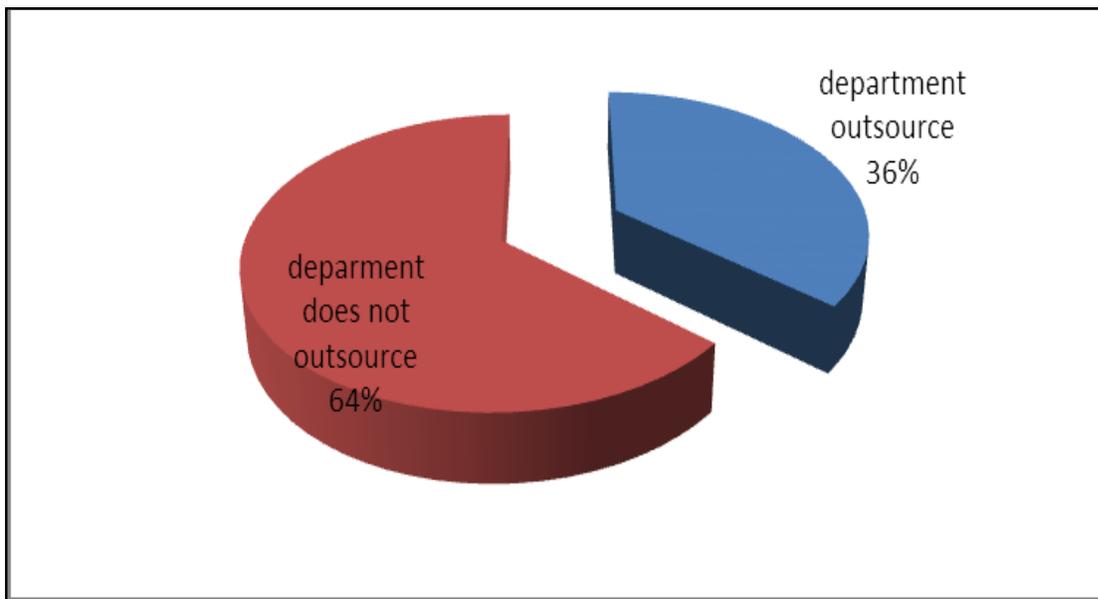
Source: Researcher (2013)

Figure 4.2 presents the findings on length of service of the respondents. From the figure, 15% indicated that they had been in the Safaricom limited for 1 to 5 years. 30% indicated a period of 6 to 10 years, 35% indicated a period of 11-15 years while 20% indicted that they had worked for over 15years.

#### **4.4 Status of Safaricom Outsourcing Services in Departments**

Informants were asked to indicate whether Safaricom outsource services or not in the department they are working in. The findings are presented in Figure 4.2

**Figure 4.3: Informants Response on Department Outsourcing**



Source: Researcher (2013)

The results as in the figure 4.3 show that majority of the respondent indicated that their department does not outsource 64% while those who indicated that their department outsource services was 36% implying that most of the departments in safaricom are not outsourcing many services

#### **4.5 Services that Safaricom Derive from Outsourcing Business**

##### **Processes**

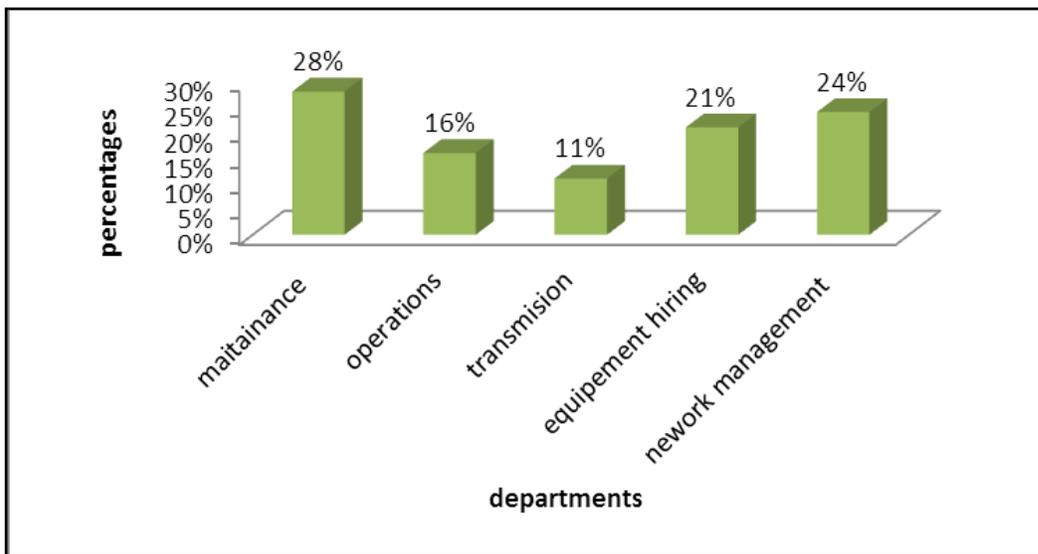
According to interviewees when asked to indicate Services that Safaricom Derive from outsourcing business processes, they indicated that the main activities that Safaricom outsource were maintenance and operation, transmission, equipment hiring and network management. There was resistance to outsourcing of product development and customer

service departments. With regards to values and benefits gained, cost cutting and revenue generation were the main values that could be gained while there was opposition with regards to improved product development. Interviewees also held that Staff effectiveness, organizational and procedural alignment, governance readiness and change acceptance and adoption are derived from outsourcing business processes in Safaricom. Staff effectiveness, client and service provider staff responsible for negotiating, implementing, performing and managing outsourcing services must have the necessary skills, knowledge and capacity. Organizational and procedural alignment: client policies, programs and other operating model components are aligned to support and enable the change. Governance readiness: the outsourcing governance model is in place with a shared understanding of responsibility, decision-making authority and how services are managed.

Change acceptance and adoption: client groups and individual stakeholders who are involved understand, accept and are committed to operate according to the new model. According to interviewees, it is clear that for the firm, the main benefit of outsourcing is reduction in costs. Also management is able to allocate and utilize the resources optimally. Flexibility to respond to changing demands is the third ranked benefits, which the firm achieved by outsourcing. Almost 63% of respondents said that reduction in costs is always the benefit of outsourcing. Seventy-five percent of participants said that predictable outcome is another key benefit of outsourcing. Sixty three percent respondents said that higher degree of success and optimal allocation and utilization of resources are most often achieved benefits of outsourcing. Fifty percent participants said

that increased flexibility is also a key benefit of outsourcing. According to respondents, the benefits of outsourcing at Safaricom increases further productivity gains and greater reductions in total cost of ownership. A service level agreement (SLA) establishes mutually agreeable performance metrics that the service provider must achieve to satisfy its customer's needs. Typically, customers decide to outsource either the management of a broadly used application, such as customer relationship management (CRM), or some part of support, such as the help desk.

**Figure 4.4: Rates of Outsourced Services in Safaricom Departments**



Source: Researcher (2013)

Figure 4.4 presents the findings on response of informants on the services outsourced in various departments at Safaricom limited. From the figure, respondents indicated that 28% of maintenance services are outsourced, 16% of operation services are outsourced, 11% of transmission services are outsourced, 28% of equipment hiring services are outsourced while 24% of maintenance services are outsourced.

#### **4.6 Safaricom Challenges in Business Process Outsourcing**

According to respondents, the biggest challenge that safaricom faces in Business Process Outsourcing are selecting the right vendor and deciding what to outsource and what to keep in-house. Since contracted firms by safaricom have a good legal department and a program management office, they have not faced the challenge of designing a contract very often. Setting up a governance model, ongoing management of the vendor relationship, and continuous commitment to the spirit of partnership are some of the very important challenges for both firms. It is clear that 50% of the participants said that selecting the right vendor, and deciding what to outsource and what to keep in-house are the most critical challenges while 63% said that continuous commitment to the spirit of partnership is a moderate challenge faced in outsourcing projects. Fifty percent of the participants said that setting up a governance model, ongoing management of the vendor, and designing a contract were of the challenges

#### **4.7 Factors Influencing the Business Strategies in Response to Competitive Environment at Safaricom Limited**

According to respondents, it's important to understand some basic facts since working environments differ from one another based on economy, culture, population among others. The impact of environmental factors on business strategies for safaricom apparel service provider companies has constantly changed from 1997 to 2010. In addition, the three main environmental factors globalization, technology, and consumer have an increasingly stronger interrelationship with these business strategies and have required more sophisticated business strategies. Based on the analyzed data about the business environments of the Safaricom apparel service industry and the general business strategies that have been implemented from 1997 to 2010, the researcher analyzed the

findings of environmental factors on business strategies in safaricom. To understand each company's specific strategies in response to environmental changes, the two theories about organizational interpretation process and organizational adaptation were employed and were upheld by the interviewees. Informants agreed that the model of the study provided the support for the idea that companies interpret business environments in their own way, and the interpretation process, in turn, influences the company's response to the environment. From 1997 to 2010, environmental changes have significantly affected Safaricom positively, apparel companies' overall plans and major policies, demanding changes in business strategies in response to a changing environment. Additionally, the interviewees suggested that the response or results for individual companies can be different according to a company's internal resources.

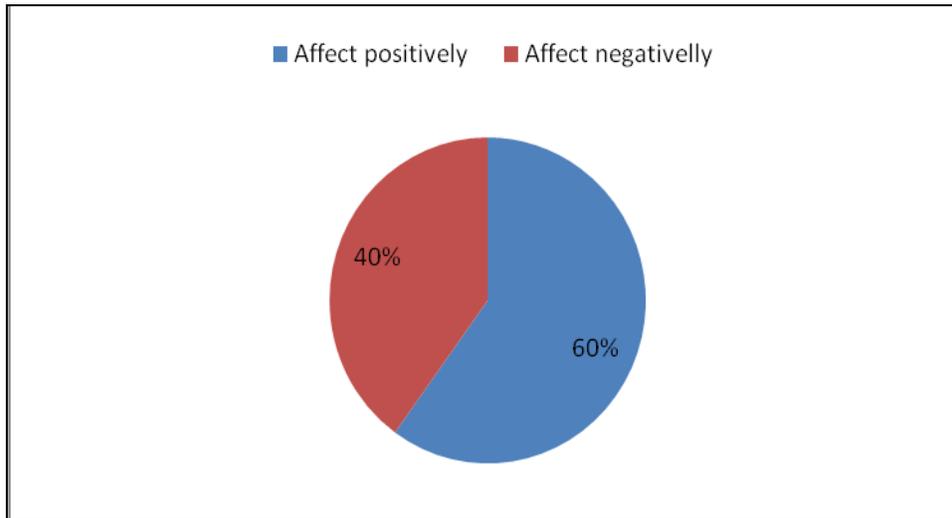
#### **4.8 Effectiveness of outsourcing in Business Strategies at Safaricom Limited**

The study established that more than half of the respondents agreed that effective use of outsourcing helps the company to achieve a competitive edge and gain a big market share, while the other half were undecided. According to interviewees all too often, outsourcing initiatives, transformational or otherwise, are designed in isolation without articulating a clear outsourcing strategy and linking it to the broader business strategies and goals. Indeed, only few of the informants said that clients had a clear outsourcing strategy that was tied to their business strategy. Having a clear strategic focus makes it easier to determine what capabilities to look for in a service provider, and to define realistic service levels that are tied to company business goals. Lack of a distinct strategic focus can completely skew the entire initiative and dramatically lessen results. The study established that outsourcing influenced a high level of competition in the market. This was

expressed by 60% of the respondents who indicated that the outsourcing experienced competition negatively affected marketing of communication services. This is because there have been other competitors in the market using new technology to satisfy diverse needs of the consumers.

According to interviewees developing an operational case that takes a look at current processes and describes the changes that will take them to the desired state is an important part of aligning the outsourcing strategy with business goals. Understanding both the business themes and the business drivers is essential to developing an outsourcing solution that is aligned to the business strategy. The drivers in respect of risk sharing and flexibility have spurred the proliferation of strategic type of effective outsourcing partnerships. In the same time, it should be noted that a strict initial specification of the required performance level of the vendors in such partnerships is hardly achievable. Thus to achieve successful outsourcing partnership managers should go beyond the fragmentary negotiation and switch to long-term business models development

**Figure 4.5: Effects of Outsourcing**



Source: Researcher (2013)

The results presented in Figure 4.5 show that a large proportion of 60% of respondents said that outsourcing services has positive effect to Safaricom while 40% of the respondents indicated that outsourcing negative effect to the organization.

#### **4.9 Improvement of Safaricom Performance due to Outsourcing Some Services**

According to interviewee's, outsourced services increases decision-making effectiveness. Decision-making can be supported by providing better information, improving the decision process or automating the decision process altogether. Growth is realized in the use of outsourcing to support all levels and aspects of decision-making. This trend will continue to eliminate the boundary of what is possible and justifiable information technology is a change that contributes threats to individuals and organizational security, status and lifestyles. It is the responsibility of organizations to adopt or modify

technology within an organization. Information technology is changing businesses. Although organizations' cultures and business strategies shape the use of information technology in organizations, more often the influence is stronger on information technology's effect on them. Outsourcing significantly affects strategic options and creates opportunities and issues that managers need to address in many aspects of their business.

The importance of outsourcing and innovation have been emphasized by people at the higher management level and reinforced by people throughout the corporation. If the managers in a higher hierarchy and members of the board are not interested, the managers below tend to show their lack of interest. The management of an organization has the responsibility to encourage new product development and ensure that technology is being utilized effectively with the consumer considered. The managers should focus the research and development or manufacturing in those locations making a strong impact on product development. They should also listen to their stakeholders for sources of product and service improvements

#### **4.10 Safaricom Intention to Outsource More Activities in the Near Future**

According to respondents, the services most easily outsourced are those that are resource-intensive, relatively discrete, require specialist competencies, characterized by fluctuating work patterns in loading and throughput, subject to quickly changing markets (for which it is costly to recruit and retain staff), and subject to rapidly changing technology requiring expensive investment. Janitorial and security services are commonly outsourced

in most firms. Respondents indicated that reasons for outsourcing vary greatly and include achieving time, progress and cost advantage. Besides, they identified key strategic reasons for outsourcing which includes improvement of business focus following the realization that several issues are siphoning off huge amounts of management's resources and attention, access of world-class capabilities, achievement of accelerated re-engineering benefits, adaptation to changing opportunities, and finally to re-direct resources from non-core activities towards activities that have the greatest return in serving the customers. Outsourcing as a supply chain management strategy need to be adopted by firms to gain competitive advantage.

#### **4.11 Recommendation on Outsourcing Alliances to Other Businesses or Organizations**

According to respondents, strategic alliances are no longer a strategic option but a necessity in many markets and industries. Dynamic markets for products and technologies, coupled with the increasing costs of doing business, have resulted in a significant increase in the use of alliances. Outsourcing is promoted as one of the most powerful trends in modern management. The rationale for outsourcing some functions and/or processes includes substantial financial economies, increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. There are four potential benefits that safaricom realize from strategic alliances. Strategic alliances are an indispensable tool in today's competitive business environment. Companies can no longer afford *ad hoc* approaches to alliance formation and management, than they can rely on a small number of talented alliance managers. Many of those benefits, particularly those unique to each alliance

program, are detailed in this guide. The benefits that apply to most program members are described in the following sections. Guidelines for taking advantage of alliance benefits need be outlined where appropriate. Many global companies need multiple alliances and some global companies requiring coordination with numerous partners. Companies are also finding benefits of outsourcing with competitors. They must be created by creating customer value through outsourcing partnerships, managing alliances with competitors, managing global alliances. There are numerous benefits to being a member of the Alliance.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents summary of findings, conclusion, suggestion for further studies and recommendations from the study findings. The main objective of the study was to investigate on the contribution of outsourcing to creating competitive advantage at Safaricom Limited in Nairobi

#### **5.2 Summary**

The use of outsourcing services has created many opportunities that have enabled organizations to expand its services, operations, reach many customers in the target market and enhanced cost reduction. The effects of outsourcing services have eased obtaining products` information, communications globally, such as through e-mail, voice mail, e-commerce and delivery of quality customer-care service. Application of effective outsourcing has been made effective by information technology and this has played a key role towards informing customers about new products and persuading customers to purchase the products. Various outsourcing approaches and other forms of promotional mix elements such as sale promotion, personal selling and public relations strategies have been developed and this has greatly affected outsourcing of communication services. Electronic promotion methods such as B2B marketing, online marketing and SMS promotions have become popular ways of outsourcing of communication services. Promotion is therefore a major effect of outsourcing that has transformed the communication industry.

Outsourcing accelerates the pace of product development. Communication and cooperation between the different departments such as marketing and Research and Development, have an essential role in the design process and improve the prospects of success for the product and product development project. Outsourcing services has led to development of global system for mobile communications (GSM) technology that has enabled introduction of mobile-phones in the local market, other outsourcing services have also been developed and this has facilitated effective marketing of communication services. The pace of product development is therefore a major effect of outsourcing services that affects marketing of communication services. The product range offered by the organization is a major factor that greatly affects marketing of communication services since development of a wide product range leads to delivery of many services that meet customers' demands. A narrow product range leads to delivery of few services that leads to loss of market share since only few customers' demands are achieved.

Outsourcing of communication services is greatly affected by the implemented distribution channel. Lack of effective distribution channel delays delivery of communication services to the target customers in various market segments. By outsourcing services, computerized distribution systems have been developed and this has influenced delivery of quality communication services. Customers can easily load airtime in their cell phones and send money by SMS and customer-care services are effectively delivered to all customers in their respective locations. All these have been made effective by the use of outsourcing and this shows that distribution is a major effect

of information technology that has impacted positively on outsourcing of communication services. Outsourcing has influenced introduction of new pricing methods such as billing rates for postpaid and prepaid services. This has eased penetration of communication services to various customers in different market segments. Outsourcing approach applied by the organization determines the cost of communication services and this either attracts or discourages many customers. Most customers consider a price before making purchasing decision. Higher prices discourage customers and this makes the organization to lose market share in low-income market segments.

The use of outsourcing influences many organizations offering communication services to access the target market and this creates high competition rivalry. This greatly affects communication services by creating a difficulty in the organization's effectiveness in positioning its services in the target market. High competition is influenced by the availability of many other organizations that offer similar services in better terms. Competition can only be managed by employing strategic outsourced marketing tactics to counter other organizations' marketing strategies.

The study established that the use of outsourcing facilitated application of effective distribution channels that enabled the company services to be available to many customers in markets located over long distances. However, it was established that the company experienced various distribution challenges such as network congestion and poor communication methods between distributors and retailers and this hindered many customers from accessing the company communication services. Most distributors lacked

computerized distribution systems and this subjected much of the company distribution activities to manual procedures that were slow and ineffective. The geographic locations of some outsourcing services partners were not convenient to many customers who have to travel over long distances to access communication services. Most of the marketing staff explained that low sales turnover was experienced in areas where distribution stations were not strategically outsourced. Most respondents strongly agreed that the use of outsourcing services facilitates effective distribution of the company's products.

### **5.3 Conclusion**

This section explains summary of the findings, conclusions and recommendations of the research study. These involved an in-depth explanation of the analyzed and presented findings in quantitative analysis. The research questions were analyzed and the study conclusions were obtained from the findings. To ensure that outsourcing creates competitive advantage in Safaricom Limited and impacts positively on marketing of communication services, the study presented several recommendations and a suggestion for further studies was encouraged to explore other effects of contribution of outsourcing to creating competitive advantage in Safaricom centre that were not discussed in the study. In general outsourcing studies are of theoretical type, discussing benefits, risks and motivators for profit. European studies focus more on risks related to outsourcing and address governmental entities. The studies addressing knowledge management tend not to cover benefits, risks or motivators related to outsourcing, a pattern which also holds for studies addressing decision support issues. It is also important to note that most studies do not consider the distinct position of non-profit organizations when it comes to

outsourcing practices. Non-profit organizations do not typically have cost reduction as a primary objective. They are typically politically driven. This observation should be a motivation for researchers to expand the treatment of non-profits. The cluster analysis indicates that approximately 40 percent of the studies can be characterized based on a strong relationship to relatively few of the variables. These variables usually do not relate to motivators, type of organization, or location.

Organizations are doing more outsourcing than ever before and managers are in desperate need of information in an organized form that will help them identify opportunities, challenges and decision factors related to outsourcing. There is an abundance of information related to outsourcing at Safaricom that is waiting to be put into a more structured form for better decision support. This study attempts to accomplish this task through a comprehensive study of Safaricom outsourcing as presented and analyzed statistically based on their content. The analysis helped identify emerging paths as well as less visited areas in the literature. Our general observation based on this analysis is that Safaricom is rich in terms of presenting the possible benefits, risks, and strategic issues to outsourcing. However, when it comes to offering tools and guidelines in terms of decision support, the literature is lacking and needs additional work.

## **5.4 Recommendations**

To ensure that the effects of outsourcing of services influence positively on marketing of communication services the study provided the following recommendations. The organization should incorporate outsourcing of services in all its operations and a latest and most effective information technology should be used. The organization should apply

promotion methods that are integrated with outsourcing of services. This will contribute towards attracting and retaining many customers in the target market. To achieve this, media advertising methods and sales promotion methods should be implemented. Promotion methods that do not persuade customers to purchase communication services should be avoided. The organization should employ the latest outsourcing of services to speed the pace of product development. Research should be performed to determine the types of products that meet customers' demands and facilitate introduction of variety products to broaden the company's product range so that the demands of various customers in the target market are satisfactorily fulfilled. Communication services that are affordable should be introduced to target low-income individuals and this will contribute positively towards acquisition and retention of many customers in the target market.

Computerized distribution services should be implemented to enable all customers' access communication services all the time. The organization management should strategically locate the organization retail outlets in places that are easily accessible by many customers in the target market. The organization should develop a programme of having outlets in residential areas where many customers can easily access customer care services without traveling to town. Effective pricing methods that are incorporated with outsourcing of services should be encouraged. The organization should introduce various prices for its services to suit the purchasing power of many individuals in the target market. Higher prices should be avoided in low income market segments and the organization should design various services that are easily affordable by many customers.

Through effective use of information technology, the organization should employ strategic marketing techniques that counter the activities of competing communication companies. These should involve effective advertising and sales promotion methods. To achieve a competitive edge in the target market the company should first improve the quality of the services and design products that are easily affordable by many customers, especially in low income market segments.

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

The nature of the organization was a major limitation since the organization is large and the researchers were not able to evaluate the entire organization activities in respect to outsourcing. Since the respondents were selected from the organization offices, this affected the findings since many of the field staff do not always report at the organization offices where samples were obtained. Sensitivity and confidentiality of the research study made many respondents reluctant and hesitant in responding to questions, some of the respondents thought that the study findings were to be used as a competitive tool against the organization. However, the researcher gave a full disclosure of the study purpose, which was only intended for academic purposes. Cases of unco-operative respondents were experienced and this affected answering of the research questions. Some of the questions were not properly answered since respondents were not supervised when answering the interview guide, this affected data validity and reliability. The researchers therefore had to involve some of the respondents in a personal interview before issuing them with the interview guide as a strategy to reduce response rate.

## **5.6 Suggestion for Further Studies**

The research study focused its research activities on the major effects that were addressed by the specific objectives of the study. This contributed to the study exploring effects of Contribution of Outsourcing to Creating Competitive Advantage Safaricom Limited in Nairobi. Suggestions for further studies therefore are encouraged to contribute towards identification of factors that affect outsourcing of communication services and were not disclosed by this study. This will contribute towards establishment of more effective marketing strategies that eliminate the marketing problems experienced by Safaricom currently and in the future.

The study recommends carrying out the same study in other mobile service providers in the country to find out whether the same results will be obtained. A study should be carried on other non-governmental organisations and governmental institutions and also in profit and non-profit making organisations to determine contribution of outsourcing to creating competitive advantage in these organisations.

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## **Appendices I: Introduction Letter**

## Appendices II: Interview Guide

1. Name of the respondent (optional).....
2. Which department are you in?.....
3. How long have you been in the organization?.....
4. Does your department outsource any business processes? Which business process do you outsource?  
.....  
.....  
.....
5. What drove you to outsource the business processes rather than having your own in-built processes?  
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.....  
.....
6. What benefit does your organization derive from outsourcing?  
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.....  
.....
7. What challenges do you face in your Business process outsourcing?  
.....  
.....

8. What are the factors influencing the business strategies in response to competitive environment at Safaricom limited?

.....  
.....  
.....

9. To identify and examine the effectiveness of business strategies at Safaricom limited.

10. Would you say that outsourcing some of your services has led to improved organizational performance?

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11. Do you intend to outsource more activities in the near future?

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12. Would you recommend outsourcing alliances to other businesses or organizations?

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