

**OUTSOURCING RISKS IN THE TELECOMMUNICATION
INDUSTRY IN KENYA**

BY

CHEBELYON KENNETH KIPRONO

D61/67682/2011

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULLFILMENT OF THE REQUIREMENT OF THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION OF THE
UNIVERSITY OF NAIROBI**

OCTOBER, 2014

DECLARATION

I declare that this research project is my original work and has never been presented to any institution or university for any award. No part of this project should be reproduced without my consent or that of the University of Nairobi.

Sign..... Date.....

Chebelyon, K, Kenneth

D61/67682/2011

Supervisor

This research project has been presented to University of Nairobi for examination with my approval as the University of Nairobi supervisor.

Sign..... Date.....

Mr. Akelo

DEDICATION

I sincerely dedicate this research project to my family members for the unrelenting effort in their financial and spiritual support during my time of study, sincere, gratitude to the entire fraternity of University of Nairobi, both lecturers and fellow MBA comrades for their encouragement throughout the entire period of my academic endeavor.

ACKNOWLEDGEMENTS

A lot of people deserve my appreciation and salute for their continual assistance and support throughout the entire course of study.

Special thanks to my supervisor Mr. Akelo and moderator Mr. Chirchir for accepting to supervise and guide me throughout the entire research project. My sincere gratitude to all lectures and library staff of the University of Nairobi.

Special thanks to my MBA comrades for their brotherly assistance whenever I requested them.

ABSTRACT

The purpose of the study was to establish the outsourcing risks in the telecommunication industry in Kenya. The specific objectives of the study were to: establish the risks involved in outsourcing in the telecommunication industry in Kenya, examine how these risks affect management's decision to outsource in the telecommunication industry in Kenya and determine the strategies to mitigate these risks in the telecommunication industry in Kenya. The study reviewed empirical study related to the study topic, theoretical review as well as coming up with a conceptual framework for the study. The study adopted a descriptive research design. The population of the study comprised of 180 staff working in the managerial position of top managers, middle managers as well as low level managers in telecommunication companies in the mobile sector who included Safaricom, Airtel Kenya, Essar's Yu and Telkom's Orange. The study adopted stratified sampling design where 30% of the respondents were sampled for the study. The study used a questionnaire as research instrument and the questionnaires administered through drop and pick method through self administration. The data was cleaned and sorted later for analysis. Analysis was done using descriptive analysis for the quantity data and the results presented inform of tables, whereas qualitative data was analyzed through content analysis and results presented in narrative form. The study found that financial risks, psychological risks, performance risks and strategic risks as the risks associated with outsourcing in the telecommunication industries. The different types of risks were also found to be having an impact on the managerial decisions since the different risks triggers the management to call for an overhaul at times of the outsourcing activities. This is due to the losses related to poorly planned outsourcing practices. As well, management often take personal responsibility due to outsourcing problems. The study concluded that the different outsourcing risks have an effect on the management decisions. The study recommended that the management carries out analysis of the outsourcing companies before entering into contracts with them, the study as well recommended for the adoption of operation research techniques in logistic assignment for efficiency reasons. Finally, financial experts such as managerial accountants could be hired in order to reduce on financial risks.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT.....	v
TABLE OF CONTENTS	vi
LIST OF FIGURES	ix
LIST OF TABLES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 The Background of the Study	1
1.1.1 Outsourcing	2
1.1.2 Outsourcing Risks.....	4
1.1.3 Telecommunication Industry in Kenya	5
1.2 Research Problem	6
1.3 Research Objectives.....	8
1.3 Value of the Research	8
CHAPTER TWO	9
LITERATURE REVIEW.....	9
2.1 Introduction.....	9
2.2 Theoretical Review	9
2.2.1 Agency Theory	9
2.2.2 Transaction Cost Theory	10
2.3 Types of Outsourcing Risks.....	11
2.3.1 Strategic Risks	11
2.3.2 Performance Risks	12
2.3.3 Financial Risks	14
2.3.4 Psychological Risks and other Risks	14
2.4 Conceptual Framework.....	16

2.5 Research Hypothesis	17
2.5.1 Hypothesis 1	18
2.5.2 Hypothesis 2	18
2.5.3 Hypothesis 3	19
2.5.4 Hypothesis 4.....	20
2.5.5 Hypothesis 5	20
CHAPTER THREE	22
RESEARCH METHODOLOGY	22
3.1 Research Methodology	22
3.2 Population	22
3.3 Sample Selection.....	23
3.4 Data Collection	24
3.5 Data Analysis	24
CHAPTER FOUR.....	26
RESULTS AND DISCUSSIONS	26
4.1 Introduction.....	26
4.2 General Information.....	26
4.3 Risks Involved in Outsourcing.....	30
4.4 Effect of Risk on Management’s Decision	33
4.5 Strategies that can be employed in Mitigating Risks	35
CHAPTER FIVE	37
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	37
5.1 Introduction.....	37
5.2 Summary of the Findings.....	38
5.3 Conclusions.....	38
5.4 Recommendations on the Findings.....	39
5.5 Recommendations for further Studies	39

REFERENCES.....	41
APPENDICES.....	47
Appendix 1: Questionnaire	47
Appendix II: List of Mobile Telecommunication Companies in Kenya	51

LIST OF FIGURES

Figure 1: Conceptual Framework	17
---	----

LIST OF TABLES

Table 3.1 Sample Population	23
Table 4.2 Gender of the Respondents	27
Table 4.3 Respondent Age	27
Table 4.5 Number of years worked in the organization	29
Table 4.6 Job position	29
Table 4.11 Effect of Risk on Management’s Decision.....	34

LIST OF ABBREVIATIONS

AT	Agency Theory
CCK	Communications Commission of Kenya
ICT	Information and Communications Technology
SPSS	Statistical package for social sciences
TCE	Transaction Cost Economics

CHAPTER ONE

INTRODUCTION

1.1 The Background of the Study

In business world each decade seems to bring a new way of thinking about the business environment and new ways of acting and corporate strategies (Brown, 2014). Outsourcing, off-shoring and globalization are no longer management consulting “buzzwords” but business realities that present many challenges for the business community. Every outsourcing decision can have significant security, legal, regulatory and contractual implications. Risk profiles, will change when outsourcing to companies based in countries that have different political, economic and cultural environments. Further challenges are presented by a dramatic increase in the number of business processes earmarked for outsourcing: each of these requires security analysis and many disparate sources of information must be identified and consolidated to create appropriate inputs to facilitate effective analysis (Kumar, 2006).

There few research studies conducted on business outsourcing risks since its emergence however, much research has been done to investigate the effects of outsourcing decision on the company’s financial performance and its firms value (e.g. Gilley and Rasheed, 2000; Jiangetal, 2006). Overall, the findings were contradictory. In addition, Bryce and Useem (1998) found that most Chief Executive Officers, (CEO’s) and Chief Information officers, (CIO’s) were not satisfied with the results of their outsourcing partnership.

As more companies move to outsource services currently performed in-house, they'll likely encounter a slew of risks, some of which become clear only when something goes badly wrong. Managers will have to mitigate these risks in order to reap the substantial benefits that outsourcing provides (Adner, 2012). The secrets of managing supplier partners involve examining risks of flawed provider selection and management consideration, especially for critical or large activities. Millions of dollars indirect costs and lost opportunities, not to mention management employment contacts, are at stake. Strategic services outsourcing can add value through direction setting, intelligent analysis, committed management, measurement, and appropriate risk transfer (Bagley, 2013). To realize the benefits, companies must anticipate and address the many risks involved in outsourcing by developing and following a robust framework for outsourcing decisions, partner selection, and partner management provides the best assurance that outsourcing will be rewarding to both outsourcing companies and their partners. Outsourcing arrangements benefits all players in the supplies network. This however forms a complex mix of heterogeneous collaborators in supply networks that also increase the complexity and risk profiles of inter-related components within these networks. For a given network collaboration, several structures of network relationship are possible, with each carrying distinctive risk implications (Atkin & Brooks, 2009).

1.1.1 Outsourcing

Outsourcing is the practice of using outside firms both domestic and foreign to handle work normally performed by or within a company. When outsourcing transgresses national boundaries and is managed by companies located in other countries of origin, outsourcing takes the form of off-shoring; however the term is often interchanged

with outsourcing due to its current global trend. Outsourcing involves the process of delegating a company's business process to third parties or external agencies, leveraging benefits ranging from low cost labour, improved quality to product and service innovation, simply put, its aims at improving the competitive edge of a company (Cairns & Sliwa, 2008). The term outsourcing was first used in 1980's and described the contracting out of information systems (Lan & Unhelkar, 2005). They add that other terms like make or buy decisions or integrations, disintegration are used in literature to describe similar situations. The term vendor shall be used to refer to the firm providing outsourcing services. Today, outsourcing concept is not limited to information systems, but is known in combination with all possible business function that are feasible for contracting them out to an external provider (Lee, 2006).

Other forms that relate to the complex relationships between economic organizations and their networks have evolved. These include; near shoring, crowd shoring, multi shoring and strategic outsourcing. Even then, all these forms refer to that engagement of a service provider outside the core business of a particular business entity. Outsourcing is a viable strategic option for customer facing activities (front office), telecom operations management (middle office), and numerous back office functions within the telecommunications industry. Customer facing processes such as billing, reporting, and customer care, critical to branding and customer service, are labor intensive back office activities. Telecom operations processes define organizational effectiveness and responsiveness but require constant manual intervention. Substantial gains in terms of cost reduction and process efficiency are possible by outsourcing activities such as order entry, provisioning, service roll out, and field maintenance. As these processes are specific to the telecom industry, the knowledge

gained from other industries is not readily applicable in a telecommunication environment. The learning curve for an evolving business process outsourcing, outsourcing service provider can increase the risk of outsourcing to companies that don't have the domain knowledge and operational experience of working with telecommunications companies (Oshri, Kotlarsky & Willcocks, 2011).

Cooperative partnership of outsourcing can bring you more knowledge and help you to spare more time for your administration in support. Executives can improve their product quality integrally while focusing on the core business. As said earlier, outsourcing in business is a strategic process that involves make or buy decision, however, some organization seek outsourcing for tactical reasons while others for strategic reasons (Bagby, 2013). Many organizations tend to separate support functions from the core activities of their businesses; they find it more efficient and effective to focus on the business's core competences and outsource support activities to a highly specialized third party vendor (Nieto & Rodríguez, 2011).

1.1.2 Outsourcing Risks

The implications of risk have been examined in several domains of the scientific literature with articles dating back to the 1920's. Risk can be defined as the volatility of unexpected outcomes (Aubert, Patry & Rivard, 2005). They add that risk is a function of the following variables: vulnerability (impact) and threat (likelihood of exploitation driven by the variables of motivation, opportunity and capability when assessing malicious attacks).

Risk is virtually present in every strategy and decision. Assessing risk and incorporating the same in the final decision is an integral part of management.

Companies make money and increase stakeholder value by engaging in activities that have some risk, yet stakeholders tend to appreciate and reward some level of stability in their expected returns. Failure to identify, assess, and manage the major risks facing the organization's outsourcing strategy, may unexpectedly result insignificant loss of stakeholder value. Thus, management must implement control processes to manage effectively any substantial risks confronting the organization (Fraser & Simkins, 2009).

Outsourcing decisions can affect each or all of these variables and should necessitate risk assessments and security reviews. Many outsourcing activities need to factor risk vulnerability which consequentially triggers need to be established to conduct timely risk assessments and management strategy. The message that risk management must be a key part of outsourcing is not new (Talbot & Jakeman, 2011). Equally, the need to set specific criteria for selecting suppliers as part of managing outsourcing risks has been documented (Handfield, Sroufe & Walton, 2005).

1.1.3 Telecommunication Industry in Kenya

Kenya has seen rapid internet growth and even faster mobile phone growth. Encouraged by this development, the government has plans to turn Kenya into East Africa's leader in Information and Communications Technology (ICT). Since 1999, Kenya has experienced radical changes as the liberalization process of the telecommunications sector began. Of vital importance to the process, was the establishment of the Communications Commission of Kenya (CCK) in February of that same year through the Kenya Communications Act, 1998. CCK's role is to license and regulate telecommunications, radio communication and postal services in

Kenya. Since then a visible boost has gripped the industry (Mutula, 2008).

There is tremendous growth in the telecommunication industry in Kenya, with a strong economy of a GDP of \$32 billion (Kshs. 2.5 trillion) and an average five per cent economic growth rate in the past five years. Information Communication Technology - ICT in Kenya contribute significantly to this growth (Andersson & Odlander, 2014).

According to Ndiku (2008) Kenya has since 1999 made commitments in five areas of telecommunication services: Fixed-line telephony; Mobile telephony; Value-added services; Internet; and Audiovisual services. Since then, the Kenyan telecommunication industry experienced a huge growth in the mobile and internet data services whereas a drop in fixed –line telephony, in the year 2012 and the same is likely to continue over till 2017. With increasing subscribers for both mobile and fixed line sectors, the Kenyan telecommunication industry is anticipated to post healthy growth rates in the coming years. With competition heating up between the four mobile subscribers in the country, network expansion is going to play a key role in driving the industry till 2016.

1.2 Research Problem

Adoption of outsourcing has quite a number of challenges that may be deemed detrimental to business. Sameer, Edgador, and Elizabeth (2007) noted that, just like in any business partnership agreement, there are always risks involved. Barako and Gatere (2008) also noted that in Kenya where there is no regulation guiding outsourcing, then, outsourcing prove a disaster strategy to many businesses.

In Norton's 2008 survey, they inquired how outsourcing companies and suppliers approached risk in outsourcing projects and the ways they used to identify the risks. The survey revealed that industry sectors rated and evaluated risks differently; further analysis of these companies' views on risk by industry sector provided some interesting comparisons and reiterated in their conclusion of the last survey that a uniform approach to risk evaluation and hence commercial, operational models is not possible, i.e. no best way to manage the risks. They did classify the risk as Tier1 risks (extremely important to the business); Tier 2 risks (important to the business) and Tier 3 risks (less important to the business). The Accenture study (2004) showed that over 60% of the participating managers agreed that outsourcing helped them improve their business processes. However, despite its current popularity and growing market volume, previous academic and market research has depicted that outcomes of outsourcing processes conflicting findings, and may vary to great extent, from a complete success to an absolute failure.

There are risks inherent in the outsourcing of human resource services (Njimu, 2009). Outsourcing by mobile phone operators finds outsourcing an expensive strategy (Kalamu, 2009). Wanjiru (2010) study revealed that, 68% of Kenyan banks did not outsource document archival services. Additionally, cost, desire for quality, size of organization, among others, influences the banks' decision to outsource Information system to a large extent (Freddie & Edward, 2012). 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 (Muyaku, 2013). Most of these researches focused on outsourcing challenges and benefits of outsourcing; however none of them dwelt on outsourcing risk within the

telecommunication industry in Kenya.

My research sought to fill the gap and answer the following; what risks are involved in outsourcing? How do these risks influence management decision to outsource? And, what strategies can be used to mitigate these outsourcing risks within the telecommunication industry in Kenya?

1.3 Research Objectives

The research sought:

- i. To establish the risks involved in outsourcing in the telecommunication industry in Kenya.
- ii. To examine how these risk affect management's decision to outsource in the telecommunication industry in Kenya.
- iii. To determine the strategies to mitigate these risks in the telecommunication industry in Kenya.

1.3 Value of the Research

The findings of this study aimed to benefit the policy makers in the telecommunication industry in Kenya who outsource by providing researched and documented evidence on the existence outsourcing risks; impact and threat.

Secondly, fact that this is an academic research, it sought to equip the scholar with the knowledge to understand and appreciate outsourcing risk. Further research avenues on outsourcing risk could be recommended in order to establish accepted theory on managing outsourcing risk in future.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

From the U.S. Midwest to India, China, and Eastern Europe, outsourcing is booming. More and more companies across a range of industries are discovering that the external sourcing of services traditionally performed in-house can provide significant benefits. Outsourcing gives companies the ability to leverage suppliers' scale, expertise, and systems; access suppliers' lower labor and even capital costs; provide higher quality and more stable processes; and to focus on the core business (Kennedy & Sharma, 2009).

Previous studies try to highlight fundamental difference of certain outsourcing deals. Some based their explanation on the fundamental cost economies literature, (Mayer & Salomon, 2006). Whereas others only conducted case studies to identify the type of control modest or manage the relationships (Park & Yun, 2004). The shortcomings of these studies was that they did not relate to all possible dimension on which deals may differ to the overall effectiveness to achieve better financial performance or a higher firm value of the company. This research will scrutinize both agency theory and transaction theory as a fundamental guide to this research.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory offers foundation about the relationship between the vendor and client, and the incentive of the vendor and client to implement outsourcing services.

Opportunism can be defined as the tendency to deceive clients in order to reap high benefit. Opportunism is expected to occur in relationships where there is an agent (or vendor) and a principal (or client). Vendors adopt opportunistic behavior for its own benefit whenever the chance arises. Moral, social norms, the risk of prosecution and damage of reputation mitigate the risk of opportunism to a certain extent but cannot prevent all opportunistic behaviors (Wilkins, 2009).

Opportunism mainly constitutes three manifestations, which are moral hazard, adverse selection and imperfect commitment. Moral hazard occurs when it is not possible for the client to scrutinize the vendor's behavior without incurring additional costs. In cases where the client cannot detect poor performance, the vendor can blame poor performance on factors beyond its control. Adverse selection occurs when the client cannot inspect the vendor's characteristics. If the client fails to deal with adverse selection, the client will face difficulty in choosing a suitable vendor. Lastly, imperfect commitment refers to the inability of the vendor and the client to fully commit to the business relationship (Bremmer, 2008).

2.2.2 Transaction Cost Theory

The transaction cost theory is based on two behavioral assumptions. Firstly, the theory is based on the assumption of bounded rationality, which refers to incapability of the human mind in assessing all possible options for decision making because it has incomplete information of the situation or because of the cognitive limitation of their mind, (Nelson & Winter, 2009).

Within the context of outsourcing, bounded rationality occurs when clients have incomplete knowledge and skills to evaluate appropriate vendors, evaluate correct or standard requirement, and lastly, its inability to correctly manage its relationship with

the vendor. Secondly, this theory is dependent on its assumption on opportunism, where it is assumed that people are likely to be deceiving and will act on the basis of personal gain. These two behavioral assumptions are certainly relevant in the outsourcing context (Power, 2006).

2.3 Types of Outsourcing Risks

Outsourcing risks can be grouped into four categories. Strategic risks threaten the business by moving it in a fundamentally harmful direction. Most risks that arise in outsourcing are however, operational risks, which encompass a range of service-related, staffing, and governance issues. Financial risks include the unexpected costs, regulatory issues, and liabilities acquired throughout sourcing. Hazard risks entail potential natural disasters, psychological as well as the political and trade when outsourcing, this research shall however focus on psychological risk since it focuses on local telecommunication industries (Cetinkaya, Cuthbertson, Ewer, Klaas-Wissing, Piotrowicz, & Tyssen, 2011).

2.3.1 Strategic Risks

A research conducted Olivier Fainsilbera Paris-based director, and Andrew Chadwick-Jonesa London based principal of Mercer Management Consulting established that, as the scope of outsourced activities widens, outsourcing providers are more likely to affect companies' core businesses which encompasses risks. Among the major risks include loss of control attention to the outsourced activity may tend to lapse as knowledgeable staff depart for greener pastures or are laid off, leaving fewer people to keep up with advances in the functional area. At some point, the company has little effective control. JP Morgan Chase a leading global financial services firm announced it would bring back in-house a major set of IT activities it had

outsourced to IBM after a seven years-\$5billion deal. They felt that it was critical to manage and control IT directly for competitive advantage reasons. 4,000 IBM employees will be transferred back to JP Morgan just two years after the contract was announced. The cancellation penalties, missed opportunities, and other transition costs involved in such decisions highlight the value of careful analysis of objectives and options prior to launching any large outsourcing initiative.

Brand damage is a major contributor to strategic risk having long term impact to a company. Retailers such as Nike have been tarred with their unethical practices, due to their choice of product suppliers in China and Central America who use cheap child labor, while Wal-Mart's brand has been tarnished by allegations of improper hiring by a subcontractor. Such unethical practices if exposed to the consumer, they tend to be hostile to these products hence poor revenue. These potential costs must be considered early to avoid costly surprises later (Alsop, 2008).

Business requirements inevitably change, outsourcing solution defined from a short-term, static perspective likely cannot respond adequately to rapid growth or new challenges. Companies thus may face a costly reassessment and complex transition of providers; this can materialize as an inability to serve new needs, to scale up, or to innovate. In one recent case, for example, Mercer helped design and execute a major re-sourcing of external strategic services for an airline dissatisfied with the incumbent provider's level of engagement and ability to increase its scale, (Kotler & Caslione, 2009).

2.3.2 Performance Risks

Operational challenges relate to in-house activities outsourced, they are less visible and difficult to correct. Capital One cancelled a contract with Spectra mind, India's

largest call center provider, after instances of workers tempting customers' credit card with unauthorized free gifts. Poorly integrated processes, language difficulties, or contextual unfamiliarity also threaten customer service. To minimize service risks, one major retailer maintains a small team to integrate new service providers into its ongoing operations, viewing the skills for ramping up new vendors as replicable across functions (Nargundkar, 2006). This however results in roles redundancy and increased service costs. (Fombrun & Van Riel, 2004) notes, weak governance and policies by the company allow their vendors to engage in activities or use their funds in ways that may damage the company's reputation.

According to Umiker and Umiker (2005) employees are in fear losing current positions, or of having to learn new skills will often impede the transfer of important knowledge or simply become less productive. Management must therefore, be aware of the potential pit falls and plan for the transition. Staff resistance to outsourcing can profoundly disrupt staff and cause lower morale, lower productivity, higher turnover, and reduced service delivery. Employees should be actively involved in the project, with retention plans, role changes, reassignments, job shadowing, severance programs, and interviews with the provider all part of the plan.

Joint process analysis prior to launch and continuous close interaction with the vendor are critical to ensuring that various processes function well together, the description of system functions can then be elaborated into operational event sequences and component processes that include the identification of job operations, together with personnel positions and their associated duties (Wagenhals & Levis, 2009).

2.3.3 Financial Risks

The first step in mitigating operational and transactional risk otherwise called financial risks is through the need to understand process flow of a particular transaction looks like. Through lower wage rates, economies of scale, and a specialist's expertise, outsourcing can deliver savings of 25% to 50%, after adjusting for incremental management and communications costs. But just as enterprise resource planning rarely lived up to the promised return on investment, outsourcing also holds numerous financial risks (Clements, Donnellan, & Read, 2005).

Unforeseen costs are hidden costs associated without sourcing; traveling to off shore sites, enhancing security, and paying severance for laid-off workers are just but few costs. In addition, standardized services rarely meet the needs of the business, and customized solutions by the vendor will likely add between 15% and 30% to the cost. Finally, exit costs can be substantial, as ending an arrangement prematurely exposes both buyer and provider to litigation. Manager should plan realistically for the full range of costs, creating detailed financial models and testing scenarios to make sure the decision will still look good if various factors go wrong. Regulatory risks or compliance risk is failure to abide by the prevailing laws. Restrictions on outsourcing motivated by protection are instincts appear on state and local ballots in the U.S. and often debated in Congress (Handley, 2008).

2.3.4 Psychological Risks and other Risks

Psychosocial risk is defined as the risk that the decision to outsource a business process has a negative effect on the responsible manager's peace of mind or self-perception (i.e., loss of status in one's social group). This risk facet is generally seen as the most difficult facet to measure, due to its multiple sources of influence on the

individual's level [Mitchell 1999].

The social risk within this facet is operationalized by a question relating to the consequences for the personal reputation of the manager amongst his internal (colleagues) and external (business partners) peers in the context of the outsourcing decision. The items relating to psychological risk aspects focus on issues which are assumed to create the greatest pressure for the peace of mind of the manager in conjunction with the outsourcing decision. These are a possible lock-in situation with the vendor and the indisputable responsibility of the bank (towards its customers) for errors produced by the service provider.

Other risk may include natural and man-made risks can rise exponentially when crucial business services are outsourced to far-flung locations. The challenge is to identify the full range of potential issues upfront and approach them through a careful assessment of the levers available to mitigate potential problems. A client should research and understand the vendor first and then rank the vendor's based on many parameters including revenues, corporate governance, sustainability, equality, diversity and the like. If they are located internationally, use the corruption perceptions index by Transparency International, an organization advocating for stricter implementation of the UN Convention against corruption (Wilkins, 2009).

According to Stempel (2013), Personal injury gaps may be covered in the outsourcing agreement, however, commercial general liability policies generally do not cover personal injury (e.g., libel and slander) assumed under contract. For example, a vendor that infringes on a person's medical privacy may lack the right insurance despite contract language holding it responsible. The claim likely will be made against the vendor and company that collect the information.

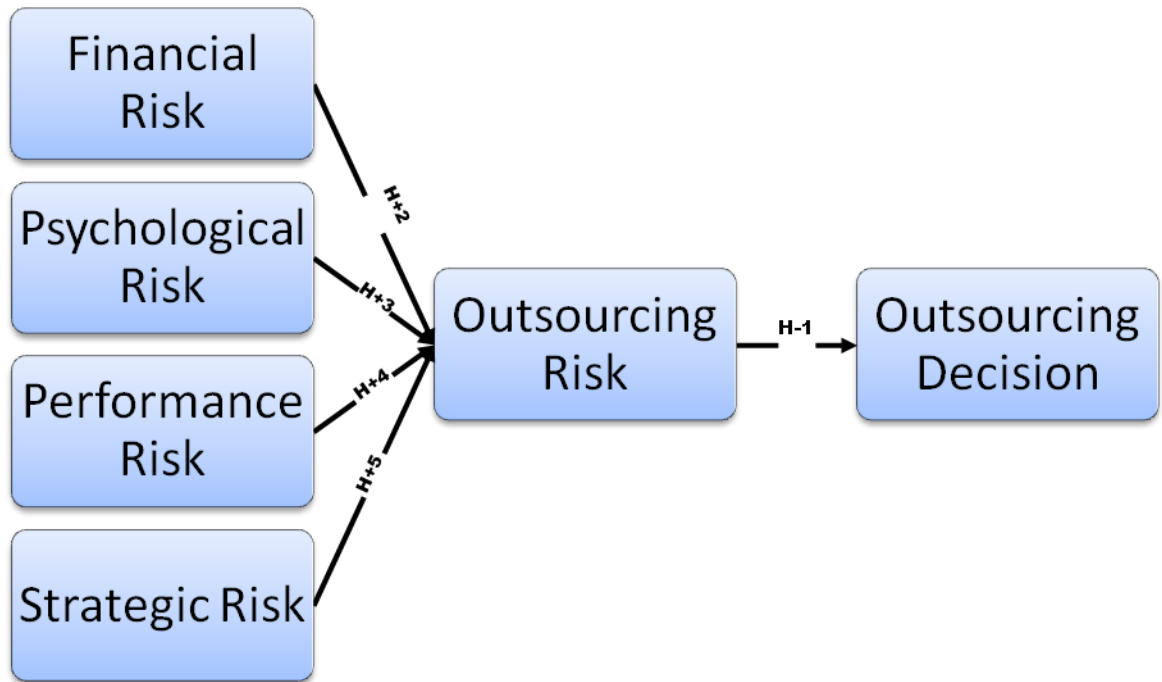
Political risk occurs when dealing with distant vendors gives rise to potential risks of expropriation, trade disruption, and exchange rate fluctuations that can have major impacts on a company's costs and supply chain performance. These risks are best handled via a combination of due diligence, splitting the work across several geographies, and insurance (Albaum, Albaum, & Duerr, 2008).

Natural disaster risk such as Fire, earthquake, and other natural disasters can disrupt activities at a vendor's location and cause the contracting company to lose income. The situation is worse if the vendor does not maintain adequate property insurance. The best response is, first, to maintain adequate amounts of "contingent time element" insurance under the property policy and, second, to have the vendor maintain adequate property insurance on an "all risks" basis, including business interruption coverage (Boardman, 2005).

2.4 Conceptual Framework

The main hypothesis is that outsourcing risks has a negative impact on a decision to outsource. As a fundamental theory enabling the analysis of the risks, risk theory is defined as the potential loss in the pursuit of a desired outcome in this case outsourcing benefits (Featherman and Pavlou, 2003).

Figure 1: Conceptual Framework



Source: Journal of Electronic Commerce Research, VOL 7, NO.2, 2006

2.5 Research Hypothesis

Outsourcing has acquired the reputation of being risky business venture (Aubertetal, 2002) and there is empirical evidence that numerous outsourcing engagements have failed to deliver their desired value (Lancellotti et al. 2003). Some organizations have even decided to reintegrate the outsourced activities into the internal organization because their expectations were not met (Lacity and Willcocks, 2001). But outsourcing is just as risky as many other uncertain business ventures (Aubertetal, 2002). It is therefore sensible to assume that decision makers carefully analyze the risks associated with alternative governance modes before deciding to outsource.

Therefore, the assumption is the level of risk negatively influences the management decision to outsource. Empirically it has been tested in several environments (Featherman and Pavlou, 2003; Pavlou 2003; Gefen and Pavlou 2004). Benamati and

Rajkumar (2003) confirmed this relationship in an empirical study of application development outsourcing.

2.5.1 Hypothesis 1: The higher the level of outsourcing risk, the negative management's decision to outsource.

The level of risk negatively influences the decision to outsource. Decision towards outsourcing is the overall evaluative appraisal made by a manager who is responsible for a potential outsourced activity.

The relationship between outsourcing risks and the decision to outsource is based on the theory of reasoned action, which states that the knowledge about an outcome shapes the decision towards performing an action. This relationship has been empirically tested in numerous studies, especially those focusing on the Technology Acceptance Model (Davis, Bagozzi and Warshaw 1989; Adams, Nelson and Todd 1992; Taylor and Todd 1995).

2.5.2 Hypothesis 2: The higher the financial risk of outsourcing, the higher the overall outsourcing risk.

Financial risk is defined as the risk that the actual costs may exceed the planned or budgeted costs of the outsourcing arrangement. To analyze this, Transaction Cost Economics (TCE) will be used, based on Coase (1937) and Commons (1934). The analysis of transaction costs allows one to explore efficiencies in hybrid governance structures, such as joint ventures, strategic alliances or franchises, (Williamson1985).

TCE has been used by researchers to analyze the outsourcing decision by exploring

the existence and magnitude of transaction costs (Lacity and Hirschheim 1993; Ang and Straub 1998; Lammers 2004). If transaction costs do not outweigh the production cost advantages of the service provider, the company is likely to outsource. However, the question arises as to how this balance might change during the outsourcing undertaking. If actual transaction costs exceed planned transaction costs, the telecommunication firm faces financial losses. Unexpected transition costs include unforeseeable set-up costs, redeployment costs, relocation costs or parallel-running costs, Earl (1996). Hidden costs emerge if the manager assumes that certain activities are included within the outsourcing contract and they eventually turn out not to be, resulting in costly contract amendments (Lacity and Hirschheim 1993; Lacity and Willcocks 1995).

2.5.3 Hypothesis 3: The higher the psychosocial risk of outsourcing, the higher the overall outsourcing risk.

Psychosocial risk is defined as the risk that the decision to outsource a business process has a negative effect on the responsible manager's peace of mind or self-perception of personal consequences they may suffer. The social risk within this facet is operationalized by a question relating to the consequences of decision making competence to the personal reputation of the manager amongst his internal and external peers in the context of the outsourcing decision. The issue relating to the risk of lock-in arises from the virtual irreversibility of the decision, this increases the pressure on the manager due to the difficulty of correcting or readjusting the decision once it is made.

The other main pressure arises from the responsibility for the errors of the service provider although the manager can only exert indirect control on the vendor's

processes. All mistakes in the execution of the outsourced process or activity can potentially damage the reputation of the telecommunication company. This direct responsibility of the manager for actions he can only control indirectly is assumed to put psychological pressure on him during the outsourcing decision process.

2.5.4 Hypothesis 4: The higher the performance risk of outsourcing, the higher the overall outsourcing risk.

Performance risk is the risk that the service provided by the outsourcing vendor will not be delivered as expected by the telecommunication company, this can be analyzed using TCE and Agency Theory (AT). AT treats the difficulties that arise under conditions of incomplete and asymmetric information when a principal (the telecommunication company) hires an agent (the service provider) (Eisenhardt, 1989). From the principal's perspective, these conditions entail continuous coordination and motivation issues. The general assumptions of agency theory are:-

- The principal's inability to observe the agent's behavior.
- Opportunism of both the principal and the agent.

2.5.5 Hypothesis 5: The higher the strategic risk of outsourcing, the higher the overall outsourcing risk.

Strategic risks in outsourcing arise if the company loses its ability to react flexibly and unconstrained to changing market conditions.

Managers considering outsourcing need to analyze its effects on strategic flexibility, which is particularly at risk if there is a dependency on the service provider. Switching costs prevent one from changing service providers or back-sourcing and

have been operationalized as the risk of lock-in. As outlined above, AT predicts opportunistic behavior by both the telecommunication industry and their vendor is caused by contrary objectives. Contrary objectives may prevent the vendor from utilizing its best resources or capabilities in service delivery. This issue has been operationalized as the strategic risk of contrary business objectives. The final risk that is assumed to form the strategic risk facet is the risk of loss of control. This risk arises from the contractual ties of the company with the service provider and hinders the company from acting as unrestricted as it could with internal production of the process (Cullen & Willcocks, 2003).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Methodology

To carry out the research, relevant data was collected for analysis and findings. For the conceptual framework depicted in figure 1 to be tested, it was converted into a questionnaire. Each construct was represented by a set of indicators which formed the questions in the research.

3.2 Population

Target population can be defined as a complete set of individuals, cases/objects with some common observable characteristics of a particular nature distinct from other population (Mugenda, 2008). A population is a well-defined set of people, services, elements, events, and group of things or households that are being investigated. This definition ensures that the population of interest is homogeneous. The telecom sector in Kenya is well developed having four major players; Safaricom, Airtel Kenya, Essar's Yu and Telkom's Orange. Safaricom is the clear market leader in the mobile services segment while Telekom Kenya is the major player in the fixed line telecom segment (CAK, 2014). There are various data network providers such as Jamii Telecom and Access Kenya in the market. The industry is regulated by the government agency, Communications Commission of Kenya. Safaricom is controlled by public by the fact that it is listed at the Nairobi Securities Exchange. Vodacom also commands a considerable share of Safaricom while telecom Kenya is the only local firm. India's Bharti and France telecom owns Airtel and Orange respectively. It was

therefore easy to study the whole population owing to its smallness and get the correct picture devoid of sampling flaws. According to CAK (2014) there are 180 staff working in these mobile telecommunication companies working as top managers, middle level managers and low level managers. This population of staff was our target population.

3.3 Sample Selection

The study used probability sampling as this technique gives every homogeneous group of the target population a chance to be presented in proportion to their number in the population. Each sampling unit consisted of major all telecommunication players by virtue of their current market share in the industry. The Communications Commission of Kenya (CAK) reports a telecommunication industry is operating at 76.9% of its capacity, with a total of 31.3 million mobile telephone subscribers in its latest report released in April 2014. Safaricom Limited recorded the largest share of 67.9 per cent; Airtel Networks Limited followed with 16.5 per cent, Essar Telecom (Yu Mobile) registered 8.5 per cent and Telkom Kenya (Orange) record 7.2 per cent. Table 1, shows how the sample was arrived at.

Table 3.1: Sample Population

Company	Top level manager	Middle Level Manager	Lower Level Manager	Population	Percentage	Sample Size
Safaricom Ltd	15	15	15	45	20%	9
Orange	15	15	15	45	20%	9
Airtel	15	15	15	45	20%	9
Essar	15	15	15	15	20%	9
Total Population	60	60	60	180	20%	36

The research sought a sample size of 36 respondents out of a target population of 180 respondents. Creswell and Clark (2007) notes, a sample size of at least 10% of the population is considered representative. Therefore, a sample ratio of 0.2 was applied. Simple random sampling will be used to pick the respondents from the various strata to complete the questionnaire.

3.4 Data Collection

In this research, a questionnaire was used to collect data. All 36 respondents were asked to respond to the same set of questions in a predetermined order. All sets of questions were aimed at obtaining responses to approve or disapprove the research hypothesis.

3.5 Data Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. The process of organizing and thinking about data is a key to understanding what the data does and does not contain. Summarizing data is often critical to supporting arguments made with that data, as is presenting the data in a clear and understandable way (Braun & Clarke, 2006).

Data collected was analysed by descriptive analysis. According to Leedy and Ormrod (2005), the descriptive statistical tool helps the researcher to describe the data and determine the extent to be used. The findings were presented using tables. The Likert scale were used to analyse the mean score and standard deviation, this helped in assessing the extent to which research variables factors affect outsourcing risks in the telecommunication industry in Kenya. Data was analysed through the use of Statistical Package for Social Sciences (SPSS) software (version 21) due to its ability

to analyse with ease management attitudes. The findings emerging from the analysis was used to compile this report. Content analysis was used in analyzing the open ended questions. Content analysis is defined as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to related trends (Munro, 2005).

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results and findings of the study whose objectives were to: establish the risks involved in outsourcing in the telecommunication industry in Kenya, examine how these risk affect management's decision to outsource in the telecommunication industry in Kenya and determine the strategies to mitigate these risks in the telecommunication industry in Kenya. The data was collected from a sample of 36 respondents who were employees of the organizations.

4.1.1 Response Rate

The study targeted to sample 36 respondents in collecting data with regard to outsourcing risks in the telecommunication industry in Kenya. From the study, 31 out of 36 respondents filled in and returned the questionnaire contributing to 86%. This high response rate was made a reality as a result of the researcher making personal visit to remind the respondents to return the questionnaires.

4.2 General Information

In order to capture the general information of the respondents, issues such as age of the respondent, gender, level of education, position in the organization and years of experience were addressed in the first section of the questionnaire

4.2.1 Gender of the Respondents

The study aimed at establishing the gender of the respondent. Table 4.2 shows the gender of the respondent.

Table 4.2 Gender of the Respondents

Gender	Frequency	Percentage (%)
Female	14	45
Male	17	55
Total	31	100

Source: Survey Data, (2014)

The result in table 4.2 shows that 14 of the respondent were female, while 17 were male. The results indicate that gender parity was observed in the study.

4.2.2 Age of respondent

The study aimed at establishing the age bracket of the respondents. Table 4.3 below shows the age bracket of the respondent.

Table 4.3 Respondent Age

Age	Frequency	Percentage (%)
Below 25	2	6
26-30	7	23
31-35	6	19
36-40	6	19
40-50	7	23
above 50	3	10
Total	31	100

Source: Survey Data, (2014)

Results from the table 4.3 revealed that majority of the respondent were between the age of 26 to 30 and 40 to 45 as shown by 23%, followed by both age bracket of 31 to 35 and 36 to 40 as shown by 19% respectively, 10% of the respondents were age above 50 years whereas only 6% of the respondents were below 25 years. This indicates that in the telecommunication business there is mainly a pool of early adult and energetic workforce.

4.2.3 Highest Level of Education

The study aimed at establishing the level of education of the respondents. Table 4.4 below shows the level of education of the respondents.

Table 4.4 Highest Level of Education

Level of education	Frequency	Percent
Secondary	-	-
College	5	16
Bachelor Degree	15	48
Masters	8	26
PhD	3	10
Total	31	100

Source: Survey Data, (2014)

The results in table 4.4 revealed that majority of the respondents who were 15 respondents (48 per cent) had bachelor degree, 8 (26 per cent) had masters, 5 (16 per cent) had college, 3(10 per cent) had a PhD none of the respondent had secondary education. This reveals that the staff in the telecommunication are well educated and can therefore run and understand telecommunication business well.

4.2.4 Number of years worked in the organization

The study aimed at establishing the number of years that the respondents have worked. Table 4.5 below shows the number of years worked in the organization by the respondent.

Table 4.5 Number of years worked in the organization

Year	Frequency	Percent
0-5	3	10
6-10	6	19
11-15	13	42
above 16	9	29
Total	31	100

Source: Survey Data, (2014)

The findings in table 4.5 showed that 13 of respondents have worked between 11 to 15 years, above 16 years were 9, 6 have worked between 6 to 10 years only 3 respondents had worked for a period between 0 to 5 years.

4.2.5 Job position

The study aimed at establishing the current position of the respondents in the business.

The table 4.6 below shows the job position of the respondents.

Table 4.6 Job position

Job position	Frequency	Percent
Top level	8	26
Middle level	11	35
Low level	12	39
Total	31	100

Source: Survey Data, (2014)

Results from the table 4.6 revealed that majority, 39 per cent of the respondents were low level managers, 35 percent were middle level managers, whereas 26 percent were top level managers. This indicates that staffs in all desired positions were captured to give their input.

4.3 Risks Involved in Outsourcing

The study aimed at establishing the risks involved in outsourcing in the telecommunication industry in Kenya.

In carrying out the task, the researcher used a scale of 1 – 5 where 1 is strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree. Tables below shows the extent on the risk involved in outsourcing.

4.3.1 Strategic Risk

The research aimed to establish existence of strategic risk in outsourcing within the telecommunication sector as its primary objectives. The responses parity was analysed as follows.

Table 4.7: Strategic Risk

Statement:	Mean	Std. Deviation
I encountered loss of control on activities outsourced	3.7500	1.03968
My company damaged its brand because of vendors' negligence	3.6286	1.09507
Our Vendors are prompt in addressing accidents	3.8500	1.03830

Source: Survey Data, (2014)

The study found on strategic risk that the respondents encountered loss of control on activities outsourced; a mean of 3.7500 was derived so that they agree; company damaged its brand because of vendors' negligence a mean of 3.6286 was derived so

that they agree; Our Vendors are prompt in addressing accidents a mean of 3.8500 was derived so that they agree.

Andrew (2008) supports the study findings when he established that, as the scope of outsourced activities widens, outsourcing providers are more likely to affect companies' core businesses which encompasses risks. Among the major risks include loss of control attention to the outsourced activity may tend to lapse as knowledgeable staff depart for greener pastures or are laid off, leaving fewer people to keep up with advances in the functional area. At some point, the company has little effective control.

Alsop (2008) concurs with the study when they revealed that brand damage is a major contributor to strategic risk having long term impact to a company. Retailers such as Nike have been tarred with their unethical practices, due to their choice of product suppliers in China and Central America who use cheap child labor, while Wal-Mart's brand has been tarnished by allegations of improper hiring by a subcontractor. Such unethical practices if exposed to the consumer, they tend to be hostile to these products hence poor revenue. These potential costs must be considered early to avoid costly surprises later.

4.3.2 Performance Risk

The study established that performance risk exists within outsourcing.

Table 4.8: Performance Risk

Statement:	Mean	Std. Deviation
My company has experienced work redundancy due to outsourcing	3.7929	1.00714
staff are allowed to approve of outsourcing	3.7571	1.10507

Source: Survey Data, (2014)

The study found on performance risk that: company has experienced work redundancy due to outsourcing; a mean of 3.7929 was derived showing that they agree; staff are allowed to approve of outsourcing, a mean of 3.7571 was derived showing that they agree.

Fombrun and Van Riel (2004) affirms our study findings when they noted that operational challenges relate to in-house activities outsourced, they are less visible and difficult to correct. Capital One cancelled a contract with Spectra mind, India’s largest call center provider, after instances of workers tempting customers’ credit card with unauthorized free gifts. Poorly integrated processes, language difficulties, or contextual unfamiliarity also threaten customer service. To minimize service risks, one major retailer maintains a small team to integrate new service providers into its ongoing operations, viewing the skills for ramping up new vendors as replicable across functions. This results in roles redundancy and increased service costs. Weak governance and policies by the company allow their vendors to engage in activities or use their funds in ways that may damage the company’s reputation. Results are as shown above.

4.3.3 Financial Risk

The study found on financial risk that Outsourcing is associated with other costs hidden making it too expensive, a mean of 3.7786 was derived showing that they agree. The results are tabulated below.

Table 4.9: Financial Risk

Statement:	Mean	Std. Deviation
Outsourcing is associated with other costs hidden making it too expensive	3.7786	1.20591

Source: Survey Data, (2014)

Study by Handley (2008) converges with this study finding when they revealed that unforeseen costs are hidden costs associated without sourcing; traveling to off shore sites, enhancing security, and paying severance for laid-off workers are just but few costs. In addition, standardized services rarely meet the needs of the business, and customized solutions by the vendor will likely add between 15% and 30% to the cost. Finally, exit costs can be substantial, as ending an arrangement prematurely exposes both buyer and provider to litigation.

4.3.4 Psychological Risk

Managers' individual liability to poor outsourcing decision was examined in the questionnaire and analyzed. The results were as follows;

Table 4.10: Psychological Risk

Statement:	Mean	Std. Deviation
I have ever regretted having made outsourcing decisions	3.8500	1.03830
I have taken personal responsibility severally as a result of loss due to outsourcing	3.6929	1.04500

Source: Survey Data, (2014)

The study found on psychological risk that respondents had regretted having made outsourcing decisions, a mean of 3.8500 was derived showing that they agree; the respondents have quite severally taken personal responsibility severally as a result of loss due to outsourcing, a mean of 3.6929 was derived showing that they agree .

4.4 Effect of Risk on Management's Decision

The study aimed at examining how these risks affects management decisions. In carrying out this task the study made use of likert scale of 1-5 where; 1 =no

extent, 2 = little extent, 3 = moderate extent, 4 = great extent 5 = very great extent. The table below shows the results of the study.

Table 4.11: Effect of Risk on Management’s Decision

Type of risk	Mean	Std. Deviation
Strategic risk	3.7571	1.10507
Performance risk	3.7286	1.07183
Financial risk	3.7286	1.03077
Psychological risk	3.8357	1.17290

Source: Survey Data, (2014)

The results in table above shows that: Strategic risk a mean of 3.7571 was derived showing great extent; Performance risk a mean of 3.7286 was derived showing great extent; Financial risk a mean of 3.7286 was derived showing great extent; Psychological risk a mean of 3.8357 was derived showing great extent.

Ho, Xu & Dey (2010) supports our findings when they asserted that outsourcing decision is about weighting up the risks and the benefits. It is up to the decision makers on which factors the decision is based. When it comes to costs, the total costs of different alternatives are relevant and the best choice is that which provides the lowest total costs. Likewise, when risks are concerned, the decision should be based on total risk portfolio. Therefore, total risks prior to outsourcing should be compared to total risks of different outsourcing options some existing risks may diminish or grow and in the other hand new risks may emerge. According to them total risks is what matter.

Sanayei, Farid Mousavi, Abdi and Mohaghar (2008) converges with our study findings when they point out that when making decision, both strategic as well as operational issues should be taken into account. They also add that that outsourcing should be carried out from strategic perspective and integrated into overall strategy of

the organization. According to them outsourcing should not be considered as a short-term decision. Rather, all aspects of outsourcing decision should be taken into account.

4.5 Strategies that can be employed in Mitigating Risks

The study aimed at determining the strategies that can be employed in mitigating the outsourcing risks in the in outsourcing. The results from the suggestion of the respondents is that the outsourcing company should first carry out joint process analysis prior to the launch and continuous close interaction with the vendor, the other suggestion was that of understanding process flow of a particular transaction in question, finally the respondents gave suggestions that financial risks could be mitigated through the engagement of financial expertise and involvement of economies of scale. Buckle, Mars and Smale (2000) concurs with our findings with our study findings when they postulated that joint process analysis prior to launch and continuous close interaction with the vendor are critical to ensuring that various processes function well together, the description of system functions can then be elaborated into operational event sequences and component processes that include the identification of job operations, together with personnel positions and their associated duties.

Similarly Bruce (2012) affirms our findings when he posited that the first step in mitigating operational and transactional risk otherwise called financial risks is through the need to understand process flow of a particular transaction looks like, says Daniel Williams, a senior manager with Deloitte Financial Advisory Services LLP. Lynne (2011) also supports our findings when he posited that through lower wage rates, economies of scale, and a specialist's expertise, outsourcing can deliver

savings of 25% to 50%, after adjusting for incremental management and communications costs. But just as enterprise resource planning rarely lived up to the promised return on investment, outsourcing also holds numerous financial risks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objective of this study was to establish the outsourcing risks in the telecommunication industry in Kenya. This is based on the assumptions that the higher the level of outsourcing risk, the negative management's decision to outsource, the higher the financial risk of outsourcing, the higher the overall outsourcing risk, the higher the psychosocial risk of outsourcing, the higher the overall outsourcing risk, the higher the performance risk of outsourcing, the higher the overall outsourcing risk and the higher the strategic risk of outsourcing, the higher the overall outsourcing risk.

The objectives of the study were to: establish the risks involved in outsourcing in the telecommunication industry in Kenya, examine how these risk affect management's decision to outsource in the telecommunication industry in Kenya and to determine the strategies to mitigate these risks in the telecommunication industry in Kenya.

This chapter presents the conclusions and recommendations of the study. It starts with a summary, followed by conclusion and recommendations.

The research was a descriptive study taking telecommunication companies; (Safaricom, Airtel-Kenya, Orange-Telkom and Essar Yu) in Kenya for analysis. The data analysis method was based on quantitative approach using statistical package for social sciences (SPSS) program. The data collected was subjected to univariate statistical analysis where sample means and standard deviations were used to make comparisons.

5.2 Summary of the Findings

The study established strategic risks, Performance Risks, Financial Risks and psychological risks as the risks associated with outsourcing.

The study established that these risks have effects on management's decision to outsource in the telecommunication industry in Kenya through causing loss of control on activities outsourced, damaging company brand because of vendors' negligence, causing work redundancy due to outsourcing, regrets in making outsourcing decisions which to great extent have affected management decisions.

The study also found out that that the outsourcing company should first carry out joint process analysis prior to the launch and continuous close interaction with the vendor, the other suggestion was that of understanding process flow of a particular transaction in question, finally the respondents gave suggestions that financial risks could be mitigated through the engagement of financial expertise and involvement of economies of scale which would act as mitigating mechanisms in outsourcing.

5.3 Conclusions

The study concluded that outsourcing is associated with different types of risks among them being strategic risks, Performance Risks, Financial Risks and psychological risks. These risks as well have impacts on management decisions to great extent. The study concluded finally that outsourcing risks could be mitigated through carrying out joint process analysis prior to the launch and continuous close interaction with the vendor, understanding process flow of a particular transaction in question and that financial risks could be mitigated through the engagement of financial expertise and involvement of economies of scale which would act as mitigating mechanisms in outsourcing.

5.4 Recommendations on the Findings

The study recommended that joint process analysis prior to the launch of outsourcing and continuous close interaction with the vendor should be done in order to reduce outsourcing risks, this goes a step ahead in ensuring that the management in charge of outsourcing can well get to understand well the firm supplying the services or materials or the services in terms of its earlier dealings with previous clients. This therefore calls for the provision of recommendation of the company supplying materials or the services by its earlier clients through a letter of recommendation or any other way that tells more of how the organization handles such a project.

The management should as well be tasked with the responsibility of understanding the flow of transactions in outsourcing processes to ensure that matters don't get out of hand this could involve close checking of transactions with previous recorded procedures in outsourcing.

To avoid financial loss a financial expert could be engaged in this particular case to ensure that they carry out management accounting which would result in economies of scale in the outsourcing process by ensuring that low costs are involved in outsourcing through use of operations techniques in logistics assignments.

5.5 Recommendations for further Studies

The Study recommends that the following studies be done:

A study on the outsourcing risk in the whole telecommunication industry in order to come up with a generalization of results in the telecommunication industry since our study was limited to the mobile telecommunication sector only.

Another study could be done in East Africa region in a similar study on outsourcing risks in telecommunication sector with a scope being on mobile telecommunication for generalization of findings.

Lastly a study should be done this time using a different methodology whereby the researcher to employ a different research instrument such as interview schedules to compare with my results where I used only a questionnaire in the study.

REFERENCES

- Adner, R. (2012). *The wide lens: A new strategy for innovation*. Penguin UK.
- Alsop, R. J. (Ed.). (2008). *The Wall Street Journal Guide to the Top Business Schools 2004*. Simon and Schuster.
- Anderson, J & Weitz, B. (1986). Make-or-buy decisions: vertical integration and marketing productivity, *Sloan Management Review*, Spring, pp.3-19.
- Andersson, G., & Odlander, M. (2014). Information and Communication Technology (ICT) in Kenya: Exploring the possibilities of a prosperous market.
- Atkin, B., & Brooks, A. (2009). *Total facilities management*. John Wiley & Sons.
- Aubert, B. A., Patry, M., & Rivard, S. (2005). A framework for information technology outsourcing risk management. *ACM SIGMIS Database*, 36(4), 9-28.
- Bagby, J. W. (2013). On Resolving the Cloud Forensics Conundrum. *Journal of Digital Forensics, Security & Law*.
- Bagley, C. E. (2013). *Winning legally: How to use the law to create value, marshal resources, and manage risk*. Harvard Business Press.
- Barako, D. G., & Gatere, P. K. (2008). Outsourcing practices of the Kenyan Banking sector. *African Journal of Accounting, Economics, Finance and Banking Research*, 2(2).
- Barako, D. G., & Gatere, P. K. (2008). Outsourcing practices of the Kenyan Banking sector. *African Journal of Accounting, Economics, Finance and Banking Research*, 2(2).
- Barthelemy J, (2003). The seven deadly sins of outsourcing, *Academy of Management Executive*, Vol.17 No.2, pp.87-99.
- Boardman, M. (2005). Known unknowns: The illusion of terrorism insurance.

Georgetown Law Journal, 93(3)

- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative research in psychology*, 3(2), 77-101.
- Bremmer, E. (2008). The influence of environment on it-outsourcing: towards the development of a model.
- Brown, T. (2014). *Change by design*. HarperCollins e-books.
- Cairns, G., & Sliwa, M. (2008). *A very short, fairly interesting and reasonably cheap book about international business*. Sage.
- Cetinkaya, B., Cuthbertson, R., Ewer, G., Klaas-Wissing, T., Piotrowicz, W., & Tyssen, C. (2011). *Sustainable supply chain management: practical ideas for moving towards best practice*. Springer.
- Clements, S., Donnellan, M., & Read, C. (2005). *CFO Insights: Achieving High Performance Through Finance Business Process Outsourcing*. John Wiley & Sons.
- Creswell, J. W., & Clark, V. L. P. (2007). Designing and conducting mixed methods research.
- Fombrun, C. J., & Van Riel, C. B. (2004). *Fame & fortune: How successful companies build winning reputations*. FT Press.
- Fraser, J., & Simkins, B. (Eds.). (2009). *Enterprise risk management: Today's leading research and best practices for tomorrow's executives* (Vol. 3). John Wiley & Sons.
- Handfield, R., Sroufe, R., & Walton, S. (2005). Integrating environmental management and supply chain strategies. *Business Strategy and the Environment*, 14(1), 1-19.
- Handley, S. M. (2008). *The evaluation, analysis, and management of the business*

- outsourcing process* (Doctoral dissertation, The Ohio State University).
- Ho, W., Xu, X., & Dey, P. K. (2010). Multi-criteria decision making approaches for supplier evaluation and selection: A literature review. *European Journal of Operational Research*, 202(1), 16-24.
- James B, *Backbone of the Lean Enterprise*: Principal CGR Management Consultants, SME Westec 2004.
- Kalamu M, (2009). "Challenges of Outsourcing Strategy by Mobile Phone Operators in Kenya." MBA Research Collection Center. University of Nairobi Library.
- Kennedy, R. E., & Sharma, A. (2009). *The services shift: seizing the ultimate offshore opportunity*. FT Press.
- Kotler, P., & Caslione, J. A. (2009). *Chaotics: The business of managing and marketing in the age of turbulence*. AMACOM Div American Mgmt Assn.
- Kumar, G. S. (2006). *Outsourcing Laboratory Based Services: Inventing a New Future for R&D and Testing*. Tata McGraw-Hill Education.
- Lan, Y. C., & Unhelkar, B. (Eds.). (2005). *Global enterprise transitions: Managing the process*. IGI Global.
- Larson, E. W., & Gray, C. F. (2006). *Project Management: The Managerial Process (Special Indian Edition)*. Tata McGraw-Hill Education.
- Lee, J. N. (2006). Outsourcing alignment with business strategy and firm performance. *Communications of the Association for Information Systems*, 17(1), 49.
- Leedy, P. D., & Ormrod, J. E. (2005). Practical research. *Planning and design*, 8.
- Mayer, K. J., & Salomon, R. M. (2006). Capabilities, contractual hazards, and

- governance: Integrating resource-based and transaction cost perspectives. *Academy of Management Journal*, 49(5), 942-959.
- Mugenda, A. G. (2008). *Social science research: Theory and principles. Nairobi: Applied.*
- Munro, B. H. (2005). *Statistical methods for health care research* (Vol. 1). Lippincott Williams & Wilkins.
- Mutula, S. M. (2008). Digital divide and economic development: case study of sub-Saharan Africa. *Electronic Library, The*, 26(4), 468-489.
- Muyaku, R. S. (2013). *Outsourcing and competitive advantage at safaricom limited* (Doctoral dissertation, University of Nairobi).
- Muyaku, R. S. (2013). *Outsourcing and competitive advantage at safaricom limited* (Doctoral dissertation, University of Nairobi).
- Nargundkar, R. (2006). *Services Marketing 2E*. Tata McGraw-Hill Education.
- Ndiku , L. (2008). The Impact of the Internet on Research and Instruction in Universities of East Africa.
- Nelson, R. R., & Winter, S. G. (2009). *An evolutionary theory of economic change*. Harvard University Press.
- Nieto, M. J., & Rodríguez, A. (2011). Offshoring of R&D: Looking abroad to improve innovation performance. *Journal of International Business Studies*, 42(3), 345-361.
- Njimu P, (2009) “The Extent of Outsourcing of Human Resource Management Services in the University of Nairobi.” MBA Research Collection Center.University of Nairobi Library.
- Oshri, I., Kotlarsky, J., & Willcocks, L. P. (2011). *The handbook of global outsourcing and offshoring*. Palgrave Macmillan.

- Otieno G, Aligula E, (2006). Trade Liberalisation and Poverty in Kenya: A Case Study of the Telecommunications Sub-sector. Kenya Institute for Public Policy Research and Analysis(KIPPRA). Nairobi.
- Park, S. Y., & Yun, G. W. (2004). The Impact of Internet-Based Communication Systems on Supply Chain Management: An Application of Transaction Cost Analysis. *Of Computer-Mediated Communication*, 10(1), 00-00.
- Power, M. (2006). *The outsourcing handbook: how to implement a successful outsourcing process*. Kogan Page Publishers.
- Sanayei, A., Farid Mousavi, S., Abdi, M. R., & Mohaghar, A. (2008). An integrated group decision-making process for supplier selection and order allocation using multi attribute utility theory and linear programming. *Journal of the FranklinInstitute*, 345(7), 731-747.
- Stempel, J. W. (2013). Rediscovering the Sawyer Solution: Bundling Risk for Protection and Profit. *Rutgers JL & Pub. Pol'y*, 11, 170-170.
- Talbot, J., & Jakeman, M. (2011). *Security risk management body of knowledge* (Vol. 69). John Wiley & Sons.
- Umiker, W. O., & Umiker, W. (2005). *Management skills for the new health care supervisor*. Jones & Bartlett Learning.
- Wagenhals, L. W., & Levis, A. H. (2009). Service oriented architectures, the DoD architecture framework 1.5, and executable architectures. *Systems Engineering*, 12(4), 312-343.
- Wanjiru J. W. (2010). *Outsourcing of document archival services in the Kenyan banking industry* (Doctoral dissertation, University of Nairobi, Kenya).

- Wanjiru J. W. (2010). *Outsourcing of document archival services in the Kenyan banking industry* (Doctoral dissertation, University of Nairobi, Kenya).
- Wilkins, D. B. (2009). Team of Rivals-Toward a New Model of the Corporate Attorney Client Relationship. *Fordham L. Rev.*, 78, 2067.
- Wilkins, D. B. (2009). Team of Rivals-Toward a New Model of the Corporate Attorney Client Relationship. *Fordham L. Rev.*, 78, 2067.

APPENDICES

APPENDIX 1: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

1. Indicate your gender?

- Male Female

2. Indicate your age bracket?

- Below 25 years 26- 30yrs
- 31-35 years 36- 40 years
- 40- 50 years Above 50 years

3. Indicate the highest level of education you have achieved.

- Secondary
- College
- Bachelor degree
- Masters degree
- PHd

4. No. of years worked in the Organization

- Between 0-5 Yrs.
- 6-10 Yrs.
- 11-15 Yrs.
- Above 16 Yrs.

5. What is your current position in the organization?

- Top level manager

- Middle level manager []
- Lower Level manager []

SECTION B: RISKS INVOLVED IN OUTSOURCING

Please indicate (by circling the appropriate box) the extent to which you agree or disagree with each of the statements on risk involved in outsourcing. The following scale is applied for all statements: use scale of 1 – 5 where: 1 =strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree and 5 = strongly agree.

STRATEGIC RISK

STATEMENT	1	2	3	4	5
I encountered loss of control on activities outsourced					
My company damaged its brand because of vendors' negligence					
Our Vendors are prompt in addressing accidents					

PERFORMANCE RISK

STATEMENT	1	2	3	4	5
My company has experienced work redundancy due to outsourcing					
We as staff are allowed to approve of outsourcing					

FINANCIAL RISK

STATEMENT	1	2	3	4	5
Outsourcing is associated with other costs hidden making it too expensive					

PSYCHOLOGICAL RISK

STATEMENT	1	2	3	4	5
I have ever regretted having made outsourcing decisions					
I have taken personal responsibility severally as a result of loss due to outsourcing					

SECTION C: EFFECT OF RISK ON MANAGEMENT’S DECISION TO OUTSOURCE

Please indicate (by circling the appropriate box) the extent to which the risks below effect management decisions to outsource. The following scale is applied for all statements: use scale of 1 – 5 where: 1 =no extent, 2 = little extent, 3 = neither agree nor disagree, 4 = great extent and 5 = very great extent.

TYPE OF RISK	1	2	3	4	5
Strategic risk					
Performance risk					
Financial risk					
Psychological risk					

SECTION D: RISK MITIGATION

Please indicate the strategies that can be employed in mitigating these risks in the in outsourcing.

- i.
- ii.
- iii.
- iv.

**APPENDIX II: LIST OF MOBILE TELECOMMUNICATION
COMPANIES IN KENYA**

- i.** Safaricom
- ii.** Airtel Kenya
- iii.** Essar's Yu
- iv.** Telcom's Orange