

**AN ASSESSMENT OF THE IMPACT OF OUTSOURCING THE LOGISTICAL
FUNCTION ON FIRM PERFORMANCE: A CASE STUDY OF SAFARICOM
COMPANY LIMITED**

By

MWANGI NAOMI NYOKABI

**A Management Research Proposal Submitted in Partial Fulfillment of the Requirements
for the Award of Degree in Master of Business Administration of the University of Nairobi**

OCTOBER, 2012

DECLARATION

This research project is my original work and has not been presented for a degree in any other university

Signed..... Date.....

MWANGI NAOMI NYOKABI

D61/72891/2009

The research project has been submitted for examination with my approval as university supervisor

Signed..... Date.....

Supervisor:

MR. TOM KONGERE

DEDICATION

None is more impoverished than the one who has no gratitude. Gratitude is a currency that we can mint for ourselves, and spend without fear of bankruptcy. To my husband Stanley, my son Basil, my Mum, my Dad and the entire family, my classmates and supervisors: Thank you guys for being my pillar of strength all through.

ACKNOWLEDGEMENTS

I would like to express my appreciation to my Supervisor Mr. Kongere and Moderator Mr. Ombati who gave immense guidance in the project.

I also would like to thank Abrahams Abuko and Tumaini Mutugi Muikamba for going out of their way to facilitate collection of data and directing me in this document.

Special thanks goes to my parents through whom God chose give me life – my Mum and Dad, I cannot say thank you enough but try and live up to the standards you envisioned for a daughter while I was still an infant. Thank you dad for your encouraging me, to scale the heights of education.

I would also like to thank all my classmates, colleagues at work and study buddies and all that have affected this study. I most importantly thank God and pray you all get his unending blessings.

ABSTRACT

Many institutions and organizations are have embraced the outsourcing concept into their institutional operations. However, institutions outsource services that are not core to their institutional purpose for instance various logistical functions. The overall aim of this research study was to investigate the impact of an institution outsourcing some of its logistical functions on performance. In order to determine this, the researcher utilized Safaricom limited as a case study. The research study had the following objectives: (1) to determine the logistical functions that are outsourced by Safaricom limited, (2) to evaluate the benefits that accrue to Safaricom limited as a result of outsourcing some of its logistical functions; (3) to determine the measures that Safaricom limited implements in order to overcome the challenges that develop from the outsourcing some of its logistical functions.

The study's target population was all the employees who worked at Safaricom' s logistics department. The researcher utilized the quota sampling technique to select 100 respondents who would participate as the study's respondents. The findings suggest that Safaricom outsourced the two of its logistical functions: transport and warehousing. The findings also suggested the following as the benefits that had accrued to Safaricom limited as a result of outsourcing: reduction in institutional costs, increase in service delivery efficiency. The findings suggest that an institution can experience service delays as a result of outsourcing some of its institutional functions.

Table of Contents

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT.....	v
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
1.CHAPTER ONE: INTRODUCTION.....	1
1.1.Introduction	1
1.2.Problem Statement.....	7
1.3.Research Objectives.....	10
1.4.Research Questions	10
1.5.Justification of the Study	11
2.CHAPTER TWO: LITERATURE REVIEW	12
2.1.Introduction	12
2.2.Outsourcing Concept	12
2.3.Role of Outsourcing	15
3.CHAPTER THREE: METHODOLOGY.....	20
3.1.Introduction	20
3.2.Research Design.....	20
3.3.Target Population	20
3.4.Sample Size and Sample Design.....	20
3.5.Data Collection.....	21
3.6.Data Analysis.....	21

4.CHAPTER FOUR: FINDINGS AND ANALYSIS.....	23
4.1.Introduction	23
4.2.Response Rate.....	23
4.3.Personal Information	24
4.3.1.Gender Composition of the Respondents	24
4.3.2.Duration for working at Safaricom Limited	24
4.3.3.Employment Status for the Respondents.....	25
4.4.Section II.....	26
4.4.1.Does Safaricom outsource any of its institutional functions?	26
4.4.2.Which are the outsourcing processes at Safaricom limited?	27
4.4.3.Logistical functions that are outsourced by Safaricom limited	27
4.5.Section III.....	28
4.5.1.Efficiency of outsourcing the logistics function has enhanced its efficiency	28
4.5.2.Poor tendering processes during outsourcing can result in inefficient institutional processes	30
4.5.3.Outsourcing some logistical functions have resulted in service delays.....	31
4.5.4.Employees supporting some of the logistical functions at Safaricom limited.....	31
4.5.5.These benefits that have accrued to Safaricom as a result of outsourcing some logistical functions	32
4.5.6.Long term based relationships with supplier firms would aid in better service delivery.....	33
4.6.Section IV	34
4.7.Summary	35
5.CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS	36
5.1.Summary	36
5.2.Conclusion.....	37
5.3.Recommendation.....	38

References	39
Appendices.....	43
Appendix 1	43
Appendix I1	44

LIST OF TABLES

Table 4.1: Response rate of the respondents.....	23
Table 4.2: Efficiency of outsourcing the logistics function.....	29
Table 4.3: Influence of poor tendering processes.....	30
Table 4.4: Delays have been caused due to outsourcing.....	31
Table 4.5: Employee perception of outsourcing.....	32
Table 4.6: There benefits of outsourcing the logistical functions.....	33
Table 4.7: Long term based relationships with supplier firms.....	33

LIST OF FIGURES

Figure 4.1: Gender representation of the respondents.....24

Figure 4.2: Duration respondents have worked at Safaricom Limited.....25

Figure 4.3: Employment status of the respondents25

1. CHAPTER ONE: INTRODUCTION

1.1. Introduction

Outsourcing has grabbed headlines in the past few years. Some proclaim it as a necessary, effective and inevitable strategy to reduce costs, focus on the core business, maintain competitiveness and obtain needed capabilities. Others see outsourcing as a threat to jobs, companies, industries and whole economies. Barring a substantial reversal of current trends, outsourcing is here to stay. Many companies outsource most of their business processes such as information technology, logistics, human resources management, payroll and certain elements of procurement have also been outsourced (Jiang and Amer, 2006).

Globally, competitive pressures and the need for financial performance improvement are driving an increase in the magnitude of outsourcing across industries worldwide. Companies are establishing and executing outsourcing plans in order to focus on core competencies and reduce capital investment and overall fixed costs, match competitors in their outsourcing endeavors, improve noncompetitive cost structures, achieve cost-competitive growth in the supply base for goods, services and technologies in a company's value chain and establish a future sales in a low-cost country by outsourcing simple goods or business processes\

These factors are forcing companies to fully evaluate their outsourcing models to determine their viability in today's highly competitive world. Effective outsourcing requires established processes to help determine: what to outsource and why; how to find the suppliers that align best with future plans ,how to establish relationships and define contracts, execute the transition plan and measure results and take corrective actions as necessary (Jennings, 2002; Jauch and Wilson, 1979).

Outsourcing logistics services is one of the fastest growing and most exciting practises in most industries today. One of the major reasons for this growth is corporates renewed interest in outsourcing and its return to focusing on its core competencies. The aim of logistics process is formulated by the basic rule of logistics called the 7R principle which entails the right product with the right quality in the right quantity has to be delivered at the right time and right place to the right customer at the right. Disregarding of even one of the above conditions may lead to a loss of customers and, thus, to a decrease of the company's competitive advantages and reduction of its market share. The logistics approach, unlike the traditional one, suggests integration (technical, technological, information and economic) of separate units in the delivery supply chain into a unified system of direct. Companies outsource for many reasons. They look to reduce costs, shorten cycle time, improve shareholder value, decrease inventory, and focus on core competencies, gain information technology and increase expertise (Jennings, 2002; Jauch and Wilson, 1979).

Outsourcing is contracting with another company or person to do a particular function. Almost every organization engages in outsourcing in some way. Typically, the function being outsourced is considered non-core to the business. An insurance company, for example, might outsource its janitorial and landscaping operations to firms that specialize in those types of work since they are not related to insurance or strategic to the business. The outside firms that are providing the outsourcing services are third-party providers, or as they are more commonly called, service providers. The process of outsourcing generally encompasses four stages: strategic thinking, to develop the organization's philosophy about the role of outsourcing in its activities; evaluation and selection, to decide on the appropriate outsourcing projects and potential locations for the work to be done and service providers to do it; contract development,

to work out the legal, pricing and service level agreement (SLA) terms; and outsourcing management or governance, to refine the ongoing working relationship between the client and outsourcing service providers. (Kenneth Lysons and Brian Farrington, 2006).

In all cases, outsourcing success depends on three factors: executive-level support in the client organization for the outsourcing mission; ample communication to affected employees; and the client's ability to manage its service providers. The outsourcing professionals in charge of the work on both the client and provider sides need a combination of skills in such areas as negotiation, communication, project management, the ability to understand the terms and conditions of the contracts and service level agreements (SLAs), and, above all, the willingness to be flexible as business needs change. By outsourcing, many companies can improve service levels at a reduced cost, especially given today's competitive environment. Outsourcing also allows companies to make quicker changes to unanticipated shifts in demand by the ability to access a set of variable resources.

In the face of increasingly intensified competition in the emerging global economy, manufacturing, retail firms and service providers are progressively turning to outsourcing of their logistics functions. Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks and concentrate on issues critical to survival and future growth. One way of extending the logistics organization beyond the boundaries of the company is through the use of a third party supplier, or contract logistics services. One of the most important reasons why companies outsource their logistics functions is the need to decrease the number of warehouses, vehicles and excess inventories and to reduce shrinkage, and labor costs. Such moves bring down fixed and working capital investment., Companies can therefore focus on their core business activities and share the

risks. Most firms direct considerable attention to working more closely with their channel partners, including customers and suppliers, and with various types of logistics suppliers. This has resulted in the development of meaningful relationships among the companies involved in the overall supply chain activity. The main benefits gained by firms that outsource their logistics services are as follows: Companies gain financial leverage as outsourcing distribution permits you to get out of the transportation and warehousing businesses altogether, reducing equipment, facilities and personnel, as well as freeing up cash and improving return on investment (Prahalad and Hamel, 1990).

Another advantage is free up of management achieved when the company's management is free to concentrate on core business activities like manufacturing, marketing or research and development. Whatever your business, management does not get concerned with distribution or worry about unions, complex government regulations and inventory levels. There is risk reduction gained as outsourcing provides distribution insurance that a company cannot secure by itself. Logistics providers have the resources to keep distribution network running in spite of unexpected disaster, wherever it strikes. Earthquakes, fires, floods, snow and strikes all wreak havoc on smaller, less flexible distribution departments

According to Kenneth Lyons and Brian Farrington (2006), procurement is the process of obtaining goods or services in any way including borrowing, leasing and even force or pillage. Procurement process involved the acquisition of needed materials and services by a purchasing company from the selling company. The process varies with the type of item being purchased, the type of supplier, nature of supplier relationship.

Kenya's earliest telecommunications connections to the outside world were the submarine cables linking Zanzibar, Mombasa, and Dar es Salaam laid by the Eastern & South African

Telegraph Company in 1888. Telephone service soon followed. In 1908, the public telephone network began service in Nairobi, the capital, and in Mombasa. (Tyler and Jonscher, 1982).

Mobile telephones were first introduced in the Kenyan market in 1992, but the real diffusion of this technology and of affordable services started in 1999 when the Communications Commission of Kenya (CCK) was established and the newly privatized company Safaricom and Celtel Kenya (previously known as KenCell Communications and now known as Airtel Kenya) were licensed by CCK to provide mobile services. These two operators then providing mobile connectivity in Kenya have covered gradually the majority of the populated areas, and they are still continuing in this trend of growth. (Matthew Clark, 2007).

Two major factors responsible for the growth of telecommunications industry are use of modern technology and market competition. One of the products of modern technologies is optical fibers, which are being used as a medium of data transmission instead of using coaxial or twisted pair cables. The use of mobile network has a crucial role behind the growth of an improved telecommunications industry. Leading companies are showing their interest to invest in this telecommunications industry. Telecommunication industry is a vast and diversified industry and needs a huge capital to invest. That is why the competitors of this industry should be such that they can meet that demand. As such cost control is critical for the players in this industry (UNPD report 2001).

In most telecommunication companies in Kenya they employ outsourcing in their procurement process. Areas of main focus for outsourcing include: e-business solutions, tactical and strategic procurement, compliance and performance Management, IT support in applications and utilities installation and support, customer care operations as well as consulting and training. Telecommunication companies benefit from outsourcing through integrating the enterprise's

disparate systems and fragmented processes being delivered through multiple delivery channels, lowering service delivery cost through improved efficiencies and lower costs, ensuring best practices, skills, and technology. (Cyrille Momo, 2005).

Outsourcing provides access to proprietary workflow systems, process reengineering/improvement skills, and innovative staffing and delivery models, combined with world-class technology that is delivered by the experts. Outsourcing provides flexibility to respond to a rapid-changing marketplace and scale operations up or down as per the prevailing business environment in the telecommunication industry. (Cyrille Momo, 2005).

According Safaricom Kenya official web site information, Safaricom company limited, which is the market leader in telecommunication Kenya, started as a department of Kenya Posts & Telecommunications Corporation, the former monopoly operator, launched operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 and license awarded in 1999. Safaricom Limited was incorporated on 3rd April 1997 under the Companies Act as a private limited liability company and became a joint venture vehicle between Telekom Kenya and the Vodafone Group in 2000. It was converted into a public company with limited liability on 16 May 2002. By virtue of the 60% shareholding held by the Government of Kenya (GoK), Safaricom was a state corporation within the meaning of the State Corporations Act (Chapter 446) Laws of Kenya, which defines a state corporation to include a company incorporated under the Companies Act which is owned or controlled by the Government or a state corporation. Safaricom offers mobile voice services using GSM-900 and GSM-1800 technologies. It launched GPRS services in July, 2004, and Enhanced Data Rates for GSM Evolution (EDGE) services in June, 2006. After being formally granted Kenya's first license to install and operate 3G system

and services in October 2007, Safaricom's 3G network has already been available to major towns within Kenya.

According to Safaricom Intranet information, Safaricom has a supply chain and procurement department that deals with all supply chain and procurement functions hence the main focus area in this study. Safaricom has actually considered local outsourcing companies for handling Safaricom's customer services but the economics and quality provision made it more compelling for them to do it themselves. However there are other processes that they have actually outsourced such as: media and publicity consultancy services, dealer management, transport and logistics, training and consultancy services, electronics equipment providers, technical expertise, cleaning and hospitality services, among others. As such the company has an employee base of over 1800 employees reducing the wage budget which could be otherwise large were these services being provided in-house.

1.2. Problem Statement

The core business for any telecommunication firm is the provision of telecommunication services to its subscribers. At the same time, there are numerous logistical and procurement activities that take place in these firms but are not core to the business, and thus serve as support services. These activities are major cost centers and there is need to strike a balance between these and the core business for the firm to be efficient and effective. However the procedures outlined to carry out these activities are based on the traditional procurement platform. This traditional procurement had been characterized by paper oriented procedures which generated massive amounts of papers at a high cost, labor intensive work that demanded frequent visit to various offices, and complicated manual processes and procedures. The overall results of these traditional processes includes inefficiency, low transparency and low service quality as well as

weak oversight institutions, poor linkages between procurements and expenditures, delays and poor records management. The most relevant research conducted is that done by LOMA, which explores the pros and cons of outsourcing.

It's evident that inefficiency remains a greatest challenge in procurement practices. According to a study By Ramboll Management (DK) and the Public Procurement Oversight Authority (PPOA) on 'Assessment of the Procurement systems in Kenya 2007' several shortcomings on procurement systems were noted including; Procedures for pre-qualification lack clarity, Inadequate procedures for registration of contractors, No procedures for using technical capacity as a key criterion, Excessive use of quotations, Procurement planning is not carried out systematically, Lack of feedback mechanism, Low stakeholder awareness of web-based procurement in-formation system, System for collecting and monitoring procurement statistics not fully utilized, and Procurement entities recordkeeping practices remain poor amongst others. Others include; Poor enforcement and follow-up on external audit recommendations, Procurement audits are non-existing, Lack of procurement proficiency among auditors and Limited public access to procurement information. Many companies have high cost due to many cost center within a firm that are not part of the core business. As such they are faced with challenges on how to control this costs and maintain profitability and efficiency. This study focuses on identifying how this can be achieved without compromising on the quality of service provided by the firm and also keeping the costs at minimum. According to the study by Benn, Ian 2002, there is need to exploit the skills of third parties in achieving strategic outsourcing

In the publication by [Dr XN Iraki](#) 2009, outsourcing of business processes will be the a catalyst in achieving Vision 2030 for Kenya which is Kenya's new blue print that aims at

transforming the country into a middle income country by the year 2030. As such outsourcing will be key to achieving the vision 2030 and there is a need to examine ways to strengthen and establish its role in the procurement process. In the publication, by Gituro Wainaina and Awino Zachary Bolo (2009), on Supply Chain Management Best Practices, outsourcing is seen as one of the global best practises. As such there is need to further establish the role of outsourcing in telecommunication Kenya.

Supply chain management has more experience with outsourcing than other business functions and for this reason companies turn to outsourcing for many reasons. They look to reduce costs, shorten cycle time, improve shareholder value, decrease inventory, focus on core competencies, gain information technology, increase expertise and more. Likewise those who provide outsource services want to improve profits, transition from being a commodity service provider, gain volumes and throughput by leveraging existing core logistics service, increase revenues and more. This creates a mutual need between the two parties. (Mentzer, J.T. et. al. 2001).

Despite this common interest, half of the outsourcing relationships end unsatisfactorily and not able to go beyond a buyer-seller relationship. The responsibility for the failure often resides with both parties due to poor project design, lack of metrics or key performance indicators (KPIs), use of improper metrics or KPIs, not fulfilling expectations of either or both parties, no clear lines of responsibility and accountability, inability to evolve the relationship from short term to long term and from static to dynamic. As such with supply chain management as one of the largest costs and with significant service impact to companies, outsourcing should be designed not to fail, especially with supply chain management. (Mentzer, J.T. et. al. 2001).

Since Outsourcing plays a critical role in the procurement process there are fundamental issues that must be addressed. There are numerous challenges and benefits of outsourcing and thus there is a need to identify the role of outsourcing in firms to get the benefits of outsourcing. For an efficient outsourcing process there are key areas that need to be critically addressed which are : knowing and defining reason for outsourcing, knowing what is being outsourced and why it is being outsourced, recognize seller and buyer Roles, set metrics/key performance indicators and accountability . This study aims to gain a better understanding of outsourcing practices and metrics among telecommunication firms in Kenya and how this can be used to solve the problem of high cost as a result of non-core activities in a firm. Such as: warehousing, transportation, network maintenance, janitorial and landscaping operations among others. (Makhino, 2006).

1.3. Research Objectives

The overall objective of this research study was to investigate the influence of an institution outsourcing some of its logistical functions on firm performance. The research study achieved this objective through analyzing the following specific objectives:

1. To determine the logistical functions outsourced by Safaricom limited.
2. To evaluate the benefits that accrues to Safaricom limited as a result of outsourcing some of its logistical functions.
3. To determine the measures that Safaricom limited implements in order to overcome the challenges that develop from the outsourcing some of its logistical functions.

1.4. Research Questions

This research study had the following research objectives:

1. Which are the logistical functions that are outsourced by Safaricom limited?

2. What are the benefits that have accrued to Safaricom limited as a result of outsourcing some of its logistical functions?
3. Which are the strategies that Safaricom limited utilizes in order to overcome the challenges that arise from the outsourcing of some of its logistical functions?

1.5. Justification of the Study

This study will aid individuals and institutions understand the concept of outsourcing. In addition, this research study highlights and outlines the reasons as to why it makes business sense to outsource. Furthermore, this research study highlights the challenges an institution faces as it outsources some of its logistical functions. The study further develops strategies that an institution can implement in order to overcome the challenges that arise during the outsourcing process.

2. CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This literature review highlights the concept of outsourcing and establishes as setting for the reader to understand the uniqueness and role of outsourcing and its application in the telecommunication industry.

2.2. Outsourcing Concept

Outsourcing involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider. The client organization and the supplier enter into a contractual agreement that defines the transferred services. Under the agreement the supplier acquires the means of production in the form of a transfer of people, assets and other resources from the client. The client agrees to procure the services from the supplier for the term of the contract.

The outsourcing research scope could be identified by three areas: outsourcing determinants, outsourcing process and outsourcing results (Jiang and Amer, 2006). Prahalad and Hamel (1990) state that firms should outsource activities that are not core competencies so as to be able to focus on core activities and increase product/market complexity. It is also possible to use outsourcing to acquire lacking or difficult-to-develop activities, components, and expertise or to free up capital (Jennings, 2002; Jauch and Wilson, 1979). Improving managerial incentives (Xiao *et al.*, 2007) and acquiring tacit knowledge from outsourcing partners (Li *et al.*, 2007) are empirically validated as some of the motivations to outsource. Competitive advantage, demand flexibility, process capability, process maturity and strategic risk (Leiblein *et al.*, 2002), behavioural factors of managers, core competency, and the formality of the information about supply alternatives (Mantel *et al.*, 2006), cost reduction, quality improvement, environmental

uncertainty, operations technology and product characteristics (Socrates, 2007) will all influence the make-buy decisions, which have been studied using transaction cost theory, knowledge-based theory and measurement explanations (Poppo and Zenger, 1998). When a company, motivated by some of these drivers, decides to go outsourcing, it needs to know how to manage the outsourcing process to achieve the initial objectives and expectations

Most businesses today are either outsourcing certain functions or considering it. But this is a major decision, and the benefits can be difficult to define. The benefits discussion typically centers on cutting costs. Outsourcing has been sold by the market or by clients as a way to cut costs by reducing overhead and having a professional perform the operation. While this benefit is attainable, it is not the only advantage and should not be the only reason a company decides to outsource. (Weston, 1981).

According to Geoffrey F. Segal and Andrian T. Moore (2002), the benefits of outsourcing can be divided into two types. First, there are the direct benefits which are those that have an immediate impact. Then, there are the indirect benefits which are the impact that outsourcing has on the processes that have remained in house. The direct benefits of outsourcing are those related to reduced costs, decreased cycle times, and improved customer perception and satisfaction. They include: focus on core competency, reduction in the cost of manufacturing and logistics services, reduction in head count of hourly workers and management, improved accuracy, flexibility and wider range of services, access to global networks and superior technology, improved service and improved quality and reduced capital investment and increased cash flow

The indirect benefits of outsourcing are usually not as easily defined and are an unexpected surprise when realized. And when achieved, they have a subtle effect on the company's bottom line. Indirect benefits include the following: Creating a catalyst for change. In

the search for core competencies, how outsourced operations are managed is highlighted. Companies can take a closer look at engineered operations, planning, and scheduling. The result is a better grasp of accountability and root cause analysis, which can only improve core functions. Initiating or fueling change. A company is often able to offer new services and capabilities because outsourcing has increased performance in the form of shorter lead times and reduction in the landed cost to the customer.

Stimulating analysis. The requirement to document business processes (and their costs) inherent with any outsourcing implementation often uncovers valuable information that can be studied and put to use within the organization. In other words, developing metrics to use to select a third-party provider may result in asking why these metrics aren't used throughout the company. Converting sluggish functional areas into dynamic ones. The actual process of finding a provider and performing a baseline analysis will cause a company to look internally to improve processes. This often breathes new life into functions such as customer service, purchasing, and procurement.

Resource and contact development. After a successful outsourcing implementation, companies often find they have access to new business resources and personnel, such as freight handlers, value-added service providers, and IT. Using these contacts, they can form new beneficial relationships. When both the direct and indirect benefits of outsourcing are laid out, it's easy to see why so many companies are already outsourcing or planning to do so. A company that outsources operations has much to gain. It is important to note that there are risks and it is possible that an outsourcing strategy will fail. However, with the right approach to outsourcing and working with experts who have made outsourcing a core competency, the benefits far outweigh the risks.(Geoffrey F. Segal and Andrian T. Moore 2002).

2.3. Role of Outsourcing

The outsourcing research scope could be identified by three areas: outsourcing determinants, outsourcing process and outsourcing results (Jiang and Amer, 2006). The outsourcing determinant-oriented research studies the ‘why’ issues: the drivers behind a company’s outsourcing decisions. Prahalad and Hamel (1990), state that firms should outsource activities that are not core competencies so as to be able to focus on core activities and increase product/market complexity. It is also possible to use outsourcing to acquire lacking or difficult-to-develop activities, components, and expertise or to free up capital (Jennings, 2002; Jauch and Wilson, 1979). Improving managerial incentives (Xiao *et al.*, 2007) and acquiring tacit knowledge from outsourcing partners (Li *et al.*, 2007) are empirically validated as some of the motivations to outsource. Competitive advantage, demand flexibility, process capability, process maturity and strategic risk (Leiblein *et al.*, 2002), behavioral factors of managers, core competency, and the formality of the information about supply alternatives (Mantel *et al.*, 2006), cost reduction, quality improvement, environmental uncertainty, operations technology and product characteristics (Socrates, 2007) will all influence the make-buy decisions, which have been studied using transaction cost theory, knowledge-based theory and measurement explanations (Poppo and Zenger, 1998). When a company, motivated by some of these drivers, decides to go outsourcing, it needs to know how to manage the outsourcing process to achieve the initial objectives and expectations.

This study contributes mainly to the process-oriented stream. The outsourcing process-oriented research studies the ‘how’ issues: outsourcing contracts negotiation, partner selection, implementation, controlling, monitoring and so on (Jiang and Amer, 2006). Well-designed vendor-selection method using a bidding mechanism is able to reduce expected outsourcing costs

(Chaudhury *et al.*, 1995). Cross-functional teams are essential to implementing outsourcing decisions. (Lacity *et al.*, 1995) describe three different outsourcing teams.

Outsourcing should be integrated with the overall corporate strategy (Ronan, 2000). Analysis and management of outsourcing are shown to have a greater impact on the supply chain process than attempting to unravel the complexities and intricacies of the core competence approach (Ronan, 2003). Behavioural issues such as psychological contracts within inter/intra work groups, power and trust (Fifarek *et al.*, 2007), the status of the outsourcing function within the firm, the level of internal coordination of outsourcing with other functions within the firm, information sharing with key suppliers and development of key suppliers (Canan and Nallan, 2006), culture (Samaddar and Kadiyala, 2006), obtaining non-core domain knowledge (Amrit and Mark, 2007) and the standardised transactional infrastructure of enterprise technologies (Stratman, 2007) are highly significant managerial issues in the success or failure of outsourcing. Fixed costs of establishing the relationship dominate the variable costs of day-to-day outsourcing transactions (Ellram *et al.*, 2007). Recent advances in information technology and telecommunications have led to real-time monitoring of processes at the site of the provider by a buyer located across the globe (Aron *et al.*, 2007).

The outsourcing results-oriented research studies the 'outcome' issues: what an outsourcing decision may bring to a company. It is important to understand that outsourcing can provide the firm with either strategic and lasting or temporary benefits, which depends on the focus (Weston, 1981). *Narasimhan and Das* (1999) explain that outsourcing contributes to competitive advantage by enabling the firm to attain differentiation advantages. Some firms use outsourcing as a way to drive innovation through the acquisition of firms with desired technologies, processes or skills (Tucker, 2001). Inter-firm relationships can facilitate new

product development and new technology learning and sharing (Lei, 2000). However, it has been shown that neither outsourcing nor internalisation *per se* results in superior technological performance; rather, a firm's technological performance is contingent upon the alignment between firms' governance decisions and the degree of contractual hazards (Leiblein *et al.*, 2002).

Balancing vertical integration and strategic outsourcing in the pursuit of taper integration enriches a firm's product portfolio and product success (Rothaermel *et al.*, 2006). Core business-related outsourcing, offshore outsourcing and shorter-term outsourcing have positive effects on outsourcing firms' market value, while noncore business-related outsourcing, domestic outsourcing and longer-term outsourcing are not found to enhance firm value (Jiang *et al.*, 2007). Product substitutability and brand/quality effect are also shown to affect the outsourcing results (Xiao *et al.*, 2007). The motive to acquire an outsourcing partner's tacit knowledge and different control mechanisms are significant predictors of incremental and radical innovation outcomes, and there are some intriguing differences between the Sino-foreign alliances and local alliances (Li *et al.*, 2007). Despite some short-term positive effects, off-shoring practices have been empirically shown to have long-term adverse effects on innovation at the national home base (Fifarek *et al.*, 2007). Also, there is no clear link between company performance and the extent of off-shoring of IT-enabled services (Bhalla *et al.*, 2007). Mixed results regarding the impacts of outsourcing on the focal company force us to know more about factors influencing each activity in each phase of the whole outsourcing process, which is what this study attempts to accomplish.

Irrespective of the strategy developed by the firm, there is increased the importance of outsourcing within the firm. A firm must accomplish several critical tasks to facilitate

outsourcing. First, understand product and process technologies and business capabilities relevant to its firm and monitor the business environment to determine which supplier firms possess core competencies in these activities and its firm's relative position with respect to suppliers and competitors (Welch and Nayak, 1992). This may also include evaluating technologies or processes in other industries for the potential to build competitive advantage in their own industry.

Second, build ties with other functions in the firm to determine their requirements and to understand and plan for meeting these requirements with outsourcing or the acquisition of goods and services (Monczka and Morgan, 1992a). These functional ties are critical because they form the basis of relationships that are necessary to effectively function on cross-functional teams that outsource or acquire activities and accomplish other strategic activities (Morgan, 1992).

Third, develop strong lines of communication with top management to communicate strategic information and to participate in the development and implementation of corporate strategy. This leads to the development and integration of the firm's supply base strategies as it works in cross-functional teams to select world-class suppliers (Monczka and Morgan, 1992b).

Fourth, as activities are outsourced, there is need to work with selected suppliers to develop strategic relationships and common advantages. A good relationship facilitates a buyer's ability to obtain superior performance, additional service, cooperation on cost reductions and a willingness to share in new procedures and processes (Pagnoncelli, 1993). The selection of best-in-class suppliers can result in better and more efficient services than making or growing them internally (Quinn and Hillmer, 1994). There is a lack of research discussing the role of purchasing in the outsourcing process. This study thus attempts to have a closer look at the

current role outsourcing, the benefits and to propose explanations and several suggestions for improvement.

3. CHAPTER THREE: METHODOLOGY

3.1. Introduction

This chapter outlines the methodology that the researcher employed during the research study process. The methodology section enabled the researcher remain focused and not disoriented through the entire process of data collection. This chapter explores the following sections: research design, target population, sample size and sample design, data collection techniques, and data analysis.

3.2. Research Design

The study adopted a descriptive research design with variables of interest being measured as they naturally occurred which aided in the identification of the role of outsourcing in the telecommunication industry. According to Gupta & Gupta (1988), a descriptive design describes phenomena as it exists at present. A descriptive design was appropriate for this study because it enabled the researcher to investigate the population to be studied and establish the factors under investigation. Both qualitative and quantitative research approaches were adopted in the study.

3.3. Target Population

The study utilized Safaricom Limited as a case study, with the objectives of identifying the reliable economical /financial performance indicators offering the advantage of comparison and evaluation against and across firms /companies within the telecommunication industry and across different industries. The research study had a target population of all the employees working within the logistical function at Safaricom limited.

3.4. Sample Size and Sample Design

A sample is described as a sub-set or proportion of the entire population (Castillo, 2009). A sample should be scientifically selected from the population in order to ascertain its credibility

and validity (Kothari, 2008). If it's left to a researcher's discretion to select a sample, biasness can creep in. This will thereby adversely affect the findings of the research process. The method of selecting a sample from a population or a target population is known as sampling technique or design (Mugenda & Mugenda, 1999). In this particular case, the researcher utilized quota sampling method to select the respondents for the research study. The researcher divided the target population into four mutually exclusive groups and then selected a sample from each group. The target population was segmented into four groups with reference to employment status: senior managers, middle level managers, front line managers and functional staff. The research study sought to utilize 100 employees as its respondents.

3.5. Data Collection

The study will be based on primary and secondary data. The primary data was collected using questionnaires which were administered to top supply chain management and purchasing /procurement department. Drop and pick up of questionnaires were applicable. The researcher also utilized follow up measures using emails and phone calls as well as personal visits during the data collection process. The researcher collected secondary data from research studies that had been conducted with reference to the benefits of outsourcing and its significance to the logistics function.

3.6. Data Analysis

Data was analyzed through a combination of both descriptive and inferential statistics. Measures of central tendency and dispersion were used to determine the factors that are considered by the company when making the decision to outsource. Bell (1993) maintains that when making the results known to a variety of readers, simple descriptive statistics such as percentages have a considerable advantage over more complex statistics. Also the Statistical

Package for Social Sciences (SPSS) and Microsoft excel were applied to analyze statistical data and in presentation of the findings.

4. CHAPTER FOUR: FINDINGS AND ANALYSIS

4.1. Introduction

This chapter presents findings and interpretation of the research study whose aim was to determine the significance of outsourcing some of the institutional logistics functions at Safaricom Limited. In order to draw inference from the responses of the respondents, it was imperative that the data be analyzed in order to develop suitable information. The study utilized the Statistical Package for Social Science (SPSS) to analyze the responses of the clients. This section is divided into the following division: response rate, personal information, section one, section two, section three and section four

4.2. Response Rate

Table 4.1: Response rate of the respondents

Questionnaire	Response	Percentage (%)
Responded	57	57
Not Responded	43	43
Total	100	100

Source: Researcher (2012).

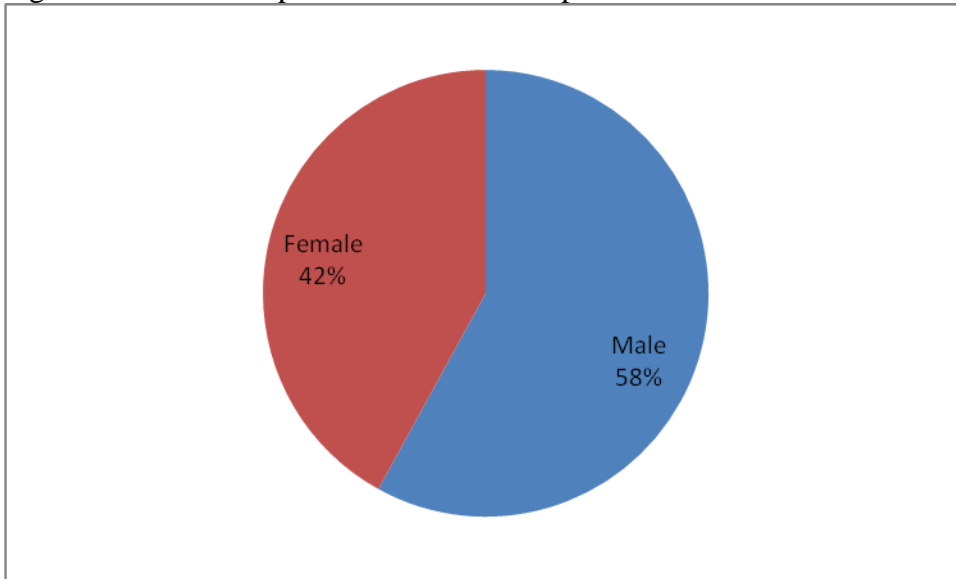
Mugenda and Mugenda (1999) define response rate as the percentage of subjects who respond to questionnaires. In this particular case, 57% of the respondents filled and returned the questionnaire. However, 43% of the respondents did not respond to the questionnaire. According to Babbie (2008), a response rate of more than 50% is considered adequate for data analysis and reporting. It's on this basis that the researcher proceeded to analyze the responses of the respondents who participated in the research process.

4.3. Personal Information

4.3.1. Gender Composition of the Respondents

The research sample for the study comprised of 57 respondents. The respondents comprised of both genders i.e. male and female. The Figure 4.1 below gives a graphical representation of the genders of the research participants.

Figure 4.1: Gender representation of the respondents



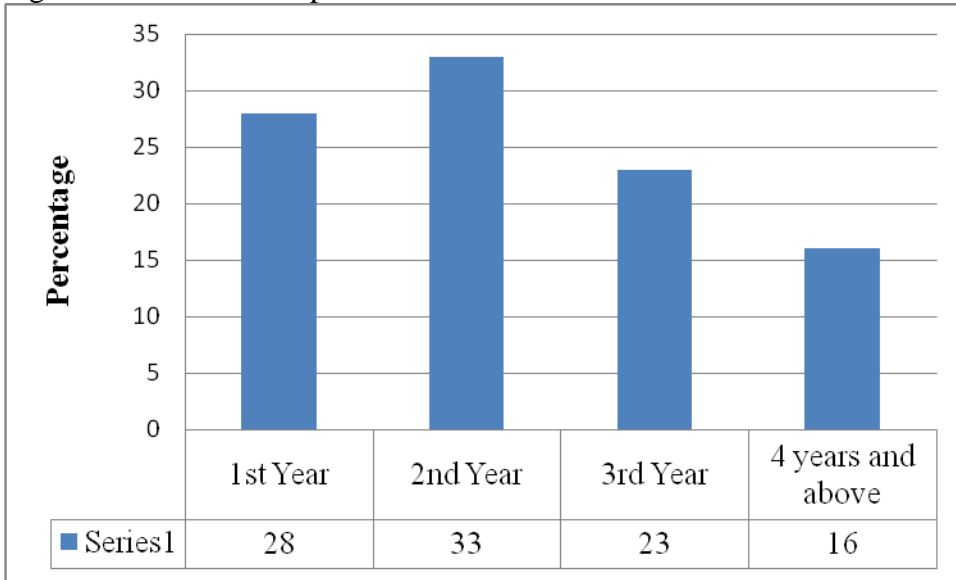
Source: Researcher (2012).

Of the 60 respondents, 37 respondents were male while 23 were women. This implies and signifies that 62% of the respondents were male while 38% of the respondents were female.

4.3.2. Duration for working at Safaricom Limited

The figure 4.2 below gives a graphical representation with reference to the duration in which the respondents had worked for Safaricom limited. According to the findings, 28% of the respondents were working for Safaricom for their first year. 33% of the respondents were working for Safaricom for the second year while 39% of the respondents were working for Safaricom for over three years. This implies and signifies that the respondents properly understood the institutional processes in the logistics department.

Figure 4.2: Duration respondents have worked at Safaricom Limited

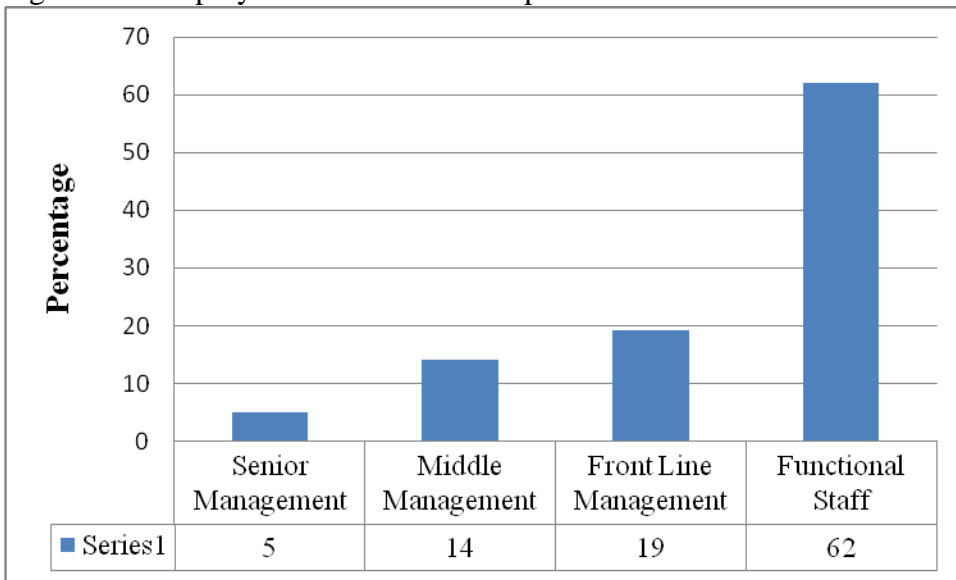


Source: Researcher (2012).

4.3.3. Employment Status for the Respondents

The figure 4.3 below gives a graphical representation of the employment status for the individuals who participated in the research study as respondents.

Figure 4.3: Employment status of the respondents



Source: Researcher (2012).

According to the findings of the research, 5% of the respondents were occupying senior management roles at Safaricom Limited. On the other hand, 14 % and 19% of the respondents were middle level managers and front line managers respectively. 62% of the respondents were functional staff at the logistics department at Safaricom Limited. This signifies and implies that the research study was comprehensive because it utilized responses across the managerial structures at the logistics department at Safaricom Limited.

4.4. Section II

4.4.1. Does Safaricom outsource any of its institutional functions?

According to the responses of the respondents, 96% of the respondents were of the view that Safaricom Limited did outsource some of its institutional functions. These results imply and signify that Safaricom does outsource some of its institutional functions. This finding is similar to the findings of other research studies that reveal that institutions and organizations are embracing the concept of outsourcing their secondary activities. A research study that reveals that institutions and organizations are engaging in outsourcing their institutional functions was conducted by Junjie, Chin and Binglian in 2004. Junjie, Chin and Binglian (2004) argue that manufacturing firms in China were embracing the concept of outsourcing some of their logistical functions. This implies and signifies that firms throughout the globe are embracing the concept of outsourcing their logistical functions. However, Junjie et al. (2004) argue that there are various challenges that institutions face as they outsource their institutional functions: institutions can for instance experience delays in receiving outsourced services and products which in turn affects institutional and organizational activities. Consequently, this adversely affects institutional performance. According to the responses of this research study process, the

following were some of the outsourced functions at Safaricom Limited: catering functions and various logistical functions like transportation and warehousing.

4.4.2. Which are the outsourcing processes at Safaricom limited?

According to the responses from the study, Safaricom limited has clearly outlined outsourcing processes which must be adhered to during and after the outsourcing processes. The respondents articulated that supplying firms and institutions must undergo through tendering before they are selected to provide services and products. After tendering, there are vetting panels at Safaricom limited that are tasked with selecting the best supplying firm for the institutional function that Safaricom limited wants to be outsourced.

4.4.3. Logistical functions that are outsourced by Safaricom limited

According to the responses from the study, Safaricom limited outsources some of its logistical functions. The responses suggest that the following are the outsourced functions at Safaricom's logistical department: transportation and warehousing. The findings and results of this research study reveal and are in support of other research studies that portray the notion that institutions, firms and organizations are outsourcing some of their logistical functions. One study that reveals outsourcing some logistics functions was conducted by Yemisi in 2001. Yemisi (2001) particularly focused on various UK petrol companies outsourcing some of their logistical functions-transportation. According to Yemisi (2001), the firms were outsourcing some of their logistical functions with the following aims and objectives: (1) lowering and reducing the costs associated with logistics; (2) improve service quality to clients and customers; (3) re-focusing their resources to their core institutional functions instead of secondary activities.

Other research studies include those conducted by Mohammed and Sheng (1998); Rabinovich et al. (1999). According to Mohammed and Sheng (1998), institutions and organizations all over the globe are increasingly outsourcing their logistics function. Another research study that postulates that outsourcing has in recent times tremendously increased was conducted by Rabinovich, Windle, Dresner and Corsi in 1999. Rabinovich et al. (1999) argue when an institution outsources some of its logistics function it harnesses the following benefits: reducing the costs associated with the institution's logistical functions and further enhances the efficiency of logistical functions thus better customer delivery. In addition, outsourcing can result to an institution or organization attaining economies of scale.

4.5. Section III

In this particular section, the questions were of Likert Testing Scale. This implies that the respondents were provided with statements with reference to outsourcing and were required to indicate whether they; 1= strongly disagree, 2=disagree, 3=moderately agree, 4=agree and 5 strongly agree. The responses of these results are presented in the subsequent tables.

4.5.1. Efficiency of outsourcing the logistics function has enhanced its efficiency

Table 4.2 below presents the responses of the respondents on whether outsourcing had efficiently enhanced operations at the logistical function at Safaricom Limited. According to the research findings, 43% of the respondents were of the view that outsourcing some of the logistical functions at Safaricom limited had in did enhance the firm's institutions efficiency. However, 30% of the respondents were of the opinion that outsourcing had not contributed to the efficiency of the institution's logistical functions. This implies that there's a variation in terms of opinion on the significance of outsourcing within an institution or organization.

Table 4.2: Efficiency of outsourcing the logistics function

		Frequency	Percent	Cumulative Percent
Valid	SD	5	8.8	8.8
	D	12	21.1	29.9
	MA	15	26.3	56.2
	A	19	33.3	89.5
	SA	6	10.5	100.0
	Total	57	100.0	

Source: Researcher (2012).

Another research study that was conducted with reference to outsourcing was conducted by Harland, Knight, Lamming and Walker in 2005. Harland et al. (2005) conducted a research study that examined both the benefits and risks that are associated and linked to outsourcing. According to Harland et al. (2005), the following are the risks that accrue to an institution or organization that outsources some of its institutional functions: (1) lack of elaborate and comprehensive selection structures that result in the selection of wrong firm's to provide services; (2) the lack of a comprehensive short and long term benefit analysis before outsourcing a firm's functions; (3) complication of an institution's supply network. Harland et al. (2005) argue that the major reason as to why institutions and organizations outsource is to reduce their institutional and organizational costs. In addition, outsourcing enables institutions achieve economies of scale. This is attributed to the fact that the outsourcing firm can henceforth invest its entire resources to activities which are primary its revenue generation. It's imperative that institutions and organizations manage their supplier relationships (Harland et al., 2005). This is because the lack of proper management of supplier relationships will result of supplier inefficiencies that will result in an institution's inefficiencies.

4.5.2. Poor tendering processes during outsourcing can result in inefficient institutional processes

Table 4.3 below presents the responses of the respondents on whether poor tendering processes during the selection of an outsourcing agent can hamper efficient service delivery to an institution or organization.

Table 4.3: Influence of poor tendering processes

		Frequency	Percent	Cumulative Percent
Valid	SD	0	0.0	0.0
	D	7	12.2	12.2
	MA	15	26.3	38.5
	A	23	40.4	78.9
	SA	12	21.1	100.0
	Total	57	100.0	

Source: Researcher (2012).

According to the research findings, 61% of the respondents were of the view that poor tendering processes during the selection of an outsourcing agent or company can result in institutional inefficiencies. However, 12% of the respondents were of the view that poor tendering processes could not result in logistical inefficiencies for the company. This implies that the selection of an outsourcing firm to offer services to the logistical arm of another institution has to be comprehensive in order to ensure that there are no inconveniences caused.

A research study was conducted by Barhelemy and Adsit in 2003 to determine the factors that can adversely affect institutional and organization performance as a result of outsourcing. Barhelemy and Adsit (2003) argue that there are various factors that should be considered before outsourcing. In particular, the following are the factors that institutions should consider before undertaking an outsource initiative: (1) outsourcing functions that are critical to its core operations and business; (2) developing an elaborate selection processes of firms that will

perform the outsourced functions; (3) involving employees in the outsourcing processes; (4) calculate both the short and long term benefits of outsourcing some of the institutional functions; (5) developing a comprehensive outsourcing contract; (6) developing an exit strategy after collapsing of outsourcing contract. This implies that successful outsourcing processes are a result of properly designed institutional processes that ensure: the selection of the right supplying firm; administration of relationships between the outsourcing firm and the supplying firm.

4.5.3. Outsourcing some logistical functions have resulted in service delays

Table 4.4 below presents the responses of the respondents on whether the logistical function of Safaricom limited has experienced delays as a result of outsourcing its functions. The research findings revealed that 82% of the respondents were of the view that there delays that the firm had experienced as a result of outsourcing some of its logistical functions. This implies that outsourcing can at times be detrimental to institutional and organizational processes.

Table 4.4: Delays have been caused due to outsourcing

		Frequency	Percent	Cumulative Percent
Valid	SD	2	3.5	3.5
	D	5	8.8	12.3
	MA	9	15.8	28.1
	A	26	45.6	73.7
	SA	15	26.3	100.0
	Total	57	100.0	

Source: Researcher (2012).

4.5.4. Employees supporting some of the logistical functions at Safaricom limited

Table 4.5 below presents the responses of the respondents on the perceptions of employees towards the outsourcing of the logistical functions at Safaricom limited.

Table 4.5: Employee perception of outsourcing

		Frequency	Percent	Cumulative Percent
Valid	SD	9	15.8	15.8
	D	15	26.3	42.1
	MA	10	17.5	59.6
	A	16	28.1	87.7
	SA	7	12.3	100.0
	Total	57	100.0	

Source: Researcher (2012).

The research findings revealed that 41% of the respondents supported the outsourcing of some of firm's logistical functions. However, 42% of the respondents were of the view of not supporting the outsourcing processes of some of the firm's logistical functions. This implies that not all employees are in agreement with outsourcing activities for the firm's they are working for.

4.5.5. There benefits that have accrued to Safaricom as a result of outsourcing some logistical functions

Table 4.6 below presents the responses of the respondents on whether Safaricom had benefit from the outsourcing some of its logistical functions. According to the responses from the respondents, 73% were of the view that outsourcing had in did benefited Safaricom limited. However, 12% of the respondents were of the view that outsourcing had not benefited the firm. This implies that outsourcing has various benefits to institutions and organizations that embrace it.

Table 4.6: There benefits of outsourcing the logistical functions

		Frequency	Percent	Cumulative Percent
Valid	SD	0	0.0	0.0
	D	7	12.3	12.3

Table 4.6: There benefits of outsourcing the logistical functions

		Frequency	Percent	Cumulative Percent
Valid	SD	0	0.0	0.0
	D	7	12.3	12.3
	MA	8	14.0	26.3
	A	23	40.4	66.7
	SA	19	33.3	100.0
	Total	57	100.0	

Source: Researcher (2012).

4.5.6. Long term based relationships with supplier firms would aid in better service delivery

Table 4.7 below presents the responses of the respondents on whether long term based relationships with supplier firms would aid in better service delivery.

Table 4.7: Long term based relationships with supplier firms

		Frequency	Percent	Cumulative Percent
Valid	SD	3	5.2	5.2
	D	6	10.5	15.7
	MA	5	8.8	24.5
	A	33	57.9	82.4
	SA	10	17.6	100.0
	Total	57	100.0	

Source: Researcher (2012).

According to the findings, 75% of the respondents were of the view that long term based relationships could aid in better service delivery by supplier firms. However, 16% of the respondents were of the view that long term based relationships would not enhance service delivery from suppliers. This implies that long term relationships can aid in better service delivery by supplier firms.

Other research studies that echo similar sentiments were conducted by: Zineldin and Bredenlow (2003); Song et al. (2000). Zineldin and Bredenlow (2003) argue that institutions which seek to outsource some of their institutional functions should do so through the establishment of stable and strong strategic alliances and partnerships with supplying firms. In addition, these partnerships should be formed on a platform of long term basis and co-operation. By so doing, both the outsourcing and the supplying firm stand to have a symbiotic relationship and will therefore be committed to the outsourcing function (Zineldin & Bredenlow, 2003).

This implies that long term relationships and alliances can significantly be beneficial to outsourcing institutions and firms. Similar sentiments are echoed through a research study that was conducted by Song, Maher, Nicholson and Gurney (2000). Song, Maher, Nicholson and Gurney (2000) particular argue that strategic alliances are necessary when outsourcing the some of the logistical functions of an institution or firm.

4.6. Section IV

According to the responses, respondents were of the view that institutions should critically evaluate the implications of outsourcing before its endorsement. The findings further reveal that institutions should do so by conducting a cost-benefit analysis both in the short term and in the long run. By so doing, respondents were of the view that the institution will significantly benefit from the outsourcing of some of its logistical activities. The respondents were also of the view that the outsourced logistical functions should not be directly linked to institutional core activities. This way, supplier delays will not significantly affect institutional activities. The respondents were also of the view that the institution should develop a clearly outlined tendering framework that will ensure that the best supplier firm is selected for the

outsourced service. In addition, the respondents suggested that firms should have back up strategies in case supplier firms should fail in service delivery.

4.7. Summary

The responses of the respondents suggest that Safaricom limited outsources some of its logistical functions. In particular, transportation and warehousing were identified by the respondents as the outsourced logistical functions at Safaricom limited. Furthermore, the respondents suggest that the following are the benefits that accrue to Safaricom limited as a result of logistical outsourcing: reduction in institutional costs and expenses, increase in service delivery efficiency, and increase in economies of scale. In addition, the responses suggest the following as the challenges of logistical outsourcing: delays in service delivery because of supplier inefficiencies, complication of an institution's supply network, and employee demotivation. The findings suggest that institutions should implement comprehensive and elaborate tendering process during the selection of supplier firms and institutions. In addition, long term relationships between the outsourcing firms and supplier firms can significantly enhance the efficiency of outsourcing.

5. CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary

Outsourcing in corporate institutions and organizations has significantly increased in the past decade. Institutions and organizations are increasingly outsourcing their secondary functions with the aim of focusing and concentrating on their primary activities which are core to their institutional function. It's for this reason that this research study was conducted. The overall objective and aim of this research study was determine the benefits and challenges that institutions and organizations face as they pursue to outsource some of their logistical functions. In particular, this research study had the following research objectives: (1) to determine the logistical functions that are outsourced by institutions; (2) to determine the challenges that accrue to an institution that outsources some of its logistical functions; (3) to determine the benefits that accrue to an institution that outsources some of its logistical functions.

In order to determine this, the researcher utilized Safaricom Limited as a case study. The research study was descriptive in design and data was collected from primary sources. The research study sampled 100 employees from Safaricom's logistical department. The sample from the logistical department was divided into four sections namely: (1) senior management; (2) the middle management; (3) front line management; (4) the functional staff. This was done in order to ensure that data for the research sample was representative for the entire population of employees working at the logistical department at Safaricom Limited.

Data for the research study was collected through questionnaires that were given to the respondents to fill. After which, the responses from the respondents were analyzed quantitatively and qualitatively. In particular, the study analyzed the respondent's responses using the

Statistical Package for Statistical Software (SPSS). Consequently, the researcher was able to draw inference that would provide solutions to the study's research questions.

5.2. Conclusion

According to the study findings, it was evident that Safaricom Limited had outsourced some of its logistical functions. This was attributed to the fact that 96% of respondents were of the view that Safaricom Limited had outsourced some of its logistical functions. The respondents highlighted the following as the logistical functions that the firm had outsourced to various supplier firms: transportation and warehousing. This implies and verifies the empirical evidence that institutions and organizations were outsourcing services that were secondary to their core institutional function. The core primary function at Safaricom Limited is telecommunication. The firm was therefore outsourcing some of its secondary functions such as logistics.

The findings highlighted that there are various benefits that accrue to Safaricom Limited as a result of outsourcing some of its logistical functions. In particular, 73% of the respondents were of the view that there were various benefits that had accrued to Safaricom as a result of outsourcing some of its logistical functions. This finding is in line with empirical literature which suggests that institutions do gain some of the following benefits as a result of outsourcing some of their secondary functions and activities: (1) reduction in institutional and organizational costs; (2) achievement of economies of scale to a firm; (3) enhancement in institutional and organizational efficiency. These research findings reveal that outsourcing can have significant benefits to an institution. In particular, 43% of the respondents were of the view that the outsourcing of various logistical functions at Safaricom limited had significantly enhanced the firm's logistical functions.

However, the research findings suggest that there are various challenges that accrue to institutions and organizations that outsource some of their logistical functions. In particular, 82% of the respondents were of the view that the firm had experienced delays as a result of outsourcing some of its logistical functions. In addition, 42% of the respondents did not support the outsourcing of the firm's logistical functions. These findings suggest that outsourcing can be detrimental to institutional and organizational processes if not well managed. In particular, if the tendering processes are not comprehensive and elaborate; the firm will result in selecting a supplier who is not effective in meeting the demand of the outsourcing firm. Consequently, this will result to institutional and organizational inefficiencies. In this vein, 61% of the respondents were of the view that poor tendering processes could results to outsourcing inefficiencies. These findings suggest that institutional outsourcing processes are delicate and should be effectively managed in order for outsourcing institutions to benefit both in the short and long run.

5.3. Recommendation

From the findings, it is evident that there are benefits that accrue to institutions as a result of outsourcing some of their logistical functions. However, there are various challenges that institutions and organizations face as they outsource some of their logistical function. These challenges arise mostly during the outsourcing adoption process. This implies that it is imperative that research studies be conducted in order to develop an effective adoption outsourcing process. By so doing, the outsourcing process will be effective and thus be more beneficial to institutions and organizations.

References

- Ahmed, Z. (2005). Security risks in outsourcing. Retrieved August 16, 2012, from <http://news.bbc.co.uk/2/hi/business/4094894.stm>
- Awino, Z., & Gituro W. (2009). An empirical investigation of supply chain management best practices in large private manufacturing firms in Kenya. *Business Administration and Management, 1*(2), 25-30.
- Barhelemy, J., & Adsit, D. (2003). The seven deadly sins of outsourcing. *The Academy of Management Executive, 17*(2), 87-100.
- Bell, A. W. (1993). *Educational Research*. New York: N. Y Publishers.
- Castillo, J. (2009). *Research population*. Retrieved August 15, 2012, from <http://www.experiment-resources.com/research-population.html>
- Chaudhury et al. (1995). Management of information systems outsourcing: a bidding perspective. *Journal of Management Information Systems, 12*(2), 131-159.
- Cooper, M., Lambert, D., & Pagh, J., (1997). Supply chain management: more than just a name for logistics. *The International Journal of Logistics Management, 8*(1).
- CSCMP Supply Chain Management Process Standards.
- Cyrille, M. (2005). Wireless in Africa: Insights into Mobile Markets. *IT Professional, 7*(3), 54-75.
- Doug Page (2009). [Dayton Region a Crucial Hub for Supply Chain Management Dayton Daily News](#).
- Dr XN Iraki (2009). *Outsourcing & Vision 2030: An Analysis into Kenya's New Economic Frontier*.

- Harland, C., Knight, L., Lamming, R., & Walker, H. (2005). Outsourcing: assessing the risks and benefits for organizations, sectors and nations. *International Journal of Operations & Production Management*, 25(9), 831-850.
- Hines, T. (2004). *Supply chain strategies: customer driven and customer focused*. Oxford: Elsevier.
- Junjie, H., Chin, A. T., & Binglian, L. (2004). Logistics outsourcing by manufacturers in China: a survey of the industry. *Transportation Journal*, 43(1), 17-25.
- [Kenneth, L.](#), & [Brian, F.](#) (2006). *Purchasing and Supply Chain Management*. (7th Ed.). New Jersey: Prentice Hall.
- Kern, T., & Willcocks, L. (2000). Exploring information technology outsourcing relationships: the theory and practice. *The Journal of Strategic Information systems*, 9, 321-350.
- Kothari, C. R. (2008). *Research methodology: methods and techniques*. (2nd ed.). Delhi: New Age International (P) Ltd.
- Lambert, D., Cooper, M., & Pagh, J. (1998). Supply Chain Management; implementation issues and research opportunities, *The International Journal of Logistics Management*, 9(2).
- Lambert, D. M. (2008). [Supply chain management, processes, partnerships, performance](#). (3rd Ed.). Sarasota: Supply Chain Management Institute.
- Lancioni, F. (2000). New developments in supply chain management for the millennium. *Industrial Marketing Management*, 29(1).
- LOMA Research Report 2000
- Makhino, I. (2006). *Benefits and challenges of outsourcing HR activities: a survey of commercial banks in Kenya*.

- Mentzer, J. T., Dewitt, W., Keebler, J. S., Min, S., Nix, W. N., Smith, C. D., & Zacharia, Z. G. (2001). Defining supply chain management. *Journal of Business Logistics*, 22(2), 1-25.
- Mohammed, A. R., & Sheng, C. C. (1998). Outsourcing of logistics functions: a literature survey. *International Journal of Physical Distribution & Logistics Management*, 28(2), 89-107.
- Morgan, J., & Monczka, R. M. (1996). Supplier integration: a new level of supply chain management. *Purchasing Journal*, 120, 110–113.
- Mugenda, O. M., & Mugenda, A. G. (1999). *Research methods: quantitative and qualitative approaches*. Nairobi: Acts Press.
- Prahalad, C. K., Hamel, K., & Gary, J. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3), 79-91.
- Rabinovich, E., Windle, R., Dresner, M., & Corsi, T. (1999). Outsourcing of integrated logistics functions: an examination of industry practices. *International Journal of Physical Distribution & Logistics Management*, 29(6), 353-374.
- Ram, N., & Ajay, D. (1999). An Empirical Investigation of the Contribution of Strategic Sourcing to Manufacturing Flexibilities and Performance. *Decision Sciences*, 30(3), 683–718.
- Ramboll Management (DK) and Public Procurement Oversight Authority (PPOA) (2007). *Assessment of the Procurement systems in Kenya*.
- Rothaermel, F. T., Hitt, M. A., & Jobe L. A. (2006). Balancing vertical integration and strategic outsourcing: effects on product portfolios, new product success, and firm performance. *Strategic Management Journal*, 27, 1033–1056.

- Song, Y. Y., Maher, T. E., Nicholson, J. D., & Gurney, N. P. (2000). Strategic alliances in logistics outsourcing. *Asia Pacific Journal of Marketing*, 12(4), 3-21.
- Tyler, C., Michael, M., & Charles, J. (1982). "The Impact of Telecommunications on the Performance of a Sample of Business Enterprises in Kenya." Case Study No. 18, ITU-OECD Project "Telecommunications for Development." Geneva: International Telecommunication Union.
- UNPD Report 2001
- Welch, J.A., & Nayak, P.R. (1992). Strategic sourcing: a progressive approach to the make-or-buy decision. *Academy of Management Executive*, 6(1), pp. 23-31.
- Womack, J. P., & Jones, D. T. (1994). From lean production to the lean enterprise. *Harvard Business Review*, 72, 93–103.
- Yemisi, A. B. (2001). The supply chain role of third party logistics providers. *International Journal of Logistics Management*, 12(2), 87-102.
- Zineldin, M., & Bredenlow, T. (2003). Strategic alliance: synergies and challenges: a case of strategic outsourcing relationship "SOUR". *International Journal of Physical distribution and Logistics Management*, 33(5), 449-464.

Appendices

Appendix 1

Introduction Letter to the Respondents

September 2011

The Human Resource Manager,

Dear Sir/Madam,

RE: MBA RESEARCH PROJECT REQUEST TO COLLECT DATA

I am a student at the University of Nairobi taking a master's degree in MBA (Procurement and Supply chain management)

Pursuant to the pre-requisite course work, I am carrying out a research on the role of outsourcing in procurement process in telecommunication industry in Kenya which will involve use of questionnaires administered to members of the supply chain department.

I kindly seek authority in conducting the research in your company through questionnaires. The findings of the report will solely be used for academic purposes, a copy of which will be made available to you on request.

Enclosed is an introductory letter from the University. Your assistance is highly valued and appreciated.

Thank you.

Yours faithfully

Mwangi Naomi Nyokabi

REG. NO. D61/72891/2009

Appendix I1

Questionnaire for the logistics department at Safaricom

The questionnaire is designed to gather general information about the logistics function at Safaricom. You are assured that your answers will be treated confidential. Hence do not provide your name.

Please indicate the correct option as honestly and as correctly as possible by putting a tick on one of the options. For questions that require your own opinion, please fill blanks (....). You are requested to respond to all items.

Section I

1. Please indicate your gender:
 - (a) Male []
 - (b) Female []
2. Please indicate how long you have worked at Safaricom:
 - (a) First Year []
 - (b) Second Year []
 - (c) Third Year []
 - (d) Fourth Year and above []
3. Kindly identify your employment status at the logistics department”
 - (a) Senior Management
 - (b) Middle level Management
 - (c) Frontline Management
 - (d) Functional Staff

Section II

Give your opinion on the following:

- 4. Does Safaricom Limited outsource any of its institutional functions? Yes [] No [].

If Yes, Kindly give the institutional functions outsourced by Safaricom Limited:

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

- 5. Which are the outsourcing processes at Safaricom Limited?

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

- 6. Are there any logistical functions that are outsourced by Safaricom Limited? Yes [] No []. If Yes, Kindly state the outsourced logistical functions:

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

Section III

You have been provided with statements on outsourcing. Please indicate whether you strongly agree, agree, moderately agree, disagree, or strongly disagree with the given statements: Strongly agree (SA)... 5: Agree (A)... 4 moderately agree (MA)... 3 Disagree (D)... 2 strongly disagree (SD)...1

Outsourcing statements	SA	A	MA	D	SD
	5	4	3	2	1
7. The efficiency of the logistics function at Safaricom has significantly increased as a result of outsourcing the functions.					
8. Poor tendering processes during outsourcing can result in inefficient institutional processes.					
9. There has been delays in service delivery because of Safaricom outsourcing some of its logistical functions					
10. I as an employee support the outsourcing of some of the firm's logistical functions.					
11. There are benefits that have accrued to Safaricom as a result of outsourcing some of its logistical functions.					
12. Long term based relationships with supplier firms would aid in better service delivery.					

Section IV

Give your opinion on the following:

13. Which are the processes that Safaricom Limited can adopt in order to enhance the efficiency of outsourced logistic function

.....

.....

.....

.....

.....