APPLICATION OF BUSINESS PROCESS OUTSOURCING STRATEGY IN SMALL AND MEDIUM FOOD MANUFACTURING FIRMS IN KENYA

BY

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Declaration

This management research project is my original work and has never been presented for a degree award in any other university.

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This management research project has been submitted with my approval as the university supervisor.

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ABSTRACT

Business process outsourcing is the process by which organizations contract other organizations to carry out duties and activities previously internally executed. Activities mostly outsourced are non-core activities. Some of the key reasons organizations outsource include; the need to reduce operation cost, concentrate on core activities and gain access to professionals and experts. The Kenyan food-processing sector remains the largest component of the manufacturing industry. In terms of structure, economic contributions, and performance within the manufacturing sector, this sector is the most important and largest comprising everything from small family organizations to large multinational companies. The study applied a descriptive research design which involved conducting a field study. The population of the study comprised of food SMEs registered with Kenya Association of Manufacturers, Kenya Bureau of Halal Certification and SMEs registered with Alibaba Traders and whose Head offices are located in Nairobi. Stratified sampling technique was used to select 50 SMEs from the population. Quantitative data was analyzed using SPSS (a statistical software package). The findings of the study established that Most SMEs in food manufacturing sector in Kenya seem to consider Operation cost as a major determinant when seeking to gain a competitive advantage hence is seen to be one of the factors that influence business process outsourcing to a very great extent. Likewise the decision whether to outsource or not lies with the management, hence management policy too is seen to affect business process outsourcing to a very great extent. The study recommends that SMEs management should consider business process outsourcing strategy to gain competitive advantage. It is important for the company to list out all reasons for the decision to outsource and also rank them in order of priority. The cost benefits analysis of outsourcing should be thoroughly scrutinized. Outsourcing should be considered always keeping the long term strategic objective of the company in mind.