

**CHALLENGES OF IMPLEMENTING OUTSOURCING STRATEGY AT
EASTERN PRODUCE KENYA LIMITED**

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DECLARATION

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

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ABBREVIATIONS AND ACRONYMS

EPK	–	Eastern Produce Kenya Limited
KHRC	-	Kenya Human Rights Commission
KTDA	-	Kenya Tea Development Agency
TRFK	-	Tea Research Foundation of Kenya
KTGA	-	Kenya Tea Growers Association
IT	-	Information Technology
KIM	-	Kenya Institute of Management

ABSTRACT

Organizations exist in an environment which is dynamic and highly unpredictable and hence the need to constantly update themselves with these changes. Owing to increased competition and operational costs, many organizations have chosen outsourcing as a strategy to gain and sustain competitive advantage. Like any other strategy, the success of an outsourcing strategy depends on the ability of an organization to implement it. Eastern Produce Kenya limited uses outsourcing strategy to achieve cost reduction, focus on core functions as well as gain access to superior quality from suppliers. The objective of this research was to establish the challenges faced by Eastern Produce Company limited as it implements her outsourcing strategy and the measures the company has taken to counter the challenges. To achieve the stated objectives, a case study research design was used with the aid of an interview guide. The interviewees were middle and lower level managers responsible for strategy implementation. Content analysis was used to analyze both primary and secondary data. The findings from the study were that, the major challenges encountered by Eastern Produce Kenya Limited as it sought to implement outsourcing included; a disconnect between strategy formulators and implementers, poor communication, bureaucracies, lack of adequate training, lack of understanding by service providers and inadequate leadership. Other challenges included unsound reward systems, government policies and weather dependent issues. The study also sought to establish the measures taken to cope with the challenges and found out that, training, effective communication, forward planning, bridging formulators-implementers gap and having clear targets were some of the key measures the company has put in place. Consequently, the study concluded that, organizations are faced with similar challenges in strategy implementation, but it is the ability of an organization to identify these challenges coupled with the measures that organizations put in place that determine the degree to which that organization realizes success. The study recommended that training and comparison with best practice would assist in ensuring the implementation process is smoother. The same research could be replicated in other industry players to validate the findings.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations all over the world make strategic choices with the overall goal of gaining and sustaining competitive advantage (Porter, 1985). Owing to increased competition and the need to cut costs in order to improve profitability, organizations have embraced outsourcing as a strategy. Outsourcing strategy, just like any other strategy in strategic management, may fail to see the light of the day if proper implementation is not done. Thompson and Strickland (2007) observed that, strategy implementation is the most demanding and time-consuming part of the strategy management process and involves converting plans into action and results. Outsourcing usually bring on board benefits such as improved cost control, lower use of capital, focus on core competencies, and access to better technology. Organizations however have to contend with challenges such as quality concerns, security, communication issues and legal consideration (Thompson, Strickland & Gamble, 2007).

The concept of strategy implementation borrows heavily from the 7-S McKinsey framework which helps an organization to have a proper and comprehensive look on organizational diverse dimensions and their associated factors (Hanafizadeh & Ravasan, 2011). This means that a firm can identify and target those areas which need attention and focus. Strategy implementation requires organizations to institutionalize the particular strategy hence Institutional Theory (North, 1991). Institutionalization is a process

whereby a strategy is habitualized, objectified and sedimented in the organizational structure (Tolbert and Zucker, 1996).

Eastern Produce Kenya Limited largely uses outsourcing as a strategy to create and sustain competitive advantage. Outsourcing has continued to take root in the company and at the moment more than 80% labour related activities are kept on core of activities while all others are considered for outsourcing. Benefits that have come by as a result of the practice include, reduced production costs, focus on core activities, improved quality, and transfer of labour related risks to the suppliers. The company has also had to contend with a number of challenges in implementing the strategy.

1.1.1 The Concept of Strategy Implementation

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work is even more difficult (Hrebiniak, 2006). According to Wheelen & Hunger (2010), strategy implementation is the process of putting to work formulated strategies in order to attain desired results. They further added that, strategy implementation is the process by which objectives, strategies, and policies are put into action through the development of programs, budgets, and procedures. Harrington (2006) defined strategy implementation as an iterative process of implementing strategies, policies, programs and action plans that allows a firm to utilize its resources to take advantage of opportunities in the competitive environment. Li et al. (2008) combined the process and behavior aspects and defined strategy implementation as a dynamic, iterative and complex process, which is comprised of a series of decisions and activities by

managers and employees, affected by a number of interrelated internal and external factors, to turn strategic plans into reality in order to achieve strategic objectives.

In order for success to be realized in strategy implementation, strategies must be operationalized and institutionalized. While operationalization involves action planning, institutionalization involves the alignment of the strategy with the internal factors of the organization (Machuki et al., 2012). According to North (1991), Institutions are the humanly devised constraints that structure political, economic and social interaction and consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). This implies that, organizations that succeed in strategy implementation are those that facilitate the entrenchment of the strategy in question in their traditions, policies, guidelines, operating procedures and culture. Aspects of institutionalization of strategy have been implied by Pearce & Robinson (2011), who observed that, in order for success to be realized in strategy implementation, the strategy must be translated into guidelines for the daily activities of the firm's members and that the strategy and the firm must be one in the sense that the strategy must be reflected in the way the firm organizes activities, organization leaders and culture. Management must also put in place controls that provide strategic control and flexibility, as well as a commitment to innovation.

In the past, much emphasis had been put on strategy formulation and although most organizations have good strategies, successful implementation remains a major challenge (Lentoijoni, 2010). Some of the challenges encountered during strategy implementation

include communication breakdown, lack of strategy-structure fit, non-supportive culture, lack of commitment, political interference, poor leadership, inadequate resources, resistance to change and poor compensation. (Li et al., 2008; Wheelen and Hunger, 2010; David, 2003; Thompson and Strickland, 2007; Heide et al., 2002; Kitutu, 2009). With this realization, the focus in the field of strategic management has now shifted from formulation of strategy to its implementation (Hussey, 1998). In the final analysis, good strategy execution requires diligent pursuit of operating excellence and success hinges on the skills and cooperation of operating managers who can push needed changes in their organization units and consistently deliver good results (Thompson & Strickland, 2007).

1.1.2 Outsourcing Strategy

Outsourcing is one of the useful strategies that organizations are adopting in order to gain and sustain competitive advantage. Pearce & Robinson (2011) defined outsourcing as obtaining work previously done by employees inside the companies from sources outside the company. On their part, Thompson and Strickland (2007) defined outsourcing as involving a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategic allies. Greaver (1999) asserted that outsourcing is the act of transferring some of the company's recurring internal activities and decision rights to outside providers as set forth in a contract. These definitions imply that firms that outsource give up some or all the activities they perform with a view to improve their overall performance.

Implementation of outsourcing decisions are usually procedurally conducted and documented through the phases of planning, analysis, design, implementation, operations, and termination. Tejaswini & Rajiv (2009) summarized these phases as strategic decisions, vendor selection, and vendor management. Thompson and Strickland (2007) argued that, outsourcing makes strategic sense when an activity can be performed better or more cheaply by outside specialists and that the activity is not crucial to the firm's ability to achieve sustainable competitive advantage and wont hollow out its core competencies, capabilities or technical know-how. They further observed that the activity should reduce the company's risk exposure to changing buyer preferences, offer flexibility and allow the company to focus on core competencies. In summary, the two big drivers for outsourcing are that outsiders can often perform certain activities better or cheaper and that outsourcing allows a firm to focus its entire energies on those activities at the centre of its expertise and that are the most critical to its competitive and financial success (Thompson & Strickland, 2007; Pearce & Robinson, 2011).

Many organizations have been motivated to outsource in order to access benefits such as reduced overhead and operational costs, lower use of capital, improved cost control, higher flexibility, concentrating on firm's core business, access to better technology, improved quality of service and ability to spread risk (Koszewska, 2004; Thompson & Strickland,2007; Pearce & Robinson, 2011). These benefits however do not come without hurdles. To emerge successful in outsourcing, firms have had to contend with challenges such as outsourcing the wrong activities which may hollow out core competencies (Thompson, Strickland and Gamble, 2007), fall in service quality, security concerns, lack

of proper communication, inability for client companies to match the standards of the company and legal issues. Tejaswini & Rajiv (2009) summarized these challenges into strategic decisions, vendor selection, vendor management and technology challenges.

1.1.3 Kenya's Tea Sector

Tea farming in Kenya was commenced in 1903, and export began in the 1930's (KHRC, 2008). Today, tea is one of the most important cash crops in Kenya which has led to the nation being acknowledged world wide as one of the world's leading producers of black tea. Kenyan tea industry comprises two distinct sectors; the corporate plantation sector owning large areas of land under tea and small scale holders sector who own small extents of land under tea. The corporate plantation sector is composed of Unilever, James Finlay, EPK, Williamson Tea Kenya Limited. Small scale holders on the other hand are registered under the Kenya Tea Development Agency (KTDA) and are in the tune of more than half a million across the country.

The tea industry is characterized by a large demand for logistics services given the perishable nature of tea and the demand for very high standards in handling and storage before and after processing (Ngonela, Mwaniki & Namusonge, 2014). Such activities include tea plucking, transportation, weeding, infrastructure maintenance, processing, sanitation and other support activities. In the tea industry, core activities are summarized into tea plucking and processing. All other activities have been considered for outsourcing. The market for the end product is majorly auctioned in Mombasa with only

a small portion privately sold. Over time, costs of production have been rising whereas the price of tea has stagnated. Cost control and quality have been embraced as important aspects in the tea sector. Outsourcing is therefore the strategic management tool to use as a means to cost reduction, improved service delivery, enhanced efficiency and effectiveness (<http://www.softkenya.com>).

1.1.4 Eastern Produce Kenya Limited

EPK tea estates are situated in the Nandi Hills, on the equator, west of the Great Rift Valley, approximately 350kms North West of Nairobi, Kenya's capital. EPK enjoys equitable climate, between 1000 to 2000 meters above sea level suitable for tea growing. Nandi Hills experiences two wet seasons; the short rains during October/November and the long rains, beginning at the end of March through to June. These rains keep the moisture in the ground for much of the year and the tea produced is of excellent quality, bright and golden with outstanding flavors. EPK owns five factories and seven estates and manages two client factories with three large associated estates. EPK also provides extension services to 7500 smallholders, taking in green leaf to process into black tea. Once made, teas are transported by road to Mombasa from where there are good shipping connections to world-wide destinations (<http://www.easternproduce.co.ke>).

EPK engages in activities such as tea plucking, tea manufacture, weeding, fertilizer application, villages, roads and forest maintenance, transport and engineering, sanitation and computer service. The company has the options of either doing these activities in-house use or outsourcing them. Plucking of leaf and manufacture of leaf are considered

core activities and all other activities have been considered candidates for outsourcing. Eastern Produce Kenya targets to keep 80% of their labour related-activities on core duties and having the remaining 20% outsourced. (EPK Directors Communication)

Increased competition in the tea sector coupled with the dependence of the sector on auction prices has led to the company focusing on three key areas in order to create and sustain competitive advantage. These are: production of a superior quality tea, cost control and improved productivity among the plucking staff. Outsourcing has been seen as an effective strategy of cost control. Like any other strategy, implementation of the strategy in question will ultimately determine the success of the strategy. This study is therefore meant to bring forth the challenges the company is facing in implementing the outsourcing strategy and it is hoped that useful recommendations will be made.

1.2 Research Problem

Outsourcing is one of the strategies that has been found to have tremendous benefits to an organization and hence its wide application in companies. Mwira (2011) pointed out that, outsourcing decisions are risky, and if not done properly could lead to detrimental consequences. It therefore means that making the right decision on outsourcing coupled with its implementation may mean the difference between a firm's success or failure. Today, organization outsource in order to access expertise in functions that are not core to them, realize cost reduction and to focus on those activities at the centre of its expertise and that are the most critical to its competitive and financial success (Thompson & Strickland,2007; Pearce & Robinson, 2011).

EPK is a company whose core activities entail the growing and manufacture of tea. The company employs approximately 10,000 employees in both their field and factory operations (<http://www.easternproduce.co.ke>). The company has adopted outsourcing as a strategy to cut down costs in order to maximize on profitability, improve quality of service and productivity. While outsourcing has been seen to bring on board numerous benefits, the company has faced challenges in its implementation. There are notably very many jobs that are being contracted and which require standards to be developed. Managing the outsourcing relationship, quality standards, security concerns, legal requirements and communication problems are some of the teething challenges evident.

Studies have been carried out on strategy implementation. Buul (2010) conducted a study on strategy implementation and found out that, many organizations were struggling with the implementation of their new strategy. A study by Tejaswini & Rajiv (2009) identified challenges faced in outsourcing IT functions and came up with solutions for the same. Increasingly, companies are outsourcing their functions particularly non core business areas. In Kenya, studies have been carried out on outsourcing and strategy implementation. Mwira (2011) found out that lack of a policy on outsourcing and the management of outsourcing relationship were the key challenges of outsourcing at KIM. Maghanga (2011) identified switching costs, loss of control, internal industrial unrests, loss of information to competitors, low morale among affected employees and reduced quality of work as the challenges faced by tea processing firms in Kericho as they seek to outsource. In terms of strategy implementation, Ndonga (2010) found out that, non-adaptive culture, incompatible organizational culture, poor communication, resource mis-

allocation, unsound reward system and limiting policies and procedures were the key challenges faced in strategy implementation.

Studies carried out in the past dealt with different contexts. Kandie (2011) focused on the insurance industry while Ringera (2011) focused on the government. On his part, Nyachoti (2011) did a study focusing on Kenya Power and Lighting Company Limited while Ndonga (2010) focused on Technoserve Kenya, an IT sector. Studies carried out on outsourcing such as those done by Mwira (2011) and Maghanga (2011) focused on factors influencing outsourcing strategies and logistics outsourcing practices respectively. All these studies dealt on contexts other than EPK Limited and none of these studies have focused on the challenges of implementing outsourcing strategy. EPK has chosen outsourcing as a strategy to gain and sustain competitive advantage. Implementing any strategy is prone to challenges which must be dealt with before success can be realized. There is no study known to the researcher that has been done on EPK limited. A case study on the company was seen as able to unearth the challenges of implementing outsourcing as well as give recommendations for improvement. What challenges are experienced by Eastern Produce Kenya Limited in implementing the outsourcing strategy?

1.3 Research Objectives

The objectives of the study were:

- (i) To Establish the challenges of implementing Outsourcing Strategy at Eastern Produce Kenya Limited and,
- (ii) To establish the measures put in place to deal with challenges of implementing the strategy at Eastern Produce Kenya Limited.

1.4 Value of the Study

The findings of this study add to the existing knowledge on strategic management implementation process and the challenges faced in using the outsourcing strategy. The study also advances and validates the use the 7-S Mckinsey framework and Institutional theories in the strategy implementation process. In particular, the elements of the 7S Mckinsey framework: structure, strategy, systems, skills, style, staff and shared values were found to be relevant in strategy implementation. Further, institutional theory was noted to be important in ensuring that the strategy is entrenched into the organization's way of operations.

The study has provided the tea industry with an insight of the challenges that the industry faces as it implements outsourcing since the challenges they face are similar to those faced by EPK. The government through bodies such as Tea Board, TRFK, KTGA, and KTDA will have a better understanding of the tea industry. This will enable them to develop policies on outsourcing and on how to improve the tea sector.

The management of EPK has also benefitted since the study has pinpointed challenges the company is facing as it implements outsourcing and has also provided an assessment of measures put in place to deal with the strategy. The finding of this study has also provided top management of EPK with an overview of the progress made, direction and results of using outsourcing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focused on the theoretical and empirical literature on strategy implementation with a focus on the outsourcing strategy. First, a discussion of the theories underpinning the study was done, followed by a general look at strategy implementation. Focus was then directed to implementing the outsourcing strategy, followed by an analysis of the challenges of implementing the strategy. The chapter was concluded with measures taken to counter the challenges discussed.

2.2 Theories Underpinning the Study

Several theories have been used to explain strategy implementation. Two theories will be used to anchor this study. These are the 7-S Mckinsey framework and institutionalization theory. The 7-S Mckinsey framework is considered to be a useful tool for understanding the inner workings of an organization. It acts as a guide to the organization and has been found to be an important analysis framework for managers, consultants, business analysts and potential investors (Donselaar, 2012). The model uses seven levers: structure, strategy, systems, skills, style, staff and shared values (Waterman et al.,1980). The purpose of the framework was to show how the seven elements can be aligned together to achieve effectiveness. The fact that the seven levers are interconnected means a change in one area requires change in the rest of the firm for it to function effectively. Among the uses of the 7-S framework is to determine how best to implement a proposed strategy (Donselaar, 2012).

Strategy refers to the actions that a company plans in response to or in anticipation of changes in its external environment, customers, and competitors (Waterman et al., 1980). A poor strategy can limit implementation efforts substantially and as Hrebiniak, (2006) puts it, good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort. Changes in the environment necessitates changes in strategic purposes and ultimately changes in strategies (Higgins, 2005). Structure on the other hand is how an organization is organized, and not only gives co-ordination but also divides tasks (Waterman et al., 1980). Systems are formal and informal procedures and systems that support the strategy and structure (Peters & Waterman, 1982). Formal procedures are for measurement, reward and resource allocation while informal systems include routines for communicating and resolving conflicts. In relation to strategy implementation, systems is related to the existence of IT systems that assist in implementing the strategy, identifying controlling mechanisms and if the effectiveness of the strategy implementation is monitored (Donselaar, 2012).

Style mainly refers to organizational culture and management style while staff relates to the employees of the company and is a pool of resources to be nurtured, developed, guarded, and allocated (Peters & Waterman, 1982). Leadership is important and in strategy implementation, the right leadership that supports the implementation process is key. Other aspects of style include effective communication and organizational culture which must all be properly aligned with the desired change (Hanafizadeh and Ravasan, 2011). Staff form an important aspect in strategy implementation hence having the right staff with the right training and team competencies is critical (Donselaar, 2012,

Hanafizadeh and Ravasan, 2011). Skills are the distinctive competences and what the company does best (Peters & Waterman, 1982). These are abilities that firm employees perform well and include capabilities and competencies. Shared values are described as guiding concepts and fundamental ideas around which a business is built (Peters & Waterman, 1982). Shared values represent how the organizational core beliefs and values influence the organization's orientation to customers, employees, shareholders and society. Donselaar (2012) noted that shared values makes an organization different from other organizations.

Strategy implementation requires organizations to institutionalize the particular strategy hence institutional theory is relevant. According to Tolbert and Zucker (1996), institutionalization is a process whereby a strategy is habitualized, objectified and sedimented in the organizational structure. They noted that while habitualization, refers to the development of patterned problem-solving behaviors and the association of such behaviors with particular stimuli, objectification, entailed the development of general, shared social meanings attached to these behaviors, a development that is necessary for the transplantation of actions to contexts beyond their point of origination. They further suggested that strategies are then sedimented when they acquire the quality of exteriority. On their part, Machuki et al. (2012) defined institutionalization as the alignment of the strategy with the internal factors of the organization. North (1991), defined institutions as humanly defined constraints that structure political, economic and social interactions and that institutions, both formal and informal, are created to reduce uncertainty about exchanges. Machuki et.al. (2012) noted that the logical outcome of efficient institutions

is better economic performance. Consequently, proper institutionalization of strategy therefore means that the implementation process will be smoother.

2.3 Implementing Outsourcing Strategy

Implementation of any strategy is critical because, a failed strategy implementation causes enormous costs to the organization, wastes time and money, causes low employee morale and a diminished trust and faith in senior management (Sorooshian et al., 2010). Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. It is the process by which objectives, strategies, and policies are put into action through the development of programs, budgets, and procedures (Wheelen & Hunger, 2010). Pearce & Robinson (2011) observed that, in order for success to be realized in strategy implementation, the strategy must be translated into guidelines for the daily activities of the firm's members and that the strategy and the firm must be one in the sense that the strategy must be reflected in the way the firm organizes activities. Additionally, the company's managers must put in place controls that provide strategic control and the ability to adjust strategies, commitments, and objectives in response to ever-changing future conditions while laying emphasis on innovation.

Outsourcing is one of the strategies that organizations have adopted as a way of achieving their objectives of cost reduction thereby improving on productivity and overall performance (Ngonela et al., 2014). Benefits that can be achieved by using an outsourcing strategy include cost reduction, focus on what the company does best,

leverage on risks, and streamlining operations (Thompson, Strickland and Gamble, 2007). Current trends indicate that organizations outsource all or some aspects of their logistics function (Srabotic & Ruzzier, 2012), and that the practice continue to grow by approximately 10% (Mumbi, 2010).

Phases in outsourcing have been looked at by a number of researchers and scholars. Embleton and Wright (1998) identified three phases to successful outsourcing. These are strategic analysis and planning, selecting the providers and managing the relationship. Strategic analysis according to them involves determining the service provider functions, cost of providing the service, ascertaining quality level of service, quantifying outsourcing goals, assessing impact on corporate culture and considering both the short-term and the long-term. It is only after the strategic analysis is complete and the decision to outsource has been made that the other processes of outsourcing are taken.

Greaver (1999) on his part noted that, the necessary steps in outsourcing are exploring strategic implications, and analyzing cost performance. Analyzing cost/performance, according to him, involves selecting providers, negotiating terms, transitioning resources and managing relationships. In summary, implementation of outsourcing decisions are usually procedurally conducted and documented through the phases of planning, analysis, design, implementation, operations, and termination. The planning phase involves defining objectives and scope of outsourcing. Decisions pertaining to allocation of resources, time and budgets are also considered in this phase. The analysis phase involves separating what to outsource and those to be done in-house, vendor selection and

consideration of responses. The design phase involves negotiations with the chosen vendor and the drawing of a contract. Outsourcing is then implemented and in the operations phase, the outsourcing relationship is managed. In the final phase which is the termination phase, the contract is completed and negotiations of whether to draw another contract or get a new vendor are made.

In implementing outsourcing, due care must be taken in every phase to ensure success. Implementers must ensure they do not bleed in-house staff who may see outsourcing as a threat. They must also that they choose the right service providers, take into consideration legal issues and ensure that the outsourcing process is closely monitored. Like any other strategy, the adoption of this strategy by firms is not averse to challenges. Greaver (1999) noted that even in the best of outsourcing situations, problems arise. With the focus now shifting from strategy formulation to strategy implementation (Hussey, 1998), it is important that challenges of implementing an outsourcing strategy are taken into consideration. Thompson et al., (2007) identified key dangers in outsourcing as: outsourcing the wrong activities, how much to outsource, and loss of control. Maghanga (2011) established that loss of control, industrial unrests, quality, switching costs and information leakage were some of the most prevalent challenges in outsourcing practices.

2.4 Challenges of Implementing an Outsourcing Strategy

Every successful endeavor has challenges. While strategy formulation is primarily an intellectual process, strategy implementation is an operational process which requires coordination among many individuals. Since managers and employees are motivated

more by perceived self-interests than by organizational interests, it is essential that divisional and functional managers be involved as much as possible in strategy-formulation while the strategists should likewise be involved as much as possible in strategy-implementation (David, 2007). Common challenges to implementing outsourcing strategy are discussed below:

A disconnect between strategy formulators and implementers is one of the challenges to strategy implementation. Over time, approaches to strategy implementation have shifted from more autocratic to more participative (Sorooshian et al., 2010) and that top management role is to ensure smooth implementation. Leadership approach to strategy implementation can be either commander, organizational change, collaborative, cultural or coercive. The approach of a commander and that of organizational change gives thought to strategy formulation first only to consider implementation later. The approach of collaborative and coercive represent more current attempts of improving strategy implementation by extending the base to the planning process and incorporates implementers. Coercion represent a manager's natural inclination to develop opportunities as they present themselves (Bourgeois and Brodwin, 1998, as quoted by Sorooshian et al, 2010). The success of implementing outsourcing strategy is no different. Visible, unflagging support from the CEO and senior leaders is critical to success of the outsourcing strategy. Lack of commitment to implementation leads to low motivational levels among the implementing managers and employees are low (David, 2007).

Effective communication is a key requirement for effective strategy implementation and plays an important role in training, knowledge dissemination and learning (Peng and

Litteljohn, 2001). Such communications includes clear explanation of new responsibilities, tasks, and duties need to be performed by the affected employees as well as explaining why the change in job activities and more fundamentally why the new strategic decision was made firstly (Li et al, 2008). In implementing outsourcing strategy, clear communication is important to all operational managers to avoid resistance and foot-dragging (Wheelen & Hunger, 2010). Communication should be two way, top-down and bottom-up and should not be seen as a one-off activity but should be enhanced throughout the implementation process (Wang 2000). If all the information necessary for the execution of the strategy is not availed to implementers, the strategy is likely to fail. Such information as pertains to outsourcing includes quality standards, approved vendors, clear contacts, rates of contracts, boundaries to check and legal issues.

Resources also determine the success of an outsourcing strategy. David (2003) observed that organizations have at least four types of resources that can be used to achieve desired objectives, namely: financial resources, physical resources, human resources and technological resources and that their insufficiency can cripple the implementation process. He further noted that a number of factors commonly prohibit effective resource allocation, including an overprotection of resources, too great an emphasis on short-run financial criteria, organizational politics, vague strategy targets, a reluctance to take risks, and a lack of sufficient knowledge. Thompson & Strickland (2007) observed that, assembling a capable team is one of the cornerstones of the organization-building task and as such a core management team will be needed in strategy implementation. Staff form an important resource to the company (Wheelen & Hunger, 2010).

Organizational structure is a fundamental part of effective strategy implementation (Sorooshian et al, 2010). David (2007) observed that, changes in strategy often require changes in the way an organization is structured since, first, structure largely dictates how objectives and policies will be established and secondly, that structure dictates how resources will be allocated. The structure that needs to be in place must therefore be one that supports the outsourcing strategy. Li et al. (2008) found out that, a clear structure provides the organization's relationships among different departments and different strategy levels. The kind of organizational structure can also have a constraining effect towards strategy implementation (Heide et al., 2002). A lack of the right organizational structure in tandem with the new strategy can be a barrier to strategy implementation.

No organization is immune to change, and often a new strategy demands some changes. Change is uncomfortable (Yilmaz and Kilicoglu, 2013) hence resistance to change is one of the greatest threats to strategy implementation (David, 2007, Merikol, 2009). Resistance to change may be due to fear of unknown, self interests, difference in opinion, anxiety or fear of economic loss, inconvenience, uncertainty and break in normal social patterns (Yilmaz and Kilicoglu, 2013, David, 2007). In outsourcing, resistance may be due fear of unknown, affected employees being reluctant to undertake alternative duties or a lack of understanding of the outsourcing strategy.

Motivation plays a key role in strategy implementation (Tregoe and Tobia, 1990) and therefore a poor compensation system will yield poor results in strategy implementation.

Firms need to find out what motivates employees and identify the most important issues requiring implementation and change and then direct rewards in those areas (Blohowiak, 1995). Often outsourcing result in an overall improvement of profit margins and those who excel in implementing the strategy if properly motivated can help maximize the benefits. Rewards need to take into consideration short term and long term objectives and can take the form of bonuses, salary raises, stock options, fringe benefits, promotions, praises, recognition, criticism, fear, increased job autonomy and awards (David, 2007).

Cultural impact on strategy implementation cannot be underestimated and can either impede or aid strategy implementation (Merikol, 2009). Culture is shared assumptions, internalized beliefs and values that organizational members hold in common, and is rooted in individual and collective experience (Johnson, Scholes and Whittington, 2008). When the new strategy is not aligned with the organization's culture, resistance to change is inevitable. The higher the changes needed in the culture the greater the resistance. Thus there should be a fit between the new changes and the firm's culture (Ringera, 2011).

2.5 Measures to Counter Outsourcing Implementation Challenges

A number of measures can be employed to ensure that not only is the outsourcing strategy implemented smoothly but also that it is successful. Qi (2005) identified seven factors for successful strategy implementation as good leadership and direction skills, sufficient resources, adequate feedback systems, motivation for all involved staff, communication and coordination, an appropriate company structure and an appropriate

company culture. Li et al., (2008) on their part brought on board the aspects of implementation tactics and consensus in addition to factors mentioned by Qi.

Supportive leadership is critical in overcoming challenges of implementing the outsourcing decision. Leadership is the chief determinant of success or otherwise in any organization. According to David (2007), formulators of strategy need to show a genuine personal commitment to implementation of strategy as this affect motivational levels among the implementing managers and employees. This will help implementers to embrace the strategy rather than sabotage it (Wheelen and Hunger, 2010). According to Nyachoti (2011), employees need to be involved in the strategy process from start to finish as this promotes commitment on their part. This ensures that employees are part and parcel of the strategy decisions and will likely support the strategy.

Provision of adequate resources necessary for implementing outsourcing strategy is also important in combating resistance (Donselaar, 2012). Homburg et al.(2003), observed that, although managers must be careful to develop the appropriate strategy, they should assign a large part of their resources to activities and tasks related to strategy implementation. Such resources with respect to outsourcing include financial resources, physical resources, human resources and technological resources (David, 2003). The quality of the people involved in the process is important. Here, quality refers to skills, knowledge, attitudes, capabilities, experiences and other characteristics requires by specific tasks or positions (Peng & Litte1john, 2001).

Successful change efforts occur when managers and employees are able to view change as opportunities rather than as threats (David, 2007). In this respect, Kotter & Schlesinger (1979), gave six methods of dealing with resistance to change, namely: education and communication, participation and involvement, facilitation and support, negotiation and agreement, manipulation and co-optation, explicit and implicit coercion. Training of implementers is therefore very important in implementing the outsourcing strategy.

It is also important to have a strategy supportive structure (Li et al., 2008), and undertake the necessary changes to structure to accommodate the new strategy. (David,2007). Evidently, a strategy supportive structure goes a long way in strategy implementation. Clear communication during strategy implementation is vital. Implementers and formulators need to have an open two-way, top-down, bottom-up communication, not periodically but throughout the implementation process (Wang 2000). All the information required by the implementers should be availed and all questions need to have the answers.

Coupled with communication, motivation is also important (Tregoe and Tobia, 1990), and this when factored in aids the implementation process. David (2003) pointed out that, both managers and employees should be involved in the implementation decisions and that adequate communication should be exercised among all parties.

Implementation tactics and consensus is also important in strategy implementation (Li et al., 2008). Nutt (1986) noted that, implementation tactics included intervention, participation, persuasion, and edict. Intervention according to him referred to strategy

adjustments during the implementation stage while participation consisted of articulating strategic goals and nominating a task force that develops and proposes corresponding implementation options. Persuasion on the other hand consisted of the tactic of using the involved parties to convince employees about the decided course of actions. The tactic of edicts however relies on power and is characterized by absence of participation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used to carry out the study. It covers research design, data collection methods and data analysis. The research design was chosen in line with the research objectives of obtaining in-depth information on challenges of using outsourcing strategy at EPK and establishing the measures that the company has put in place. A suitable data collection method able to allow probing to obtain required information was used. Here, an interview guide was deemed the best data collection method. Finally, data was analyzed by use of content analysis. The chapter will commence by a look at the research design used, paving way for data collection and concluding with data analysis.

3.2 Research Design

The study conducted was a case study. According to Yin (1994), a case study allows an investigation to retain holistic and meaningful characteristics of real life event. Konthari, (2004), also noted that a case study is a suitable strategy for answering research questions which ask 'how' and 'why' and which do not require control over events.

The choice made allowed the researcher to make an in-depth investigation into the challenges of implementing outsourcing strategy at EPK and the measures the company has put in place. Contextual differences always exist in different contexts and case studies

exposes these differences. In the past, Nyachoti, (2011), Merikol, (2009) and Machuki (2005) successfully case studies.

Through using a case study research design, the researcher was able to access valuable information, which would have otherwise not been obtained. For example, additional information which was not even on the interview guide was accessed through probing of the interviewees.

3.3 Data Collection

Primary and secondary sources of data were used to obtain information for the study. Primary data was collected through a self administered interview guide. The interview guide was developed from literature review on common challenges that organizations face in implementing their strategies and the measures they have adopted to counter the challenges.

The questions were organized along the study objectives. First, the guide addressed the challenges of implementing outsourcing strategy at EPK, before dealing with the measures that the company had put in place to counter the challenges. The interviewees were mainly implementers of the strategy in EPK and included divisional managers, factory managers, estate accountants and line managers.

Secondary data was also used. This included services outsourced, contracts drawn, rates of pay used in each section, documentation on the outsourcing process, and the

company's standard costs for contracts. Secondary data was sought in order to probe any challenges or measures not captured during interview guide administration. The aim was to get holistic results and to improve on objectivity.

3.4 Data Analysis

Data was analyzed using qualitative methods. In particular, content analysis was used to analyze data from interviewees on challenges of implementing Outsourcing Strategy at Eastern Produce Kenya limited and the measures that the company had put in place. According to Konthari (2004), content analysis is a measure through proportion and is used to measure pervasiveness of the item being analyzed. The method is ideal for data analysis because it does not restrict the respondents on answers and also has the potential to generate detailed information (Kandie, 2011).

Interviews were conducted by the researcher on the chosen interviewees whose responses were captured along the areas identified in the interview guide. There was also room to give additional information which may have been missed out. Identical responses were grouped together and where majority of the interviewees gave common responses, this was captured as a major piece of information. For example, most interviewees felt that training was a challenge and this was rated as a key challenge. The same kind of organization was repeated for the measures given by the interviewees. A consideration was also made for secondary data. With the help of accountants, the information captured in these sources was probed and findings organized in the format used for primary data.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The study intended to achieve two objectives. These objectives were to establish the challenges that EPK faces as it implements her outsourcing strategy and the measures the company has put in place to counter these challenges. To achieve this, data was obtained from implementers of strategy at the company through carrying out interviews using interview guides. Questions were asked around the two study objectives. The content of the data collected was analyzed, summarized and presented. This chapter focuses on the analysis of data obtained through primary and secondary data collection methods.

4.2 Implementation of Outsourcing Strategy at Eastern Produce Kenya Limited

Eastern Produce Kenya Limited has used outsourcing strategy for over 15 years and according to the interviewees, the practice picked up pace in the last three years. The company chose outsourcing strategy in order to cut down costs of production and access superior benefits from outside service providers. The target of the company has been to outsource jobs that are not core and focus on plucking and manufacture of tea. The study found out that, while there were two major sections in the company, the factory and the field, majority of outsourcing activities were carried out in the field.

The study found out that the company is consistent in the process it uses to outsource. First, a service to outsource is identified before being advertised. Interested service providers then bid for the jobs while quoting their preferred cost. A job is ready for consideration once at least three quotes are obtained. The next stage is the selection phase where quality and cost are taken into consideration when choosing the best bidder. A contract is then drawn and both parties enter into agreement concerning the job in question. The study found out that the contract contains terms and conditions, payment legal issues and timelines. The contractor then executes the job and management monitors the job to ensure agreed terms are adhered to. The last phase is inspection and termination of the contract. After termination, there is a reconsideration of whether to renew the contract or to terminate it.

Interviewees indicated that, there was a big variation in the nature and type of jobs outsourced in the company. There are jobs that require a lot of skill and professionalism while others did not require skilled labour. They further added that contractors were composed of companies and individuals who carry out complex jobs as well as those handling simple jobs. Some of the contractors fully complied with government regulations such as health and safety and statutory deductions while others carry out their jobs in a very small scale hence limited in capacity to comply.

4.3 Challenges of Implementing Outsourcing Strategy at Eastern

Produce Kenya Limited

Challenges that arise from implementing any strategy can either be internal or external. Internal challenges are those that an organization has the ability to control while external challenges are beyond the company's span of control. The study found out that, at EPK, both of these categories of challenges were present. This section addresses the first objective of the study and details the summary of the responses given by interviewees.

The study sought to establish if there was a disconnect between strategy formulators and implementers since this plays a pivotal role in strategy implementation. David (2007) noted that lack of commitment to implementation by formulators leads to low motivation by implementing managers. The study found out that, at EPK, senior management design strategies which are passed down to middle level managers who coordinate implementation activities. Senior level managers are usually involved by way of monitoring progress and performance. The study found out that targets of outsourcing had been communicated to all levels of management and there was input from both implementers and formulators. There was however a feeling among implementers that, formulators of strategy did not fully understand the challenges that implementers go through in implementation and as one interviewee commented, "formulators often times are not in touch with the reality on the ground". Their suggestion was that implementers needed to be involved in a wider scale in determination of key aspects of formulation.

Leadership is important in strategy implementation (Sorooshian et al., 2010). With respect to this aspect, the study found out that there was clear leadership in terms of goals, but it was the divisional managers and factory managers who were left with the task of cracking the nut of strategy implementation. Though the company had developed standards for numerous jobs, often these rates had not been revised in a long time and were unattractive to contractors. Implementers would then come up with justifications for improving the rates. The process is either plagued with bureaucracies or is subject to audit queries. According to one of the interviewee, “there needs to be periodic reviews of outsourcing rates and harmonization of contract rates”.

There was notably a consistency in the application of organization’s systems and procedures with regards to outsourcing and these were clearly understood by implementers. It was however noted that there were some delays in payment of service providers owing to the long procedure of releasing payments. Implementers felt that on a number of occasions “pay for service providers was unduly delayed hence discouraging a number of them”.

Communication is critical in strategy implementation and plays a role in training, knowledge dissemination and learning (Peng and Litteljohn, 2001). EPK had communicated the strategy to implementers of what was expected of them. Owing to the fact that most of the contractors were not registered as companies, the company dealt with individuals whose level of education was low which in turn hampered

understanding. This according to one of the interviewees “has had a negative bearing in the quality of work done by these contractors”.

The study also found out that there was need to continually train contractors on the level of service expected from them. The main strategies used by implementers were education (training), participation, involvement and communication which were in line with guidelines given by Kotter & Schlesinger (1979). Implementers observed that a lot of management time was wasted. Further, there was no clear training administered to implementers on the outsourcing process and most of the training is gotten on-the-job. One of the interviewers commented that, “the big task in outsourcing is to train contractors. Implementers also need to be refreshed every now and then”. Implementers felt that there was need for a policy statement on outsourcing to demystify the grey areas of the practice.

With respect to resources, EPK did everything according to budgets and implementers could only spend within the agreed expenditures and hence this did not surface as a challenge to the company. There were good savings made from outsourcing which enables implementers to cover scheduled jobs effectively. The challenge however was that, the rates that the company offered had not been revised for a long period of time and a number were unattractive to service providers. This had contributed to a high turnover of contractors and resulted in poor quality of service.

Organizational structure can have a constraining effect towards strategy implementation (Heide et al., 2002), hence its importance. The organizational structure in the company

was such that there are a number of levels of management focusing on a defined scope. While senior field or senior factory managers were directly above the implementers, other higher levels such as group managers or general managers could still oversee implementers. The study found out that though the structure in place supported implementation efforts, due care needed to be taken in order to avoid conflict from those who oversee implementation efforts. In line with this one of the interviewees said that, “on a number of occasions, conflicting pieces of information surface from those who oversee implementers”.

Outsourcing picked up momentum in the past three years. The uptake of the strategy has been quite fast occasioned by the urgency to cut costs. The study found out that, initially, implementers having gotten used to using in-house labour were slow to implement the strategy. A strong involvement by the senior management coupled with coercion to change, helped in curbing out resistance to change. “We have no option but to comply” was a comment by one of the interviewees.

The study also sought to establish whether or not the strategy had been inculcated into the company’s culture and whether there exists a culture supportive of the strategy. The findings indicated that, the culture of outsourcing had been entrenched into the company’s beliefs, norms and way of operation. A number of jobs had been marked for outsourcing and implementers did not have the option of sourcing in-house.

Successful strategy implementation depends upon availability of competent staff (Wheelen & Hunger, 2010). The study established that, EPK had qualified, skilled and competent staff and a lot of funds had been channeled to training. However, there were challenges of lack of motivation among implementers. One of the interviewees commented that, “Outsourcing is considered alongside other jobs when rewards are being considered”. Here rewards were based on other things that did not necessarily support implementation process, hence de-motivating implementers. Such rewards included promotions and bonuses.

The study identified a number of macro-environment factors that were a challenge to implementing the strategy. These were weather conditions, government policies and politics. The company is agricultural in nature and some jobs are often interfered by weather changes. Government policies governing issues such as health and safety and statutory deductions must be complied with when contracts are drawn. Politics emanating from surrounding communities also influences implementation efforts during outsourcing and often cannot be overlooked.

4.4 Measures taken to counter Outsourcing Implementation Challenges at Eastern produce Kenya Limited

The second objective of the study was to establish the measures that EPK has embraced in order to deal with outsourcing implementation challenges. In order to improve the success rates of any strategy, proper measures ought to be put in place to counter emerging challenges. Such measures include good leadership, sufficient resources,

adequate feedback systems, motivation, communication, appropriate structure and appropriate culture (Qi, 2005). This section therefore outlines the measures and controls that EPK has put in place in order to improve the success rates of their outsourcing strategy.

The gap between strategy formulators and implementers had over the years been bridge by giving implementers room for suggestions of amendments of clauses that were hampering implementation efforts. Implementers confirmed that they were given room to justify changes that were needed in the strategy and indeed many of suggestions had been acted upon. One of the interviewees noted that, “whenever rates of pay were not attractive to the contractors, implementers would make proposal for amendments and these have been considered”.

Concerning the challenge of leadership, the company had clearly defined responsibilities of all levels of management and had brought on board the attainment of set outsourcing targets as one of the key performance indicators. This had also helped in curtailing any form of resistance to change among implementers and as one of them commented, “Implementers have no choice but to adhere to set targets”. Further, it was confirmed by interviewees that “top management are deeply involved in the monitoring of implementation activities”.

In dealing with the bureaucracies of the organization’s systems and procedures, the company had encouraged implementers to practice forward planning and ensure that they start the process of requisitioning money to pay service providers early enough. Over

time, service providers had known the challenges of delayed payments and enter into contracts with the company fully aware and prepared for these challenges.

The effect of communication breakdown had been felt in the company and measures taken included continuous training to bridge communication gap. Implementers had been moved to train contractors on what was required of them and this had improved the quality of work done by them. Implementers had also identified reliable contractors who not only understood what was expected of them but were also committed to the task at hand. One of the implementers observed that, “we have identified a pool of reliable contractors”.

With regards to external influence, the company had challenged implementers to take weather conditions into consideration as well as draw longer contracts to enable contractors successfully complete their jobs. A little compromise had been allowed in order to cater for the concerns of the local community. Concerning government policies and regulations, the company had designed contracts to deal with these obligations.

4.5 Discussion

The first objective of the study was to establish the challenges that EPK faces as it implements her outsourcing strategy. From literature review, common challenges identified included a disconnect between strategy formulators and implementers, lack of effective communication, inadequate resources, unsupportive organizational structure, resistance to change, poor compensation systems and unsupportive culture (David, 2007;

Peng and Litteljohn, 2001; Wheelen & Hunger, 2010; Li et al., 2008; Merikol, 2009; Tregoe and Tobia, 1990; Johnson, Scholes and Whittington, 2008).

The findings of the study were in agreement with these identified challenges. For example in EPK, there was a disconnect between strategy formulators and implementers. However, the study found out that, the measures that the company has put in place determines the degree of the effect of any particular challenge. In EPK, major challenges established were inadequate leadership, disconnect between formulators and implementers, inadequate communication, training challenges, poor compensation systems, bureaucracies and external challenges. However, the company did not have major challenges in terms of resources, resistance to change, organizational structure and organizational culture. The conclusion of this is that, there is an agreement between the fore mentioned challenges in organizations but the degree of these challenges depends on the response, commitment and attention that an organization gives to counter these challenges. It also means that, in general, challenges apply to organizations but there are contextual differences from one organization to another.

The second objective was to establish the measures that EPK had put in place to counter implementation challenges. With respect to this, aspects such as resources, leadership, training, structure, communication, culture and implementation tactics were identified as areas that organizations could focus on in order to come up with measures to counter emerging challenges (Donselaar, 2012; David, 2007; Kotter & Schlesinger, 1979; Li et al., 2008; Nutt, 1986; Wang, 2000;).

Findings of the study indicated that, EPK has put in place measures such as bridging the gap between strategy formulators and implementers, addressing leadership issues, reducing levels of bureaucracies and improving on communication challenges. The company has also used implementation tactics such as coercion to eliminate resistance to change, training to improve communication and having non-negotiable targets such as budgets and setting aside some jobs strictly for outsourcing.

The study was anchored on the 7S Mckinsey framework (Waterman et al., 1980) and institutional theories (North, 1991). Under the 7S framework, the guidelines cited by Waterman et al (1980) were that, organizations needed to focus on strategy, structure, style, systems, staff, skills and shared values in order to determine how best to implement a strategy. The study found out that, every aspect of the 7S Mckinsey framework was very important as EPK sought to implement her outsourcing strategy. Aspects such as having the right strategy, structure, leadership style, systems, competent staff with the right skills and shared values were necessary factors that determined whether implementation of outsourcing strategy would be successful or not. Additionally, the study found out that outsourcing had to some degree been institutionalized into the company's way of operation. The strategy had been included as a key performance indicator, and some jobs had been clearly marked for outsourcing. This meant that, implementers had no other way to perform the task in question other than to outsource. This implies that the strategy had been institutionalized into the company's internal ways of operation and in some way inculcated as part of the company's culture in line with institutional theory (Machuki et al., 2012).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings of the study in relation to the research objectives and summarizes the results of the research work. Focus will be on the challenges of implementing outsourcing strategy in EPK Limited and the measures the company has taken in dealing with these challenges. This chapter will also highlight recommendations, limitations of the study and suggested further research. The findings with respect to these objectives are summarized, discussed and conclusions drawn.

5.2 Summary of Findings

The aim of the study was to establish the challenges of implementing outsourcing strategy at Eastern Produce Kenya Limited and to determine the measures that have been put in place by the company to counter these challenges. To achieve the stated objectives a case study research method was used where primary data was collected by way of carrying out interviews on implementers of strategy. Secondary data was also considered to see if there were other challenges not captured using primary data collection.

Regarding the challenges of implementing the strategy, the study found out that a disconnect between strategy formulators and implementers, training, fall in service quality, bureaucracies, ineffective communication, unsound reward systems and leadership were the key challenges faced by Eastern Produce Kenya Limited as they

sought to implement their outsourcing strategy. The study further established that, other challenges to implementation of outsourcing such as organizational structure, resource availability and resistance to change have been dealt with to a level where their effect on strategy implementation was minimal.

The second objective of the study was to establish the measures that EPK had taken to cope with challenges identified above. The study established that the main measures that the company has put in place include; wider involvement by implementers in strategy formulation, continuous training of staff and service providers, forward planning, enhancing two way communication, and developing a list of reliable contractors.

5.3 Conclusion

Strategy implementation carries with it many inherent challenges which organizations must contend with in order to emerge successful. Findings from the study indicate that, leadership, training, communication, involvement of formulators and implementers in the whole process and reward systems affect successful implementation of outsourcing strategy at Eastern Produce Kenya Limited. The company has put in place measures of dealing with these challenges and these measures include ensuring wider involvement of formulators in implementation efforts, training, enhancing effective communication and forward planning.

These findings are in tandem with empirical studies and support the fact that, organizations face similar challenges in strategy implementation and what differs is the

degree to which these challenges are encountered by different organizations. Consequently, it is the ability of an organization to identify these challenges coupled with the measures that organizations put in place that determine the degree to which that organization realizes success. This means that frameworks and theories such as 7S Mckinsey and Institutionalization theory can be applied by any organization implementing a new strategy.

5.4 Recommendations for Policy and Practice

Drawing from the challenges of strategy implementation discussed above the researcher recommends that, Eastern Produce Kenya Limited comes up with an outsourcing policy covering key outsourcing concepts and the responsibilities of every stakeholder. This will help implementers have a clear understanding of the strategy. With respect to staff training, it is recommended that more training be accorded strategy implementers since there was a basic assumption that implementers were well equipped to implement the strategy.

It is also recommended that a review be done yearly on the existing rates of pay for service providers in order to attract and retain highly qualified contractors who will provide quality services. The company should further look into the possibility of harmonizing rates of pay across its different estates. Owing to the fact that many jobs in the company are basic and involving low capital involvement, it is recommended that a consideration be made by the larger tea industry to promote these service providers by reducing the charges they incur in an effort to comply.

In terms of measures taken to counter implementation challenges, the study recommends that the company needs to foster continuous training and awareness among all implementers in order to improve the execution of the strategy. Such training could also be done by the larger tea sector as this will improve tea farming in general. It is also recommended that yearly, monthly and weekly plans be put in place in order to curb bureaucracies within the system. The company can also compare with best practice in the industry and improve on the measures already put in place.

5.5 Limitations of the study

There were several limitations to this study. The focus of the study was on the outsourcing strategy in EPK. There are other strategies that the company is pursuing and interviewees could have answered some of the questions with other strategies in mind and given challenges and measures originating from other sources. In addition to this the researcher cannot rule out the possibility of personal bias by interviewees depending on the relationship they had with the company.

The study was confined to a period of less than two months. At the time of the study, implementers of strategy were undergoing routine company training coupled with their usual day to day assignments and getting them was not easy. Being a case study, the researcher would have obtained more detailed information had there been sufficient time.

There was also no data obtained from formulators of the strategy since they were based in Nairobi office while implementers were based in Nandi. A more balanced outcome would have been gotten had their views been taken into consideration. The research was

also done within the context of the organization and these results may not hold if the same research was to be carried out in another organization.

5.6 Suggestion for Further Research

Since the focus of the study was outsourcing, other individual strategies can be studied in order to establish whether the same findings would hold. There is also more room to study the challenges of implementing all strategies at the company. It is further suggested that, the same research can be repeated within the company to validate the findings.

The study confined itself to Eastern Produce Kenya limited. This research should therefore be replicated in other tea producing companies such as Williamson Tea, Unilever and James Finlay in order to promote objectivity as well as validate the findings of this study. Since there are always contextual variations among companies, a similar research in other companies would bring out these variations as well as validate common challenges and measures.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

Research Topic: Challenges of Implementing Outsourcing Strategy at Eastern Produce Kenya limited

The information collected in this interview guide will be treated confidentially and will not be used for other purposes other than academic.

1. Are you directly involved in the Implementation of the Outsourcing Strategy at Eastern Produce Kenya Limited?
2. How is the outsourcing strategy being implemented? Briefly explain.
3. What would you comment on the time that implementation of Outsourcing against the initially allocated time?
4. Do major obstacles surface during implementation of the outsourcing strategy, that had not been identified beforehand? Comment on their nature, source and effects.
5. Kindly comment on whether the following surface as challenges of implementing Outsourcing giving reasons for each.
 - a. Inadequate communication of strategy to the staffs.
 - b. Organization systems and procedures. Are they supportive?
 - c. Training of management staff and employees on outsourcing concepts. Do implementers have adequate capabilities?
 - d. Reward policies. Are they tied to ability to implement strategy? Do they aid strategy implementation?
 - e. Leadership. Is there inadequate leadership and direction provided at departmental, divisional, and/or corporate levels?
 - f. Resources. Are resources availed and are they adequate?
 - g. Organizational culture. Does it support strategy implementation?
 - h. Coordination. Is there inadequate coordination of implementation activities?

- i. Information systems. How inadequate are they?
 - j. Organizational structure. Is the current organizational structure wrong? Give a brief comment on how it supports strategy implementation.
 - k. Competing activities. Do they distract attention from implementing the decision? Comment on their nature.
 - l. Uncontrollable factors. Do any uncontrollable factors in the external environment have adverse impact on implementation? Comment on their nature in terms of source.
 - m. Strategy formulators. Do key formulators of strategic decisions play a passive role in implementation? Comment briefly.
 - n. Other challenges. What other challenges not mentioned above does the company face in its implementation exercise? Comment on their nature in terms of source and effect.
6. Comment on the strategy compared to the older way of operation. Is it user friendly?
 7. Having adopted outsourcing as a strategy in your unit, how has your work been affected? Comment.
 8. What measures have been taken to deal with strategy implementation challenges (Outsourcing)?
 9. Do you think the measures mentioned above are adequate?
 10. What suggestions/measures would you give that will help EPK avoid or minimize on challenges it faces as it implements outsourcing strategy?

APPENDIX II: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI **SCHOOL OF BUSINESS** **KISUMU CAMPUS**

Telegrams: "Varsity" Nairobi
Fax: 4181650
Kisumu, Kenya
Telex: 22095Varsity
Mobile: 0720348080
Email: ajaleha@uonbi.ac.ke

P.O Box 19134-40123
Kisumu, Kenya

Date: 1st September, 2014.

TO WHOM IT MAY CONCERN

The bearer of this letter Mr. Jonathan K. Kipruto

REGISTRATION NO: D61/8833/2005

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on "**Challenges of implementing outsourcing strategy at Eastern Produce Kenya Limited.**"

He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

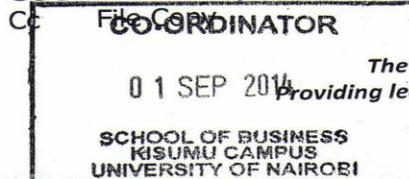
The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

MR. ALEX JALEHA
COORDINATOR, SOB, KISUMU CAMPUS



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APPENDIX III: SAMPLE OF OUTSOURCING CONTRACT

CONTRACT AGREEMENT ST.73/14

EACC01

A contract agreement has been entered into between Eastern Produce Kenya Limited Sioi Estate (herein referred to as Company) and Mr. Ben Kiplagat Cheruiyot ID No. 13806125 A/C No. 0920193215793 Equity Bank Nandi Hills Branch (herein referred to as contractor).

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS

1. The contract entails murraming a section of the road along field 18/17 towards the bridge in Valerie Division a distance of 400meters, as will be shown by Management. The contractor will provide good quality murrum from his own source, excavate, transport and spread the murrum on the full width of 2.5 meters compacted to a depth of three inches (3”).
2. The contractor will be required to use a camber board at an interval of 100m to give a slope of 4 – 6cm for every metre from the centre of the road to either side.
3. This contract commences as soon as it has been approved by the General Manager West and is expected to be complete by 31st May 2014 and in the event of the contract not being completed within the period agreed upon and provided in the opinion of the Company Management the contractor is responsible for the delay, the contract will be deemed cancelled from the completion date.
4. The Company does expect the contractor to observe and maintain the highest standards of work and any work, which in view of the Company is substandard, will have to be re-done.
5. On completion the contractor will be paid Ksh.42 per square meter amounting to the full amount of Ksh.42000/= (forty two thousand only). The contractor will issue an invoice at the end of the contract which will be paid by cheque. The Contractor will be issued with fuel and will issue a credit note to the Company with the amount equivalent to the fuel drawn.
6. The Company expects the contractor to provide suitable labour and equipment in order to meet the terms and conditions of the contract.
7. On signing this contract, the contractor confirms that he holds all necessary statutory insurance for himself and damages to a third party and meets all statutory obligations and indemnifies the company for any damages that may arise through the negligence of the contractor.
8. In the event of the contract not being completed in the period shown as per clause 2 above, and in the opinion of the Company Management, the Contractor is entirely responsible for such delays then the contract will be

deemed cancelled and paid an equivalent of work done at the time of cancellation.

9. The Contractor undertakes to operate in a safe manner and to indemnify the Company for any damage to its property or any third party due to the operations of the contractor.
10. The Contractor will not be allowed to engage children under 18 years as this is against the law and if found doing so, the contract will be cancelled and paid as per clause 7 above.
11. A dispute or difference between the parties relating to the validity, construction or performance of this agreement shall be referred to an arbiter to be appointed by the Chairman, for the time being of the Chartered Institute of Arbiters, Kenya Branch, upon the application of either party, such arbitration shall be conducted at a venue in Nairobi in accordance with the arbitration act (CAP 49).
12. The contractor undertakes to indemnify the Vendor by holding adequate Insurance Cover against any loss or claim arising from the contractor's activities pursuant to this contract, including death or injury to the company's employees or third parties and damage to the company's property throughout the duration of this contract.
13. Any equipment, tools and or machinery kept by the purchaser at the vendor's premises shall be kept at the exclusive risk of the purchaser as to the security and maintenance of the same, and the same must be taken out of the vendor's premises within 30 days from the date of completion of the contract in which the same were applicable to.

Company..... Date..... Contractor.....
Date.....

Witness Name..... Desgn..... Witness Name.....
ID No.....

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

Estate Accountant..... Date.....

General Manager West..... Date.....