VIEWING THE IMPACT OF OUTSOURCING FROM A KENYAN PERSPECTIVE

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ABSTRACT

This article investigates the impact of outsourcing practices conducted by organisations in Nairobi. Questionnaires were distributed to management of 85 profit-making organisations in Nairobi. Findings suggest that outsourcing can yield positive and/or negative outcomes depending on the risks encountered the business environment, company policy, function/s to be outsourced, and the competence and commitment of the outsourcing vendor. The article argues three improvements to enhance the positive impact of outsourcing. They are: the formulation of standard outsourcing policies, price regulations for outsourcing, and the commitment of outsourcing firms in adhering to set contract deadlines. It is concluded that outsourcing opens markets for free trade and development to take place.

Keywords: Outsourcing, Development, Business, Capacity Development, Technical Cooperation, Kenya.

INTRODUCTION

Outsourcing is the act of moving some of an organisation's internal activities, decisions and responsibilities to outside provider/s[i].Kenya today has a growing outsourcing sector with over 50 registered outsourcing vendor companies operational[ii]. Outsourcing in Kenya is a recently unveiled Vision 2030 initiative, a key pillar and driver of social and economic improvement geared to create employment and wealth creation[iii]. The key organisations that are involved in driving the Kenyan outsourcing agenda include the Kenya Information Communication Technology (ICT) Board, Kenya Business Processing and Contact Centre Society, Export Processing Zones Authority, Communications Commission of Kenya and the Ministry of Information and Communications[iv]. There are several key factors that motivated this research on the effects of outsourcing practices conducted by organisations in Nairobi the capital city of Kenya. The first is the need for increasing participation by citizens, entrepreneurs and the Government of Kenya in fostering development. It is our view that this can be achieved through the expansion of outsourcing initiatives. This is derived from the fact that outsourcing has the benefits of cost savings and increased efficiency[v], *which foster increased* productivity in organisations.

This study sought to establish whether outsourcing is indeed a viable venture for business organisations in Kenya. The answer to the question of how applicable outsourcing is for a nation like Kenya is sought through this study; to determine if there are adequate resources, skills and knowledge available to ensure that outsourcing is executed effectively such that favourable outcomes would result in the national development of Kenya. The second reason why it was deemed important to conduct this study on outsourcing is that there is capacity development[2]in Kenya. Capacity development involves identifying new solutions to old problems-development through technical co-operation[3]. Donors today leave routine but necessary functions to governments of developing nations to handle[vi].This means that if local capacity is fostered, the society is educated on outsourcing and the priorities of communities are clearly marked out, a developing nation such as Kenya can adopt the practice of technical co-operation to enhance the practice of outsourcing. The third factor that motivated this study is that there is a link between technology, poverty and development. Considering that outsourcing encompasses technology, and poverty levels in Kenya are high, technology could facilitate in improving productivity and efficiency of outsourcing through the use of appropriate modern equipment. The fourth factor that motivated this study is the fact that unemployment levels in Kenya are high, which means that human capital is underutilised. The unemployment rate in Kenya is 40%[vii]. It is possible that outsourcing initiatives can create job opportunities for the unemployed in Kenya. The fifth factor that motivated this study is the fact that Kenya's Gross Domestic Product (GDP) grew to 4% in the first quarter of 2009[viii]. Considering that the growth rate was relatively low, this study sought to establish if outsourcing can facilitate in increasing the economic growth of Kenya.

Several studies analyse outsourcing in Kenya (See[ix]).These studies provide some insight about outsourcing in Kenya, however, the current study on the effects of outsourcing practices conducted by organisations in Nairobi differs from previous studies on outsourcing in Kenya in the following important aspects. First, previous studies are based on only one industry sector or organisation covering only one or two aspects of outsourcing. This means the results obtained only apply to one specific sector (i.e. the banking sector) or a specific organisation and thus the results may not necessarily be applicable to other industry sectors. This study analysed data from a representative sample of 85 companies from various industry sectors in Nairobi to provide more comprehensive findings. Second, benefits, risks and pitfalls of engaging in outsourcing are evaluated as well as factors influencing the success or failure of outsourcing amongst organisations in Nairobi. Third, statistical representation of the percentages of sample organisations in various industries that engage (or not) in outsourcing in Nairobi is essential as it provides insights as to whether outsourcing is a suitable business practice for organisations to venture into at present and in the future in Kenya. Previous studies have omitted this aspect.

This article is presented as follows: Section 2 provides a literature review section which addresses outsourcing in Africa, outsourcing in Kenya, perceptions of outsourcing as well as factors influencing outsourcing outcomes while section 3 describes the methodology adopted. Section 4 examines the main findings. Finally, Section 5 concludes.

THE LITERATURE REVIEW SECTION

This section expounds on outsourcing in Africa, outsourcing in Kenya, perceptions of the benefits and shortcomings of outsourcing and finally, factors influencing outsourcing outcomes.

Outsourcing in Africa

In recent times, offshore outsourcing has been identified as a multi-billion dollar sector[x] that involves many nations[xi]. In 2008, the list of offshore providing nations increased to 72[xii], where Egypt, South Africa and Morocco were in the top 30. South Africa remains a key player in offshore outsourcing in Africa[xiii] whereas North African nations are undergoing challenges to retain their former popularity because of business uncertainty brought about by recent political activity[xiv]. Africa' success in the outsourcing industry, such as South Africa, Egypt, Morocco, Kenya, Ghana and Mauritius, has also encouraged the building of outsourcing capabilities in recent years as inspired by India[xv]. Ghana for instance, has strategically positioned itself as an attractive Business Process Outsourcing (BPO) destination[xvi]. Developing nations in Africa such as Kenya, Ghana and Rwanda are considered to be at different stages of development with regard to the BPO industry. For instance, in the past the BPO industry in Kenya was limited by costly and poor communication connectivity which hindered effective communication to the world. However, the installation of a fibre optic cable in Kenya in 2011 resulted in a boost in the country's status as Africa's best economy[xvii]. At present Africa is certainly a better destination to conduct business in than it was five years ago. This is due to the improved and reduced cost of all types of communications[xviii]. The internet has made the distance between countries seem shorter which in turn has helped boost the economies of different nations[xix].

A report by Reuters indicates that intense competition in India's BPO sector has forced a technology company by the name of SpancoLimited to expand to Africa- specifically Kenya, Burkina Faso, Tanzania, Chad, Niger and Nigeria- whereby the firm is expecting to make nearly half of its profits in a two-yearperiod.

The CEO of Spanco Business Process Outsourcing (BPO) Services, Pravin Kumar, believed that Africa is a solid opportunity for the company because of its location and similar time zone as the company's key markets, which are Europe and the United States, in comparison to India. Kumar further added that, 'The BPO industry is completely saturated in India . . . the benefit of expanding in India is not as much as that of Africa'[xx]. This indicates that there is potential for African countries to expand their BPO sector. In conclusion, there are several challenges that have hindered the progress of outsourcing in developing countries in general. Two key challenges encountered by outsourcing companies in developing countries. One of the greatest challenges is competition. Many outsourcing companies are emerging. India, for example which has in the past dominated the outsourcing market, has had to deal with competition from other Asian and African countries such as the Philippines, China, Taiwan, Thailand, Malaysia and Sri Lanka, South Africa, Nigeria, Egypt, Ghana and Kenya. The second challenge facing many outsourcing companies in developing nations is 'concentration risk'. As the market grows smaller due to increased competition, an outsourcing organisation is forced to compete for lucrative contracts with more businesses[xxi].

Kenya's Business Process Outsourcing (BPO) Industry

Kenya now has improved IT infrastructure, political stability and English language capabilities, which are essential in BPO if a country hopes to become a major BPO destination globally[xxii]. In the recent past, economic issues have been raised with regard to outsourcing in Kenya. Kenya is currently adopting both long-term and medium-term strategies to manage the high unemployment rate among citizens. One strategy that has been considered is for Kenya to be positioned in the global and dynamic Information and Communication Technology (ICT) sector, specifically targeting Kenya to become a regional ICT hub within the East African region. To achieve this goal, the Government of Kenya has embarked on improving ICTs. However, limited ICT access between rural and urban areas has challenged the expansion of Business Process Outsourcing and Information Technology-enabled services (BPO-ITES) in Kenya[xxiii]. The Kenyan government has further encouraged entrepreneurs to venture into outsourcing by introducing incentives that make investing in outsourcing businesses attractive. An example of an incentive that the government of Kenya has pledged to boost the BPO industry in Kenya is the provision of adequate budgetary allocation specifically for the purpose of establishing a 7,500 seat BPO park in Nairobi. This means that the park can accommodate 7,500 personnel who will be engaging in BPO activities. The BPO Park is meant to attract investments and to enhance the outsourcing industry. Additionally, the park shall provide the necessary infrastructure and support services for businesses such as office space. Furthermore, the park will also facilitate in technology transfer and thus will enhance competitiveness in the BPO industry[xxiv]. BPO in Kenya requires relatively little capital to establish, which makes outsourcing a promising business venture for small and medium enterprises so long as telecommunications infrastructure and cheap labour with basic skills are readily available. BPO in Kenya has grown mainly due to the expansion of ICT and the introduction of new business models. In addition, Kenya's BPO sector has also grown due to the country's ideal geographical positioning in comparison to other African nations which has improved its competitiveness in the BPO sector. Kenya is considered one of the top three BPO destinations in Africa[xxv]. If Kenya is to become a well-known location for outsourced services globally, the support of institutions such as the Export Promotion Council (EPC), the Investment Promotion Council (IPC) and e-commerce is necessary. The success of the BPO sector in Kenya stems from involvement of the private sector, government support and a favourable legal and business environment (ibid).

A local BPO in Kenya received funding worth 75 million Kenyan shillings from Digital Divide Data (DDD) which is an international IT firm which has been operating in South East Asia) that has set up a branch in Nairobi. DDD is meant in the future to offer services such as data entry, electronic publishing and back-office administrative tasks to clients in the East African region as well as to global markets. DDD further aims to create jobs for young adults who have completed high school specifically between the ages of 18 to 24, particularly from the slum regions in Nairobi[xxvi]. The Kenyan government also believes that the BPO industry can provide employment for many unemployed graduates in Kenya[xxvii]. This could help in reducing poverty levels in Kenya. Kenya is seen to have a key advantage when it comes to call centre outsourcing. According to Peres Were, the managing director of Cascade Globalis Kenya, 'Our biggest selling point is our language. Everywhere we go, people are amazed at how clear our accent is. Developed nations are finding that India is getting saturated and quality is not very good. Thus, developed countries want to give Africa a try'[xxviii].

One positive aspect that will strengthen the BPO sector in Kenya is the formulation and implementation of ethics and standard guidelines for outsourcing. The Kenya Business Process Outsourcing Society is set to introduce a set of standards and ethics guidelines that are to be legislated in Parliament (Current literature does not indicate whether these guidelines have been enacted by Parliament). In addition, these standard guidelines are meant to be a major marketing instrument for Kenya. Guidelines specifically pertaining to standards have been formulated to cover all areas of the BPO sector and to provide all clients with consistently good experiences[xxix].

The BPO industry is commonly referred to as the BPO-ITES sector in Kenya. Furthermore, the infrastructural development and the growth of digital talent in Kenya can contribute significantly to the changeover and viability of digital work in Kenya where the fields that dominate currently are the informal and agricultural industries. This is an indication that the potential of outsourcing in Kenya has not been exploited to the maximum[xxx]. The key services that are outsourced in Kenya today are courier services, security services, office cleaning, and

ISSN 2413-0591

IT support-notably, these are non-core functions[xxxi]. Organisations in Kenya today have obtained many benefits of outsourcing such as access to the best technologies and reduced operational costs. On the other hand, outsourcing may also result in a client organisation experiencing some challenges such as loss of control of the outsourced activities and dependency on suppliers[xxxii]. 'The BPO sector has opportunities for economic growth. Outsourcing has the potential to increase productivity in this sector', said Dr Wiebe Boer, Associate Director of Rockefeller Foundation who spoke in the first outsourcing and shared services forum for NGOs and development partners. The forum was organised in Nairobi by the AITEC Africa with funding from the Rockefeller Foundation[xxxiii]. Kenya certainly has the potential to engage in domestic and off shoring/ international outsourcing activities at a larger scale. The challenge lies with outsourcing firms, as they need to penetrate the local and global market to obtain an equitable market share. It is unfortunate that the full potential of outsourcing has not yet been realised in Kenya though there is room for improvement to take place in the future. Another key issue that needs to be addressed is preparing adequately for outsourcing. Today top management discussions globally focus mainly on outsourcing and Kenya can be working towards convincing companies globally that it can offer satisfactory levels of customer care and telesales expertise.

The call centre industry has been identified as one of the milestones of economic growth and it is estimated that it will bring in over $200 million to Kenya's economy in the next six years[xxxiv]. For these estimates to be achieved in Kenya, it is important for the Government to invest heavily in the delivery of appropriate skills that will enable human capital deal with complicated data management and human resource issues that appear in the industry. Challenges faced by outsourcing vendors, specifically in Kenya, they are: weak legal and institutional frameworks; lack of effective and focused marketing of Kenya as a suitable BPO destination; no data protection laws or a BPO sector policy; inadequate investment of the BPO industry; and the lack of an inadequate skilled workforce[xxxv]. Kenya is yet to catch-up with popular BPO destinations such as Mauritius, South Africa, Ghana and India.

Perceptions of the Benefits and Shortcomings of Outsourcing

Outsourcing has evolved as one of the most common and widely adopted business strategies worldwide. Research reveals that the mere size of expenditure on outsourcing and the active participation of senior management executives means that outsourcing decisions are more important for strategy in a company today than they used to be[xxxvi]. Client firms[4] adopt outsourcing in order to have a large impact on their bottom line, financial returns and competitive advantage[xxxvii], to capitalise on the assumed economies of scale and scope offered by the outsourcing vendors[5][xxxviii]. Additional reasons why organisations adopt outsourcing include: to improve the management's focus on core-competencies; to obtain access to new technical skills and knowledge so as to enhance the firms' skill and knowledge gap[xxxix]; to improve particular organisational aspects such as the structure of the firm and the techniques used by management[xl]; and balancing a company's design[xli];to mitigate technological risk as well as uncertainty[xlii]; to improve the entire business performance; to achieve process improvisation and to improve customer relations[xliii] are also considered.

Other key benefits that the management anticipates from outsourcing arrangements are convenience and flexibility in growth, implementation and ascent of projects, change management, protection against technical risk, and improvements in productivity and service quality[xliv]. Outsourcing helps the client firm to better manage the business, creates improved business intelligence, facilitates in the rapid innovation and introduction of new

ISSN 2413-0591

products/services for consumers[xlv]. However, outsourcing does have its share of shortcomings- quality standards may be compromised; worker insecurity and job loss[xlvi]security of sensitive data may be compromised; loss of managerial control; a client firm is tied to the financial well-being of an outsourcing company; bad publicity and ill-will due to job loss may prevail in a society[xlvii] among others. Other short comings associated with domestic and international outsourcing can impede successful outsourcing outcomes. One is that of hidden costs such as travel costs, license transfer fees, exchange rates and foreign taxes on products and services[xlviii]. Other shortcomings associated with outsourcing that have been identified are: ineffective organisational communication; political problems; ambiguous expectations; lack of flexibility; keeping contracts brief; and taking a tactical rather than a strategic approach to outsourcing tasks[xlix]. In conclusion, fears of change and job insecurity are also considered as shortcomings of outsourcing[l].

Factors influencing Outsourcing Outcomes

Since outsourcing involves staff, it is therefore crucial to evaluate the main factors that hinder outsourcing employee performance. Poor leadership, micro-management, low compensation and inadequate training are considered[li]. A good choice of an outsourcing provider is essential and of benefit to successful outsourcing outcomes[lii]. Effective communication between the outsourcing provider and the client organisation reduces the negative effects of outsourcing on the morale and performance of employees[liii]. Selecting the correct personnel with the appropriate skills to be involved in all stages of outsourcing activities is also considered of paramount importance[liv].

METHODOLOGICAL DESIGN

This study collected data with questionnaires distributed to 165 management employees in 85 profit-making organisations in various industry sectors in Nairobi. This research was limited to Nairobi, the capital city of Kenya. The reason for this is that the majority industries of the major economic sectors are located in the capital city. Self-administered structured questionnaires were distributed. Data gathered provided views and opinions related to general issues in outsourcing in Nairobi as well as insights as to the impact of outsourcing on client organisations in Nairobi. The sampling techniques selected for this study were both simple random and convenient. Simple random sampling was adopted in identifying a sample of 80 organisations from a list of business-registered companies in Nairobi tabulated from Kenyan directory. In addition, convenience sampling was used to select a sample of 5 recruitment agencies in Nairobi. Furthermore, convenience sampling was used to select a sample population of 165management employees of the various industry sectors. Examples of the sectors included in this study are the food processing industry, legal industry, motor industry, hospitality industry, media industry, private learning intuitions, medical industry, cargo industry, airlines industry, engineering industry, advertising industry, entertainment industry, banking and insurance industry among others. Data were collected over a period of 25 days and were analysed quantitatively.

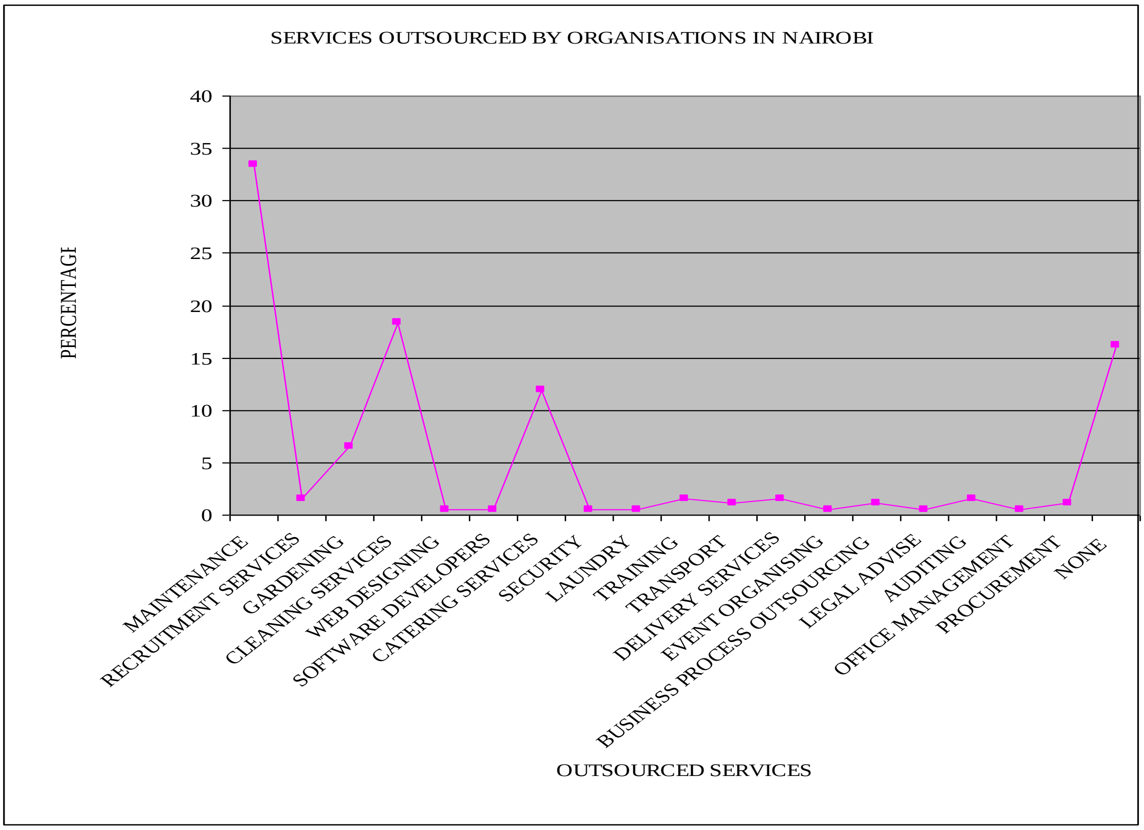
RESULTS

This section discusses the results obtained when data was collected. In particular, the impact of outsourcing is evaluated as well as risks and challenges encountered in outsourcing, which further dwells on the future of outsourcing in Kenya.

The Impact of Outsourcing according to Respondents

Clearly not all organisations in Nairobi practice outsourcing and there are numerous reasons for this. Before examining the impact of outsourcing, it is necessary to consider briefly the percentages of respondents in our sample that outsource and those that do not outsource. Almost three-quarters (74.3%) of the respondents (123 management employees) confirmed that the organisations they work for already practise outsourcing. This is a large percentage and suggests that outsourcing yields satisfactory economic returns. On the other hand, 23.5% of the respondents reported that their organisations do not outsource and 2.2% did not know whether or not their organisation outsourced. It was further established that the most commonly outsourced service by sampled respondents is the non-core function of maintenance of buildings and equipment (33.5%). By contrast, several services were outsourced by a few sample organisations at a mere 2% each. These were software development, catering, laundry, transport, training, delivery of products, event organising, office administration, legal advice, auditing and procurement (see Figure 1).

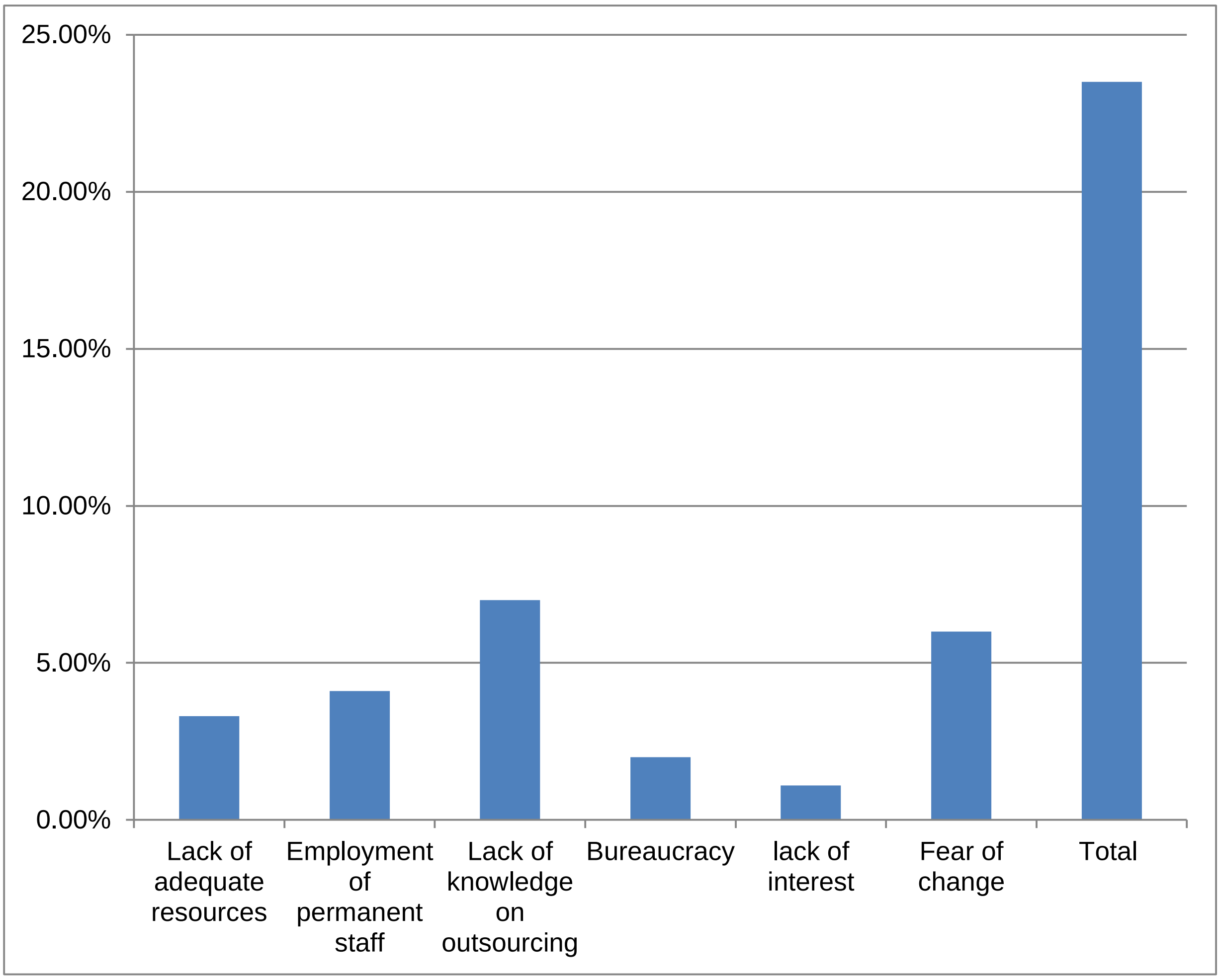
Figure 1



Source: Questionnaire

Almost half (49%) of the respondents were of the opinion that it is economical to outsource and that cost savings are thus the primary benefit of outsourcing. Quality assurance was the most favoured benefit of 16.2% of respondents while 9.1% suggested that time management is the key benefit of outsourcing. Findings further indicate that some sample organisations gain in numerous ways for example economic returns from cost savings when they engage in the practice of outsourcing while others do not. Almost two-thirds (61%) of the respondents claimed that their organisations gain from outsourcing. The gains highlighted were: quality results, cost savings, skill transfer and technology transfer. Some respondents (14.6%) said that their organisations do not gain from outsourcing. The same percentages of respondents were of the opinion that, to some extent, their organisations do gain by engaging in outsourcing, while 9.8% of the respondents had no idea as to the impact of engaging in outsourcing. It was further suggested that outsourcing results in job losses, as much as it creates employment. Other possible negative impacts of outsourcing that were highlighted by some respondents are compromised standards, tension between outsourcing and client firm employees and inability of outsourcing vendor personnel to meet contract deadlines. Some respondents (14.6%) were of the view that organisations gain to some extent from outsourcing initiatives. They had doubts about whether outsourcing would yield significant gains and said that the successful outcome of outsourcing depended on the commitment of the outsourcing vendor, the business environment, risks encountered, the competence of the outsourcing vendor, the function or task being outsourced, and company policy. Some opinions on what determines the successful outcomes of outsourcing are expressed in the literature on outsourcing[lv]. The respondents (23.5%) who do not consider outsourcing a suitable practise gave the following reasons: lack of adequate resources (3.3%), employing adequate permanent staff with the required skills (4.1%), lack of knowledge on how to conduct outsourcing (7%), bureaucracy (2%), lack of interest (1.1%) and management 'fearing' to try out new strategies of engaging in business (6%). These reasons are illustrated in the graph below.

Figure 2: Reasons why organisations do not outsource



Source: Questionnaire

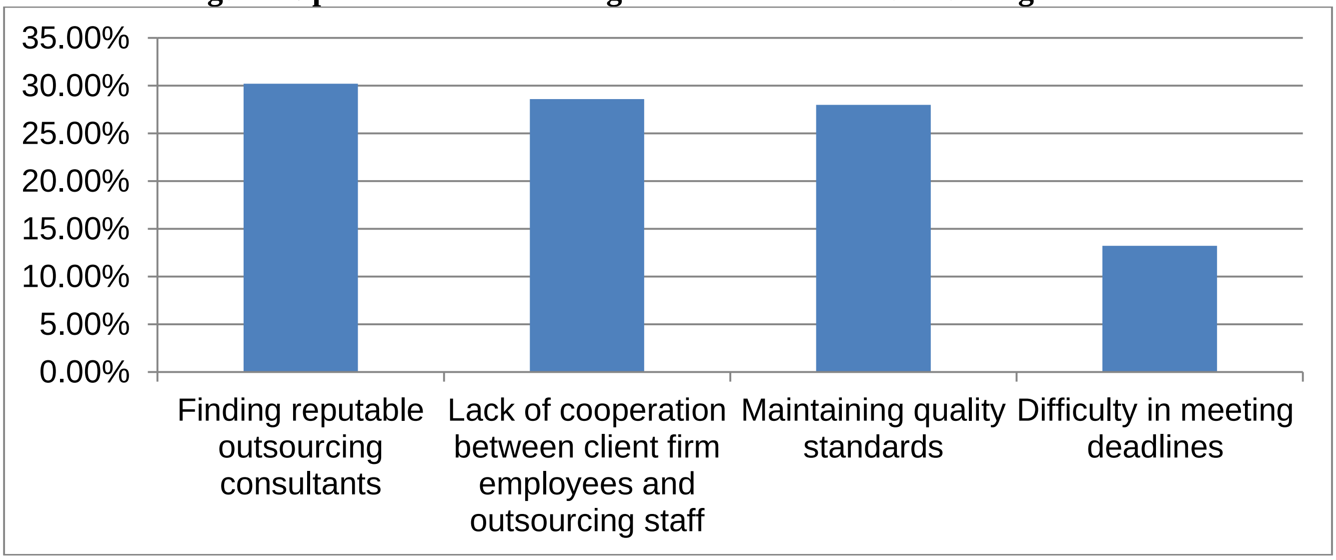
These views and perceptions are an indication that the impact of outsourcing could yield both positive and/or negative outcomes. An indication that there are factors (commitment of the outsourcing vendor, the business environment, risks encountered, the competence of the outsourcing vendor, the function or task being outsourced, and company policy) that will influence the outcome of an outsourcing venture should be evaluated keenly to try to avoid the failure of an outsourcing venture. Further, it is noted that more needs to be done to enhance outsourcing practices in order to convince firms that do not engage in outsourcing to consider engaging in the practice. It is also evident that some organisations gain from the practice of outsourcing this is an indication that outsourcing could be indeed a good business strategy for firms to adopt.

Risks and Challenges Associated with Outsourcing

Results revealed that the key risks associated with outsourcing according to respondents were risk associated with increased cost (7.5%), risk associated with quality (70.1%) and the risk of adopting superior technology not suitable for a developing country (3%).Additional risks suggested by individual respondents were: confidentiality breech of client firm information by the vendor firm employees, theft of equipment and materials, that a client firm may have to rely on people who do not have a client firm's level of commitment and consequently deadlines may not be met and that a company may receive poor quality workmanship from an outsourcing vendor which poses a risk to the client firm. These findings on the risks associated with outsourcing show that risks can affect the outcome of outsourcing. The impact of outsourcing is also influenced by whether or not an outsourcing vendor and a client firm accurately anticipate and manage risk accordingly. Risks associated with outsourcing are also observed by other scholars[lvi].

Thirty point two percent of the respondents were of the view that finding reputable outsourcing consultants was of concern to client firms. Almost one-third (28.6%) of the respondents claimed that there is a problem with lack of cooperation between client firm employees and outsourcing staff which creates an environment that is filled with tension. Maintaining quality standards was yet another issue that was of concern to employees (28%) while 13.2 % were of the view that meeting deadlines is a problem for a number of outsourcing firms (see Figure 3)

Figure 3: problems and challenges associated with outsourcing



Source: Questionnaires

ISSN 2413-0591

Suggestions from respondents about how to enhance the positive impact of outsourcing can be grouped in three areas. The first is establishing standard policies on how outsourcing should be conducted by outsourcing provider firms. This was also reported in the literature[lvii]. Secondly, there should be price regulation to avoid the exploitation of client companies by outsourcing vendors. Lastly, respondents emphasised the importance of commitment by outsourcing firms in adhering to set contract deadlines**.** Almost four-fifths (79%) of the employees were of the view that the future for outsourcing in Nairobi is promising, while 18% had doubts. Only 3% were of the opinion that the future for outsourcing is not promising at all. Findings revealed that according to respondents, the future of outsourcing would be determined by the economic and political climate of the country, attitude towards outsourcing and the awareness level of outsourcing amongst organisational personnel. Results further suggest that client organisations may gain from outsourcing in the future if there is more commitment by outsourcing consultants, if standardisation of charges for outsourcing contracts and technological advancements are considered, and if off shoring/international outsourcing[6] is adopted, which is also observed to be possible as illustrated in a case study on out sourcing practises of the Kenyan banking sector (see[lviii]). Creating awareness of outsourcing and outsourcing budgets can also facilitate in predicting the future of outsourcing in Nairobi. Findings indicate that the majority of respondents believe that employees have some awareness of outsourcing activities conducted by other organisations. This could be an indication that management of many firms in Nairobi may actually have no idea about outsourcing. This means that probably more awareness campaigns and advertising may be required.

Results further revealed that 28.7% of the respondents believe that conferences constitute the initiative that has driven organisations to engage in outsourcing in Nairobi. Approximately 28% viewed research as the initiative that has driven the practise of outsourcing while 42.5 % were of the opinion that advertising has driven the initiative of outsourcing in Nairobi. Findings revealed that 17.9% of the respondents whose companies both engage and not engage in outsourcing claimed that as little as 0 to 1% of their yearly budget is allocated for outsourcing, while 36.7% said that 2 to 3% of the budget allocation is provided for outsourcing purposes. Thirty two percent of the respondents claimed that 4 to 6% of their total budget is allocated for outsourcing purposes. Finally, 13.4% of the respondents claimed they allocate 7 to 8% of company funds for outsourcing purposes. This is an indication that over half (50%) of companies spend very little of their yearly budget (0-3%) on outsourcing. This could further indicate that firms outsource non-core company activities such as cleaning and maintenance rather than core business functions. It can be concluded that some organisations in Nairobi attach considerable value to outsourcing, as funds are allocated for outsourcing services specifically. In addition, findings revealed that there are reasons that may influence an outsourcing budget. Suggestions provided consisted of: capital available, anticipated profits to be achieved and function/s to be outsourced.

CONCLUSION

The decision to outsource should be made very carefully, with deliberate consideration of all the factors and implications. Thus, the decision on whether or not an organisation should outsource one or more functions to an outsourcing provider is complicated and complex and hence cannot be taken lightly. Figure 12 illustrates that outsourcing can yield positive and/or negative outcomes. The positive impact of outsourcing refers to the benefits of outsourcing which are provided in data results which are also observed by other scholars[lix]. If the outsourcing impact is positive, it will ultimately impact on an organisation as new enterprises will emerge and consequently infrastructure and communication would improve resulting in some level of development. The figure further illustrates that awareness of outsourcing is obtained through advertising, conferences and conducting research. Furthermore, the future of outsourcing is determined by the technology adopted and enlargement of the market share for outsourcing through tapping into offshoring/international outsourcing and the standardisation of prices and standards for outsourcing. The key to ensure favourable outsourcing outcomes lies mainly with the outsourcing provider and the client firm's management as the two parties have key roles to play in outsourcing. In addition, client firms need to be made aware of how outsourcing can benefit their organisations.

With regards to whether outsourcing advantages outweigh the disadvantages, it can be concluded that what determines whether an outsourcing venture will be successful or not is how the following factors will play out when outsourcing takes place. These factors are the business environment, commitment and competence of an outsourcing vendor, risks encountered, the function or task being outsourced and company policy. Outsourcing in Nairobi is not done on a large scale and thus there is room for client firms to contract outsourcing vendors on a much larger scale.

This would ultimately increase participation by the Government and citizens of Kenya, investors and potential investors in outsourcing initiatives and thus could result in increased Gross Domestic Product (GDP). Hence, outsourcing can be viewed as a partial solution to increasing economic activity that would foster capacity development in Kenya in the long term. This means that the Government of Kenya can also come up with other means of creating economic opportunities, since outsourcing alone cannot foster sufficient economic growth that would greatly impact development in Kenya in totality.

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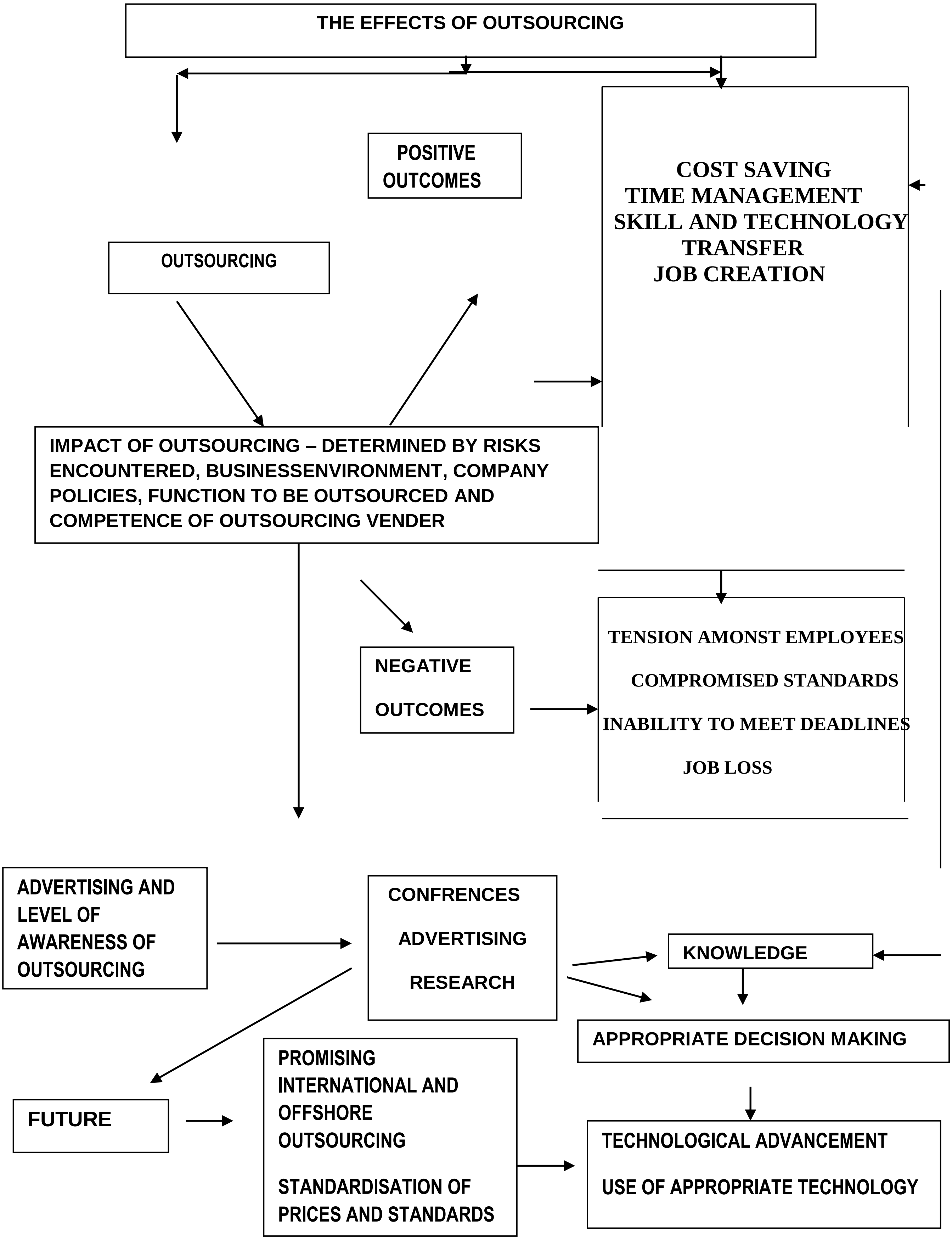
Figure 4 A summary of the Impact of Outsourcing amongst Organisations in Nairobi



Source: Questionnaires

Outsourcing is now considered one of the best management strategies by the vast majority of companies globally. When functions are outsourced by client firms domestically, this may result to job loss as permanent staff may be retrenched and at the same time may result to job creation as outsourcing personnel are contracted-one job lost is another one created. On the other hand, when jobs are outsourced internationally by developed countries (commonly referred to as offshoring) to developing and transitional countries, jobs are transferred, not lost, though it is essential to note that jobs are lost in developed countries. Offshoring also facilitates in opening markets globally and fostering development in the developing/transitionalnations as well through taxes paid by foreign companies. When jobs are lost, it negatively impacts the social morale towards outsourcing. Outsourcing vendors have to continually improve themselves and prove their value, just as any other organisation would. However, monitoring of outsourcing personnel by client firm personnel is very crucial.

Outsourcing can be seen as easy to duplicate, and therefore, it may not be considered a form of sustainable competitive advantage. However, outsourcing can provide certain competitive advantages to client firms that adopt the strategy early before other firms, as outsourcing cannot be patented, such that other firms may be prevented from adopting the practise. This could imply that outsourcing may only work so long as some industry sector members are yet to adapt the practise. Should all organisations adopt outsourcing, outsourcing would no longer be considered a source of competitive advantage. Outsourcing can lead to the displacement of supply chain, thus inviting new competitors into the outsourcing industry, which could result in eroding ‘pricing power’ and increased monetary rewards. By taking outsourcing to the extreme, this may cause outsourcing to have negative effects as opposed to positive impacts. If client firms only outsource non-core functions, it is possible that outsourcing would facilitate in reducing costs and improving quality. However, this could result in nurturing an organisation’s competences. The effect of outsourcing is an issue that is complex to determine. There appears to be cause for concern with increasing reliance on professional staff in varied fields. This represents the difficult decision managers must make in the face of limited resources and increasing demands for quality services by consumers.

Several recommendations can be considered based on research findings. Firstly, the Kenyan government together with outsourcing provider firms need to continue creating awareness of outsourcing amongst organisations. This could be achieved through conducting seminars/conferences and advertising, which would inform and create awareness of outsourcing and how it can benefit an organisation if strategically executed. It can be further recommended that the government of Kenya can provide tax waivers and training on outsourcing and set up incentives for a specific time period to allow the outsourcing industry to grow in Kenya. Data findings revealed that outsourcing could facilitate in yielding job creation and at the same time job loss. It can be recommended that policies may be set and implemented by the government on remuneration of outsourced personnel. The remuneration package can include fair pay and additional benefits such as partial medical aid, transport allowance and pension for the period an employee is contracted. The policy may also provide a minimum duration of which outsourced personnel can be contracted for example a minimum of two years. This means if an outsourcing company is to contract personnel, they can only contract personnel for a minimum of two years. Thus, compilation of favourable remuneration and retrenchment policies can be considered and implemented. In order to address the problem of lack of standards amongst outsourcing providers, it is recommended that the government may develop outsourcing standards, benchmarked to international standards and ensure all outsourcing firms adopt these standards. With regard to pricing, price controls should be set up by the government to avoid outsourcing vendor companies exploiting client firms. Establishing

ISSN 2413-0591

standards and price controls could be achieved through favourable policy formulation and regular monitoring and evaluation. This will ensure more commitment by the outsourcing providers. The problem of managing risks may not be conclusively dealt with, as there are both internal and external factors that would contribute to risks occurring. However, regular monitoring and evaluation could be recommended in order to better anticipate risks that may occur. Rural development programmes can also be increased and the Kenyan government can try its best to reduce rural-to-urban migration, in order to avoid an influx of people migrating into Nairobi in search of employment opportunities. This would call for industries to incorporate outsourcing and create branches in rural areas. This in turn, would foster balanced development in the whole of Kenya, as infrastructure and communication networks would be improved in the rural areas as well. Outsourcing as a business strategy could be incorporated by organisations. This can be achieved if the government steers its energies in boosting economic activity. This research indicates that outsourcing is a viable option in conducting business in Nairobi for the purpose of attaining increased economic growth and development. In conclusion, it is necessary for the government of Kenya to develop and implement a suitable marketing, branding and positioning strategy for Kenya's domestic and international outsourcing industry.

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Endnotes

[1] Received financial assistance from the Research Capacity Department at Nelson Mandela Metropolitan University to pursue my PhD degree.

[2] Capacity development refers to the ability of actors (individuals, groups, organisations, and institutions, countries) to perform specified functions/objectives effectively, efficiently and sustainably (Fukuda, S.,C. Lopes and K. Malik

(eds). 2002. *Capacity for development. New solutions to old problems*. London: Earth Scan Publishers Limited.).

[3]Technical co-operation involves the provision of resources aimed at transferring skills and knowledge and at capacity building within national establishments to undertake development initiatives. Moreover, technical co-operation includes resources in the form of human personnel both in the international and national domains (United Nations Development Programme. 1998. *Rethinking technical cooperation reforms for capacity building in Africa.* Network: United Nations development Programme.).

[4] The term 'client firm/organisation' refers to a company that contracts outsourcing providers to perform major and/or minor tasks for a given period of time.

[5] 'Outsourcing vendor/provider' has been used to refer to the companies that offer outsourcing services to client organisations.

[6]Offshoring is defined as the allocation of non-core functions to an external party (such as a sub-contractor) in a country other than the one where the product or service will be consumed(Evaristo, R.; J. Nicolas; R. Prikladnicki and J. Avritchir, 2005. *Wholly owned offshore subsidiaries for it development: A program of research*, January 3–6 2005. Hawaii: Proceedings of the 38th Hawaii International Conference of System Sciences – HICSS). Offshoring takes place when a company uses 'low-cost labour', 'high-quality services' and 'specialist expertise' from offshore outsourcing providers (Pai, A. K. and S. Basu, 2007. Offshore technology outsourcing: overview of management and legal issues.' *Business Process Management Journal*, vol 13, no 1, 2007, pp21-46.).