BUSINESS PROCESS OUTSOURCING IN KENYA

INVESTIGATION OF FACTORS INHIBITING GROWTH OF BPO COMPANIES IN KENYA

BY

MATILDA KAGUME

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2013
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MATILDA KAGUME

A Research Proposal Submitted to the Chandaria School of Business in Partial Fulfillment of the requirements for the Degree of Global Executive Masters in Business Administration (GEMBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2013
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DECLARATION

I declare that this research report is my own work and has not been presented to any other University or institution of higher learning anywhere, for academic purposes other than the United States International University, Nairobi

Signed………………………………………………. Date………………………………

Matilda Kagume (Student No: 638230)

This research report has been presented for examination with my consent as the supervisor;

Signed………………………………………………. Date………………………………

Supervisors Name:

Signed………………………………………………. Date………………………………

Coordinator; GEMBA School of Business
DEDICATION

A special dedication to my Mother Lucy Kagume, for instilling in me the great values that have propelled me this far in life, for educating me, for your love, prayers, support, perseverance and guidance in all that I have been through.

To my siblings Daphne, Catherine, Angela, Edmund and George, for being the best friends I could ever have, for instilling in me the value of books and education, loving me and always inspiring me.

To God, for his love, blessings and inspiration on me
ACKNOWLEDGEMENT

I would like to acknowledge the input and effort of my supervisor who was very insightful and helpful in the completion of this report. My supervisor was always ready to express his suggestions, comments and views on my report till the final paper was produced. I am most grateful for your patience, help and time.

I would also like to acknowledge my family for supporting me during my studies at USIU till completion. Their support was important as it was inspiring.

I would also like to thank all those who took part in the completion of this report including the respondents, friends, comrades and colleagues who not only took time to advise but also took their time to recommend and encourage me in the pursuit of my studies.
ABSTRACT

This study sought to identify the factors affecting growth of business process outsourcing in Kenya. The study utilized the following research questions: what are the challenges facing BPO companies in Kenya? What are the benefits of BPO companies in Kenya and what are the key success factors for BPO companies in Kenya?

This study utilized a descriptive research design in the course of the study. The population of the study was drawn from the BPO companies in Kenya. The total sampling frame in the population was 15. The 15 companies were derived from the database of the ICT board of Kenya an institution that promotes BPO companies in Kenya. Since this study was a census study, all the companies in the sampling frame were included in the study. The sample size was therefore 15. Data for this study was collected using a questionnaire. Data collected was analyzed for statistical measures of means, percentages, standard deviation, minimum, maximum and modes. Data analyzed was presented using figures and tables.

This study found that the BPO companies in Kenya have not performed to expectations of majority of the people. In addition, most BPO companies in Kenya offered data entry and transcription services, call centers and IT services. According to this study, the major challenges facing BPO companies in Kenya are: lack of government support, employee related challenges, poor business environment, competitive challenges and customer expectation challenges.

In addition, this study found that the future prospects of BPO companies in Kenya are very bright. The key success factors for BPO companies identified by this study are: availability of a skilled labour force, very high demand of BPO services in Kenya, Increased awareness and visibility of BPO companies, improved connectivity infrastructure especially Internet connectivity, the strategic location of Kenya and the international recognition of some Kenyan BPO companies e.g. KenCall which won an international award for quality BPO services. Other key success factors identified by this study are: the innovative and entrepreneurial spirit, similarity of Kenya cultures to those of USA and UK where majority of the BPO customers are drawn from.

Finally, this study found that BPO companies are of benefit to customers, individuals and countries respectively. According to this study, BPO companies provide jobs and wages to employees who enhance a country’s economic growth and attainment of macro economic goals.
On the other hand, companies (customers) are able to enjoy benefits from BPO’s through: reduction of operating and overall costs, focus on core business and competencies, access to world class equipment and services, quality improvement, professional work and reduction in the capital needs of the companies.

This study concludes that, the major challenges facing BPO companies in Kenya are: employee related, financial, customer expectations and government specific challenges.

In addition this study concludes that: the increased visibility and recognition of Kenyan BPO companies, innovative and entrepreneurial spirit, similarity of customers and Kenya BPO companies’ cultures, improved infrastructure and internet access, time zones, demand of BPO services and availability of a skilled labour force are some of the key success factors for BPO companies.

This study further concludes that; the major benefits of BPO companies are job creation, wealth creation, reduction in operating costs of customers, access to world class equipment and services, quality improvement, professional work, reduction in capital outlays of customers and focus on core businesses and competencies by customers.

This study recommends that, the government of Kenya forms fact finding trade delegation to visit countries with successful BPO sectors e.g. India whose recommendations will be implemented. Further, this study recommends that to reduce employee related challenges, BPO companies should adopt modern human resource management practices and systems.

The government should review the existing regulatory and oversight BPO framework in Kenya in addition, to providing incentives for the growth of BPO companies in Kenya. In addition, this study recommends that BPO companies should establish training courses in BPO in partnership with institutions of higher learning. The government should also outsource some of its jobs to the BPO sector as a sign of confidence and support to the sector.
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### ACRONYMS

<table>
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<tbody>
<tr>
<td>BPO</td>
<td>Business Process Outsourcing</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>IBM</td>
<td>International Business Machines</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<tr>
<td>ITES</td>
<td>Information Technology Enabled Services</td>
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<tr>
<td>NASSCOM</td>
<td>National Association of Software and Service Companies</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>USA</td>
<td>United States of America</td>
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CHAPTER 1

1.0 INTRODUCTION

1.1 Background of the Study

The emergence of internet as a platform for doing business and as a communication channel has brought with it a variety of opportunities for outsourcing business processes across various nations and continents (Ramachandran and Voleti, 2004). Further as noted by Waema (2009), growth in Information Communication Technologies (ICT) has led to a transformation in the world economies with most countries especially in the developing world singling out ICT as a major driver of economic growth and development.

In an interdependent socio-economic structure, outsourcing is natural. However, the extent to which it would happen or the value links that needs to be integrated in different degrees varies (Rumelt, 1974; Barreyre, 1988; Prahalad and Hamel, 1994; Porter, 1980, 1996). In modern history, outsourcing was often referred to as subcontracting.

Outsourcing of services involves the transfer of value contributing activities and processes to another firm to reduce the operating costs of a company or business. In addition, outsourcing is being undertaken by various companies to enable them concentrate on their core business (Ramachandran and Voleti, 2004).

According to Click and Duening (2005), Business process outsourcing (BPO) is defined simply as the movement of business processes from inside the organization to an external service provider. With the global telecommunications infrastructure now well established and consistently reliable, BPO initiatives often include shifting work to international providers. Five BPO international hot spots have emerged, although firms from many other countries specialize in various business processes and exporting services. India has created a niche for itself through outsourcing in engineering and technical products, China prides itself with manufacturing and technical outsourcing, Mexico has created a niche in manufacturing outsourcing, United States has created a niche in analysis and creative and the Philippines has created a niche in the outsourcing of administrative duties.
Each of these countries has complex economies that span the range of business activities, but from a BPO perspective, they have comparative advantages in the specific functions cited.

Business Process Outsourcing (BPO) is a boon for a developing country such as India but, of late, it has become a political issue for the US with major economic implications. This is particularly so with continued recession and job losses in the US.

Outsourcing involves transferring certain value contributing activities, processes and/or services to the premises of one’s own or an agent primarily to save costs and/or for the principal to increasingly focus on its areas of key competence. The structure of this principal-agent relationship varies from loose networks to neatly packed pyramidal structures. While in the US, each transaction is generally independent and individually negotiated, the Japanese system broadly depends a lot on mutual trust and learning developed over a period of time. In the former, up-front quality inspection and threat of rejection are part of the relationship; in the latter, the incentive to furnish high quality is governed by an implicit promise of contract renewals (Taylor and Wiggins, 1997).

According to Ramachandran and Voleti (2004), “IT-enabled services (ITES) includes services that can be outsourced using the powers of IT; the extent to which this is possible depends on the industry, location, time, costs, and managerial perception of the risks involved” Further, according to them, the growth and development in the internet has been a major facilitator in the outsourcing of various activities previously undertaken in close geographical locations. In modern outsourcing, companies are outsourcing to other areas with low labour costs, low transaction costs and high production efficiencies.

Outsourcing can be undertaken through two approaches. The first approach is whereby a parent company sets up a subsidiary in another country. In this case the parent company has control over the outsourcing process. In the second approach, the parent company contracts an independent company to do a specific job, task or activity on its behalf (Ramachandran and Voleti, 2004). However, in both cases the parent company enjoys from various benefits including; lower direct costs of operations and economies of scale and access to modern systems and processes. On the other hand, outsourcing poses serious challenges to the parent company. This includes the threat of brand reputation, loss of control of transactions and
confidentiality of the data. Outsourcing may also compromise the security of the data and may also lead to a decline in the quality standards (Ramachandran and Voleti, 2004).

The BPO industry is currently undergoing robust growth. However, due to the rapid growth in BPO companies may be unable to retain productivity and quality of services offered. In addition, BPO firms may fail to take cognizance to the possible exit barriers and strategies if necessary. This may lead to a collapse of the industry as happened in the dot com era (Ramachandran and Voleti, 2004).

For BPO’s to grow there is need of a detailed oversight over the key success factors; capability to understand customer needs and specific domains in business acquisition. To amalgamate this key success factors is a prerequisite for the growth in BPO’s. If BPO’ companies are able to integrate the key success factors identified above, then the current trend of growth in BPO will continue (Ramachandran and Voleti, 2004).

According to the economic blueprint towards attainment of middle class income status by Kenya in the year 2030, business process outsourcing has been identified as a key pillar in economic growth and development. Further, Vision 2030 identifies business process outsourcing as an industrial sector that will creates thousands of jobs to unemployed youths in Kenya.

In pursuit of this goal of establishing a vibrant BPO industry in Kenya, the government has developed a roadmap that will see Kenya take advantage of its unique geographical position and it’s well developed ICT human resource base to become the preferred destination for outsourcing in Africa (GoK, 2012). The 2006 Kenya ICT Strategy, Collaboration and Outsourcing, launched by the president of Kenya, created the framework for Kenya to focus on global business process outsourcing as a way of generating jobs for young people and generating wealth for local entrepreneurs and investors (ICT board Kenya, 2012).

As an indication of how important this sector is to Kenya’s economic growth, BPO is one of the pillars in the government’s Vision 2030document. Kenya has also developed a policy framework and defined some strategic directions (Kenya ICT Strategy, 2006), one of which explicitly focuses on BPO as a key opportunity for realising the country’s ICT objectives. The Kenya BPO and Contact Centre Society was formed to set standards and provide for self-regulation while the Kenya ICT Board takes the lead in marketing Kenya abroad as a
BPO destination of choice. To address the bandwidth issue in this sector, the Kenya government, has taken a stop-gap measure of subsidising bandwidth costs through a grant from the World Bank while the country has witnessed the landing of 4 undersea fibre optic cables.

1.2 Statement of the Problem

Business process outsourcing has been identified as a major pillar to the attainment of vision 2030 (Kenya’s economic blue print towards attainment of middle class economic and income status by the year 2030). So important is BPO towards the attainment of vision 2030 that it has been identified as one of the strongest industries that will drive economic growth. The government has put substantial resources and focus on providing an enabling environment for the growth and proliferation of BPO’s e.g. investment in fiber optical cables for faster internet, international marketing and formulation and implementation of policies.

The role of BPO industries in the world has been studied by a variety of scholars and researchers with differing results and findings. Outsourcing varies from one country to another (Ramachandran and Voleti, 2004; Taylor and Wiggins, 1997; Click and Duening 2005; Prahalad and Hamel, 1994 and Waema (2009). All this studies have identified the role of BPO in the respective economies.

In Kenya, Waema (2009) among other scholars have provided evidence of critical success factors of business process outsourcing in Kenya. The study of Waema (2009) which was commissioned by the Ministry of Information and Communication identified the key success factors as a consequence of comparisons to the findings of other countries. The study did not focus on the key success factors as identified by the players in the industry. Further the study did not identify the benefits of Business process engineering and key challenges. This therefore leaves a research gap. The research gap exists in the provision of literature on the challenges facing the BPO’s in Kenya, the key success factors as identified by BPO companies and the benefits of BPO.

This study sought to fill this gap by researching on the practices, perceptions and opinions of current BPO companies on the challenges they encountered, the key success factors and benefits of BPO’s
1.3 Purpose of the Study
The purpose of this study was to identify factors affecting growth of business process outsourcing companies in Kenya.

1.4 Research Questions
The research questions of this study were:

1.4.1 What were the challenges facing BPO companies in Kenya?

1.4.2 What were the benefits of BPO in Kenya?

1.4.3 What were the key success factors for BPO companies in Kenya?

1.5 Significance of the Study
This study is significant and of importance to various stakeholders. The identification of challenges, benefits and key success factors will inform decision making to various stakeholders or interested parties. These include;

1.5.1 Government
The government will find the findings of this study very important to inform decision making and policy formulation. In deed, the government has identified BPO as a key and strong pillar for driving economic growth and attainment of the government’s economic blue print towards achieving middle income economic status by the year 2030 (Vision 2030). Therefore the government will find this study important as it will identify the challenges affecting current BPO providers in the country and formulate adequate policies and regulations to solve these challenges

1.5.2 BPO Organizations
BPO organizations will find this study very important to them. This study will draw experiences of other countries that have excelled in BPO’s especially India and Philippines. The study will identify the solutions implemented by the country and the outcomes of these solutions. Therefore this study will be important to the BPO’s as it will inform decision making of BPO to acquire competitive advantages. In addition, the BPO’s can use
recommendations of this study to lobby the government to develop appropriate policies and interventions.

1.5.3 Academic Fraternity

This study will be important to the academic family as it will contribute to existing literature. The findings of this study will be a plus to the existing literature on Business Process Outsourcing especially in Kenya. Further, this study will make recommendations on further studies or basis of further studies which could inform other researcher’s topics.

1.6 Scope of the Study

This study was conducted in the County of Nairobi. According to the Ministry of Information and Communication (2012), there were 15 BPO companies in Kenya dully registered and operating. These 15 companies provided the population and sample for the study. In addition, all this companies were located within the county of Nairobi thus restricting the scope of this study to Nairobi only. The study was conducted during the Month of April 2013.

1.7 Definition of Terms

1.7.1 Business Process Outsourcing: it is the movement of business processes from inside the organization to an external service provider (Click and Duening, 2005).

1.7.2 On-shore BPO: When an enterprise outsources its activities to another company located in the same country (Rajeev and Vani, 2008)

1.7.3 Near-shore BPO: When activities are outsourced to a neighboring country (Rajeev and Vani, 2008)

1.7.4 Off-shore BPO: When business processes are outsourced to a remote or far off country (Rajeev and Vani, 2008)

1.8 Chapter Summary

This chapter presents a background of the study, problem statement, research objectives, and scope of the study and significance of the study.
Chapter 2 of this study presents the literature review from other studies and researchers across the world. The literature review revolves around BPO practices, challenges faced by BPO companies, key success factors and benefits of BPO’s.

Chapter 3 presents the research methodology and framework utilized in the course of the study. In addition, the chapter articulates the research design, the population, the sampling design, sample size, data collection tools and procedures and data analysis.

Chapter 4 of this study presents the findings of this study based on data collected and analyzed.

Chapter 5 presents the discussion of the findings, conclusions and recommendations of this study.
CHAPTER 2

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the existing literature on business process outsourcing around the world. BPO is a concept that has been widely utilized by companies to cut costs and concentrate in their core business. It has given rise to an entirely new economic industry which some countries have competitively used to enhance economic growth and create jobs e.g. India, China and Philippines. However, the countries have faced challenges which this study will review. In addition, this chapter will identify the major benefits of BPO and what factors are behind the success stories in countries where BPO’s are flourishing.

2.2 Challenges in Business Process Outsourcing

Business process outsourcing can be defined as the delegation of one or more IT-intensive business processes to an external provider that, in turn, manages the selected processes based on defined and measurable performance metrics (Stone, 2004).

Business process outsourcing has grown rapidly with the growth and development of modern IT based technologies (Ramachandran and Voleti, 2004). However, business process outsourcing has also faced its fair share of challenges.

The process of outsourcing is very demanding. Power, Desouza and Bonifazi (2006), identified that business process outsourcing is a seven phased process. Further, for the success of the process, the organization must consistently implement the seven steps. This seven phases as identified by Power, Desouza and Bonifazi (2006), include; strategic assessment; needs analysis; vendor assessment; contract and negotiation management; project initiation and transition; relationship management; and continuance modification or exit strategies. If any step is performed inadequately or is omitted, outsourcing is doomed to failure. Further, organizational changes must be initiated and supported by top management.

Due to the heterogenous nature of process in BPO, the challenges that facing the sector are unique to each BPO, country or even company. However, most challenges facing BPO
companies transcend between business processes of human resource, logistics, finance and specialization.

Business process outsourcing companies are segmented using three variables; the types of services they offer, onshore outsourcing and offshore outsourcing. According to Ramachandran and Voleti (2004), Onshore BPO refers to outsourcing to a domestic or nearby vendor whereas offshore refers to the vendor from a different country. Further BPO’s can be classified into is discrete-process BPO, comprehensive BPO, and a multi-domain BPO (Stone, 2004). Discrete-process BPO refers to a single-process BPO where the vendor is responsible for only one process. In a comprehensive BPO, the vendor undertakes multiple business processes within a single support area, such as HR. Multi-domain BPO is more complex: The vendor supports various clients’ functions across multiple support groups (Stone, 2004).

Despite any of their classifications or categories, most of the challenges faced by BPO’s are homogenous. The major challenges facing Business Process engineering companies include:

2.2.1 Business AcquisitionChallenges

Internal opposition to outsourcing or off shoring is one of the main problems companies often encounter - can be caused by ill preparation in the organization. If outsourcing and off shoring is considered a change management project, then internal opposition can be explained using this framework (Palvia, 1995). How to manage organizational change from a planned change perspective has been illustrated by many different authors (e.g. Kotter, 1999; Lewin, 1947; Schein, 1964).

According to Yip et al. (1988) for a company to have a global strategy it must have a global culture, processes, structure and people which are all key elements to adapt during a change management process. Outsourcing and off shoring activities from the product development process will change power which will lead to some people benefitting from the change, and others losing from it, which could motivate resistance or support for the change (Hatch & Cunliffe, 2005).
2.2.2 Technology and Technical Challenges

BPO companies face technological and technical challenges. In BPO’s in technical areas such as engineering and software development, knowledge acquisition and retention is a major issue. According to Waema (2009), BPO companies in Kenya face a host of technical and technological challenges. According to him, BPO’s face the challenge of high cost of BPO technologies during start up. In addition, Waema noted that BPO’s in Kenya have to contend with high costs of bandwidth.

The knowledge based view of the firm suggests that a multinational corporation consists of physically dispersed knowledge systems with the ability to transfer and exploit knowledge across borders (Almeida et al., 2002; Grant, 1996; Kogut & Zander, 1993). An empirical example of the importance of knowledge and knowledge management outside Japanese and western culture is shown by Kiessling et al. (2009). Through a study of Eastern European companies it is shown that organizational firm knowledge management positively affected firm innovation, employee improvement and product improvement. It also showed the same positive effect in regard to employee knowledge on firm innovation, employee improvement, and product improvement. Off shoring or outsourcing often has far reaching consequences on knowledge creation, sharing and retention within the units which remain in the original location as these have to learn, grow and share together with the off shored or outsourced units. This can create organizational challenges like those seen in other restructuring and change management projects. A case in point is when Coloplast A/S off shored production to Hungary and encountered organizational challenges such as the transformation of organizational structures (like IT) to facilitate the relocation of production systems, and human resource aspects, such as limiting attrition rates, transferring knowledge effectively, and limiting social hardship (Nielsen et al., 2008).

2.2.3 Human Resource Related Challenges

According to Deepak (2013), majority of business process outsourcing companies face human resource related challenges. According to him, most of the prospective employees in BPO’s have the perception that working in a BPO company does not require much skill. According to Deepak (2013), employees and employers in BPO companies feel that any person with interpersonal skills, communication skills and a basic education are employable after some training. This is a major challenge facing most BPO’s across the world.
Another human resource related challenge identified by Deepak (2013), is high attrition rates in BPO’s. According to him, attrition' means a gradual reduction in the number of people working in a company due to retirement, resignation, or death. The rate of attrition in the BPO industry in India is currently nearly 50%. Attrition in individual firms varies from 15% in the larger firms to up to 40% in the smaller ones. Analysts believed that if this left unchecked, there would be a shortage of professionals (Deepak, 2013).

In their study, Deshpande, Sharma, Karan and Sarkar (2004) noted that lack of appropriate trained and educated employees is a major challenge facing BPO’s in India. According to them, jobless growth in India has been a policy concern for the government. This has created constrains to the BPO’s as they do not have a sufficient pool to draw their employees from. This has affected negatively the quality of service offered by BPO’s.

2.2.4 Cultural Challenges

The second dimension and often underestimated factor in outsourcing is culture. The outsourcer must consider that cultural differences can be significant in the success of the sourcing. Particular points are norms and values, daily habits and of course religion. "Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster” (Hofstede, Hofstede, & Minkov, 2010)

Culture is a “dynamic phenomenon” that is constantly evolving and is created by “interactions with others and shaped by leadership behaviour, and a set of structures, routines, rules, and norms that guide and constraint behaviour” (Schein, 2004). Culturally, organizations must deal with two sets of problems: “survival, growth and adaptation in their environment and internal integration that permits daily functioning and the ability to adopt and learn” (Schein 2004).

It is crucial that both parties understand the critical differences between their cultures. Particularly the outsourcer, since they are the guests in another country. A good example is that Indians are having problems in saying ‘no’ to a superior. When asked if they fully understood the task that was given them, they have the tendency of saying ‘yes’ (Winkler, Dibbern, & Heinzl, 2008).

These important differences reflect on the work floor and therefore both parties should learn each other’s culture to get one step closer to successful outsourcing. With higher values of
PDI it indicates an increased fear of consequences and communication gap. In fact two of the three survey questions used by Hofstede for measuring PDI were related to employees’ fear of disagreeing with their bosses and the latter autocratic behavior (Hofstede, Hofstede, & Minkov, 2010). PDI: Is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. In other words, both leaders and subordinates endorse inequality. India is an example of a country with a high PDI.

2.2.5 Data Integrity and Intellectual Property Issues

Companies are transferring a lot of sensitive and specific information to outsource knowledge-intensive processes, directly affecting operations in the areas of human resources, finance and accounting, procurement, supply chain management and customer care processes, to their BPO partners. Data security and privacy are an important concern for western clients, when dealing with BPO companies. This is especially in developing countries where they are yet have fully developed intellectual property protection and enforcement mechanisms (Bird, 2006).

Due to international pressure, most developing countries progressing towards compliance with international property protection laws, but is doing so at the slowest pace possible, while avoiding sanctions from other countries (Bird, 2006).

All matters related to confidentiality will thus need to be handled at business to business level. Mukerji (2008) notes that, due to the fact that Indian firms are extremely aware of their perceived lack of security, the leading players have set in place their own security standards, which comply with international security standards. However this is not as reassuring as appropriate acts on country level would be.

Unfortunately, even the acts that have been set into place, due to international pressure, are under threat from an enforcement perspective. India currently has a large number of acts that are not properly implemented (Meenakshi & Vani, 2008). Litigation cases are proceeding at a glacial pace through Indian courts (Bird, 2006).
2.2.6 Policy and Regulation Challenges

According to Waema (2009), the major challenges facing the BPO industry is the lack of a specific BPO policy. Kenya lacks specific BPO sector policy as pledged in the medium term plan of the Kenya Vision 2030. This policy should, among other things demonstrate a strong commitment by the Government by outsourcing some of its services; address standards in the ICT-BPO sector, address incentive scheme for BPOs and align with Kenya Vision 2030.

Other policy and regulation challenges faced by BPO’s in Kenya are: lack of a BPO strategy and weak monitoring and evaluation framework. According to McKinsey (2006), the go to market strategy approach used by the government has serious shortcomings and does not fully take into account the situational analysis.

The government has also not in place an adequate incentive structure to enhance BPO growth in Kenya. This is in comparison to incentives offered by other countries competing with Kenya e.g. India, these include liberalized norms for investments of up to 100% foreign equity with full repatriation benefits, fast track clearance of goods imported by manufacturers of electronic goods, and additional resources from the government for technical manpower development. In Mauritius, there is free repatriation of capital and profits without any prior Central Bank approval, dividends from companies resident in Mauritius and from holders of Regional Development Certificates are tax-free, and a ’Work & Live in Mauritius’ department which has been set up within the Board Of Investment (BOI) as a single-facing service counter to expedite formalities for individuals and investors setting up in Mauritius. In South Africa, there is export Market and Investment Assistance, encouragement of the growth of offshore outsourcing, through marketing the services of those exporting services. Software development and the private sector associations in South Africa also receive funding (an incentive) from the government (Waema, 2009).

2.3 Key Success Factors

IT-based BPO is the fastest growing business globally. Its phenomenal growth can be attributed to technological advancements, such as the Internet and mobile services, which have reduced communication costs and facilitated the internationalization of business processes and services (Mahnke et al., 2005). According to Abdullah et al (2006), there
several factors that multinationals identify or associate with several countries that make them prefer BPO Company in those countries over others.

According to Waema (2009), Kenya faces various challenges in the BPO sector. However, according to participants in the industry, the country also has key success factors. According to him, Kenya has a high chance of being a favorable outsourcing destination if correct measures are put in place. Waema (2009) contends that Kenya has key strengths, including a highly skilled and competitive pool of labour, neutral English accent, strategic location as a regional hub for communication and finance, and production of over 30,000 and over 250,000 university high school graduates annually, respectively. In addition, Kenyans generally have a warm and welcoming culture/attitude, due to the predominance.

It has been suggested that communication infrastructure, industry association, education system and training, English language proficiency and communication style, and working style is very important for BPO (Kumar and Joseph, 2005; Kang, 2008; Overby, 2010)

Winkler, Dibbern and Heinzl (2008) mention offshore country characteristics to influence the general advantages and disadvantages of offshore business process outsourcing. They divided these characteristics into three groups: geographic distance, cultural differences and institutional influences.

2.3.1 High Literacy Levels

According to Rajeev and Vani (2007), the key success factors for BPO in India are the high levels of education. According to them, India has a number of advantages compared to many other developing countries. Historically, Indian government has invested heavily in higher education, which resulted in creation of a large pool of educated manpower. In the post independence era private educational institutions too have played a major role in producing a large number of scientific and technical manpower. In addition, current emphasis on IT education, both by the government and private institutions, ensuring advancement of IT industry has helped ITES sector too to develop at a rapid pace.

Traditionally, English language skill is high amongst the Indian population as well, compared to many other Asian countries. More crucially, given the rupee-dollar exchange rate coupled with a large supply of skilled manpower, Indian labor turned out to be considerably less expensive for the US business enterprises. According to a case study prepared by Outsource
Partners International, it costs a typical regional US CPA firm $255 to prepare an average individual tax return. On the other hand, outsourcing intermediaries such as Xpitax charge between $75 and $110 to prepare a tax return in India. These numbers translate into a savings of 57% to 71% per tax return processed (Pinto, 2005). Such recognitions have further enhanced the attractiveness of India as an off-shoring location.

Despite Taylor and Bain (2003b) reporting that India produced a large pool of computer-literate, undergraduates, and post graduates each year; they were given effective training before commencing careers in BPO.

2.3.2 Geographical Distance

Geographic distance is mentioned by several articles as one of the major drawbacks of off shore business process outsourcing (Carmel & Agarwal, 2002; Rao, 2004; Dibbern et al, 2008). Geographic distance influences knowledge transfer, coordination and monitoring (Dibbern et al, 2008). On the other hand, geographical distance has been described by some studies as key success factors for the growth of BPO’s. Geographical distance can be discussed based on three factors, Time zones, communication networks and English language skills

2.3.2.1 Time Zone Differences

Time zone differences are a natural outgrowth of large geographical distance separating collaborating teams (Rao, 2004). Time zone differences have been mentioned by authors as an advantage for IT outsourcing projects, as it can result in round the clock services (Sharma et al, 2005; Chanda, 2008; Dibbern et al, 2008). Knowledge transfer, coordination and monitoring sessions are however more important in business process outsourcing, due to the strategic and knowledge-intensive character of these projects. Time zone differences interfere with the possibilities of having these sessions.

While time zones have been identified as a drawback to BPO’s in India, it is described as a key success factor in Kenya, South Africa and Egypt. Ghana has also identified its time zones as a key success factor for BPO growth (Waema, 2009). According to the Kenya ICT Board, the strategic location of Kenya is a plus in its efforts to grow BPO’s. This is a position supported by Vision 2030.
2.3.2.2 Communication Networks

The ability to transfer knowledge and to coordinate and monitor the project, when involved parties are separated by thousands of miles, depends heavily on the quality and reliability of a country’s communications network (Rao, 2004). The global competitiveness report for 2009-2010 ranks India 103rd out of 133 countries with regard to the quality and availability of telephone lines. India is, however, making dramatic efforts over the last few years in improving the bandwidth situation and the reliability and costs of telecommunications (Sharma et al, 2005). India has privatized its telecom industry, which is leading to a growth in offer of this service of about 20% a year, reduced tariffs, and improved quality (Chanda, 2008). Furthermore, it has build submarine cable networks to improve bandwidth available for business process outsourcing vendors in India (Sharma et al, 2005).

Similarly, BPO in Kenya has been expected to grow with the arrival of 4 sub marine cables that connect the country to the outside world. The arrival of the submarine cables led to an increase in the connectivity of the country which is expected to enhance BPO growth in the country (Waema, 2009; Daily Nation, 2013). However according to Gaitho (2013), despite the arrival of sub marine cables which increased internet speeds, the BPO sector is yet to reap the benefits due to the high costs of bandwidth.

2.3.2.3 English Language Skills

In Kenya, the availability of a work force that is highly educated is a major key success factor for the BPO sector. In addition, the English standards in Kenya are very high and similar to those of most countries (Waema, 2009). The English language in Kenya is similar and borrowed from Britain. This is a consequence of colonization of Kenya by Britain.

Communication in business process outsourcing projects will mostly be done in English, due to the fact that client and vendor are based in different countries and mostly have different native languages. There is some misperception with regard to the English speaking capabilities of Indian workers, which, if not taken into account, can cause the outsourcing project to not have the expected outcomes.

Meenakshi and Vani (2008) mention that although India has a large number of graduates who supposedly possess good English language skills, this skill level is not always up to mark. Difference in language skills and language use can cause difficulties in communication and
misunderstandings (Winkler et al, 2008) in knowledge transfer, coordination and monitoring phases. Even if the client and vendor do both possess native English skills, the dialects used in India and for example the US differ, causing key points to become distorted in the interpretation (Power & Bonifazi & Desouza, 2004). However, the English direct in Kenya is similar to that of UK and America which is a major strong point for BPO’s in Kenya (GOK 2012, Waema, 2009).

2.3.3 Infrastructure

Institutional influences are deeply embedded into offshore business process outsourcing (Kshetri, 2007). According to various scholars, the availability of infrastructure has been identified as a major key success factor to BPO growth. Infrastructure in India is mentioned, in the global competitiveness report 2009-2010 and the NASSCOM 2010 strategic review, as the most problematic factor in doing business.

Major cities, like Mumbai and Bangalore, are nearing peak capacity in terms of infrastructure support. Additional locations will need to be developed to support major delivery locations.

Most important infrastructural items, related to business process outsourcing, are the lack of office space in major cities, and related rising rental and real estate prices, electric supply and the already mentioned availability and quality of telephone lines (Giridharadas, 2007; Chanda, 2008). According to the global competitiveness report 2009-2010 the quality of electricity supply in India is ranked 106th. Although government is, together with private investors, addressing the infrastructure bottlenecks, as discussed below, the implementation of these improvements is slow and challenging (Asher & Srivastava, 2003).

On the contrary, the growth in the infrastructural framework has been identified as a major success factor for BPO’s in Kenya. According to the ICT Board (2012), BPO association (2012) and Waema (2009), the robust growth in the various sectors of the economy presents opportunities for the setting up of BPO’s. According to them, there is a rapid growth in offices, residential buildings and other infrastructural amenities which will enhance growth of BPO in Kenya. In addition, the government is committed to the development of requisite infrastructure with the construction of a technopolis for BPO and other companies “Konza
city” (GOK, 2012). It is expected that the investments in the infrastructural framework will lead to a growth in BPO companies in Kenya.

2.3.4 Government Policy and Conditions

Political conditions, which influence business process outsourcing, can be divided into three main factors, namely government policy, education and political risk.

Government attitude, towards markets and freedom, is very important for a country’s competitiveness. According to Sebastian et al (2006), efficiency in governments is often perceived as a major success factor for growth of BPO’s. On the other hand, Bureaucracy is mentioned as the most important issue for companies doing business in BPO industries. Access to government offices, too many cumbersome forms to fill, lack of coordination between government departments in processing forms and long periods of waiting for approvals after filling forms are examples of bureaucratic issues. This is a proposition supported by Waema (2009). However, governments are trying to enhance efficiency and improve the working environment through policy measures such as; Removal of entry barriers against foreign companies, tax incentives for companies engaging in business process outsourcing and taking measures to make faster and cheaper data communication facilities available, including permitting foreign investments in laying submarine cables (Kumar & Joseph, 2005).

In addition, governments have pioneered the development of umbrella BPO bodies to spearhead growth of the industry. In Kenya there has been the establishment of Kenya BPO companies association and the ICT board to spearhead BPO activities in the country (Waema, 2009). India also has a very active business process outsourcing industry association, namely NASSCOM. This association is in constant discussion with government and industry partners to take action to develop further policy and laws to capture the opportunities in the business process outsourcing market and mitigate future risks (NASSCOM strategic review, 2010).

One of the factors, that drive global outsourcing of business processes to India, is the availability of skilled labor. Most governments are also spearheading the development of training courses in BPO to enhance skills in BPO companies. According to the Ministry of Information and Communication, Kenya (2012), the government with partnership with
institutions of higher learning have introduce BPO specific courses in several institutions e.g. Multimedia University.

It is estimated that India has about 2 million college graduates, and 0.3 million postgraduates. These figures are impressive, but Kirkegaard (2007) mentions a potential 500,000 shortfall in qualified Indian employees by the end of 2010, if current growth rate continues. This is mostly caused by the fact that only about 25% of Indian university graduates are suitable, and geographically available, for work in a multinational environment (Kirkegaard, 2007). Educational mismatch is resolved mostly by internal training, by Indian business process outsourcing providers. India is mentioned in the global competitiveness report 2009-2010 to be 34th out of 133 countries in the extent of staff training. Companies like IBM, Accenture, and Genpact are known for their training programs to bring workers up to speed (KPMG, 2009).

2.4 Key Benefits

Theoretical literature mentions several advantages of business process outsourcing. These can be roughly divided into three categories, namely cost reduction, focus upon core competence, and access to provider’s technology and skills (Kakabadse & Kakabadse, 2002; Yang et al, 2007; Mehta et al, 2009).

2.4.1 Employment Creation

According to Rajeev and Vani (2007), BPO industry has enabled the government to create much needed jobs and employment opportunities. According to them, BPO’s in India have created sustainable employment to graduates and non graduates.

In India, a NASSCOM study reported that in 2002, the BPO industry provided jobs for over 100,000 young people and this figure may rise to about 1,100,000 in 2008. Thus development of this sector can have significant and direct impact on the economy through employment generation.

BPOs employ a number of persons for lower category jobs and thereby generate employment for lower income category as well. Most BPOs provide transport facility to its employees and some bigger BPOs like Mphasis have above 800 private vehicles for transportation. This in turn provides employment opportunity to the lower category jobs like drivers. Similarly
BPOs have substantial demand for security persons who are recruited on contract basis. They pay much higher than market wages (as efficiency wages) to this lower category contract workers (Rajeev, 2005).

In addition to employment creation, BPO enhance income generation. According to the study by Rajeev and Vani (2007), there were higher disposable incomes for the employees of the BPO’s. the incomes generated by the employees was consumed in local towns which helped other businesses to grow in the cities.

2.4.2 Cost Benefits

In a recent Outsourcing Institute survey (2010), companies reported that on average they saw a 9% reduction in costs through outsourcing. According to Belcourt (2006), outsourcing of business activities often leads to reduction of costs. This is supported by the findings of Overby (2003) who noted that when making the outsourcing choice, the decisive factor is cost reduction.

Business process outsourcing is a strategic decision that affects the entire organization. The most common motivation for BPO introduction is cost reduction. This is not a valid approach and it leads to trouble. Abraham and Taylor (1996) believe that one of the main causes for global outsourcing is high-wage organizations taking advantage of low market wage rates, e.g. in overseas countries, stronger strategic reasons. Beverakis, Dick and Cecez-Kecmanovic (2009) argue that the most important reason is to become more competitive in the marketplace; by reducing its operational costs, and establishing a global presence.

Traditionally, outsourcing was a means of lowering cost of production and processes (Kakabadse & Kakabadse, 2005). Customers being more cost-conscious is causing a major shift in business process outsourcing adaptation and quickly increasing spend on business process outsourcing by companies worldwide (Yang et al, 2007). In general, companies can profit from cost reduction and restructuring for the following reasons:

Often, the implementation of BPO brings with itself significant organizational changes; therefore all arguments in favour must be closely examined. The reasons are (Power, Desouza & Bonifazi, 2006): cost savings; focus on core business; access to resources and knowledge; growth in global knowledge; increased sophistication of IT (Information Technology); and global diffusion of knowledge.
Outsourcing often leads to cost reductions by outsourcing business processes to lower wage countries (Doh, 2005; Alon & Herbert & Munoz, 2007). Further, outsourcing of business processes can obtain economies of scale (Kakabadse & Kakabadse, 2002; Conklin, 2005; Mehta et al, 2006; Wadhwa & Ravindran, 2007). Economies of scale can be obtained when a supplier is able to standardize tasks, by using their own technology, and offer the service to more clients, while reducing the number of employees needed to handle specific activities (Kakabadse and Kakabadse, 2002).

Companies should however take into account that consolidating tasks of multiple clients and using vendor’s technology is not always in the company’s best interest as they might benefit greatly from greater accuracy, reduced cycle time, or a tighter security level than initially offered by vendor (King, 2007).

The possibility to transform fixed costs into variable costs is another cost benefit for outsourcing (Alexander & Young, 1996). Companies are looking for ways to cope with demand and cost fluctuations. Outsourcing business processes should allow companies to cope better with demand fluctuation, because of economies of scale and related consolidation of work from several clients, more flexible management or work practices, and alternative use of spare capacity (Alexander & Young, 1996).

Additional advantages in the cost restructuring category are capital cost reduction (Kakabadse & Kakabadse, 2002), and increased measurability of costs (Quélin & Duhamel, 2003).

2.4.3 Concentration on Key competencies

Many articles mention an increased focus on the organization’s core competencies as important benefit of business process outsourcing (Zhu & Hsu & Lillie, 2001; Quélin & Duhamel, 2003; Hollcomb & Hitt, 2007; McIvor, 2008). Outsourcing non-core activities will allow a firm to increase managerial attention and resource allocation to those tasks it does best (Gilley & Rasheed, 2000). Focusing on the core competencies, and finding more qualified partners to provide other functions, will allow companies to enhance the core capabilities that drive competitive advantage in their respective industry (Gottfredson & Puryear & Philips, 2005).
Organization’s core competencies can be characterized by three elements, according to Prahalad and Hamel (1990), and Arnold (2000). Customers perceive their characteristics to be relevant. Core competencies should make a significant contribution to the perceived customer benefits of the end product.

Core competencies should be difficult for competitors to imitate in order to deliver a sustainable competitive advantage. Core competencies should be useable for multiple purposes and should provide potential access to a wide variety of markets.

2.4.4 Access to Providers Technology and skills

Access to provider’s technology and skills is another advantage of business process outsourcing (Kakabadse & Kakabadse, 2002). Companies can obtain access to specialized technology and operational platforms they would otherwise not have access to or cannot develop on their own (Wadhwa & Ravindran, 2007). Expected results of access to provider’s technology and skills include; coping better with rapid technological change, improvement of services (Zhu & Hsu & Lillie, 2001), and enhancing existing competencies and creating new ones by establishing long term relationships between client and vendor (Mehta et al, 2006).

Business process outsourcing for this reason, according to Baden-Fuller, Targett and Hunt (2000), is sensible to do when a company is under threat in one of the below four circumstances; Catch-up – Despite a slow moving environment the firm has fallen behind its competitors. Changing Value Chains – The firm must respond to changing customer needs. Technology Shifts – The firm’s core is outdated because of new technology. Emerging Markets – New markets are available to the firm because of rapid changes in technology and customer demand.

2.4.5 Other Benefits

According to Rajeev and Vani (2007), 70% of the clients from developed countries visit a BPO firm before signing a contract. General infrastructure of a city plays important role in attracting such potential clients. Therefore there is substantial pressure on the state governments to improve infrastructure. Such commercial source of demand for public good like infrastructure may significantly influence government policies. Furthermore, human capital formation and developed infrastructure would not only raise productivity level of BPO
sector, but would have spill over effects on productivity of other sectors as well (Rajeev and Vani, 2007).

In addition, BPO’s often lead to balance regional development. According to Bhide, Vani and Rajeev (2006), Unlike a standard manufacturing firm, technology involved in a BPO is such that a firm need not locate itself in a particular region (e.g. near the source of raw materials). Given the telecom network and internet facility, it can operate from any location. Different state governments have come up with 2 or 3-tier city development programs for IT and BPO industry. In particular, technology parks have been established in smaller cities, which provide telecom broadband facility. In their study, Rajeev and Vani (2007) found that, operating from a smaller town can reduce cost to 20 to 30% and thereby help a firm to remain competitive. In fact, in India the BPO wages in the towns had exceeded corresponding wage levels in China, a potential BPO competitor for India (Bhide, Vani & Rajeev, 2006). In India, a few well-known BPO companies like Mphasis, HSBC and others have already opened their operations in 2-tier cities. Such trends not only reduce operating costs for the firms and help them remain competitive, also facilitate smaller towns and cities to grow and thereby bringing a reduction in regional imbalances (Rajeev and Vani, 2007).

Not to forget cost reduction in telecommunications, higher level of computerization and information on higher level of education, mobile technology, e-mail, video conferencing, web conferencing, instant messaging and other collaborative tools. Access to resources is important for all organizations; ownership of resources is only of secondary importance. Similarly Brown and Wilson (2005) list ten arguments for outsourcing: accelerate re-engineering benefits; gain access to world-class capabilities; earn cash back; release resources for other purposes; re-evaluate problematic functions; improve company focus; make capital funds available; lower operating costs; minimize risk; and gain access to resources not available internally.

2.5 Chapter Summary

This chapter presents the literature review of on Business process outsourcing in Kenya and around the world. It reviews literature on the challenges, key success factors and key benefits of BPO companies. Chapter 3 below presents the research methodology and framework applied in the course of the study.
CHAPTER 3

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered the description of the research design and methodology that was used in the study.

Research methodology guides on the orderly resolution of a research problem. It indicates the various steps adopted by a researcher in studying a research problem (Kothari, 2004). According to Sumser (2001), research methodology ensures the honesty, bias and reduces error of the research. In addition, a research methodology enhances the validity and accuracy of a study.

3.2 Research Design

A research design is defined as the structure of research (Kombo & Tromp, 2006; Babbie, 2002) defined research design as the process of collection and analysis of information in a manner that seeks to combine research relevance and integrates economy. This study adopted a descriptive research design. A descriptive research design sought to identify and describe patterns, characteristics and demographics of a population. This study sought to identify and describe the patterns and characteristics of business process outsourcing in Kenya. It sought to identify the challenges, key success factors and benefits. Therefore a descriptive study was considered justified for use in this study.

The descriptive research design involved a set of methods and processes describing variables (Babbie, 2002). It involved gathering data, describing events, organizing the data and tabulating the information.

3.3 Population and Sampling Design

3.3.1 Population

A population can be described as elements in a group that share the same characteristics or values (Mugenda and Mugenda, 2003). A population is the entire group of elements that have
at least one thing in common (Kombo and Tromp, 2006). In this case, the population of the study included all the companies that were dully registered and operating in Kenya as business process outsourcing companies.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
The sampling frame includes all the elements in a population. It is from the sampling frame that a sample is derived. In total there were 15 companies that were dully registered and operating in Kenya as business process outsourcing companies (ICT Board Kenya, 2012). These companies formed the sampling frame of this study.

3.3.2.2 Sampling Technique
Due to the small size of the sampling frame, the study included all the elements and therefore was a census study i.e. all the elements in the study were included in the study. According to Mugenda and Mugenda (2003), when the population of a study is small a census study is more appropriate.

3.3.2.3 Sample Size
The sample size of this was 15 companies. Using random sampling technique each element in the sampling frame was given an equal chance for inclusion in the study.

3.4 Data Collection Methods
This study utilized primary data. Primary data is data collected for the first time and for the express use in a specific study (Mugenda and Mugenda, 2003). Data for this study was collected using a questionnaire developed for the express use in this study.

A questionnaire was justified for use in this study due to the apparent benefits associated with questionnaires as provided by Odhiambo et al (2010). According to Odhiambo et al (2010), a questionnaire was easy and cheap to administer, it removed the researcher variance and was convenient as a data collection tool to both the researcher and respondent.

Questionnaires for this study were formulated, pre-tested, edited and then administered to the respondents. The questionnaire was formulated to contain open and closed ended questions.
aimed at providing answers to the research questions of this study. The questionnaire was structured into 4 parts; introduction, challenges, key success factors and benefits respectively.

In addition, this study sought to identify the perception of the various users of BPO companies in Kenya i.e. customers. Data for these purposes will be collected from secondary sources i.e. articles, publications, document reviews and papers. Since most of the customers of BPO’s are located outside the country, and BPO companies are unwilling to divulge their information, data on the performance of BPO companies in respect to customers could only be gauged through secondary sources.

3.5 Research Procedures

Questionnaires were formulated for data collection. The formulated questionnaires were pre-tested for completeness and adequacy with two of the managers in BPO’s in Kenya. After pre-testing, the changes required, additions and editing were effected in the questionnaire.

After editing the questionnaire was administered to the respondents for data collection. Administration of the questionnaires was through personal deliveries and emails where possible. Distributed questionnaires were expected to be completed and sent back within two days.

To ensure a high response rate, the researcher undertook follow up of the respondents with emails and phone calls to remind them to complete the questionnaires and send them back. Collection of completed questionnaires was done through personal picking or emails.

3.6 Data Analysis Methods

After collection of questionnaires, they were inspected for completeness and errors. Errors noted were edited and cleaned. After editing and cleaning, questionnaires were coded where questions represented variables and responses were assigned codes. Coded questionnaires were keyed into Statistical Package for Social Sciences v. 16 for analysis. Analysis of data was done through statistical measures of means, percentages, modes, standard deviations, minimums and maximums. Analyzed data was presented using frequency distribution tables and figures.
3.7 Chapter Summary

This chapter presents the research methodology applied in the course of the research. The study adopted a descriptive research design and was a census study where all elements in the population were included in the study. Chapter 4 below presents the findings and results of the data collected and analyzed.
CHAPTER 4

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the findings of this paper as analyzed from the data collected. Data analyzed was collected from 15 questionnaires. In Chapter 3, the researcher indicated to distributing 15 questionnaires indicating a 100% response rate. This was enhanced by the researcher being present at the time of completion of the questionnaire. The BPO’s included in this study are as listed in Appendix II.

This chapter is divided into four segments. The segments are: background information, challenges faced by BPO’s, key success factors for BPO’s and Benefits of BPO’s.

4.2 Background Information

This section presents the background information of business process outsourcing companies in Kenya.

4.2.1 Performance of BPO’s

According to all the respondents included in this study, they agreed that performance of business process outsourcing companies in Kenya was not up to their expectations. According to them, rated on a scale of 1 to 5 (5 being the best performing), BPO’s in Kenya performed poorly with a mean rating of 2.3. The corresponding standard deviation of the ratings was 0.92 with a mode rating of 2 as shown in Table 4.1 below:

<table>
<thead>
<tr>
<th>Performance of BPO Sector</th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15</td>
<td>1</td>
<td>4</td>
<td>2.3</td>
<td>0.92</td>
<td>2</td>
</tr>
</tbody>
</table>
4.2.2 Kind of Business

According to 20% of the respondents in this study, their companies offer onshore Business process services (within Kenya and its close neighbors), 67% of the respondents indicated that they provided offshore business process outsourcing services (countries far from Kenya) and 13% offered both offshore and onshore BPO services as shown in Figure 4.1 below:

![Figure 4.1: Kind of BPO Business](image)

4.2.3 Description of BPO Sector

Majority of the respondents to this study (60%) indicated that business process outsourcing was a growing industry in Kenya as opposed to 40% of respondents who indicated that business process outsourcing was at its initial stages as shown in Figure 4.2 below:

![Figure 4.2: Description of BPO Sector](image)
4.2.4 Service Offered

According to 6% of the respondents they offered financial services, 17% of the respondents provided IT services, 37% of the respondents to this study indicated that they provided call center services, 34% of the respondents indicated providing data entry services and 6% of the respondents provided transcription services respectively as shown in Table 4.2 below:

Table 4.2: Services Offered

<table>
<thead>
<tr>
<th>Service Offered</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services Outsourcing</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>IT services</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Call Center</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Data Entry</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Transcription</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

In addition, this study found that majority of the business process outsourcing companies in Kenya have been in operation for between 2 – 5 years with an 87% proportion. On the other hand, 13% of the respondents had been in operation for less than 2 years as shown in Figure 4.3 below:

Figure 4.3: Length of Operation
4.2.5 Competitors

According to 20% of the respondents, their major competitors were BPO’s within Kenya i.e. local BPO companies. However, majority of the BPO’s (80%) indicated that international BPO’s were their major competitors in the business place as shown in Figure 4.4 below:

![Figure 4.4: Major Competitors](image)

In addition, 67% of the respondents to this study indicated that Kenya should emulate India in the offering of BPO services to customers. However, 33% of the respondents indicated that the country Kenya should emulate is the Philippines as shown in Figure 4.5 below:

![Figure 4.5: Country Kenya should Emulate](image)
4.3 Challenges Faced by BPO’s

According to all the respondents in this study, business processing companies face various challenges. Some of the challenges identified by the respondents included: financial challenges, regulatory framework, lack of government support, high tax rates, high internet costs and competitive challenges.

4.3.1 Employee Related Challenges

According to all the respondents in this study, BPO’s in Kenya faced employee related challenges. Some of the employee related challenges facing the BPO sector included: high employee turnover and lack of trained employees to work in BPO’s.

4.3.1.1 Commitment of Employees

According to 80% of the respondents to this study, employees working in BPO’s in Kenya were committed to their jobs. However, 20% of the respondents indicated that employees working in BPO’s were not committed to their jobs as shown in Figure 4.6 below:

Figure 4.6: Commitment of Employees
4.3.1.2 Characteristics of Employees

According to all the respondents in this study, majority of the employees working in BPO’s were between the ages of 18 – 35%. This indicates that in all the BPO’s most of the employees are youths. Further, 13% of the respondents indicated that the basic qualification requirement for their employees is an O-Level education. However according to 87% of the respondents, the basic level of education for employment in the BPO was 87% as shown in Figure 4.7 below:

![Figure 4.7: Basic Education Qualification](image)

4.3.1.3 Training of Employees

According to all the respondents in this study, they trained their employees before deploying them to work in the BPO’s. However, only 60% of the respondents indicated that the training offered was adequate for the employees to effectively undertake duties allocated to them in BPO’s. Forty percent of the respondents indicated that the training offered was not adequate for efficient provision of BPO services as shown in Figure 4.8 below:
4.3.1.4 Employee Attrition

According to 60% of the respondents frequent employees absence from work was a major challenge facing BPO’s in Kenya. However, 40% of the respondents did not find employee absence as a major challenge facing BPO’s in Kenya. This is as shown in Figure 4.9 below:

Employee attrition was identified by 80% of the respondents as a major challenge facing BPO’s in Kenya. However according to 20% of the respondents, employee attrition was not a
major challenge facing BPO’s in Kenya. Employee attrition meant employees death, resignation or change of jobs in this respect.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>12</td>
<td>80</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

### 4.3.1.5 Shortage of Employees

According to 80% of the respondents, there was a shortage of personnel in the BPO sector. Further, the shortage of personnel was a major challenge to the growth of the BPO sector. However, 20% of the respondents did not find a shortage of employees to work in BPO’s this is as shown in Figure 4.10 below:

![Shortage of Employees](image)

**Figure 4.10: Shortage of Employees**

### 4.3.2 Financial Challenges

According to all the respondents in this study, all the BPO’s in Kenya faced financial challenges in one way or the other.
Further according to the 21% of the respondents, operating costs were the major financial challenges facing the BPO sector, 28% of the respondents indicated that financial challenges involved lack of capital, 14% indicated that financial challenges were due to delayed payment, 26% indicated that financial challenges were working capital challenges and 12% of the respondents indicated other financial challenges e.g. lack of collateral to access credit and high interest of credit facilities as shown in Table 4.4 below:

Table 4.4: Financial Challenges

<table>
<thead>
<tr>
<th>Financial Challenge</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Lack of Capital</td>
<td>12</td>
<td>28</td>
</tr>
<tr>
<td>Delayed payment</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Working Capital</td>
<td>11</td>
<td>26</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.3 Expectation of Customers Challenges

Respondents to this study rated the expectations of their customers at 4.36 on a scale of 1 to 5 with 5 being the highest expectations. According to the respondents, customers expect very high quality services from them. The standard deviation of these findings was 0.39 with a mode of 4. The minimum and maximum ratings were 3 and 5 respectively as shown in Table 4.5 below:

Table 4.5: Rating of Customer Expectations

<table>
<thead>
<tr>
<th>Expectations of Customers</th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectations of Customers</td>
<td>15</td>
<td>3</td>
<td>5</td>
<td>4.36</td>
<td>0.39</td>
<td>4</td>
</tr>
</tbody>
</table>

In addition, this study found that according to 67% of the respondents, they met the expectations of their customers. However, 33% of the respondents did not meet the expectations of their customers as shown in Figure 4.11 below:
Further according to 20% of the respondents they always met the customer expectations. Sixty percent of the respondents met the expectations of their customers often and 20% met the expectations of their customers’ occasionally as shown in Table 4.6 below:

Table 4.6: Frequency of Matching Customer Expectations

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td>Often</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Occasionally</td>
<td>3</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.3.4 Job Related Challenges

Majority of the respondents to this study (53%) indicated that to them, jobs in BPO’s were viewed as attractive to current and potential employees. However, 47% of the respondents to this study indicated that, jobs in the BPO sector were unattractive to potential and current employees alike as shown in Figure 4.12 below:
According to all the respondents in this study, they are key success factors to BPO’s in Kenya. According to the respondents, the major success factors for BPO’s in Kenya are: increased awareness of BPO’s, lower internet costs, faster and reliable internet access, identification of BPO as a key pillar to the attainment of vision 2030 and increased international visibility of BPO’s in Kenya due to concerted marketing efforts.

### 4.4.1 Demand of BPO Services

According to 73% of the respondents, there is a demand of BPO services in Kenya. However, 27% of the respondents did not perceive demand of BPO services in Kenya as shown in Figure 4.13 below:
In addition, the respondents were requested to rate the levels of demand on a scale of 1 to 5 with 5 being very high demand. According to the respondents, the demand of BPO services in Kenya is average with a mean rating of 3.52 and a standard deviation of 0.72. The modal demand rating was 3 with a minimum rating of 2 and a maximum rating of 5 as shown in Table 4.7 below;

Table 4.7: Rating of Demand of BPO Services

<table>
<thead>
<tr>
<th>Demand of BPO services in Kenya</th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15</td>
<td>2</td>
<td>5</td>
<td>3.52</td>
<td>0.72</td>
<td>3</td>
</tr>
</tbody>
</table>

4.4.2 Availability of Skilled Employees

According to 80% of the respondents, there is availability of skilled employees to be employed in BPO’s in Kenya. This is a key success factor for BPO sector in Kenya. However, 20% of the respondents indicated that no skilled employees were available to work in BPO’s as shown in Figure 4.14 below:
4.4.3 Innovation and Entrepreneurship Culture

According to 47% of the respondents to this study, the presence of an innovation and entrepreneurship culture in Kenya was a key success factor for the BPO sector in Kenya. However, 53% of the respondents held a contrary opinion that, the presence of an innovation and entrepreneurship culture in Kenya was not a key success factor for the BPO sector as shown in Figure 4.15 below:
4.4.4 Similarity in Cultures and Beliefs

According to 33% of the respondents, there were similarities in the cultures and beliefs of their cultures and those of Kenya. However, majority of the respondents (67%) indicated that there were differences in the cultures and beliefs of clients and those of Kenya as shown in Figure 4.16 below:

Figure 4.16: Similarity in Cultures of Clients and Kenya
In addition, this study found that the major similarities identified by the respondents were language, business practices e.g. accounting systems and religion. On the other hand, the major differences identified by the respondents were education systems, training and skills of the people.

4.4.5 Time Zones

According to 87% of the respondents, time zone was a major key success factor for BPO’s in Kenya. According to 13% time zones were not a major key success factor for BPO’s in Kenya as shown in Table 4.8 below:
Table 4.8: Time Zones

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>87</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.4.6 Internet Connection and Infrastructure

According to all the respondents in this study, the landing of fiber optic cables in Kenya had an effect on the internet speeds experienced in the country. According to the respondents, the fiber optic led to an increase in the internet speeds in the country.

In addition, all the respondents agreed that the landing of fiber optics in Kenya had provided BPO companies with a variety of benefits. Some of the benefits identified by the respondents included; easier access to contracts, efficient communication with customers and faster job turn around.

Respondents were asked to rate the internet speeds in Kenya on a scale of 1 – 5 with 5 being the highest speeds. According to the respondents the internet speeds are high with a mean rating of 3.72 and a standard deviation of 0.79. The minimum and maximum ratings for the internet speeds were 3 and 5 respectively with a modal rating of 3 as shown in Table 4.9 below:

Table 4.9: Rating of Internet Speeds

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Connectivity</td>
<td>15</td>
<td>3</td>
<td>5</td>
<td>3.72</td>
<td>0.79</td>
<td>3</td>
</tr>
</tbody>
</table>

Finally 27% of the respondents indicated that the arrival of fiber optic cables in Kenya had led to a reduction in cost of internet and interconnectivity costs. However, majority of the respondents 73% indicated that the arrival of the fiber optic cable had not led to a reduction in the cost of internet as shown in Table 4.10 below:

Table 4.10: Fiber Optic Cable and Lower Cost of Internet

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15</td>
<td>73</td>
</tr>
</tbody>
</table>

### 4.4.7 Management Commitment

According to 80% of the respondents, the top management in BPO’s was committed to their jobs and this was a key success factor for BPO’s. On the other hand, 20% of the respondents indicated that top management in BPO’s were not committed to their jobs as shown in Figure 4.17 below:

![Figure 4.17: Management Commitment](image)

### 4.4.8 Risk Management

According to 67% of the respondents of this study, BPO’s in Kenya had put in place adequate risk identification and risk management techniques. These risk management systems were critical for the success of BPO’s in Kenya. However, according to 33% of the respondents, BPO’s in Kenya did not have adequate risk management systems as shown in Figure 4.18 below:
Figure 4.18: Risk Management Systems

4.5 Benefits of BPO’s

According to all the respondents in this study, BPO companies have several benefits. According to the respondents, some of the benefits of BPO’s are: lower costs of operations, provision of professional services, businesses are able to concentrate on their businesses and increased efficiency in operation of businesses.

4.5.1 BPO and Organization Structure

According to 60% of the respondents to this study, business process outsourcing companies often led to a change in the organization structure of the company. According to the respondents, organization structuring mainly meant a change in the number of employees and levels of management in the organization. The reduction in need for a huge workforce led to a need in change of organization structure as shown in Figure 4.19 below:
4.5.2 Operating Efficiency

BPO companies led to a reduction in the operating costs of business. This is according to all the respondents in this study. BPO’s enhanced cost efficiency in companies and reduction in operating costs.

In addition, this study found that the jobs created and incomes accrued by employees in BPO’s were a major benefit of BPO companies. In deed, all the respondents in this study indicate that BPO’s created employment opportunities, salaries and wages for citizens.

Finally, all the respondents indicated that due to outsourcing of business services to BPO’s, companies were able to concentrate on their core businesses.

4.5.3 Professional Services

According to all the respondents in this study, BPO’s led to the provision of quality services, equipment, software’s and products. According to the respondents, company that outsourced their services to BPO’s enjoyed superior service quality, better equipment, modern software’s and products.

In addition, the respondents were requested to rate the level of services, equipment, software’s and products that they provided to their customers on a scale of 1 – 5 with 5 being
the highest level of service. The mean rating was 3.91 indicating high levels of services, equipment, software’s and products. The corresponding standard deviation was 1.06 with a mode of 4. The respective minimum and maximum ratings were 3 and 5 as shown in Table 4.11 below:

<table>
<thead>
<tr>
<th>Services, equipment, software’s and products</th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>3</td>
<td>5</td>
<td>3.91</td>
<td>1.06</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

### 4.5.4 Customer Transformation

Majority of the respondents (73%) indicated that companies that outsourced their services to BPO’s often benefitted from transformation. However, 27% of the respondents indicated that customers did not attain transformation as a benefit of outsourcing their services to BPO’s as shown in Figure 4.20 below:

Figure 4.20: Customer Transformation
4.5.5 Risk Reduction

According to 60% of the respondents to this study, BPO companies led to a reduction in the risks associated with a business. However, 40% of the respondents did not identify risk reduction benefits of BPO’s as shown in Figure 4.21 below:

![Figure 4.21: Risk Reduction](image)

In addition, 13% of the respondents identified that financial risks were the risk reduced by BPO companies. Reduction of operating risks was identified by 60% of the respondents and reduction of strategic risks was identified by 27% of the respondents as shown in Table 4.12 below

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Risk</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Operational Risks</td>
<td>9</td>
<td>60</td>
</tr>
<tr>
<td>Strategic Risks</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.12: Risk Reduced
4.5.6 Benefits to Customers

According to 24% of the respondents, the major benefits of BPO’s to customers was the reduction in costs, 24% of the respondents identified the benefits of BPO’s as focus on core business by companies, 19% of the respondents identified professional work and services provided as the major benefits, 8% of the respondents identified the reduction in capital needs of the customers and 15% of the respondents identified access to world class equipment and services as the major benefit of BPO’s to their customers. Ten percent of the respondents identified quality improvement as the major benefit of BPO’s to their customers as shown in Figure 4.22 below:

![Figure 4.22: Benefits of BPO's to Customers](image)

In addition, the respondents were requested to rate the major benefits of BPO’s to customers on a scale of 1 to 5 with 5 being the most important benefit. According to the respondents, cost reduction benefits were the most important with a mean rating of 4.03, a standard deviation of 0.91 and a mode of 4. The focus on core competencies was rated as the second most important with a mean rating of 3.93, a standard deviation of 0.95 and a mode of 4.

Access to world class equipment was rated as the third most important benefit with a mean rating of 3.61, a standard deviation of 0.72 and a mode of 3. Other factors identified were professional work with a mean rating of 3.19 and a standard deviation of 1.08, quality...
improvement in companies with a mean rating of 3.23 and a standard deviation of 0.83. The least important benefit of BPO’s to their customers was reduction in capital needs with a mean rating of 2.47 and a standard deviation of 1.15 as shown in Table 4.13 below:

Table 4.13: Rating of Benefits of BPO’s

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost reduction</td>
<td>15</td>
<td>3</td>
<td>5</td>
<td>4.03</td>
<td>0.91</td>
<td>4</td>
</tr>
<tr>
<td>Focus on Core Competencies</td>
<td>15</td>
<td>3</td>
<td>5</td>
<td>3.93</td>
<td>0.95</td>
<td>4</td>
</tr>
<tr>
<td>Professional Work</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td>3.19</td>
<td>1.08</td>
<td>3</td>
</tr>
<tr>
<td>Reduction in capital needs</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td>2.47</td>
<td>1.15</td>
<td>2</td>
</tr>
<tr>
<td>World Class equipment &amp; services</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td>3.61</td>
<td>0.72</td>
<td>3</td>
</tr>
<tr>
<td>Quality Improvement</td>
<td>15</td>
<td>1</td>
<td>5</td>
<td>3.23</td>
<td>0.83</td>
<td>3</td>
</tr>
</tbody>
</table>

4.6 Performance Levels of BPO Companies in Kenya

From various document reviews, articles and publications it is evident that the performance of BPO companies is average when compared to countries such as India, Egypt and Philippines. On the other hand, Kenya’s BPO’s are performing well in the African continent and only come behind Egypt and South Africa in regional ratings. According to Bryce et al (2011), Kenya’s BPO companies are performing very well for a developing country. However, the BPO companies are reeling from the effects of national corruption, lack of respect of judicial and contractual agreements, and the education levels. Some of the cases that Bryce et al (2011) indicated as blotting the BPO sector in Kenya include the wrangles between Airtel Kenya and Horizon Kenya a Kenyan BPO Company that was contracted to provide outsource services by Airtel. In this case, Airtel was sued by its own employees to compensate them for loss of jobs and termination of contracts despite the employees being promised jobs in the BPO Company. According to Bryce this scares BPO customers who feel that the legal and contractual framework is not strong enough. In addition, most customers and Investors in the BPO sector have complained of stiff taxes which average at 33.1% which is way above the 23% average in most sub-Saharan countries. This makes the pricing of Kenyan BPO companies a little bit higher (OECD, 2005). Furthermore, BPO investors and customers have complained of slow pace of doing business in Kenya which is both
bureaucratic and slow. According to Byrce et al (2011), it takes an average of 11 procedures and 41 unique payments to do business in Kenya while the average for the sub-Saharan Africa region is 9 procedures. In addition, the process of property registration in Kenya is said to be 72 days compared to 32 days observed in OECD countries.

The cost of doing business in Kenya has also been cited as a major point of concern to customers in the BPO sector. According to Kanagwa (2012), Kenya has a very high cost of communication which makes the cost of doing BPO business very expensive. This is because telecommunication is the major driver in BPO business. In addition, Kanagwa (2012), notes that despite the lacking of 4 fiber optic cables, the cost of telecommunication in Kenya has not come down.

However, all is not gloom for the BPO sector. Some customers in the BPO sector have praised BPO’s in Kenya as performing very well. Some of the BPO companies that have been identified to provide quality services to its customers include: Kencall, Spandax and Horizon Technologies. Furthermore, the completion of a BPO park and the setting base of IBM in Kenya have signaled growing confidence in the BPO sector by customers and investors respectively.

In addition, customers and investors in the BPO sector have praised the government of Kenya in spearheading policy formulation and implementation especially in the BPO sector. According to Kanagwa et al (2011), customers and investors in the Kenyan BPO sector lauded the government for amending the Communications Act.2008 which legalized and allowed for the use of e-transactions and e-signatures.

4.7 Chapter Summary

This chapter presents the findings of this study based on the data collected and analyzed. The findings of this study are segmented into 4 parts; introduction, challenges, key success factors and benefits of BPO’s. These findings will be discussed critically in Chapter 5 below. In addition, Chapter 5 will provide conclusions and recommendations of this study.
CHAPTER 5

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a critical discussion of the findings of this study as presented in Chapter 4 above. In addition, this chapter presents conclusions and recommendations of the study.

5.2 Summary

This study sought to identify the factors affecting growth of business process outsourcing in Kenya. The study utilized the following research questions: what are the challenges facing BPO companies in Kenya? What are the benefits of BPO companies in Kenya and what are the key success factors for BPO companies in Kenya?

This study utilized a descriptive research design in the course of the study. The population of the study was drawn from the BPO companies in Kenya. The total sampling frame in the population was 15. The 15 companies were derived from the database of the ICT board of Kenya an institution that promotes BPO companies in Kenya. Since this study was a census study, all the companies in the sampling frame were included in the study. The sample size was therefore 15. Data for this study was collected using a questionnaire. Data collected was analyzed for statistical measures of means, percentages, standard deviation, minimum, maximum and modes. Data analyzed was presented using figures and tables.

This study found that the BPO companies in Kenya have not performed to expectations of majority of the people. In addition, most BPO companies in Kenya offered data entry and transcription services, call centers and IT services. According to this study, the major challenges facing BPO companies in Kenya are: lack of government support, employee related challenges, poor business environment, competitive challenges and customer expectation challenges.

In addition, this study found that the future prospects of BPO companies in Kenya are very bright. The key success factors for BPO companies identified by this study are: availability of a skilled labour force, very high demand of BPO services in Kenya, Increased awareness and visibility of BPO companies, improved connectivity infrastructure especially Internet
connectivity, the strategic location of Kenya and the international recognition of some Kenyan BPO companies e.g. KenCall which won an international award for quality BPO services. Other key success factors identified by this study are: the innovative and entrepreneurial spirit, similarity of Kenya cultures to those of USA and UK where majority of the BPO customers are drawn from.

Finally, this study found that BPO companies are of benefit to customers, individuals and countries respectively. According to this study, BPO companies provide jobs and wages to employees who enhance a country’s economic growth and attainment of macro economic goals. On the other hand, companies (customers) are able to enjoy benefits from BPO’s through: reduction of operating and overall costs, focus on core business and competencies, access to world class equipment and services, quality improvement, professional work and reduction in the capital needs of the companies.

This study concludes that, the major challenges facing BPO companies in Kenya are: employee related, financial, customer expectations and government specific challenges.

In addition this study concludes that: the increased visibility and recognition of Kenyan BPO companies, innovative and entrepreneurial spirit, similarity of customers and Kenya BPO companies’ cultures, improved infrastructure and internet access, time zones, demand of BPO services and availability of a skilled labour force are some of the key success factors for BPO companies.

This study further concludes that; the major benefits of BPO companies are job creation, wealth creation, reduction in operating costs of customers, access to world class equipment and services, quality improvement, professional work, reduction in capital outlays of customers and focus on core businesses and competencies by customers.

This study recommends that, the government of Kenya forms fact finding trade delegation to visit countries with successful BPO sectors e.g. India whose recommendations will be implemented. Further, this study recommends that to reduce employee related challenges, BPO companies should adopt modern human resource management practices and systems.

The government should review the existing regulatory and oversight BPO framework in Kenya in addition, to providing incentives for the growth of BPO companies in Kenya. In
addition, this study recommends that BPO companies should establish training courses in BPO in partnership with institutions of higher learning. The government should also outsource some of its jobs to the BPO sector as a sign of confidence and support to the sector.

5.3 Discussion of Findings

This section presents a discussion of the findings of this study in light of existing literature as provided in Chapter 2.

5.3.1 Challenges facing BPO’s

This study found that BPO companies have not performed according to the expectation of many persons in the country. In addition, this study found that most of the BPO’s in Kenya provides off shore BPO services as opposed to onshore services. As a consequence Kenya can be considered an offshore BPO destination. This is in line with the classification of BPO destination by Ramachandran and Voleti (2004) who indicated that Business process outsourcing companies are segmented using three variables; the types of services they offer, onshore outsourcing and offshore outsourcing. Other classifications of BPO’s was done by Stone (2004), however Kenya as a BPO destination cannot be classified into any of the classifications by Stone (2004).

The major services provided by BPO’s in Kenya are: IT services, Call centers and Data entry services respectively. Similar outsourced services have been identified by a host of researchers in their respective studies e.g. Ramachandran and Voleti, (2004), Zlick and Duening (2005), Taylor and Wiggins (1997), Waema (2009) and ICT board Kenya, 2012. However, the entire range of the products identified in this study in not comprehensive as those provided by other studies indicating that Kenya does not provide all the BPO services identified.

According to this study, the major competitors of BPO’s in Kenya are international BPO companies situated in other countries especially in India and Philippines. In addition, most BPO’s in Kenya would like the country practices, policies and regulation of BPO companies to be similar to that of India.
This study found that there are various challenges facing BPO’s in Kenya. Some of the challenges facing the BPO sector are financial challenges, regulatory framework challenges, and lack of government support, high tax rates, high internet costs and competitive challenges. These challenges are comparable to the challenges identified by Stone (2004) who indicated that the challenges that facing the sector are unique to each BPO, country or even company. However, most challenges facing BPO companies transcend between business processes of human resource, logistics, finance and specialization. This study identified human resource and finance challenges.

Similarly in his study, Waema (2009) identified that the major challenges facing the BPO industry is the lack of a specific BPO policy. Kenya lacks specific BPO sector policy as pledged in the medium term plan of the Kenya Vision 2030. This is similar to the findings of this study a finding supported by McKinsey (2006).

According to this study, most of BPO’s in Kenya face employee related challenges in their operations. According to this study, the major employee related challenges facing BPO companies in Kenya are: absence of employees, training challenges, shortage of specially trained employees and employee attrition. According to this study, employees in BPO companies are committed to their jobs. In addition, most of BPO companies employ youths between the ages of 18 – 35 with a basic undergraduate degree qualification. To enhance success of BPO’s the companies undertook to train their employees in BPO services. Most of the companies felt that the training offered was adequate to enable the employees discharge their duties effectively.

The findings of this study in relation to employee related challenges are similar to the findings by Stone (2004) who identified human resource management challenges in his study. Similarly, Deepak (2013) in his study of BPO’s in India, identified human resource challenges as a major factor. According to him, majority of business process outsourcing companies face human resource related challenges. According to him, most of the prospective employees in BPO’s have the perception that working in a BPO company does not require much skill. According to Deepak (2013), employees and employers in BPO companies feel that any person with interpersonal skills, communication skills and a basic education are employable after some training. This is very similar to the findings of this study that BPO companies in Kenya face training and shortage of employees (specially trained )
challenges. However, different from the findings of Deepak (2013) this study did not identify employee commitment challenges because most of the employees in Kenyan BPO’s are committed to their jobs. Further more, Deepak (2013) identified that high attrition rates by employees was a major challenge facing BPO’s in India. According to him, attrition' means a gradual reduction in the number of people working in a company due to retirement, resignation, or death. The rate of attrition in the BPO industry in India is currently nearly 50%. Attrition in individual firms varies from 15% in the larger firms to up to 40% in the smaller ones. This is similar to the findings of this study though the percentages differ in the respective countries. Other than Deepak (2013), similar findings of employee related challenges were identified by Deshpande, Sharma, Karan and Sarkar (2004) and Nielsem et al (2008).

Further, this study found that BPO companies faced a variety of financially related challenges in their operations. According to this study, financially related challenges in BPO’s were in the form of high operating costs, lack or inadequacy of capital, delayed payment by customers, working capital challenges, lack of access to credit and high interest rates on credit which made the operation of the BPO’s a challenging task. Financial related challenges in BPO’s was identified by Stone (2004), Deepak (2013) and Hofstede, Hofstede, & Minkov (2010) in their respective studies in BPO companies. Similarly, Waema (2009) in his study found that face the challenge of high cost of BPO technologies during start up. In addition, Waema noted that BPO’s in kenya have to contend with high costs of bandwidth this are similar to the financial challenges identified by this study especially on the operating costs and capital inadequacy.

In comparison to the findings of Schein (2004), Hofstede, Hofstede, & Minkov (2010) and Winkler, Dibbern, & Heinzl (2008), this study found that rather than cultural differences being a challenge it was a key success factor. The findings of this research were substantially different from that of the researchers identified above. This difference in the findings of this study and those of Schein (2004), Hofstede, Hofstede, & Minkov (2010) and Winkler, Dibbern, & Heinzl (2008) can be explained by the similarity in the cultures of Kenya and when most of the BPO business emanates i.e. USA and UK. The similarity in the cultures is basically in the language and business practices.
5.3.2 Key Success Factors

According to this study, BPO companies have bright future prospects for growth and expansion. According to this study the major key success factors for BPO’s in Kenya are: increased awareness of BPO’s, lower internet costs, faster and reliable internet access, identification of BPO as a key pillar to the attainment of vision 2030 and increased international visibility of BPO’s in Kenya due to concerted marketing efforts. The findings of this study are very similar to the findings of Mahnke et al (2005), Abdullah et al (2006) and Waema (2009) who identified similar key success factors and future prospects of BPO in their respective studies.

BPO services are high in demand in Kenya. This is a key success factor for growth of BPO companies in Kenya. According to the respondents to this study, the demand for BPO services in Kenya is very high and this presents opportunities for exploitation by BPO companies.

Similar to the findings of Waema (2009), this study identified the availability of skilled employees as key success factor. In this respected, skilled employees refer to general qualification of employees rather than specialized skills. According to this study, the high literate population in Kenya holds a key success factor to the growth of BPO companies in Kenya. Waema (2009) in his study noted that, key has a highly skilled and competitive pool of labour which is a key strength for the growth of BPO companies. Similarly, Winkler, Dibbern and Heinzl (2008), Pinto (2005), Taylor and Bain (2003), Kumar and Joseph (2005), Kang (2008) and Overby (2010) indicated that the available of skilled labour is critical for the success of BPO companies especially in countries where off shore BPO is prevalent. According to Waema (2009), Kenya has a production of over 30,000 and over 250,000 university high school graduates annually who present a skilled labour pool.

In addition, this study found that the innovation and entrepreneurship culture is engraved in the Kenya cultural system. Consequently, this innovation and entrepreneurship culture is critical for the growth of the BPO sector in Kenya. It is paramount that for the BPO sector to grow increased investments and business are established. This can only be established if there is an entrepreneurial and innovation culture in the system. Furthermore, this study found that the similarities in the cultures and beliefs of BPO companies and some countries were very
critical to the growth of BPO companies in Kenya. According to this study, Kenya has similar business practices, beliefs and religions to major companies in USA and UK which is a key success factor for the growth of BPO’s. Culture was identified as a major challenge in BPO by Schein (2004), Hofstede, Hofstede, & Minkov (2010) and Winkler, Dibbern, & Heinzl (2008). However, this study identified culture as a major key success factor rather than a challenge. The reasoning behind the difference in the findings of this study can be partly attributed to the similarity in the cultures (language and business practices) between Kenyan BPO companies and its major source of customer’s i.e. the USA and UK.

The strategic location of Kenya is also major key success factor for BPO companies in Kenya. Specifically, location of Kenya in terms of accessibility and time zones is very critical for growth of BPO companies. According to this study, the time zones are important for BPO companies because they are able to effectively communicate with clients during the day and can undertake some jobs on the same day and resend them. This is similar to the findings of Dibbern et al, (2008) who indicated that geographic distance can be a major strength or drawback for off shore business process outsourcing. According to Rao (2004), time zone differences have been mentioned by authors as an advantage for IT outsourcing projects, as it can result in round the clock services. Similar findings have been provided by Sharma et al. (2005), Chanda (2008), Dibbern et al. (2008) and Waema (2009).

Access to internet, fast internet and other internet connectivity factors are major key success factors of BPO companies in Kenya. According to this study, the landing of fiber optic cables in Kenya has been a boon to the BPO companies as it has led to increased internet speeds in the country. With increased internet speeds, BPO companies have been able to access contracts easily, communicate effectively with customers and enhanced the job turn around timelines. Internet speeds in Kenya are high at a mean rating of 3.72 on a scale of 1 – 5 with 5 being the highest speeds. However, the landing of internet fiber cables have not resulted in a reduction of connectivity costs of BPO companies in Kenya. Similar findings to this study were identified by Waema (2009) who indicated that with the expected arrival of fiber optic cables, the BPO industry in Kenya is set to grow trendmously. Similarly in India, access to fast and cheap internet has been credited for the accelerated growth in the BPO industry (Rajeev and Vani, 2007)
The commitment of management and the government to the success of BPO’s in Kenya is a major key success factor for BPO’s in Kenya. According to this study, Managers in BPO’s are very committed to their jobs and this has enhanced the prospects for BPO growth in Kenya. In addition, some government institutions have been very supportive of BPO companies especially the ICT board. Sebastain et al (2006) indicated that the support of government is very critical for the success of BPO companies around the world. Similarly, Kumar and Joseph (2005) emphasized the importance of government support and conditions in the growth of BPO companies. Government and management support and commitment is critical for the success of BPO companies, this statement has been supported by the findings of this study as well as the findings of NASSCOM strategic review (2010), Kirkegaard (2007) and Waema (2009).

Other key success factors identified include marketing efforts by the Government and BPO’s, Support from some key government institutions and international recognition of some BPO companies in Kenya e.g. Kencall.

5.3.3 Benefits of BPO’s

The major benefits of BPO companies in Kenya identified by this study are: lower costs of operations, provision of professional services, businesses are able to concentrate on their businesses and increased efficiency in operation of businesses.

Zhu , Hsu and Lillie (2001), Quelin and Duhamel (2003) and Hollcomb and Hitt (2007), in their study found that a benefit of outsourcing of services is that, the organization is able to concentrate on core competencies. According to this study, BPO companies have orchestrated business reorganization in most of the companies. According to the respondents to this study, due to the outsourcing of services to BPO’s, some companies have had to restructure their organization structure to reflect the changes. Organization restructuring has often led to reduction in operating costs and efficiency in decision making and operations. In addition this study found that the efficiency of companies was enhanced by BPO’s through other channels and strategies such as; reduction in business costs, enhanced cost efficiency in the company and concentration of business on their core business and competencies. In deed, the ability of companies to concentrate on their core business was a major benefit identified by the BPO companies in Kenya. The findings of this study are similar to the findings of Zhu.
Hsu and Lillie (2001), Quelin and Duhamel (2003) and Hollcomb and Hitt (2007). In addition, Gilley and Rasheed (2000) in their study noted that, outsourcing non-core activities will allow a firm to increase managerial attention and resource allocation to those tasks it does best. This is a finding supported by Gottfredson & Puryear & Philips (2005), Prahalad and Hamel (1990) and Arnold (2000).

Similarly, Outsourcing Institute Survey (2010) in their study noted that on average companies that outsourced their services experienced a 9% reduction in overall costs. This was further supported by the findings of Belcourt (2006) and Overby (2003) who noted that cost reduction is a major factor that influences the company’s decision to outsource. Abraham and Taylor (1996) believe that one of the main causes for global outsourcing is high-wage organizations taking advantage of low market wage rates, e.g. in oversees countries, stronger strategic reasons. Beverakis, Dick and Cecez-Kecmanovic (2009) argue that the most important reason is to become more competitive in the marketplace; by reducing its operational costs, and establishing a global presence. Other researchers who have supported the finding that outsourcing or BPO companies often lead to a reduction in operating and overall business costs in a company include: Doh (2005), Alon & Herbert & Munoz (2007), Kakabadse & Kakabadse (2002), Conklin (2005), Mehta et al. (2006), Wadhwa & Ravindran (2007), Alexander & Young (1996), King (2007) and Desouza & Bonifazi, (2006).

Further, this study found that BPO companies in Kenya created jobs and income opportunities for employees and citizens. According to this study, a major benefit of BPO’s was that it created jobs for employees in the country. In addition, the employees in BPO companies accrued salaries and wages that enabled them to live comfortably and enhanced their living standards. Therefore, BPO’s are very beneficial are very important as they enhance the acquisition of macro economic objectives of wealth creation and job creation. Similarly, Rajeev and Vani (2007), in their study noted that BPO industry has enabled the government to create much needed jobs and employment opportunities. According to them, BPO’s in India have created sustainable employment to graduates and non graduates. This finding is supported the findings of NASSCOM (2008) which found that BPO industry provided jobs for over 1,100,000 people in India in 2008.
In addition, BPO companies in Kenya offered very high level of professional services. According to this study, BPO companies allowed their customers access to world class infrastructural systems, software’s, equipment and services. The level of services, equipment and systems provided by BPO companies were rated at 3.91 on a scale of 1 – 5 with 5 being the highest. This therefore implies that BPO companies allowed companies to access high quality and professional services, products and infrastructure.

Finally, this study found that the benefits accrued by companies that outsource their services to BPO’s in Kenya in a descending order are: reduction in costs, focus on core business and competencies, access to world class equipment and services, quality improvement, professional work and reduction in the capital needs of the companies respectively. Similar benefits though not rated on a scale of importance were identified by: Belcourt (2006), Hollcomb and Hitt (2007), Quelin and Duhamel (2003), Rasheed (2000), Gilley and Gottfredson & Puryear & Philips (2005), Overby (2003), Kakabadse & Kakabadse (2002), Alon & Herbert & Munoz (2007), Conklin (2005), Wadhwa & Ravindran (2007), Mehta et al. (2006), King (2007) and Desouza & Bonifazi,(2006).

5.4 Conclusions

The following conclusions are made on the basis of the findings of this study.

5.4.1 Challenges facing BPO’s

This study concludes that despite the hype, attention and publicity of BPO sector in Kenya, it has not performed to expected levels of many. In addition, this study concludes that BPO companies mainly offer data entry and transcription services, call centers and IT services respectively.

In addition this study concludes that BPO companies in Kenya face major competition from other International BPO’s in other countries especially in Philippines and India. However, to succeed Kenya must emulate the measures, policies and practices similar to those of India.

This study concludes that BPO companies in Kenya face a variety of challenges. The major challenges facing BPO companies in Kenya are: lack of government support, financial challenges, regulatory framework, high tax rates and competition challenges. In addition,
BPO companies in Kenya face employee related challenges, in the form of absence of employees, training challenges, shortage of specially trained employees and employee attrition. Further, BPO companies in Kenya face challenges in meeting the high customer expectations.

5.4.2 Key Success Factors

This study concludes that if managed well, BPO companies can perform well and become a pivotal pillar in the attainment of Vision 2030. According to this study, the future prospects for BPO companies in Kenya are very bright to some factors and variables present in the Kenyan system.

This study concludes that, the major key success factors for the growth of BPO companies in Kenya are: availability of a skilled labour force, very high demand of BPO services in Kenya, Increased awareness and visibility of BPO companies, improved connectivity infrastructure especially Internet connectivity, the strategic location of Kenya and the international recognition of some Kenyan BPO companies especially KenCall which won international accolades at the British Business Symposium.

Other key success factors identified by this study include: increased investments and business growth in the BPO sector driven majorly by an innovative and entrepreneurial spirit in the country. Furthermore, Kenya has very similar cultures to those of USA and UK which are the source of a bulk of its customers. The major culture similarities are language and business practices. Further this study concludes that, the adoption of risk management systems is a major key success factor for BPO companies in Kenya.

5.4.3 Benefits of BPO’s

BPO’s in Kenya provide a variety of benefits to customers, country and citizens. This study concludes that the major benefits of BPO companies to the three stakeholders identified above are: BPO companies provide jobs and wages to employees which improves their living standards, enhances wealth creation in individuals and economies and enhances the attainment of macro economic variables in the country.
In addition this study concludes that the major benefits of BPO companies to customers are that companies are able to: reduce their operation and overall costs, focus on core business and competencies, access to world class equipment and services, quality improvement, professional work and reduction in the capital needs of the companies respectively.

5.5 Recommendations

The following recommendations are made in light of the findings of this study.

5.5.1 Recommendations for Practice

The following are recommendations for practice

5.5.1.1 Challenges facing BPO’s

Kenya should send comprehensive delegations to India to understand the policies, practices and factors enhancing the growth of BPO sector in Kenya. The Kenyan government should organize a fact finding mission to India which involves all the stakeholders in the BPO sector to enhance the success of the industry. This will enhance the replication of the Indian Model to the Kenyan situation.

Secondly, this study recommends that the government undertakes a review of the existing regulatory framework guiding the BPO sector as it has been deemed very restrictive. In addition, the government should put in place various incentives to enhance growth of the BPO sector. Some of the incentives to be employed include: tax holidays, tax subsidies and collective marketing of the BPO sector in International markets.

Finally, this study recommends that BPO’s in Kenya should put in place modern strategic human resource management practices and systems to alleviate employee related challenges. This study recommends that BPO companies should implement modern human resource practices in employee selection and recruitment, training and development, remuneration and reward and performance appraisal. This is expected to reduce the intensity of employee related challenges.
5.5.1.2 Key Success Factors

BPO companies bright prospects in respect of growth and demand of BPO services. This study therefore recommends that to enhance the growth of BPO companies in Kenya BPO companies in partnership with institutions establish education and training programs for employees in the BPO sector. BPO companies in conjunction with institutions of higher institutions should establish, develop and administer training programs that are affordable to current and prospective employees of BPO companies. Despite the presence of some BPO related courses, they are not adequate and need to be increased in light of the important role of BPO sector in the attainment of vision 2030.

Secondly, this study recommends that rather than government support BPO growth in words only, it should support the sector in deeds too. The government must outsource some of its services to enhance efficiency and support of the BPO sector. The government can outsource such services such provision of trading services and payroll management to companies in the BPO sector.

Kenyan BPO’s should diversify their product offering from the current data entry and transcription services, call centers and IT services to provide more sophisticated and profitable BPO services such as financial services outsourcing, payroll process, risk management outsourcing and manufacturing respectively. This will enhance growth of the BPO sector.

5.5.1.3 Benefits of BPO’s

To accrue the benefits of BPO’s this study recommends that the government should invest more in the BPO sector by providing a conducive working and business environment. This sector will in turn enhance job creation in the economy, economic growth and uplifting of the living standards of citizens in the country.

In addition, this study recommends that BPO companies in Kenya must partner with International BPO’s to develop practice code of conducts, transfer knowledge, technology transfer and enhance practice of international BPO best standards. In addition, BPO’s in Kenya should be willing to partner with other local and international BPO’s to train, educate
and acquire modern BPO practices. This will enhance the transfer of benefits of BPO’s to customers.

5.5.2 Recommendations for Further Research

First, the researcher recommends advanced studies on the role of government in enhancing growth of BPO companies in Kenya. This study identified that the support of some government institutions was a key success factor for BPO’s in Kenya. On the other hand, this study identified that regulatory framework and lack of government support was a major challenge facing BPO growth. This study therefore recommends that further study be undertaken on the role of the government in the growth of the BPO sector in Kenya.

Secondly, this study recommends further research on the strategies employed by other countries to enhance diversification in the BPO sector. In Kenya, BPO industry is restricted to the provision of data entry and transcription services, call centers and IT services. The recommended strategies will identify other products or services that BPO’s in Kenya can offer in light of existing conditions in the country. This will enhance diversification in the BPO industry in Kenya.

Finally, this study identified that countries such as India, China, Philippines, USA and Mexico have created specific market niches that they have excelled in the provision of BPO services. India specializes in the outsourcing of IT services; China in manufacturing outsourcing, USA in systems and process outsourcing and Mexico has specialized in manufacturing outsourcing. The prospective research will identify the major reasons for the specialized provision of BPO services, the strategies employed to specialize and how Kenya can create a BPO market niche and which one.
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APPENDIX I: QUESTIONNAIRE

This questionnaire is meant to collect data on the factors that lead to slow growth in Business Process Engineering in the Kenya. Your firm has been chosen for inclusion in this study. Please provide the information required honestly. The data collected is for academic purposes only and will be treated with utmost confidentiality.

Section 1

1. Has the BPO’s in Kenya performed according to expectations (in your own opinion)
   Yes ☐ No ☐

2. What kind of business do your BPO focus on?
   - Onshore (within Kenya and its close neighbors) ☐
   - Offshore (Countries far from Kenya) ☐
   - Both ☐

3. In your opinion describe the BPO sector in Kenya
   - At its initial stages ☐
   - Growing ☐
   - Mature Market ☐

4. What kind of Services does your firm offer
   - Financial Services outsourcing ☐
   - IT services ☐
   - Call center ☐
   - Manufacturing ☐
   - Data entry ☐
Transcription

Others (Please Specify)…………………………………………………………………………………………

5. How long have you been in operation?

Less than 2 years ☐
2 - 5 Years ☐
More than 5 years ☐

6. Please rate the performance of the BPO sector so far on a scale of 1 – 5 with 5 being a very good performance and 1 poor performance?

7. Who are your major competitors?

Local BPO Companies ☐
International BPO Companies ☐
Others ☐

8. Which country should Kenya emulate in BPO according to your experience and customer Feedback?

India ☐
USA ☐
Philippines ☐
China ☐
Other ……………………………………………………………………………………………
Section 2

1. Are there any challenges in the BPO industry?
   
   Yes  [ ]  No  [ ]

2. What are the major challenges in your own opinion?
   
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

3. Are there employee related challenges in your BPO?
   
   Yes  [ ]  No  [ ]

4. If yes to Q3 above, please specify?
   
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

5. In your Opinion, are the employees of BPO’s committed to their jobs
   
   Yes  [ ]  No  [ ]

6. Please describe the age group of most of your employees
   
   18 -35  [ ]
   36 – 45  [ ]
   Above 45 years  [ ]

7. What is the basic qualification requirement for your employees?
   
   O –Level  [ ]
   75  [ ]
Undergraduate

Post Graduates

8. Do you train your employees?
   Yes ☐    No ☐

9. Which of the following services do your BPO offer?
   - Book Keeping ☐
   - Telemarketing ☐
   - Technical support service ☐
   - Customer support service ☐
   - Insurance Processing ☐
   - Data Entry and Conversion ☐
   - Book keeping ☐
   - Online research ☐
   - Form Processing ☐

10. Based on the services you offer, do you feel that the training provided to your employees is adequate to offer those services?
    Yes ☐    No ☐

11. Are there financial challenges facing your BPO?
    Yes ☐    No ☐

12. What kind of financial challenges do you face?
    Expensive Operating costs ☐
Lack of Capital

Delayed payment by customers

Working Capital challenges

Others (please specify)……………………………………………………………………………

13. Please rate the expectations of customers from your services on a scale of 1 – 5 with 5 being the highest expectations?

14. Do the expectations of your customers, and quality of services offered match?
   Yes ☐ No ☐

15. How often does the expectations and quality match
   Always ☐
   Often ☐
   Occasionally ☐
   Rarely ☐
   Never ☐

16. Do employee’s absenteeism due to diseases and sickness pose a challenge to you?
   Yes ☐ No ☐

17. How often do you employees seek sick leave
   ☐
   ☐
   ☐
   ☐
   ☐
Always

Often

Occasionally

Rarely

Never

18. Does the change of jobs, death or resignation of employees pose a challenge to your BPO

Yes ☐ No ☐

19. In your opinion, is work in a BPO regarded an attractive job by employees

Yes ☐ No ☐

20. Is there a shortage of skilled and literate people to employee to work in the BPO?

Yes ☐ No ☐

Section 3

1. In your opinion, are there future prospects for BPO companies in Kenya

Yes ☐ No ☐

2. What are some of the factors that enhance success of BPO’s in Kenya

……………………………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………………………

3. Is there a demand for BPO services in Kenya?

Yes ☐ No ☐
4. Please rate the demand of BPO services in Kenya on a scale of 1 – 5 with 5 being highest demand?

5. Does the availability of skilled employees act as a key success factor?
   Yes ☐   No ☐

6. Does the innovation culture and entrepreneurship culture in Kenya act as a key success factor for BPO’s in Kenya?
   Yes ☐   No ☐

7. Is the practices, beliefs and cultures of your clients similar to those of Kenyans?
   Yes ☐   No ☐

8. Please specify similarity or differences in Q7 above?

   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………

9. Which country has similar cultures?

   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………
   …………………………………………………………………………………………………………………

10. Is this a key success factor for BPO in Kenya?
   Yes ☐   No ☐

11. Is the positioning of Kenya (time zones and accessibility) a key factor for BPO companies in Kenya?
   Yes ☐   No ☐
12. Has the time zones and position of Kenya been of benefit to your organization?
   Yes ☐ No ☐

13. How has it worked to your benefit (if yes to Q 11 above)
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..

14. Has the landing of the fiber optic increased the internet speed in your company?
   Yes ☐ No ☐

15. Has the increased internet speeds led to any benefits for your company?
   Yes ☐ No ☐

16. If any benefits in Q15 please specify
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..
   ……………………………………………………………………………………………..

17. Please rate the internet connectivity speeds you currently enjoy on a scale of 1 – 5 with 5 being the highest internet speeds?

18. Has the landing of fiber optic cables enhanced the internet speed?
   Yes ☐ No ☐
19. Has the landing of fiber optic cables caused a reduction in the cost of internet?
   Yes ☐ No ☐

20. In your opinion, is the whole management committed to this company?
   Yes ☐ No ☐

21. Does your company have risk management techniques and systems
   Yes ☐ No ☐

22. Do the cultural differences between your company and customers pose a challenge to outsourcing?
   Yes ☐ No ☐

Section 4

1. Does your BPO Company offer any benefits to your customers?
   Yes ☐ No ☐

2. Please describe the benefits?
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………

3. Has the establishment of BPO led to a change in the organization structure of your customers?
   Yes ☐ No ☐

4. If yes, please describe
   ………………………………………………………………………………………………………
   ………………………………………………………………………………………………………
5. Has your BPO led to a reduction in costs to the operating costs of your customers
   Yes ☐  No ☐

6. Do you think that the jobs created and salaries paid to your employees are of any benefit to your customers?
   Yes ☐  No ☐

7. If yes, Please Describe
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

8. Due to your offering of BPO services, have your customers been able to concentrate on their core business?
   Yes ☐  No ☐

9. Please rate the services, equipment, software’s and products your offer to your customers on a scale of 1 – 5 with 5 being the best services, equipment, software’s and products.

10. Has any of your customers experienced a transformation as a result of outsourcing their services to you
   Yes ☐  No ☐

11. Please describe the transformation?
    ……………………………………………………………………………………………
    ……………………………………………………………………………………………
12. Has the outsourcing of services to your company increased or reduced the risk of your customers?
   Yes [ ] No [ ]

13. What kind of risk was reduced?
   - Financial Risk [ ]
   - Operational risks [ ]
   - Strategic Risk [ ]
   - Psycho-Social risks [ ]

14. Please identify the following benefits, enjoyed by your customers
   - Cost reduction [ ]
   - Focus on Core competencies [ ]
   - Professional Work [ ]
   - Reduction in capital needs [ ]
   - Access to world class equipment and services [ ]
   - Quality Improvement [ ]
   - Others (Please specify) …………………………………………………………………

15. Please rate the following benefits on a scale of 1 - 5 with 5 being the most intense benefit and 1 the lowest

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Rating</th>
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<tbody>
<tr>
<td>Cost Reduction</td>
<td></td>
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<tr>
<td>Focus on Core competencies</td>
<td></td>
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<tr>
<td>Professional Work</td>
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<td>Reduction in capital needs</td>
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<td>Quality improvement</td>
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<td>Access to world class equipment and services</td>
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