EFFECT OF STRATEGIC OUTSOURCING ON THE PERFORMANCE OF THE TELECOMMUNICATIONS SECTOR IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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A Project Report Submitted to the School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution, or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________  Date: ___________________________

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This proposal has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________  Date: ___________________________

Professor Peter M. Lewa

Signed: ___________________________  Date: ___________________________

Dean, School of Business
ACKNOWLEDGEMENT

I give thank the Almighty God for granting me peace, knowledge and health that has enabled me to complete this research work

I acknowledge the immense contribution of my supervisor, Professor Wambalaba for his patience, support and professional guidance and availability. My sincere gratitude also goes to the staff of United States International University, Kenya, for their support and assistance.
DEDICATION
To my family who are my pillars and sources of great inspiration.
ABSTRACT

The general objective of this study was to critically examine the effect of strategic outsourcing on performance of communication sector in Kenya. The study had four specific research questions which included: What is the effect of involving suppliers early on the performance of telecommunication sector in Kenya? What are the effects of strategic alliances on the performance of telecommunication sector in Kenya? How does supplier relationship management affect the performance of telecommunication sector in Kenya? How does Supplier development affect the performance of telecommunication sector in Kenya? This study was descriptive in nature and the researcher used case study method. The population of the study was 200 individuals that were selected from the three major telecommunication companies and grouped into three strata’s: Safaricom, Airtel, and Orange. The study used stratified sampling technique to pick a sample of thirty percent from every stratum ensuing into a sample size of sixty respondents. The researcher used both secondary data as well as questionnaires as the research instrument.

An analysis of the demography revealed that female respondents only represented 20% of the respondents while male were the majority accounting for 80% of the applicants. An analysis of the age disclosed that the majority of the respondents are over twenty-six years, those over forty years were ten representing 32% and people higher than twenty five years were representing fifty six of the whole candidates, whereas those below twenty five years taking the lesser share by 12%. The research also established that regarding education 4% of the respondents were PHD holders, 8% master’s holders, 42% degree holders and 46% of the respondents were diploma holders.

In line with the first objective the study established that majority of the respondents were of the view that consultation for information enhances quality of service, cost savings and results in maintaining competitive edge. Furthermore, the study also established that development of capabilities enhances quality of service, cost savings, and results in maintaining competitive edge. In line with the second objective the study established that synergy enhances quality of service, cost savings, and results in maintaining competitive edge and that shared knowledge enhances quality of service, cost savings, and results in maintaining competitive edge. An analysis of the third objective revealed that value measurement enhances quality of service, enhances cost savings, and results in maintaining competitive edge. Furthermore, collaboration was also found to enhance quality of service,
cost savings, and results in maintaining competitive edge. On analysis of the fourth objective on supplier development, the study established that training enhances quality of service, cost savings, and results in maintaining competitive edge. Additionally, the findings revealed that education enhances quality of service, cost savings, and results in maintaining competitive edge.

Regarding earlier supplier involvement, the study concluded that that early supplier involvement enhances quality of service, cost savings, and results in maintaining competitive edge through consultation for information and development of capabilities. In line with the second objective the study concludes further that strategic alliances enhance quality of service, cost savings, and results in maintaining competitive edge through synergy and shared knowledge. Additionally, the study also made a conclusion that supplier development enhances quality of service, cost savings and results in maintaining competitive edge through training and education. Regarding supplier development, the study established that their development enhances effort of a shopping firm on a provider to extend the performance and capabilities of the supplier to satisfy the shopping for firm’s short and long-run requirement.

The study recommended that management should add information and expertise regarding new technologies to enhance better component alternatives as well as developing parts of the project to reduce internal complexity and manufacturing costs. This study also recommends that the management should put more efforts on the strategic alliances to enhance quality of service and cost savings edge through enhancement of synergy and shared knowledge. This study also recommended that that the management should facilitate the collaboration with other external partners like suppliers, government among others to enhances quality of service. Finally, the study also recommended that the management should enhance training facilities as well as equipping warehousing employees with the necessary skills to enhance the performance of warehousing. The study further recommends the future study to evaluate the challenges facing the organization in adopting strategic outsourcing on performance of telecommunication sector. The future study should also look at other effect of strategic outsourcing on the performance of telecommunication sector apart from those factors this study covered.
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACT</td>
<td>Agency Cost Theory</td>
</tr>
<tr>
<td>AEO</td>
<td>Authorized Economic Operator</td>
</tr>
<tr>
<td>AKI</td>
<td>Association of Kenya Insurers</td>
</tr>
<tr>
<td>BPO</td>
<td>Business Process Outsourcing</td>
</tr>
<tr>
<td>CAMIS</td>
<td>Cargo Management Information System</td>
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<tr>
<td>CCRS</td>
<td>Computerized Cash Receipting System</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Outsourcing involves undertaking a task or method like manufacturing operation and alternative value-additions activities with reliance on external sources, a third-party or provider, to realize business level advantages (Campbell, 1995). Strategic outsourcing includes “make-or-buy” Carey and Ching (2006), decision which produces the company’s product internally or subcontracts to alternative service providers. Some researchers concentrate on international sourcing of elements, sub-systems and completed merchandise (Chakava, 1996). Chanze (2002), ascertained over 1,600 outsourcing arrangements from 1989 to 2010 and he detected that outsourcing remains on the learning curve. The shift of power-based orientation to governance structure to make up trust and tight collaboration will enhance outsourcing management. According to Chi, (1994) outsourcing describes a company that divests itself of the resources to fulfill a particular activity to another company, to focus more on its own competence.

The workplace today is in a state of metamorphosis with contemporary issues such as customer satisfaction, competitive advantage, revenue and expenditures, organizational culture, technological advancement, global markets, diverse customer demands and need for effective workforce with a global mindset penetrating every aspect of the organization. Effective workforce is crucial as it is the organization’s primary player in accomplishing goals and delivering service. According to Cooper and Schindler (2011) “a firm’s human resource management (HRM) practices and the kind of workforce help attain organizational competitiveness.” HRM is the organizational function that enhances creativity, innovation, speed, flexibility, and efficiency of the workforce to transform them into organizational assets. Human resource management is now highly recognized as a strategic lever for the organization in creating value.

For a long time, private companies or organizations in the world are taking advantage of, and spending money and trusting external providers of human resource services in order to offer cost effectiveness and efficiency of internal human resource procedures. This is particularly important for organizations, which are considered as important players in the private sector in any country because of the economic benefits they provide in their
economic environment. Efficiency in these institutions is a question of how well they allocate inputs such as staff, assets, and subsidies to produce the maximum output such as number of loans, financial self-sufficiency, and poverty outreach. Collis and Roger (1997) also provide a working definition for efficiency as the optimal combination of staff time, staff number, and cost of operations to respectively disburse and reach the maximum number of loans and clients, especially the deprived, while delivering a range of valued services.

In other words, when firms pursue efficiency, it will afford management to concentrate on activities that yield more results at minimum cost to the units and to clients. Hence, attention will be given to the designing of correct product lines, effective market strategy, good targeting efficiency and the gradual removal of bottlenecks in supply. Gonzalez Vega, (2003) cited in Davies (1997) suggest that because there are potentially few technically trained staff in the field of private sector, available funds may be misapplied. The lack of incentive packages could also influence the behavior of staff and managers while, lapses in decision making and policy implementation, incorrect regulation and inappropriate intervention by donors, incorrect product designs and methodologies all create enormous wastes. The improvement of the private sector will not suffice when wastes persist (Dekkers, 2011).

The business of firms is highly dependent upon the work force. An organization can have all the capital and resources in the world but without a workforce to have the ideas organized, produce, and market a product, nothing would ever reach consumers (Dhar & Balakrishnan, 2006). In the long term, the application of specific human resources outsourcing strategies has been found to be related with the performance of the organization. Moreover, where appropriate outsourcing strategies have been applied, the organizational performance has been found to be increased. Outsourcing practices affect organizational outcomes, whether some practices have stronger effect than others, and whether complementary or synergies among such practices can further enhance organizational performance (Dobler & Burt 1996).

According to Domberger (1998), the enormous economic problems bedeviling the globe resulted in an overall decline in living standards and a widening gap between small elite and the masses. Structural adjustment programs adopted by various governments globally in line with International Monetary Fund (IMF)/World Bank conditions for credit have led
to the devaluation of currencies, reduction of expenditure on social services including education, and high interest rates. Among consequences have been high prices for the requirements of the loans in the banking industry, unaffordable credit and plummeting production. Banking sector globally, therefore, look for different ways to cut costs and make their activities more efficient and effective to ensure they make their products affordable. Outsourcing has been seen as one way to achieve this. Among the leading countries that have impressed outsourcing include US, Canada, UK, and France among other counties (Drew, 1995).

According to Jackson (2013), the amount of foreign direct investment in the United States has become a matter of public and national attention, this is as a result of the fear and the uncertainty of the communities living in the United States due to US companies relying on foreign land, foreign workers, raw materials, and markets for their business survival. Traditionally these tasks were performed by the local citizens in the US but with outsourcing business are looking for the lowest cost of production that will allow price flexibility. The US consumers and large manufacturers of complex technological goods for export benefit in outsourcing for example, the US commercial airline industry has been outsourcing since the 1960’s where foreign firms produced vital components for aircrafts, Italy national carrier Alitalia, and Switzerland Swissair components for the aircraft are outsourced to foreign manufacturers.

Many companies in Africa opt to outsource hoping that they will benefit from it. Outsourcing may lead to improved performance which includes higher quality products, shorter cycle time, increased productivity, higher profits etc. It may also include more focus on what you do best, improved risk management and reduced investment on assets and many others (Earl, 1996). A study by Price Water House Coopers (2009), found that most organization in Kenya primarily outsource to save on overheads but via short term outsourcing. Outsourcing enables customers to benefit from supplier cost advantages such as economies of scale, experience and location (Espino-Rodríguez, & Padrón-Robaina, 2006). Outsourcing is a common practice across banking sector in Kenya. It has provided cost benefits and flexibility, along with access to diverse range of technology and associated skills among many firms. Currently, outsourcing in banking industry in Kenya extends not just to arrangements with traditional trading partners, but also to networks involving new partners. It is generally understood that key strategic factors should not be outsourced however, in the banking industry are not immune to it (Earl, 1996).
Telecommunications is the exchange of information over significant distances by electronic means. A complete, single telecommunications circuit consists of two stations, each equipped with a transmitter and a receiver. It means transmission between or among points specified by the subscriber, of information of the subscriber’s choosing, without a change in the form or content of the information as sent or received (Feenstra & Hanson, 1996). Telecommunications is also defined as forms of communications by electrical, optical, wire, cable and radio signals. In Kenya, the drive to deregulate and liberalize the market has led to attempts at more precise economic definitions of what constitutes a natural monopoly: taking cost as exogenous. This has led to the opening of these markets, which previously were thought to be natural monopolies, to competition. Major ways of introducing competition into regulated utilities with different competitive potential, at each stage, was to separate the monopolistic and competitive components as different units. This approach has overcome, but not very effectively, the problem of a monopolist extending his monopoly power in the whole industry. However, this approach hinders realization of economies of scope and that of density (in telephony industry) that might be available for a firm undertaking several connected activities. Telecommunications policy statement was issued in 1997 that set out the government vision on telecommunications development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing a liberalized telecommunication market (Jiang & Prater, 2006).

Telecommunications firms in a competitive environment also seem more likely to engage in innovative activities than other firms. The process of innovating may affect firm’s general competitive abilities, sharpening its ability to perceive environmental threats and opportunities, and then to respond flexibly to them. Many factors influence the competitiveness of companies and their products. These can for example be financial aspects, complexity, supply chain management, quality, education of the employees, engineering capacity, networking or corporate culture. Further factors can be marketing, product strategy, sensitivity to weak signals and the ability to be innovative on all company levels (Greaver, 1999).

Safaricom Limited Company started its global systems for mobile communications (GSM) operations on 16th May of 2002 when it actually became a public company with limited liabilities and ceased being a private company under the companies Act. It had been established in 3rd of April 1997. Safaricom is a leading provider of converged
communication solutions that also operates on matters of voice, video and data requirements as pointed out on the company's homepage. Safaricom provides broadband high-speed data to its clientele through its 3G network. Safaricom is a service-providing company specializing in telecommunications. It is considered to be amongst the top performers in the industry in Kenya. With a highly competitive thriving telecommunications market that Kenya has to offer; it is of utmost importance for the telecommunications companies to take into consideration the level of its customer’s satisfaction. Safaricom has already made a name for itself in the Kenyan market hence an interesting choice for the author who is a subscriber and a shareholder of the firm. (www.safaricom.co.ke)

Airtel group limited is the world's third largest mobile telecommunications company by subscribers, with over 275 million subscribers with a commercial presence in 20 countries, of which 16 of the countries are in Africa. Airtel is credited with pioneering the business strategy of outsourcing all of its business operations except marketing, sales and finance and building the 'minutes factory' model of low cost and high volumes. With Its network-base stations, microwave links, maintained by Ericsson and Nokia Siemens Network whereas IT support is provided by IBM, and customer care service is handled by SPANCO RAPS BPO. Airtel (2010). Its subsidiary was first established in Kenya in 2000 under the Brand name Kencell Limited the company that was owned by French Investors. (www.airtel.co.ke)

Orange is the only integrated telecommunications solutions provider operating in Kenya. It offers mobile telephony services under the GSM and CDMA platforms, fixed line telephone Services, and internet services. Orange also owns shares in the TEAMS and EASSYS cables, in addition to running the National Optic Fiber Backbone Initiative (NOFBI) and its terrestrial fiber optic network supporting its data carrier to carrier business. It currently covers entire country on both the voice and data channels, with comprehensive plans in place to meet the Universal Service Provision requirement set out by the industry regulator in Kenya, the Communication Commission of Kenya (CCK). Orange is part of the Lower Indian Network (LION) CABLE-AN under-sea fiber optic connecting Kenya to Madagascar and the rest of the world. (www.orange.co.ke)
1.2 Statement of the Problem

Business is highly dependent upon the work force. An organization can have all the capital and resources in the world but without a workforce to have the ideas organized, produce, and market a product, nothing would ever reach consumers (Turner & Turner 1995). As much as it is every organization desire and goal to increase its revenues by cost reduction, there are other benefits that accompany outsourcing strategies such as: attaining efficiencies, gain access to world-class capabilities, creating a rich environment of resources that might have been insufficient internally and sharing risks with a partner company (Quinn & Hilmer, 1994). However, despite several benefits that accompany outsourcing, several notable gaps in practice remain. Outsourcing initiatives of Kenyan telecommunication firms often fall short of management's expectations. A survey by Synovate on performance in outsourcing efforts among Kenyan telecommunication firms, 66 percent of the outsourcing efforts were considered failures and 34 percent were considered successes. The survey found that one of the "deadly sins" that’s underling in most failed outsourcing efforts in because of poor or no strategy applied. The same study argued that poor performance as a result of lack of outsourcing strategies will continue to be witnessed among Kenyan telecommunication firms. Similarly, many HR functions these days’ struggle to get beyond the role of administration and employee champion, and are more reactive than as strategically proactive partners for the top management and that HR organizations also have the difficulty in providing how their activities and processes add value to the company (Smit, 2006).

Furthermore, due to an increase in national and international regulations and the risks, institutions are facing grow and risk management is explicitly demanded by suppliers, clients and states (Gonzales et.al.2006). Dunn and Bradstreet Barometer of Global Outsourcing (2000) reports that between 20% and 25% of all outsourcing relationships fail in any two-year period and half of the relationships will fail within five years due to lack of adequate strategy leading to low performance outsourcing shows growth across in institutions of higher in global regions.

A number of studies have been done in the area of outsourcing: Wambui (2010) who researched on the analysis of logistics outsourcing at Kenya Armed forces found out that the concept of outsourcing in the Kenyan armed forces is so much limited due to the secretive nature of their work such that adoption of the strategy is on supply of non-essential
services such as stationery. She observed that in the developed world maintenance of military hardware is in some cases outsourced. On his part Kamuri (2010) undertook a research on challenges facing the implementation of logistics outsourcing strategy at the Kenyatta National Hospital and found out among others for an organization to realize the competitiveness resulting from logistics outsourcing, then it should be able to develop a cordial relationship with all the supplier of goods and services which will facilitate efficient and effective delivery of services. From above studies, there has been no research on how strategic outsourcing practices affect the performance of telecommunication sector in Kenyan context. This study therefore sought to bridge the gap by assessing the effects of outsourcing on the performance of telecommunication sector in Kenya.

1.3 General Objective

To examine the effect of strategic outsourcing on performance of telecommunication sector in Kenya.

1.4 Research Questions

1.4.1 What is the effect of involving suppliers early on the performance of telecommunication sector in Kenya?

1.4.2 What are the effects of strategic alliances on the performance of telecommunication sector in Kenya?

1.4.3 How does Supplier Relationship Management affect the performance of telecommunication sector in Kenya?

1.4.4 How does Supplier development affect the performance of telecommunication sector in Kenya?

1.5 Significance of the Study

1.5.1 Government

As unemployment rate rises in Kenya, it provides government with more insight to reviewing policies of telecommunication companies outsourcing their operations since it impacts on job creation which helps in the development of Kenya.
1.5.2 Telecommunication Sector in Kenya

The research further educates telecommunication sector in Kenya about outsourcing ensuring that if the goal of an organization is to engage in this mode of operation all options are well analyzed. The study help sector to estimate the relative cost of outsourcing to their companies. It again helps management to use the appropriate ways to select vendors that are competent and qualified.

1.5.3 Academic Community

To the academicians, the study contributes to the existing literature in the field of outsourcing practices as well as performance of large telecommunication firms. It also acts as a stimulus for further research to refine and extend the present study especially in Kenya.

1.5.4 Policy Makers

The study enable policy makers obtain knowledge of private industry dynamics and the appropriate strategies to be applied to enhance performance and therefore obtain guidance from this study in designing appropriate policies that regulate the industry.

1.6 Scope of the Study

This study sought to analyze the effect of outsourcing on performance of telecommunication sector in the private sector. The variables covered included earlier supplier management, strategic alliances, joint venture, and quality control. The target group in this study is a total of the sixty employees comprised of middle and top management of Safaricom Limited, Airtel Group Limited and Orange Kenya companies in Nairobi Kenya in fall semester 2016. The findings of the research were not generalized since the study concentrated on organizations in the telecommunication sector. In this circumstance, it becomes difficult to quantify output as against other sectors. There was a problem of information access given the secrecy policy of most companies. However, the access problems were overcome by seeking proper information from the university and the concerned companies. The study also encountered unwillingness by interviewees to reveal information which was classified as confidential.
1.7 Definition of Terms

Outsourcing involves performing a function or process such as manufacturing operation and other value-additions activities with reliance on external sources, a third-party or supplier, so as to attain business level benefits (Campbell, 1995). Telecommunication means transmission between or among points specified by the subscriber, of information of the subscriber’s choosing, without a change in the form or content of the information as sent or received (Feenstra & Hanson1996).

1.8 Chapter Summary

The chapter covered the strategic outsourcing at large. It began by looking at the definition of strategic outsourcing and narrowing it into detail. The chapter has covered the global perspective of the strategic outsourcing as well as the local scenario. Under the global perspective, the chapter covered the application of the strategic outsourcing in the international context i.e. how different companies globally have applied strategic outsourcing for their advantage. In the local perspective, the study covered the application of strategic outsourcing under Kenyan context. For instance, the chapter covered how organization in Kenya primarily outsource to save on overheads. The study went ahead to discuss briefly the case study which is the telecommunication industry. Categorically, the study single out three main leading mobile service providers in Kenya which are Safaricom, Airtel, and finally the Orange Kenya. Furthermore, the study also covered the problem of study, objectives, significant of study, scope of the study as well as the limitation of the study. Chapter two offers literature review for this research directed by the objectives. The methodology for this study is outlined in chapter 3 and therefore the analysis is given in chapter four. Chapter five presents the outline, discussion, findings, conclusions, and recommendations for this study. Chapter 2 is given next
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the varied variables used. Literature review is that the analysis of the prevailing information on a line of study. It focuses on the prevailing studies done by different students and researchers and provides some basic information of the research topic. Literature which is related to and consistent with the objectives of the study will be reviewed which includes the effect of earlier supplier involvement, effect of strategic alliances, how supplier relationship and supplier development affect performance of telecommunication sector in Kenya. The chapter first present specific factors which are related to the concept of outsourcing and finally an empirical review of literature where various studies done on outsourcing are presented. The knowledge gap is also identified here.

2.2 Effect of Earlier Supplier Involvement (ESI)

Early supplier involvement is defined as a process in which suppliers provide information and directly participate in decision-making for purchased items in the buying company’s new product/process/service development. This involvement can range from consultation for information to full responsibility for developing components or systems as part of the project and can occur in any point in the process. Early supplier involvement is expected to enable improvement of quality, access and application of technology while also reducing costs and development time of the project (Mikkola & Skjøtt-Larsen, 2006; Ragatz et al., 1997; Wynstra et al., 2001).

According to Peter Petersen, Handfield, and Ragatz, (2003), earlier supplier involvement refers to the extent to which a supplier is involved in co-designing and new product development processes with their customers in exchange relationships. Earlier Supplier involvement in new product development has been documented as an important factor behind successful innovation through interfirm cooperation (Lakemond et al., 2006). Prior literature has identified some potential benefits of supplier involvement in a new product, for both manufacturers and their suppliers. For example, some research suggests that supplier involvement can reduce lead times and the risks involved in product development.
It can also enhance flexibility and product quality for manufacturers (Lau et al., 2010; Liker et al., 1996). From the supplier’s point of view, research also shows that supplier involvement is beneficial for their innovation, product quality and financial performance (Chung & Kim, 2003). From the KBV and organizational learning perspectives, supplier involvement in the form of co-design can facilitate knowledge sharing and learning between suppliers and their customers in exchange relationships (Lakshman & Parente, 2008).

With speedy changes in technologies and market structure, proactive new development has become a very important form of dynamic competitive advantage (Brown & Eisenhardt 1995). Companies that develop new product quickly catch the attention of consumers and capture larger market share in several industries. Yet, original equipment makers face an excellent challenge in product development thanks to the loss of class-conscious management over their suppliers and therefore the lack of relevant data and experience in important elements from outsourcing. Underneath such circumstances, inter-firm collaboration has been prompt to supply an economical mechanism to leverage suppliers’ data and capabilities in new product development (Grant 1996).

2.2.1 Concept of Earlier Supplier Involvement (ESI)

Early supplier involvement (ESI) may be a kind of inter-firm collaboration during which makers involve suppliers at an early stage of the merchandise development/innovation method, usually at the level of conception and style (LaBahn & Krapfel 2000). Japanese manufacturers adopting ESI were ready to bring new vehicles to plug quicker, with more innovative options however less effort in terms of development hours and variety of engineers (Wynstra et al. 2001). The benefits of ESI may be explained from the resource-based read (RBV) of the firm, which argues that resource bundles verify firms’ performance (Barney 1991).

While the manufacturer’s resource bundle changes with suppliers’ complementary resources, joint capabilities are often developed and exploited (Wagner & Hoegl 2006). Consequently, ESI could generate a positive influence on method potency and products effectiveness like value deduction, quality improvement, shorter development cycle time, and high client satisfaction. While several researchers like Wynstra et al. (2001) have documented these edges, there also are variety of studies that showed no significant edges
or found negative effects of provider involvement on performance (Von Corswant & Tunalv 2002).

This study, drawn on cooperative investment framework Che and Chung (1999) reconciles the on top of findings by examining the potential holdup issues in ESI. Holdups might occur once a provider will create an investment that may increase the profit for the manufacturer, however refrains from doing thus thanks to the priority that immediately after the investment, the manufacturer can use the negotiation power to cut back the its profit. Thanks to the incidence of holdups, ESI might not perpetually result in higher performance measures (ex post), although it offers many potential edges to makers (ex ante). This study additionally shows however the manufacturer could use completely different levels of commitment to its suppliers as a method to scale back holdups. The manufacturer’s best strategy is examined considering the degree of competitions among the suppliers and therefore the chance of achieving a radical innovation.

Early supplier involvement represents a strategic type of vertical buyer-supplier collaboration (Cousins, 2005) and is widely discussed by researchers in the context of new product development. ‘Supplier involvement’ and ‘early supplier involvement’ are often used simultaneously and with the same strategic meaning and are only distinguished by the timing of the involvement. Petersen et al. define early supplier involvement as “an important coordinating mechanism for decisions that link product design, process design and supply chain design together” (Petersen et al., 2005:372).

ESI is a concept for using the specific knowledge know-how of the supplier to improve the technological solution of the project effectively and efficiently. This is supported by the findings of Ragatz et al. (2002) who report that “in cases when the supplier possesses high levels of expertise in a technology that needed to be adapted to a particular product development initiative, companies were integrating suppliers very early in the development cycle to exploit all possible opportunities for value engineering and cost reductions. Suppliers in such cases work closely with buying company design engineers to solve problems related to manufacturability, integration of the technology, cost reduction and product performance” (Ragatz et al., 2002:398)/ By extension, the petroleum field development projects of the operators are seen as a new product/process/service that is developed through ESI.
2.2.2 Earlier Supplier Involvement (ESI) and Performance

Wynstra et al. (2001) summarized the potential benefits of supplier involvement as the possibility of using the “extra and specialized development potential embedded in the skills, competencies and knowledge of suppliers”, which “can make product development more efficient, by decreasing input (less development costs, less design changes, less engineering hours) and increasing the output (a better product, a more innovative product, a faster market introduction)”. Similar assumptions about the benefits of supplier involvement are found in almost every study about this topic. These benefits are a continuation of the relationship benefits potentially occurring during inter-firm collaboration. Van Echtelt and Wynstra (2001) analyzed the potential benefits of early supplier involvement and separated them according to their impact on a buying company’s strategic and operational advantages. Operational impact describes improvements in efficiency and effectiveness through suppliers’ involvement in a specific project. Strategic impact describes long-term improvements that may not be directly traceable to a specific project but increase buyer’s performance in terms of supplier involvement over time (van Echtelt & Wynstra, 2001).

Operational or short-term advantages can be divided into efficiency and effectiveness benefits. Supplier involvement can affect a buyer’s specific project mainly by improved project cycle time, improved resource utilization and reduced development and transaction costs. This impact arises for different reasons: The supplier can identify potential problems upfront, eases communication and information exchange and provide extra personnel to shorten the critical path (Bonaccorsi & Lipparini, 1994; Brown & Eisenhardt, 1995; Clark, 1989; Kamath & Liker, 1994; McGinnis & Vallopra, 1999; Ragatz et al., 2002, 1997).

Ruuska et al. (2013) analyzed suppliers’ capabilities and contributions. Suppliers contribute with their operational capabilities, their know-how in technology and operating in their particular business and their innovativeness and development capabilities. Even though suppliers’ knowledge can improve efficiency in a particular area, for this study, improvement in effectiveness is more important. The impact on a buyer’s performance in terms of effectiveness can be associated with a better solution both short and long term. Early supplier involvement improves a buyer’s project effectiveness in many ways. The supplier can add information and expertise regarding new technologies, suggest better component alternatives or develop parts of the project to reduce internal complexity and
manufacturing costs (Brown & Eisenhardt, 1995; Clark, 1989; Dowlatshahi, 1998; Ragatz et al., 2002, 1997).

Overall, the greatest benefit of involving suppliers early is suppliers’ help in developing a better solution by providing access to his or her technological resources, capabilities, and design ideas (Bonaccorsi & Lipparini, 1994; Clark, 1989; Handfield et al., 1999; Ragatz et al., 2002; Rosell & Lakemond, 2012). In addition, Wasti and Liker (1997) found evidence that involving top-tier suppliers early, as in the early conception and planning phases, can help develop a feasible and better solution by combining companies’ knowledge and capabilities in cases of high technological uncertainty. Early supplier involvement in the conception and planning phases also benefits future buyer-supplier collaboration in developing projects. On the one hand, even if there is no direct improvement for a specific project the supplier was involved in, this project-collaboration can increase the buyer’s capacity to involve suppliers in future project collaborations (Dyer & Singh, 1998). Also, the buying company secures access to the suppliers’ knowledge by establishing a high-involvement relationship with the supplier (Ragatz et al., 1997). A particular advantage of involving a specific supplier in different projects over time is that the companies can align their technological strategies and the buyer can influence the future technological development and investment of this supplier (van Echtelt & Wynstra, 2001).

Involving suppliers in new product development decisions and continuous improvement efforts enables the manufacturers to share knowledge increase learning so that better solutions can be found to complex, inter-company problems that impact performance (Tracey & Vonderembse, 2010). Dowlatshahi (2007) stated that if a company or a supplier waits until a design specification or a bill of materials is available, it will be too late to reap the benefits of the knowledge expertise of a supplier without a costly re-design, measured in time and money.

As today firms focus on their core competences, they become more dependent on their suppliers to meet ever-increasing competition (Krause & Ellram, 2007). According to Mikkola and Larsen (2013), due to greater complexity, higher specialization, and new technological capabilities, outside suppliers can perform many activities at lower cost and with higher value added than a fully integrated company can. Supplier can have a significant impact on a manufacturer’s performance, through their contributions towards cost reduction, eliminate inconsistency in the designer’s manufacturing processes,
minimize high-cost material items, share technical expertise and processes within each other, enabling the constant improvement of quality, share technology capabilities, and increase responsiveness of buying companies. A buyer’s bases of power estimated that suppliers account for 30% of the quality problems and 80% of product lead-time problems (Burton, 1988).

Moreover, by involving suppliers in the process, buying company can access to a wide pool of talent all focused on the needs of its customers (Leenders, et. al., 2002). By keeping the customer-partner’s future needs in mind, decisions of suppliers regarding investments, new product, new process, or system could be facilitated. Thus, the possibility of misjudgment or wrong strategy made would be reduced. Hahn, et.al, (1990) proposed that suppliers involved in partnerships can carry additional inventory to satisfy the buyer’s delivery requirements. This is an important feature of the buyer-supplier relationship in achieving Just-In-Time manufacturing, especially when a manufacturer (buyer) does not assist the supplier to revise its system to meet the buyer’s shipment dates in a timely fashion. (Handfield et al, 2009).

Early supplier involvement (ESI) has been advocated as a means of integrating suppliers’ capabilities in the buying firm’s supply chain system and operations. Partnerships with suppliers were formed together to take advantage of their technological expertise in designing and manufacturing (Dowlatshahi, 1998). The implementation of early supplier involvement (ESI) in these manufacturing sectors focusing on electrics and electronics industries is one of the strategies that companies should acquire to face the challenges in globalizations. In addition, nowadays, designing the relationship between customers and suppliers is very important and essential to sustain competitiveness within the marketplace. Liker, et.al. (1998), leading companies need more specific guidance in defining the optimal timing and integration of suppliers.

Great benefits and advantages can be obtained if suppliers are involved in the customer’s product development as early as possible. Huang and Mak (2000) proposed that the rationale is that suppliers frequently possess vital product and process technology that can lead to improvements in product design and the new product development process itself. A cross-national study by Clark (1989) showed that much of the Japanese advantage in concept-to-market time was attributed to supplier involvement in the NPD process. Smith and Zsidisin (2002) also proved that by engaging suppliers early in product design, the
organization has recognized significant cost savings and enhanced its competitive position. ESI has come to be considered a critical activity since that 80 percent of the products’ cost are locked during the design phase. And organizational contribution from ESI includes obtaining leverage with the supply base, improving design capabilities and instituting internal documentation of best practices for organization learning.

According to Bonaccorsi and Lipparini, (2014), early supplier involvement has beneficial to both supplier’s buyers. Benefits of ESI practices include reduced development costs, early availability of prototypes, standardization of components, visibility of the cost performance tradeoff, consistency between design and supplier’s process capabilities, reduced engineering changes, higher quality with defects, consistency between product tolerances and process capabilities, refinement of the supplier’s processes, availability of detailed process data, reduced time to market, early identification of technical problems, reduced supplier’s engineering time, acquisition of supplier’s production capacity and supplier innovation

The increasingly shorter product or service development cycles in the industry increase the interest of supplier involvement and collaboration. Ragatz, et. al. (2002) and Abu Bakar and Rohaizat (2002), acknowledge that using suppliers’ knowledge and expertise to complement internal capabilities reduce concept-to-customer cycle time, costs, quality problems, and improve the overall design effort. A firm can compete effectively in the market with shorter cycle time and this forces firm to make strategic planning of its resources as well as the regime appropriateness of the innovation with respect to the market and competitors.

According to Leenders, et. al. (2012); Abu Bakar and Rohaizat (2012), involving the supplier and the buyer in the early stages can lead to improvement in processes, design, redesign, or value analysis. Value engineering (VE), proposition (D5), is a procedure that analyzes the costs versus the benefits of a currently purchased component or an assembly process (Hirakubo, 2000). As suppliers generally know more about the parts they are producing than the buyer’s product designer, suppliers’ expertise should be used in the firm’s VE effort. Suppliers possess specialized expertise to innovate independently and deliver the best technological solutions to enhance performance of the system (Mikkola & Larsen, 2013).
Early supplier involvement increases product development efficiency and effectiveness, as well as tap into suppliers’ technological capabilities (Mikkola & Larsen, 2013). It is virtually impossible for any firm to possess all the technical expertise needed to develop a complex product with the rising of the technical difficulty of designing and manufacturing of most products. The involvement of suppliers in the process of product development increases the need for effective coordination mechanisms, as higher levels of interdependence are required between a local firm and their suppliers of development information. The opportunity to improve product design performance by involving suppliers in the integrated product development process identifies a definite need to understand better the basic structure of buyer-supplier relationships (Birou & Fawcett, 2014).

2.2.3 Empirical literature on Earlier Supplier Involvement (ESI)

Leenders and Blenkhorn (1988) in their study of relationship between the Earlier Supplier Involvement and strategic outsourcing argued that firms can meet ambitious supply objectives by Prescriptive; nine case studies working closely with existing suppliers and by creating new, competent suppliers, a concept they called reverse marketing. Hahn et al (1989) in his study between the Earlier Supplier Involvement and strategic outsourcing described Hyundai’s three phases of supplier development: development of new sources, expansion of suppliers ‘capacity and improving supplier’s performance which later impact strategic outsourcing positively. Lascelles and Dale (1989) in their study identified and discussed barriers to supplier development that hinders outsourcing. Barriers included poor communication, supplier complacency, and lack of buyer credibility. Approached Supplier Involvement development from a quality improvement perspective. Survey data of 300 UK-based suppliers of three UK auto companies. Ragatz (2005), who tried to find a relationship between project team effectiveness on design performance monitored by the timing of supplier integration, found that indeed “project team effectiveness had a greater effect on design performance for suppliers who were integrated earlier in the new product development process” (p. 382). Furthermore, Hoegl and Wagner (2005) studied the buyer-supplier collaboration relationship and found that the collaboration improved the project performance regardless of the suppliers’ share in the project. Additionally, they found a significant positive relationship between strong buyer-supplier collaboration and efficiency (development costs) and effectiveness (product costs).
McGinnis and Vallopra (1999) research indicated that ESI had no significant effect on new product development success and product development success is not affected by the decision when and how to involve suppliers. They state that the contribution of supplier involvement varies depending on the situation.

According to Sako (2012) the robust relationships with suppliers are thought to be one major issue for the Japanese industrial aggressiveness. MacDuffie and Helper (2009) demonstrated that providers in incline generation setting are required to claim the adaptability of meeting quality, conveyance, and responsiveness needs. They additionally observed the issue for purchasers to satisfy these requirements unless providers themselves have received incline rehearses. This indicated one key disadvantage in without a moment to spare (JIT) environment identified with moving the inventories from the purchaser's firm to its providers. Such a situation can downsize stock and related expenses inside the purchasing firm though increment inventories and costs inside the provider firm (Romero, 2011). Handfield et al. (2009) contended that the viable joining of providers into the arrangement might be a noteworthy issue for plants to keep up their battle. Also, Performance change and upper hand might be accomplished by agreeable relations with providers that include: put stock in, supporting providers to help their procedures, data sharing, supplier association in new stock advancement, and long-run connections (Langfield-Smith and timberland, 2008).

Krause et al. (2007) found that dedication of the looking for firm to long-run associations with real providers, shared objectives, and qualities with providers, and furthermore the contribution in provider advancement activities were totally identified with the looking for firm aggressive execution in United States car and gadgets businesses. Langfield-Smith and timberland (2008) closed in light of a contextual analysis on Toyota Australia that the adequacy of the provider purchaser relationship was affected by many variables, similar to correspondence and data sharing, learning and furthermore the inclusion of staff inside the purchasing company's projects, and similitudes in advancements and business.

Scannell et al. (2010) examined offer chain administration endeavors with first level providers in fifty-seven car organizations inside the USA. Utilizing a review poll; they found that first level provider improvement is identified with development and esteem measures, however not identified with adaptability and quality measures. They conjointly found that the work of JIT purchasing by first-level providers is intensely identified with
their execution measures of adaptability, marginally identified with quality and cost, and not identified with advancement. They required further investigation with bigger specimen to help the generalizability of the outcomes.

Shin et al. (2010) examined offer administration introduction (SMO) on provider’s and purchaser's exhibitions in 176 car organizations inside the US. They gauged SMO regarding long-run associations with providers, supplier interest in new improvement, limited scope of providers, and picking providers upheld quality issues. They found that SMO completely influenced provider's and purchaser's execution as far as quality and conveyance. Be that as it may, they found that SMO didn't affect purchaser's execution as far as esteem and flexibility. Wisner (2013) found that supplier and customer administration procedure have positive outcome on offer chain methodology and on focused execution. His observational outcomes were accomplished utilizing a data from 350 US and European delivering organizations. Echtelt et al. (2008) indicated some real measurements of SRM including large amounts of trust, information sharing, hazard and reward sharing, collaboration, and contribution of providers in new improvement. in view of the above and when a top to bottom audit of the uncovered writing; we've known the consequent five noteworthy measurements of SRM: 1) supplier quality change 2) confide in based associations with providers 3) supplier time interim lessening 4) supplier coordinated effort in new advancement 5) and provider organization/improvement.

2.3 Strategic Alliances

According to Douma, (1997), a strategic alliance is a contractual, temporary relationship between companies remaining independent, aimed at reducing the uncertainty around the realization of the partners’ strategic objectives (for which the partners are mutually dependent) by means of coordinating or jointly executing one or several of the companies’ activities. Each of the partners are able to exert considerable influence upon the management or policy of the alliance. The partners are financially involved, although by definition not through participation, and share the costs, profits, and risks of the strategic alliance.

2.3.1 Concept of Strategic Alliance

Strategic alliances are agreements between companies (partners) to reach objectives of common interest. Strategic alliances are among the various options which companies can
use to achieve their goals; they are based on cooperation between companies (Mockler, 1999). Strategic alliances are agreements between companies that remain independent and are often in competition. In practice, they would be all relationships between companies, except for a) transactions (acquisitions, sales, loans) based on short-term contracts (while a transaction from a multi-year agreement between a supplier and a buyer could be an alliance); b) agreements related to activities that are not important, or not strategic for the partners, for example a multi-year agreement for a service provided (outsourcing) (Pellicelli, 2003). According to Mockler (1998), strategic alliances are “agreements that are important to the partners, created to achieve common interests”. Amita, Pearce, Richard and Robinson (2011) define a strategic alliance as an agreement between two or more companies in which they both contribute capabilities, resources or expertise to a joint undertaking, usually with an identity of its own, with each firm giving up overall control in return for the potential to participate in and benefit from the joint venture relationship.

According to Wheelan and Hungar (2000), a strategic alliance is an agreement between companies to establish cooperative partnerships that go beyond normal company-to-company relations, but fall short of becoming a real merger. Gamble, Strickland and Thompson (2007) on the other hand define a strategic alliance as a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control and mutual dependence. Alliances include a wide variety of goals which companies are completely or partially precluded from achieving when confronting competition on their own. Strategic alliances range from simple, informal “handshake” agreements occurring over lunch to formal agreements complete with contracts that enable companies to exchange equities (Elmuti & Kathawala, 2001). Different sets of reasons can be found as to why a firm should seek strategic alliances in order to compete in today’s open and aggressive markets. Gamble et.al, (2007) stipulates that globalization and technical advances in the world are major causes for companies advocate for strategic alliances so as to become global market leaders. Firms use the alliances as an entry strategy to new markets by partnering with existing companies in that market arena.

Strategic alliance may be delineated as a method whereby participants volitionally modify their basic business practices with a purpose to cut back duplication and waste whereas facilitating improved performance (Frankel, Whipple & Frayer, 1996). A strategic alliance must contribute to the successful implementation of the strategic plan; thus, the alliance
should be strategic in nature. The link should be supported by government leadership and fashioned by lower management at the very best, macro level. Whereas the subsequent doesn't represent a comprehensive definition for a strategic alliance, at this stage, one would possibly outline a strategic alliance as is relationship between organizations for the needs of achieving successful implementation of a strategic set up.

2.3.2 Strategic Alliance and Performance

There is evidence suggesting organizations forming alliances will experience enhanced organizational performance Nielsen (2007), Lee (2007) and Gorzen (2007). A broad stream of research claims that cooperation is an interesting organizational model, regardless of the conditions of the industry and the environment. Perry et.al. (2004) found a positive significant relationship between participation in strategic alliances and business performance. Tebrani (2003) concludes that using strategic alliances improves performance regardless of the type of competitive strategy used, the country of origin, or the industry in which the alliances are established. The conviction surrounding this line of thought was so prevalent for so long that empirical analysis of the relationship between strategic alliances and performance received little attention (Stuart, 2000).

According to Bernadette (2007), the strategic alliance influences the performance of the organization in several ways. The first one is the ease of market entry. Advances in telecommunications, computer technology, and transportation have made entry into new markets by firms easier. Entering new markets further confers benefits such as economies of scale and scope in marketing and distribution. The cost of entering new market may be beyond the capabilities of a single firm but, by entering into a strategic alliance with another firm, it will achieve the benefit of rapid entry while keeping the cost down. Choosing a strategic partnership as the entry mode may overcome the remaining obstacles, which could include entrenched competition and hostile government regulations. Secondly is through shared risks: Risk sharing is another common rationale for undertaking a cooperative arrangement- when a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important. The competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one-way to reduce or control a firm’s risks.
According to Porter (1990), strategic alliance influences the performance of the private organization through shared knowledge and expertise and synergy and competitive advantage. Most firms are competent in some areas and lack expertise in other areas; as such, forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. A learning organization is a growing organization. Gulati (1998) argues that achieving synergy and a competitive advantage may be another reason why firms enter into a strategic alliance. As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research, and development etc.

Competition becomes more effective when partners leverage off each other’s strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. In retail, entering a new market is an expensive and time consuming process. Forming strategic alliances with an established company with a good reputation can help create favorable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. Most times smaller companies can achieve speed to market quicker than bigger, more established companies. Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand (Biggs, 2006).

According to Amita et al (2011), strategic alliances enable companies to extend their strengths to competitive arenas that they would otherwise be hesitant to enter alone. These companies benefit from one another in areas such as marketing, distribution, production, research and development, and outsourcing. When companies form alliances, they are able to accomplish bigger projects quickly and profitably. According to Barney (2002), strategic alliances may take three forms - joint venture, equity alliances, and non-equity alliances. Scholars such as Knoke (2001) also include: hierarchical relations, cooperatives, Research and Development consortia, strategic cooperative agreements, cartels, franchising, licensing, subcontractor networks, industry standards groups, action sets and market relations as other forms of strategic alliances.
Tebrani (2013) concludes that using strategic alliances improves performance regardless of the type of competitive strategy used, the country of origin, or the industry in which the alliances are established. The conviction surrounding this line of thought was so prevalent for so long that empirical analysis of the relationship between strategic alliances and performance received little attention (Stuart, 2010).

According to Boris and Jemison (2011) a firm would be able to create value through a strategic alliance that the firm could not create on its own. To measure this effect, a concept of performance must be specified that reflects the creation of value. A company can create value by reducing costs. Some types of strategic alliances (for example, in logistics, purchasing or administrative services) can have direct effects on economic results because they usually produce cost savings through synergies. Nevertheless, the most widely used criterion in economics and strategy to measure firm performance is to adopt some financial indicators which estimate the contribution to the shareholder wealth; and these are approaches for measuring the firm’s ex-post competitiveness, that is, a proxy for the supra-normal income associated with competitive advantages. A firm has a superior economic performance when it is above the industry average in the long term; in other words, its economic performance remains superior over time (Ruefli & Wiggins, 2010).

Camison (2007), states that alliance results must be transformed into sustainable competitive advantages if the agreement contributes directly to the achievement of superior economic performance. Thus, the contribution of technological strategic alliances to growth or improvement of knowledge-based competencies determines their contribution to superior economic performance (defined as above). The use of technological strategic alliances produces sustainable competitive advantages only if the partners are capable of internalizing, appropriating, or developing knowledge-based capabilities they previously lacked and which meet the strategic asset requirements mentioned above.

According to Hamel and Prahalad (2009) participation in technological strategic alliances does not usually contribute directly to the knowledge stock accumulated by the organization. With the exception of a few cases however, participation in a strategic alliance does not lead directly to the appropriation of partners’ knowledge because they are aware of the risk of strengthening a competitor by cooperating. The partners of these alliances frequently protect their core competencies, their internal knowledge, in order to maintain their competitive advantage.
2.3.3 Empirical Literature on Strategic Alliance

Griffin and Hauser (1992) looked at the Impact of Strategic Alliance on Company Performance: Study on a Local Public Limited Company in Bangladesh. Their paper systematically investigates the firm strategic alliance design, operation model, and impact on company performance. Brown and Eisenhardt (1995) did the study on the relationship between the strategic alliances and the performance in the public sector. His finding was that strategic alliances through extensive supplier integration at an early stage could also lead to suppliers alerting the buyer to potential problems early on, and making it possible to fix the problem earlier and easier. Strategic alliances led to significant product performance improvements, which led to a competitive advantage. Kessler (2000) stated that by strategic alliances using more external (versus internal) ideas and technologies lower development costs were achieved.

Jabar et al. (2011) examined the Malaysian manufacturing relationship between organizations’ resource availability and absorptive capacity as well as type of alliances with organizational performance. The result indicated that collaborations and partnerships is factor of consideration to enhance capabilities and performance. This means that firms planning to improve their performance need to consider alliances with other firms especially those in manufacturing sector. Camison et.al, (2011) conducted a study on the effect of participation in technological strategic alliances on business performance by considering the knowledge-based distinctive competencies as a mediating variable using a sample of Spanish firms. Results from their findings prove that the relationship between research and development (R&D), innovation strategic alliances, and performance is mediated by the generation of knowledge-based distinctive competencies; and that the contribution of the participation in alliances to the growth of the firm’s knowledge stock depends on its creation of innovation competencies. This implies that R&D managers should enhance the development of this kind of competencies in order to achieve superior performance.

In a study carried out by KMPG (2009) on Joint ventures, the study revealed that strategic alliances were on the rise. Companies forming joint ventures had specific reasons for opting for the ventures. The main reasons for the formation of strategic alliances were so as to enable the companies gain access to greater markets, reduce on costs, reduce risk as joint ventures can share or spread risk between partners better than alternative forms of corporate
strategies hence improving on their profitability (KPMG, 2009). In highly uncertain foreign markets in particular, international Joint ventures (IJVs) tend to outperform wholly owned subsidiaries (WOSs) because of the benefits a local partner provides (Brouthers, 2002). Unlike non-equity alliances, the capital invested in a JV signals partner commitment, thereby enhancing the probability of success. This commitment enhances cooperation among the parent firms, which is especially important when they are competitors, as is sometimes the case (Beamish & Lupton, 2009). Craig (2005) on the other hand reveals that despite strategic alliances offering the promise of economic and other benefits, they often entail significant costs in their implementation. Due to their shared decision making nature, strategic alliances tend to be fragile relationships with a high failure rate; above 30% according to Beamish and Makino (1998), Park and Ungson (1997) among others. Lane and Beamish (1990) found out that breakdown of communications generally had significant consequences on strategic alliances which sometimes led to the eventual dismemberment of the venture.

2.4 Supplier Relationship Management (SRM)

According to Ondieki and Oteki (2015), supplier relationship management entails determining how company buyers interact with suppliers. It is a mirror image of customer relationship management. Just as a company needs to develop relationships with its customers, it needs to foster relationships with its suppliers to ensure quality goods and services, timely and assured deliveries and information flow to assist both organizations in planning. At the strategic level, the output of the process is an understanding of the levels of relationships the firm will maintain, and the process for segmenting the suppliers and working with them to develop appropriate relationships. Once the process team determines the criteria for categorization of suppliers and the levels of customization, the operational supplier relationship management process develops and manages the relationship.

2.4.1 Concept of Supplier Relationship Management (SRM)

The term Supplier Relationship Management (SRM) refers to the practice and process for interacting with suppliers. Most supply professionals view SRM as an organized approach to defining what they need and want from a supplier and establishing and managing the company-to-company (or procurement-to-sales) link to obtain these needs (Browne, 2012). According to Tan Leong (2009), Supplier Relationship Management (SRM) is a systematic approach for developing and managing partnerships. It is focused on joint growth and value
creation with a limited number of key suppliers based on trust, open communication, empathy and a win-win orientation. Non-partnerships are managed by means of other measures like contract administration, contract management, and vendor rating.

Relationships can take the form of supplier captive or buyer captive. Supplier applies when the supplier has less chances of changing the buyer either because of the supplier having invested a lot of resources to produce a particular product to a given firm and hence moving will be a loss, a case where a supplier has only one or a few clients to deliver to. Buyer captive arises when the buyer has one source to buy from such as when there is only one supplier or manufacturer of product. In both cases, relationships should be a win-win to both for both firms to reduce costs and share profits (Ondieki & Oteki, 2015).

According to Hassan, Handfield, and Scannell (2014), Supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the good services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers.

2.4.2 Supplier Relationship Management and Performance

Browne, (2012) contended that supplier relationship management is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management (SRM) is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management (CRM) is intended to streamline and make more effective the processes between an enterprise and its customers. Supplier involvement in product development allows firm to make better use of their supplier’s capabilities and technology to deliver competitive products. Coordinating operational activities through joint planning also results inventory reduction smoothing production, improve product quality, and lead time reductions argues that integration is an effective strategy in reducing with suppliers throughout the product lifecycle is an effective strategy in reducing supply uncertainty (Abdullah, Lawson & Squire, 2008).

SRM delivers a competitive advantage to the private organization by harnessing talent and ideas from key supply partners and translates this into product and service offerings for end
customers. One tool for monitoring performance and identifying areas for improvement is the joint, two-way performance scorecard. A balanced scorecard includes a mixture of quantitative and qualitative measures, including how key participants perceive the quality of the relationship. These KPIs are shared between customer and supplier and reviewed jointly, reflecting the fact that the relationship is two-way and collaborative, and that strong performance on both sides is required for it to be successful. Advanced organizations conduct 360 degree scorecards, where strategic suppliers are also surveyed for feedback on their performance, the results of which are built into the scorecard (Tan Leong, 2009).

A practice of leading organizations is to track specific SRM savings generated at an individual supplier level, and also at an aggregated SRM program level, through the existing procurement benefit measurement systems. Part of the challenge in measuring the financial impact of SRM is that there are many ways SRM can contribute to financial performance. These include cost savings (e.g., most favored customer pricing, joint efforts to improve design, manufacturing, and service delivery for greater efficiency); incremental revenue opportunities (e.g., gaining early or exclusive access to innovative supplier technology; joint efforts to develop innovative products, features, packaging, etc. avoiding stock-outs through joint demand forecasting); and improved management of risk (SRM delivers a competitive advantage to the non-public organization by harnessing talent and concepts from key supply partners and interpreting this into product and service offerings for customers. One tool for observance performance and distinguishing areas for improvement is the joint, two-way performance scorecard. A balanced card includes a mix of quantitative and qualitative measures, together with how key participants understand the standard of the connection. These KPIs are shared between client and provider and reviewed collectively, reflecting the actual fact that the connection is two-way and collaborative, while robust performance on either side is needed for it to achieve success. Advanced organizations conduct 360 degree scorecards, where strategic suppliers are surveyed for feedback on their performance, the results of that are engineered into the card (Tan Leong, 2009).

A practice of leading organizations is to trace specific SRM savings generated at a private provider level, and conjointly at a collective SRM program level, through the present acquisition benefit measuring systems. A part of the challenge in measurement the monetary impact of SRM is that there are many ways SRM will contribute to monetary
performance. These embrace cost savings (e.g., most favored client rating, joint efforts to enhance style, producing, and service delivery for more efficiency); progressive revenue opportunities (e.g., gaining early or exclusive access to innovative provider technology; joint efforts to develop innovative merchandise, features, packaging, etc. avoiding stock-outs through joint demand forecasting); and improved management of risk (Tan Leong, 2009).

In practice, SRM expands the scope of interaction with key suppliers beyond traditional buy-sell transactions to encompass other joint activities which are predicated on a shift in perspective and a change in how relationships are managed, which may or may not entail significant investment. Such activities include, Joint research and development, more disciplined, systematic, and often expanded, information sharing and finally joint demand forecasting and process re-engineering. The strategic focused outcomes model (SFOM) categorizes collaboration into three. These are Market collaboration which includes activities such as shared merchandising, co-branding, joint selling, and distribution channel management. Operational collaboration which includes shared operational planning information, developing and sharing of forecasts, link order management system, and joint capacity management system. Strategic collaboration which includes aligning customer requirements, sharing basic technologies, shared production engineering, developing joint market entry strategies and develop joint capital expenditures. (Tan Leong, 2009).

2.4.3 Empirical Literature on Supplier Relationship Management

Abdallah et al (2014) examined the impact of supplier relationship management on competitive performance of manufacturing firms. Al-Abdallah, et al contended that provider quality change, trust construct generally in light of association with providers, provider lead time diminishment and organization improvement impact organization's aggressive execution. Stratified testing system was connected to pick organizations from Japan, USA, Italy, and Korea. Spellbinding, relationship and multivariate examination were used to dissect the data. Results of the study revealed a negative significant relationship between competitive performance and supplier quality improvement. In addition, there was a positive and significant relationship between trusts based relationship with suppliers, supplier lead time reduction, supplier partnership development, and competitive performance. Since the variable used Likert scale it was not appropriate to use mean and
standard deviation as descriptive analysis since the variables were in ordinal scale it would have been appropriate to use frequencies and percentage.

Ondieki and Oteki (2015) examined the effect of supplier management relationship on effectiveness of supply chain management in Kenyan public sector. The study argued that SRM is enhanced by inventory management, information technology, distribution management and training management. The study adopted descriptive research design; semi structure questionnaire was used to collect primary data from a sample of 60 respondents. Both correlation and descriptive analysis were used to analyze the data. Results of the study revealed that there was a positive and significant relationship between supplier relationship management and supply chain effectiveness. It was appropriate to apply exploratory factor analysis and generated variables which were to be regressed prior to correlation analysis. The research instrument had guiding with dichotomous response which would have not attained the study objectives. Being a social study it would have been appropriate to use Likert scale items rather than dichotomous responses (Shiundu, & Rotich, 2014).

Hassan et al (2014) examined the role of buyer relationship on buying firms performance in Chemical sector in Pakistan. The study argued that buyer relationship can be defined by facets such as communication frequency through use of face to face, telephone communication as well as telephone conversation, amount of information sharing, supplier flexibility, customized relationship adaptation, continuous and active market monitoring, supplier quality products delivered and availability of substitutes. Purposive sampling was used to select six companies which were listed in chemical sector in Karachi securities exchange. Descriptive, correlation and regression analysis were used to analyze the data. Results of the study revealed that there was an inverse relationship between availability of alternative suppliers, relationship specific adaptations, production quality, frequency of communication and firm performance. In contrast, there was a positive relationship between active information sharing and firm performance. Since research questionnaire items were rated using Likert scale it would have been appropriate to use frequencies and percentages as descriptive measures. Exploratory factor analysis would have been appropriate to analyze the responses measuring several items from which composite measures for each variable would have been developed and used for subsequent analysis. The study lacked the theoretical foundations against which it was found (Musau, 2014).
As indicated by Sako (2012), the solid associations with providers have been viewed as one main consideration for the Japanese modern intensity. MacDuffie and Helper (2009) showed that providers in incline creation setting are relied upon to have the capacity of meeting quality, conveyance, and responsiveness prerequisites. They additionally called attention to the trouble for clients to meet these prerequisites unless providers themselves have embraced incline hones. This indicated one key issue in without a moment to spare (JIT) environment related with moving the inventories from the purchaser's firm to its providers. Such a circumstance will lessen stock and related expenses in the purchasing firm while increment inventories and expenses in the provider firm (Romero, 2011).

Handfield et al. (2009) contended that the successful joining of providers into the supply is a central point for plants to keep up their aggressiveness. What's more, Performance change and upper hand can be accomplished by helpful relations with providers, which include: put stock in, supporting providers to enhance their procedures, data sharing, provider contribution in new items advancement, and long haul connections (Langfield-Smith and Greenwood, 2008).

Krause et al. (2007) found that dedication of the purchasing firm to long haul associations with significant providers, imparted objectives and qualities to providers, and the inclusion in provider advancement activities were decidedly connected with the purchasing firm focused execution in US car and hardware enterprises. Langfield-Smith and Greenwood (2008) finished up in view of a contextual investigation on Toyota Australia that the viability of the provider purchaser relationship was affected by a few components, for example, correspondence and data sharing, learning and the inclusion of laborers in the purchasing association's projects, and likenesses in advances and industry.

Scannell et al. (2010) explored store network administration endeavors with first level providers in 57 car firms in the US. Utilizing a review survey; they found that first level provider advancement is related with development and cost measures, yet not related with adaptability and quality measures. They additionally found that the utilization of JIT obtaining by first-level providers is unequivocally connected with their execution measures of adaptability, somewhat connected with quality and cost, and not related with development. They called for further research with bigger specimen keeping in mind the end goal to enhance the generalizability of the outcomes.
Shin et al. (2010) explored supply administration introduction (SMO) on provider's and purchaser's exhibitions in 176 car firms in the US. They quantified SMO regarding long haul associations with providers, provider investment in new item improvement, predetermined number of providers, and selecting providers in light of value contemplations. They found that SMO decidedly influenced provider's and purchaser's execution as far as quality and conveyance. In any case, they found that SMO did not influence purchaser's execution as far as cost and adaptability. Wisner (2013) found that provider and client administration system have beneficial outcome on store network methodology and on aggressive execution. His exact outcomes were accomplished utilizing an information from 350 US and European assembling firms. Echtelt et al. (2008) indicated some significant measurements of SRM which included large amounts of trust, data sharing, hazard and reward sharing, collaboration, and association of providers in new item advancement. In light of the above and after a broad audit of the distributed writing; we have recognized the accompanying five noteworthy measurements of SRM: 1) provider quality change 2) put stock in based associations with providers 3) provider lead time decrease 4) provider joint effort in new item improvement 5) and provider organization/advancement.

2.5 Supplier Development

Supplier development is defined as any effort by a buying firm to increase the performance and capabilities of their supplier. It is the process of working collaboratively with suppliers to improve or expand their capabilities (Dominick, 2006). It is a bilateral effort by both the buying and supplying organization to jointly improve the supplier's performance or capabilities in one or more of the following areas: cost, quality, delivery lead time, technological advancement, safety and environmental responsibility, managerial capability and financial viability (Krause & Handfield, 2011). It is the process of having the buying organization work directly with certain suppliers to improve their performance for the benefit of the buying organization. There are various objectives which buying organizations seek to accomplish in their supplier development undertaking. These may include; improving supplier performance, reducing product costs, reducing lead-times, resolving serious quality issues, developing new routes to supply, developing new product in the market etc.
Before undertaking supplier development on any supplier, the purchasing professionals responsible for the project must select the ideal supplier for development based on their current capacity compared to ideal capability, their cooperation with buying organization, product or service supplied, nature and scope of development required, etc. Supplier development however is faced with some challenges which impair realization of the desired benefits. These may include but are not limited to inadequate financial resources, lack of technical capability, lack of commitment by the suppliers, resistance to change, among other factors. Opponents of supplier development concept argue that hedging may expose the buying firm to supplier activities and may give a lot of control over the business operations to an external force notwithstanding the immense use of resources during the exercise (Krause, 1998).

Supplier development is mainly focused on the effects that affect the product aspects as well as the supplier’s capabilities. This basically involves improvement of product aspects which include; quality, design, reliability, safety and conformance as well as total ownership cost of the product. In supplier capacity aspects, supplier development basically works to improve and enhance supplier’s performance related with; increased production capacity, shorter product development cycle, productivity, research and development, improved and reliable processes, shorter delivery lead times, flexibility and overall organizational visibility to the buying organization by adoption of information interchange (Wagner & Krause, 2009).

2.5.1 Concept of Supplier Development

Supplier development is defined as any effort of a buying firm on a supplier to increase the performance and capabilities of the supplier to meet the buying firm’s short and/or long-term supply needs Krause and Ellram, (2007).According to Krause et al (2012), supplier development broadly refers to “any effort by a buying firm to improve a supplier's performance and/or capabilities to meet the buying firm's short- and/or long-term supply needs” Purchasers can make use of a wide range of supplier development practices to improve a supplier's performance and/or capabilities. Krause et al. (2012) opined that supplier development may be composed of such activities from a buying firm as goal setting, supplier evaluation, supplier technical support, performance measurement, supplier training, and other related activities. This set of practices encompassing direct involvement indicates a multidimensional nature of supplier development (Pagell & Curkovic, 2011).
2.5.2 Supplier Development and Performance

Supplier development lead to improvement in the total added value from the supplier in question in terms of quality of product or service offered, business processes and performance, improvements in lead times and delivery to overall performance of the buying firm (Modi & Mabert, 2007). Supplier development is normally undertaken with existing suppliers that can be, and agree to being, improved. Suppliers can be categorized in respect of supplier development in three ways; they are, being developed, on hold as a potential for development or, identified as not being worth the investment of development.

Several studies have described strategies that buying firms should adopt in order to improve the rate of supplier performance Monczka et al, (2013); Vonderembse and Tracey, (1999); Carr et al, (2008); Krause, (1997). Previous researchers described activities that take place within the context of supplier development. These activities include introducing competition into the supply base, supplier evaluation as a prerequisite to further supplier development activities, raising performance expectations, recognition awards, the promise of future benefits, training and education of the supplier’s personnel, exchange of personnel between the buying firm and the supplier, and direct investment in the supplier by the buying firm (Monczka et al. 2013). The purchasing literature has stressed the importance of supplier development in supporting a firm’s operations strategy by ensuring that suppliers’ performance and capabilities meet the needs of the buying firm Hahn(2010). What aspects of supplier development uniquely contribute to buyer–supplier performance? The extant literature has indicated that buying firms typically improve suppliers’ performance and capabilities by: (i) increasing supplier performance goals Monczka et al (2013); (ii) providing the supplier with training Galt (2008); (iii) providing the supplier with equipment, technological support and even investments Galt (1991); Monczka et al (2013); (iv) exchanging personnel between the two organizations Newman (1990); (v) evaluating supplier performance.

In general, the provision of buyer support in capital investments, advice on organizational procedures, and the training of technical staff within an individual supplier is defined as transaction-specific investment by the buying firms Heide (2015). There is no single approach to supplier development but it is generally acceptable that it can be undertaken at three levels (Trent & Monczka, 2013) i.e. basic, moderate and advance level, according to the level of firm involvement and implementation complexity (i.e. skill, time, and resources.
required to execute successfully a particular activity). There is consensus between Petersen et al. (2015) and Swink (2007) that a fundamental pre-requisite to supplier development and indeed the development of any purchasing and supply management strategy, is that purchasing and supply management professionals should analyze, evaluate and appreciate their own organization’s corporate objectives and business needs before embarking on supplier development.

The supplier development projects which are undertaken must be in support of the purchasing and supply management strategy which, in turn, supports the organizational strategy (Muhkerji & Francis, 2008). However, there are also such direct investments in supplier development that are more specific, advanced and time and resources consuming as well as complex to implement by the buyer. Although academia elaborates on a number of constructs in the context of supplier development, an immense majority of literature focuses only at a few of them. Wuys and Geyskens (2015) investigated the role of detailed contract drafting and close partner selection on the formation of strong supplier-buyer relationships which eventually translated into greater firm performance.

A supplier who is appropriately and satisfactorily monetarily upheld expand the purchasers’ capacity to convey high caliber and creative items to its clients and subsequently diminishes purchaser’s operational dangers. Provider's money related support is basic in deciding the provider's capacity to remain fiscally dissolvable (Wagner, 2010). Monetary bolster upgrades providers' ability and ability to adapt to the purchasers' prerequisite and hence fortifies the providers' ability to meet asset necessities by the purchaser. With better collaboration between the firm and the providers, the firm will be better ready to speak with providers in view of specialized points of interest. They likewise will be exceedingly looked for after by providers since they will be viewed as an actually tip top firm from whom the provider can learn. Hence, more participation between the firm and its providers ought to emerge since providers will be spurred to trade learning. More master firms will have the capacity to choose from better providers and dispose of inadequately performing providers, expanding their fulfillment with their providers' execution.

According to Silveira and Arkade (2007), Supplier development is a reciprocal program that requires a mutual recognition by the buyer and selecting a supplier to develop should be based on the supplier’s expectation of future growth and cooperation. When a supplier per se pursues further improvements of its performance and capability and hopes to grow
by dealing with the buyer, a close philosophical and strategic match should exist between buyer and supplier management, thus improving the chances of success in the alliance

2.5.3 Empirical Literature on Supplier Development

Carr and Pearson (2010) investigated the linkage between the implementation of supplier valuation and a firm's financial performance. In their empirical research, Carr and Smeltzer (2010) found evidence of the relationship between effective communication with suppliers and a firm's financial performance. Forker and Hershauer (2011) investigated the relationship between supplier development practices and customer satisfaction, supplier satisfaction, and supplier quality performance. They concluded that control of quality management and supplier development programs were crucial factors that lead to mutual satisfaction among buyers and suppliers. Krause et al., (2012) found that direct supplier involvement activities, such as buyer site visits to supplier factories and training/education of supplier personnel, play a critical role in supplier performance improvement. More recently, Tracey and Tan (2015) found that the involvement of Suppliers in the buyer's product development process and continuous improvement programs increase customer satisfaction.

Silveira and Arkade (2007), among others, investigated the commitments of relationship-specific ventures toward production network coordination and discovered that specialized abilities are important when contribution from the provider is given to certain particular. This is more critical to designing staff and they should be a piece of this kind of provider improvement with the goal that they can together embrace the practical and specialized prerequisites essential for delivering creative items. This is reliable with research via Carr and Pearson (2010) who revealed the presence of a positive effect of provider reward and acknowledgment on the general execution of provider specialized ability (Silveira & Arkade 2007).

Krause and his colleagues have conducted a series of studies on supplier development. Krause and Ellram (2010) reported that the buying firms’ success varied and those who were satisfied with their supplier development efforts appeared to communicate more effectively with suppliers, put more efforts into such activities as supplier evaluation, supplier training and supplier award programs than those less-satisfied firms. Krause and Ellram (2007) also found that the majority of buying firms involved in supplier development perceived their suppliers as partners and placed a greater emphasis on some
critical elements than those firms who were not involved. These critical factors, which have been defined as infrastructure factors, included effective two-way communication, top management involvement, cross-functional teams, and larger purchasing power.

Krause (2012) further developed and validated a set of measures of the antecedent factors of supplier development and used these to test a structural model that postulated the interrelationship among these variables. He found that the buying firm’s propensity to engage in supplier development was affected by its perception of supplier commitment, its expectation of relationship continuity and effective buyer–supplier communication. This research should therefore provide additional evidence for supply managers to take into consideration supplier development strategies that improve supplier performance.

2.6 Chapter Summary

Through outsourcing, companies generally terminate the continuing direct costs of the resources they have transferred such as employment costs. Another benefit is that there is reduced transaction costs associated with redundancy while the outsource contractor accepts liabilities for these resources. Furthermore, they may likewise maintain a strategic distance from any venture consumption (and frequently other business) that might be included in supporting the outsourced exercises. For instance, organizations can stay away from interest in enlistment and representative preparing. They may likewise have the capacity to diminish the faculty bolster staff beforehand expected to bolster the outsourced staff and may discard physical resources or workspace. The observational proof recommends that exchanging creation to an outer source prompts to decreases in use. From the above basic audit on the speculations related with outsourcing procedures where some key issues were raised, this exploration along these lines went for discovering the results of embracing outsourcing systems. The above empirical review further showed that, there were numerous studies that had been done on outsourcing and its influence on firm performance. These studies were done in different environments from Kenya. Further, these studies covered various industries and it was of need to investigate the practice in a Kenyan, service, and semi-autonomous organization. Thus, a gap identified in literature as regards effects of outsourcing strategies on organizational performance among public institutions and parastatals in Kenya. A gap bridged by this study. The research methodology is discussed in the next chapter and the data analysis is presented in chapter
four. Chapter five presents the summary, discussion, findings, conclusions, and recommendations for this study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

As indicated by Greswell (2009), philosophy portrays the general approach embraced by the review to accomplish the set destinations.. Thus, the chapter discusses the research methodology used in gathering the data, analyzing the data, and reporting the results. Here the researcher aims at explaining the methods and tools that were used to collect and analyze data to get proper and maximum information related to the subject under study.

3.2 Research Design

The research design refers to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem; it constitutes the blueprint for the gathering, measuring, and analysis of information (Chandran, 2014). This study used descriptive analysis style a methodology involving observance and depicting the conduct of a topic while not moving it in any capability. It portrays a theme, intermittently by making a profile of a social affair of issues, individuals or events, through aggregations of information and furthermore the course of action of frequencies on investigation factors and furthermore the examination reveals who, what, when, where or what extent (Saunders & Thornhill, 2007).

Descriptive design could be a methodology of aggregation data by interviewing or administering a form to a sample of people (Neuman, 2010). Lavrakas (2008) describes a descriptive survey analysis style as a scientific analysis methodology for aggregation knowledge from a stratified sample of people by use of instruments composed of closed-ended and or open-ended queries, observations, and interviews. Quantitative analysis was used to offer numerical measuring and analysis of the strategic outsourcing dynamic. Survey questionnaires was used for standardization functions to permit for aggregation of the results. The strategy was chosen since it is a lot of precise and correct since it involves description of events in an exceedingly carefully planned method (Babbie, 2011). This analysis style additionally represented the characteristics of a population absolutely (Dawson, 2009).
3.3 Population and Sampling Design

3.3.1 Population

A population has been outlined as a bunch of people, objects or things from which samples are taken for activity (Delno & Donald, 2010). It refers to a whole cluster of persons or parts that have a minimum of one thing in common (Collin & Hussey, 2009). The study was undertaken at head offices of the chosen corporations including Safaricom Ltd., Airtel group limited and Orange Kenya. The target population of interest during this study comprised of all two hundred staff members and the management staff from those telecommunication corporations.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

An examining outline as per Cooper and Schindler (2008) is a rundown of components in the populace from which the specimen is really drawn. Kothari (2008) recommend that 'the populace size ought to be as large as you can oversee inside the handy limitations accessible to you.. The population sample therefore comprised of the employees, middle managers and top management of Safaricom Limited Company, Airtel group limited and Orange Kenya.

3.3.2.2 Sampling Techniques

The review utilized stratified irregular examining method to choose the specimen. The review assembled the populace into strata. From every stratum, the review utilized straightforward irregular testing to choose respondents. Sekaran, (2008) prescribes stratified irregular inspecting on the grounds that it is exact, effortlessly available, separable into important strata and it upgrades better correlation; subsequently representation crosswise over strata. Another advantage of stratified random sampling is said to be its ability to ensure inclusion of sub-groups, which would otherwise be omitted entirely by other sampling methods because of their small number in the population and hence the most preferred sampling technique for the study (Kumar, 2015).

3.3.2.3 Sample Size

The sample size of a statistical sample may be outlined as the range of observations that represent it (Collin & Hussey, 2009). Taking into thought variables like homogeneity
within the data, and also the experiences of different researchers, this study utilize a sample size of sixty. The utilization of sixty respondents within the study was even because it was in line with the recommendations of Mugenda and Mugenda (2008) who indicated that a descriptive study ought to embrace a minimum of 30% of the entire population. Since the sample size of sixty represented 60% of the population, it had been deemed acceptable. Moreover, the sample size allowed the research worker to gather knowledge from respondents (Lavrakas, 2010). The distribution of the sample size is as shown in Table 3.1 below.

Table 3.1 Sample Size

<table>
<thead>
<tr>
<th>Telecommunication companies</th>
<th>Population</th>
<th>Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safaricom Limited Company</td>
<td>100</td>
<td>30</td>
</tr>
<tr>
<td>Airtel group limited</td>
<td>60</td>
<td>18</td>
</tr>
<tr>
<td>Orange Kenya</td>
<td>40</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>200</td>
<td>60</td>
</tr>
</tbody>
</table>

Calculation criteria

30%/100*Population i.e.

Total population

30/100*200

=60

3.4 Data Collection Methods

According to Kothari, (2008), data collection instruments are the device used to collect information. The researcher can use each secondary data as well as questionnaires as analysis instrument to collect the relevant data required for the study. Consistent with Kothari (2008), there are three basic kinds of questionnaires; closed, open-finished or a blend of each. Shut finished surveys are acclimated create insights in quantitative research. Open-finished polls are used in subjective examination, however a few specialists can measure the appropriate responses all through the investigation arrange (Yin, 2013).
Though shut finished surveys may well be connected to determine what number of people utilize an administration, open-finished polls may well be utilized to set up what people esteem an administration. The surveys were every open and shut finished to respondents in this way was not confined to give their sentiment identifying with the current learn (Saunders et al, 2013).

3.5 Research Procedures

Research procedure is the way toward social occasion and measuring data on focused factors in a built up deliberate mold, which then empowers one to answer pertinent inquiries and assess results (Saunders, 2013). Primary data was used for the purpose of this study. The data was collected using semi structured questionnaires containing closed ended questions to allow variety. The questionnaire was divided into two parts (Creswell, 2014). The first part was mainly on the demographics, which enabled the researcher to get demographic information of the respondents, while the other was to evaluate the study variables. The questionnaires were preferred in this study because respondents of the study were literate and quite able to answer questions asked adequately. According to Gill & Johnson (2012), questionnaires are commonly used to obtain important information about a population under study. The questionnaire was administered by the help of well-trained research assistants to the head offices of the selected companies using a drop and pick later method.

A pre-test of the questionnaire was conducted on some employees though not the final sample to assess suitability of answers to be derived towards the stated objectives and made any changes on the questionnaires (Ghauri & Grönhaug, 2015). This enabled avoidance of costly errors, which could otherwise led to deviations on the objectives of the study. The procedure involved use of professionals and experts to test the validity of questionnaire by trying to assess what concept the instrument is trying to measure and the accuracy of representation of the concept under research (Orodho, 2013). The external validity concerns the study with all its contents in a wider perspective i.e. possibility of generalization from the research work Polit, and Beck (2013).

The reliability of the study was obtained by using test retest method, which according to Hyndman (2008) is the method of assessing the reliability of data by administering the same instrument twice to the same group of subjects. The questionnaire of the study was tested through the test retest method.
3.6 Data Analysis Methods

According to, Jackson, (2009), data processing and analysis refers to analysis of data as a process of inspecting, cleaning, transforming, and modeling information with the goal of discovering helpful data, suggesting conclusions, and supporting decision-making. The researcher audited the finished questionnaires for completeness and consistency (Adams & Schvaeveldt, 2011) data clean up followed. The info was then analyzed using descriptive statistics. The descriptive statistical tool (SPSS) was used to facilitate the explanation of the info (Lavrakas, 2008). The questionnaires were coded and input into statistical Package for Social Sciences [SPSS] version 20 for running the Cronbach reliability check. The findings were conferred using tables and graphs for any analysis and to facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency (Cooper & Schindler, 2010).

3.7 Chapter Summary

The analysis methodology was employed to gather info and data for the aim of constructing choices. This chapter contained; the research design, population and sampling design, information assortment strategies, analysis procedures, information analysis and chapter outline. The population of the study is a hundred and twenty variables that was drawn from the sample of three communication corporations that include Safaricom, Airtel, and orange. A sample of sixty variables was drawn out of that population. The researcher used both secondary information as well as questionnaires as the analysis instrument. The study used stratified sampling technique to pick out the sample. The study sorted the population into strata. The info analysis was presented in chapter four. Chapter five presents the outline, discussion, findings, conclusions, and recommendations for this study.
4.1 Introduction

This chapter presents the findings of the primary and secondary data collected from the respondents. The purpose of the study was to investigate examine the effect of strategic outsourcing on performance of telecommunication sector in Kenya. The survey was outlined and appropriated to help in gathering of subjective and quantitative information. The data has been introduced in type of tables and diagrams where conceivable. This has been done in term of presentation, reaction rate, quantitative, subjective information examination, and dialog of the review results and conclusion.

4.1.1 Response Rate

The researcher issued 60 data collection instruments and just 50 were finished and returned. This speaks to a reaction rate of 83%, which was adequate for the review as appeared in Table 4.1. This reaction rate was sufficient to permit the scientist to proceed with the examination. The surveys were made out of inquiries that tended to the goals of the review. The study sought to establish the influence of earlier supplier involvement, strategic alliances, supplier relationship management, and supplier development on performance of telecommunication sector in Kenya.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed and returned</td>
<td>50</td>
<td>80</td>
</tr>
<tr>
<td>Not returned</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

4.2 Demographic Information

4.2.1 Gender

The data was taken monthly and the male gender represented 80% and the female representing 20% of the monthly applicants as shown in Table 4.2, this is explained by the
fact that the male gender is dominating in the business sector and also the common truth that the men are the bread winners of their families.

**Table 4.2 Gender**

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequent</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Female</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**4.2.2 Ages**

Table 4.3 shows that most of the respondents are over 26 years, those over 40 years were 10 representing 32% and those above 25 years were representing 56% of the total applicants, while those below 25 years taking the lesser percentage by 12% as illustrated in Table 4.3. This has implication that most respondents were mature and therefore the research was able to gather clear and valid information from them.

**Table 4.3 Ages**

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25yrs</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>26-40yrs</td>
<td>28</td>
<td>56</td>
</tr>
<tr>
<td>Above 40yrs</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**4.2.3 Education Level**

The researcher wanted to establish the level of education of the respondents. Table 4.4 shows that 4% were PHD holders, 8% master’s holders, 42% degree holders and 46% of the respondents are diploma holders. The researcher therefore concluded that respondents
were all intellectuals and that they would effectively assist in achieving the objective of the study. The table 4.4 shows the responses concerning their level of education.

### Table 4.4 Level of Education

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHD</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Masters</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Degree</td>
<td>21</td>
<td>42</td>
</tr>
<tr>
<td>Diploma</td>
<td>23</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Effect of Involving Suppliers Early on the Performance of Telecommunication Sector

The respondents were also asked to rate the extent to which Earlier Supplier Involvement affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S. A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S. D: Strongly Disagree). The results have been summarized on the Table 4.5.

When asked about whether development of capabilities results in maintaining competitive edge 90% agreed with the statement while 10% disagreed. On the other hand, 88% of the respondents stated that development of capabilities enhances quality of service, 2 % were neutral, and 10% disagreed. 80% of the respondents stated that consultation for information enhances quality of service. 65% of the respondents stated that development of capabilities enhances cost savings. 55% of the respondents stated that consultation for information results in maintaining competitive edge. The finding below agrees with Petersen et al., (2005) that stated that early supplier involvement is expected to enable improvement of quality, access, and application of technology while also reducing costs and development time of the project. Petersen et al. define early supplier involvement as “an important coordinating mechanism for decisions that link product design, process design and supply chain design together. The results have been summarized in the table below.
Table 4.5 Earlier Supplier Involvement

<table>
<thead>
<tr>
<th>Statements</th>
<th>S. A</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultation for information enhances quality of service</td>
<td>70%</td>
<td>10%</td>
<td>0%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Consultation for information enhances cost savings</td>
<td>50%</td>
<td>20%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Consultation for information results in maintaining competitive edge</td>
<td>45%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>35%</td>
</tr>
<tr>
<td>Development of capabilities enhances quality of service</td>
<td>60%</td>
<td>28%</td>
<td>2%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Development of capabilities enhances cost savings</td>
<td>65%</td>
<td>0%</td>
<td>5%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Development of capabilities results in maintaining competitive edge</td>
<td>80%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

4.4 Effects of Strategic Alliances on the Performance of Telecommunication Sector

The respondents were also asked to rate the extent to which strategic alliances affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S. A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S. D: Strongly Disagree). The results have been summarized in the table 4.6. Additionally, 90% of the respondents stated that shared knowledge enhances quality of service and those who disagreed were only 10%. Most 85% of the respondents stated that shared knowledge enhances cost savings while 5% were neutral with 10% disagreeing with the statement. The study also sought to establish whether synergy enhances quality of service and the results showed that 75% of the respondents agreed, 10% were neutral while 15% disagreed. To establish if sharing knowledge results in maintaining competitive edge 65% of the respondents agreed to the statement while 15% were neutral with only 20% disagreeing. Lastly, 60% of the respondents stated that synergy enhances cost savings and the minority accounting for 40% disagreed with the statement.

In summary, this results indicated that strategic alliance does influences the performance of the organization through ease of market entry. The benefits include enhancement of quality of service, cost savings, competitive edge, and quality of service. Thus, choosing a strategic partnership as the entry mode may overcome the obstacles.
Table 4.6 Effect of Strategic Alliances on Organizational Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>S. A</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synergy enhances quality of service</td>
<td>50%</td>
<td>25%</td>
<td>10%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Synergy enhances cost savings</td>
<td>40%</td>
<td>20%</td>
<td>0%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Synergy results in maintaining competitive edge</td>
<td>60%</td>
<td>10%</td>
<td>0%</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Shared knowledge enhances quality of service</td>
<td>70%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Shared knowledge enhances cost savings</td>
<td>80%</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>Shared knowledge results in maintaining</td>
<td>60%</td>
<td>5%</td>
<td>15%</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>competitive edge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.5 Effects Supplier Relationship Management on the Performance of Telecommunication Sector

The respondents were also asked to rate the extent to which Supplier Relationship Management affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S. A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S. D: Strongly Disagree). The results have been summarized in the Table 4.7 below. The findings revealed that 90% of the respondents stated that value measurement results in maintaining competitive edge and only 10% disagreed. Additionally, 78% of the respondents stated that collaboration enhances quality of service, 2% were neutral, and 20% disagreed with the statement. The research also sought to establish if collaboration enhanced cost savings and the results showed that 75% agreed, 10% were neutral while 15% disagreed. Most the respondents accounting for 70% stated that value measurement enhances quality of service, 5% were neutral, and 25% disagreed. The findings also revealed that 70% of the respondents stated that value measurement enhances cost savings, 10% were neutral and while 20% disagreed with the statement. Lastly, the findings also established that 60% of the respondents stated that collaboration results in maintaining competitive edge, 10% were neutral while 30% disagreed. This finding show that supplier involvement in product
development allows firm to make better use of their supplier’s capabilities and technology to deliver competitive products. Coordinating operational activities through joint planning also results inventory reduction smoothing production, improve product quality, and lead time reductions argues that integration is an effective strategy in reducing with suppliers throughout the product lifecycle is an effective strategy in reducing supply uncertainty.

Table 4.7 Effect of Supplier Relationship Management on Organizational Performance

<table>
<thead>
<tr>
<th>Statements</th>
<th>S. A</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value measurement enhances quality of service</td>
<td>60%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Value measurement enhances cost savings</td>
<td>50%</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
<td>15%</td>
</tr>
<tr>
<td>Value measurement results in maintaining competitive edge</td>
<td>50%</td>
<td>40%</td>
<td>0%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Collaboration enhances quality of service</td>
<td>60%</td>
<td>18%</td>
<td>2%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Collaboration enhances cost savings</td>
<td>70%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Collaboration results in maintaining competitive edge</td>
<td>40%</td>
<td>20%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

4.6 Effects of Supplier Development on the Performance of Telecommunication Sector

The respondents were also asked to rate the extent to which Supplier development affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree). As shown in table 4.8 the findings revealed that 82% of the respondents agreed that education results in maintaining competitive edge while 3% were neutral and 15% disagreed. The results also established that 80% of the respondents stated that training results in maintaining competitive edge while 5% were neutral with 15% in disagreement. It was also established that 75% of the respondents stated that education enhances quality of service 5% were neutral with 20% disagreeing. A majority accounting for 70% of the respondents also stated that training enhances cost savings, 10% were neutral, and 20% disagreed. Lastly the results also revealed that 59 % of the respondents stated that education enhances cost savings while 6% were neutral and 35% disagreed. The results in the table 4.7 show that when a firm takes part in supplier development the performance is affected immensely as far as the
quality of service, cost saving and competitive edge are involved and therefore firms need to undertake these developments.

Table 4.8 Effect of Supplier Development on Performance of Telecommunication Sector

<table>
<thead>
<tr>
<th>Statements</th>
<th>S. A</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training enhances quality of service</td>
<td>40%</td>
<td>20%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Training enhances cost savings</td>
<td>60%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Training results in maintaining competitive edge</td>
<td>50%</td>
<td>30%</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Education enhances quality of service</td>
<td>70%</td>
<td>5%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Education enhances cost savings</td>
<td>59%</td>
<td>0%</td>
<td>6%</td>
<td>5%</td>
<td>30%</td>
</tr>
<tr>
<td>Education results in maintaining competitive edge</td>
<td>70%</td>
<td>12%</td>
<td>3%</td>
<td>15%</td>
<td>0%</td>
</tr>
</tbody>
</table>

4.7 Performance of Telecommunication Sector

The respondents were also asked to rate the extent to which earlier supplier involvement, strategic alliances, supplier relationship management and supplier development affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree). The results are indicated in Table 4.9. On analysis, the results established that 95% of the respondents stated that earlier supplier involvement enhances effective organizational performance and only 5% disagreed with the statement. The study also established that 80% of the respondents agreed that strategic alliances enhance effective organizational performance, 15% were neutral and only 5% disagreed. The findings also revealed that 70% of the respondents stated that supplier relationship management enhances effective organizational performance, 20% were neutral, and 10% disagreed. The findings also revealed that 68% of the respondents stated that supplier development enhances effective organizational performance, 25% were neutral while 7% disagreed with the statement. The results in the table suggest that performance of the company is directly affected by earlier supplier involvement enhances effective organizational performance strategic alliances, supplier relationship management, and supplier development as such a firm need to maintain the balance between this factors in order to remain competitive.
Table: 4.9 Performance of Telecommunication Sector

<table>
<thead>
<tr>
<th>Statements</th>
<th>S. A</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earlier Supplier Involvement enhances effective</td>
<td>60%</td>
<td>35%</td>
<td>0%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Alliances enhance effective</td>
<td>70%</td>
<td>10%</td>
<td>15%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier Relationship Management enhances</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>effective organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier development enhances effective</td>
<td>55%</td>
<td>13%</td>
<td>25%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>organizational performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.8 Regression Analysis

In this study, a multiple regression analysis was conducted to test the influence among predictor Variables and performance of telecommunication sector. The research used statistical package for social sciences (SPSS V 21.0) to code, enter, and compute the measurements of the multiple regressions.

Table 4.10 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>STD error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.87</td>
<td>0.75</td>
<td>0.67</td>
<td>0.74</td>
</tr>
</tbody>
</table>

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The $R^2$ (0.75) also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. 75% of the changes in the performance of telecommunication sector could be attributed to the combined effect of the predictor variables as illustrated in Table 4.10.

Table 4.11: Summary of One-Way ANOVA Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Square</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>7.50</td>
<td>5</td>
<td>2.40</td>
<td>9.30</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>42.60</td>
<td>45</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>50.10</td>
<td>50</td>
<td>0.25</td>
<td></td>
</tr>
</tbody>
</table>
The probability value of 0.0001 indicates that the regression relationship was highly significant in predicting how access to involving suppliers early, strategic alliance, and supplier relationship management and supplier development influenced performance of telecommunication sector. The F calculated at 5% level of significance was 9.30 this shows that the overall model was significant as shown in Table 4.11.

Table 4.12: Regression Coefficients of the Relationship between Performance of Telecommunication Sector and the Four Predictive Variables

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Std. Error</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Beta</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.056</td>
<td>0.215</td>
<td>4.74</td>
<td>0.000250</td>
</tr>
<tr>
<td></td>
<td>Involving supplier early</td>
<td>0.780</td>
<td>0.090</td>
<td>0.136</td>
<td>8.25</td>
</tr>
<tr>
<td></td>
<td>Strategic alliance</td>
<td>0.775</td>
<td>0.088</td>
<td>0.132</td>
<td>8.22</td>
</tr>
<tr>
<td></td>
<td>Supplier relationship</td>
<td>0.725</td>
<td>0.272</td>
<td>0.145</td>
<td>3.20</td>
</tr>
<tr>
<td></td>
<td>management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supplier development</td>
<td>0.695</td>
<td>0.150</td>
<td>0.621</td>
<td>4.55</td>
</tr>
</tbody>
</table>

As per Table 4.12, the equation \((Y = \beta_0 + X_1 + X_2 + X_3 + X_4)\) becomes:

\[
Y = 1.056 + 0.780X_1 + 0.775X_2 + 0.725X_3 + 0.695X_4
\]

Where \(Y\) is the dependent variable Performance of Telecommunication Sector

\(X_1\) - Involving supplier early

\(X_2\) - Strategic alliance

\(X_3\) - Supplier relationship management

\(X_4\) - Supplier development

The regression equation illustrated in Table 4.12 above has established that taking all factors into account (involving supplier early, strategic alliance, supplier relationship management and supplier development) constant at zero Performance of Telecommunication Sector will be 1.056. The findings presented also show that taking all other independent variables at zero, a unit increase in the involving supplier early would
lead to a 0.780 increase in the scores of performances of telecommunication sector and a unit increase in the scores of strategic alliances would lead to a 0.775 increase in the scores of performances of telecommunication sector. Further, the findings show that a unit increases in the scores of supplier’s relationships management would lead to a 0.725 increase in the scores of performances of telecommunication sector. The study also found that a unit increase in the scores of supplier’s developments would lead to a 0.695 increase in the scores of performances of telecommunication. All the variables were significant (p<0.05).

4.9 Chapter Summary

This chapter presented the findings of the primary data collected from the respondents. The chapter started by looking at the demographic factors and subsequently reported that findings on the effect of strategic outsourcing on performance of telecommunication sector in Kenya. The objective of the study was to establish the influence of earlier supplier involvement, strategic alliances, and supplier relationship management and supplier development on performance of telecommunication sector. Data was analyzed using percentages and regression analysis was undertaken to identify the relationship between the variables. The next chapter will cover the conclusions and recommendations of the study.
CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of major findings, discussions and conclusions drawn thereof. The researcher then presents the recommendations for both the research and for the policy change and practice.

5.2 Summary of the Study

The study sought to establish the influence of earlier supplier involvement, strategic alliances, and supplier relationship management and supplier development on performance of telecommunication sector. A total of 60 questionnaires were administered and the study managed to obtain 50 completed questionnaires representing 80% response rate. The questionnaires contained questions that addressed the objectives of the study. An analysis of the demography revealed that female respondents only represented 20% of while male were the majority accounting for 80% of the applicants. An analysis of the age revealed that most of the respondents are over 26 years, those over 40 years were 10 representing 32% and those above 25 years were representing 56% of the total applicants, while those below 25 years taking the lesser percentage by 12%. The research also established that with regard to education 4% of the respondents were PHD holders, 8% master’s holders, 42% degree holders and 46% of the respondents were diploma holders.

In line with the first objective the study established that majority of the respondents were of the view that Consultation for information enhances quality of service, cost savings and results in maintaining competitive edge. Furthermore, the study also established that development of capabilities enhances quality of service, cost savings, and results in maintaining competitive edge. In line with the second objective the study established that synergy enhances quality of service, cost savings, and results in maintaining competitive edge and that Shared knowledge enhances quality of service, cost savings, and results in maintaining competitive edge. An analysis of the third objective revealed that value measurement enhances quality of service, enhances cost savings, and results in maintaining competitive edge. Furthermore, collaboration was also found to enhance quality of service, cost savings, and results in maintaining competitive edge. On analysis of the fourth
objective on supplier development, the study established that training enhances quality of service, cost savings, and results in maintaining competitive edge. Additionally, the findings revealed that education enhances quality of service, cost savings, and results in maintaining competitive edge.

A regression analysis one between earlier supplier involvement, strategic alliances, supplier relationship management and supplier development against performance of telecommunication sector established a unit increase in the involving supplier early would lead to a 0.780 increase in the scores of performance of telecommunication sector and a unit increase in the scores of strategic alliances would lead to a 0.775 increase in the scores of performances of telecommunication sector. Further, the findings show that a unit increases in the scores of supplier’s relationships management would lead to a 0.725 increase in the scores of performances of telecommunication sector. The study also found that a unit increase in the scores of supplier development would lead to a 0.695 increase in the scores of performances of telecommunication sector. All the variables were significant (p<0.05).

5.3 Discussion

5.3.1 Earlier Supplier Involvement

The study findings established that development of capabilities results in maintaining competitive edge. The study also found out that development of capabilities enhances quality of service. The study further established that the development of capabilities enhances cost savings. The study findings adds to the findings of the study by Rouibah (2012), that concluded that supplier partnership aims to improve capabilities of buying company in terms of service development efficiency (service cost, competitive edge and quality), and effectiveness (development cost and quality), as supported in this research. Besides, findings also support Krause and Ellram (2007) research that firms are getting more dependent on suppliers to meet increasing competition as they focus on their core competencies.

The study revealed that consultation for information enhances quality of service. The study findings enrich the views of Mikkola and Larsen, (2013) that early supplier involvement through consultation for information increases product development efficiency and effectiveness, as well as tap into suppliers’ technological capabilities which in turn enhance
product quality. Birou and Fawcett, (2014), argued that the involvement of suppliers in the process of product development increases the need for effective coordination mechanisms, as higher levels of interdependence are required between a local firm and their suppliers of development information. The opportunity to improve product design performance by involving suppliers in the integrated product development process identifies a definite need to understand better the basic structure of buyer-supplier relationships.

The study further established that consultation for information results in maintaining competitive edge. The findings are in line with the views of Dowlatshahi, (2007), that consultation for information has been proven as the core tool to enable a company to outperform in this high competitive market, it is, therefore, essential to consider the issue of involving suppliers early in the process of product development. Smith and Zsidisin (2012) also proved that by engaging suppliers early in product design, the organization has recognized significant cost savings and enhanced its competitive position. To accomplish ideal execution, retailers and their providers should likewise share business data and data about such components as vehicle ability to convey, target stock turnover, arrange recurrence, lead times, item accessibility, vehicle accessibility, and provider capacity in working with critical conveyances or amid pinnacle seasons (Vieira et al., 2009). Sharing data adds to change of data preparing abilities and in this way decreases instability and exchange costs (Tan, Kannan & Hsu, 2010).

5.3.2 Strategic Alliances

The study results established that shared knowledge enhances quality of service, cost saving and as well as resulting in maintaining competitive edge. The study findings adds to the findings of Gold et al (2011) who emphasize that knowledge infrastructures such as technology, structure and culture along with knowledge acquisition, conversion, application and protection are essential organizational capabilities for higher organizational performance. A conducive organizational to encourage knowledge sharing represents a key enabler of improved business performance. Knowledge sharing is perceived to be the most essential process for knowledge management (Bock & Kim, 2012). Knowledge sharing is a reciprocal process of knowledge exchange and examines factors that help explain why individuals are willing to engage in this process. Knowledge sharing is a fragile process (Renzl, 2008). Most of researchers report that knowledge sharing improves organizational performances (Lesser & Storck, 2011), promoting competitive advantage (Argote &
Ingram, 2010), organizational learning (Argote, 2009), innovation (Powell, Koput, & Smith-Doerr, 2011) and even survival (Baum & Ingram, 2007).

The study findings found that synergy enhances quality of service. The study further established that synergy enhances cost savings. The findings concur with those of who Altunbas & Ibanez. (2008) that suggested that the firm can achieve efficiency gains by combining an efficient target with their businesses thereby improving the target’s performance. Operating synergy can be implemented through revenue enhancement, quality improvement or cost reducing measures. Potential sources of revenue enhancements might come from sharing of marketing opportunities by cross-marketing each merger partner’s product (Gaughan, 2011). The main source of operating synergy however comes from cost reductions. Cost reductions may be the result of economies of scale; thus, the decreases in unit cost that result from an increase in the size or scale of company’s operations, elimination of duplicate functions and back office operations. Hankir et al. (2011) explain the possibilities for increased revenues resulting from cross selling, and cost reductions arising from efficiency gains.

5.3.3 Supplier Relationship Management

The study results established that value measurement results in maintaining competitive edge, quality of service as well as enhance cost savings. The study findings add to the findings of Bull (2009) who makes a link between value measurement and their role in a model of performance for an organization by recognizing their contribution to the three dimensions of efficiency, effectiveness and efficacy. They suggest that suitably modeled performance measures prompt asking questions that help an organization to perform in the dimensions described above. This is based on Bull’s (2009) work discussing strategic management from a management accounting perspective, where value measurement and links to performance are described. (Gupta et al. 2009) suggested that value measurement systems may be introduced in organizations to give an impression of being modern and efficient, rather than being implemented to improve performance.

The study findings found that that collaboration enhances quality of service, cost savings, and maintaining competitive edge. The study findings add to the findings of the study by Whipple et al., (2010) who urged that collaborative relationships provide greater; they offer enhanced execution (e.g. fill rate, arrange process duration, lead-time, on-time conveyance) because of better data perceivability and higher administration levels. Coordinated effort
lessens exchange costs since particular resources increment with contract recurrence and more elevated amounts of relationship (Bunduchi, 2008). Arranged volumes are more prominent, data trade is more extraordinary, and contract renegotiation is encouraged. As per Lambert and Pohlen (2011), execution enhances when accomplices are adjusted in the look for a typical procedure willing to share their stock data and plan their stock levels, and open to sharing their calculated challenges and systems. With respect to interpersonal joint effort, connections that incorporate trust, duty, participation, regular interests, and genuineness (Mentzer, Foggin, and Golicic, 2011) prompt to enhancements in administration levels and cost decreases identified with stock, transportation, and request handling. Dyer (2007) infers that expanding communitarian endeavors through joint activities and sharing data between accomplices diminishes exchange expenses and builds particular resource speculations.

5.3.4 Supplier Development

The study established that that education results in maintaining competitive edge, cost savings, as well as quality of service. The study findings add to the observation of Hunter (2008) suggests that cognitive ability facilitates the learning of job-relevant knowledge and thereby indirectly promotes stronger job performance as well as competitive edge of the organization. However, the finding contradicts with Vigoda-Gadot (2007), who argued that hiring educated workers does not necessarily lead to better performance in training programs; education level is largely unrelated to performance in training programs. Workers with more education may be more confident about their skills and therefore take training less seriously, or workers with less education may be more motivated to take advantage of this opportunity.

The study further established that training results in maintaining competitive edge and enhancing cost savings. The findings also concur with those of Wright and Geroy (2011) who noted that employee competencies change through effective training programs. It in this manner not just enhances the general execution of the representatives to adequately play out their present employments additionally upgrades the learning, aptitudes a state of mind of the laborers important for the future occupation, therefore adding to unrivaled hierarchical execution which thus improves the aggressive edge of the association. Preparing has been demonstrated to produce execution change related advantages for the worker and additionally for the association by emphatically impacting representative
execution through the improvement of worker learning, aptitudes, capacity, skills and conduct (Appiah, 2010). In addition, different reviews for instance one by Swart et al. (2015) expand on preparing as a method for managing aptitude shortages, cost sparing and execution crevices as a method for enhancing general hierarchical execution.

5.4 Conclusions

5.4.1 Earlier Supplier Involvement

The study sought to establish the extent to which earlier supplier involvement, strategic alliances, supplier relationship management and supplier development influence performance of telecommunication sector. The study concluded that just as companies need to develop relationships with its customers, they need to foster relationships with their suppliers to ensure quality goods and services, timely and assured deliveries and information flow to assist both organizations in planning. From the study findings, this study concludes that early supplier involvement enhances quality of service, cost savings, and results in maintaining competitive edge through Consultation for information and development of capabilities.

5.4.2 Strategic Alliance

The study concludes further that strategic alliances enhances quality of service, cost savings and results in maintaining competitive edge through Synergy and shared knowledge.

5.4.3 Supplier Relationship

The study also made a conclusion that supplier development enhances quality of service, cost savings, and results in maintaining competitive edge through training and education.

5.4.4 Supplier Development

With regard to supplier development the study established that supplier development enhances effort of a buying firm on a supplier to increase the performance and capabilities of the supplier to meet the buying firm’s short and long-term supply needs. For Supplier development to enhance the organizational performance it should consider the activities which include introducing competition into the supply base, supplier evaluation as a prerequisite to further supplier development activities, raising performance expectations,
recognition and awards, the promise of future benefits, training and education of the supplier’s personnel, exchange of personnel between the buying firm and the supplier, and direct investment in the supplier by the buying firm

5.5 Recommendations

5.5.1 Recommendations for Improvement

The study findings yielded the following recommendations in view of the influence of earlier supplier involvement, strategic alliances, and supplier relationship management and supplier development on organizational performance in the private sector.

5.5.1.1 Early Supplier Involvement

This study recommended that the management should add information and expertise regarding new technologies to enhance better component alternatives as well as developing parts of the project to reduce internal complexity and manufacturing costs.

5.5.1.2 Strategic Alliances

This study recommends that the management should put more efforts on the strategic alliances to enhance quality of service and cost savings edge through enhancement of Synergy and shared knowledge.

5.5.1.3 Supplier Relationship Management

This study recommends that the management should facilitate the collaboration with other external partners like suppliers, government among others to enhances quality of service.

5.5.1.4 Supplier Development

The study recommends that the management should enhance training facilities as well as equipping warehousing employees with the necessary skills to enhance the performance of warehousing.

5.5.2 Areas for Further Research

The study recommends further research in the following areas; the effect of supplier development on the performance of telecommunication sector; the effect of supplier
relationship management on the performance of telecommunication sector. The study further recommends the future study to evaluate the challenges facing the organization in adopting strategic outsourcing on performance of telecommunication sector. The future study should also look at other effect of strategic outsourcing on the performance of telecommunication sector apart from those factors this study covered.
REFERENCES


Echtelt Et Al. (2008)


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APPENDIX A
Conceptual Framework

<table>
<thead>
<tr>
<th>Independent variables</th>
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<td>- Development capabilities</td>
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<td>- Synergy</td>
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<td>- Shared knowledge</td>
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<td><strong>Supplier Relationship Management</strong></td>
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<td>- Value measurement</td>
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<td>- Collaboration</td>
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<td><strong>Supplier development</strong></td>
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<td>- Training</td>
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<td>- Education</td>
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Performance
- Quality of service
- Cost savings
- Maintaining
APPENDIX B
Appendix 1 Questionnaire

I am a Masters student at USIU carrying out research on effect of strategic outsourcing on performance of organization in the private sector. You are humbly requested to answer the questions outlined here below as truthfully as you can. Please be assured that the information submitted will be treated in strict confidence.

Name of researcher……………………………………………………………………

SECTION A:

Please tick where applicable or give the appropriate answer where necessary

1. Gender of the respondent

Male [ ]
Female [ ]

2. Age of the respondent

   Below 21 years [ ]
   21- 30 years [ ]
   31- 40 years [ ]
   Above 40 years [ ]

3. For how long have you worked with your institution?

   Below 1 year [ ] 1-2 years [ ]
   3-4 years [ ] 5 years and above [ ]

4. What is your level of education?

   Diploma level [ ]
   Degree [ ]

   Other (specify)………………
Earlier Supplier Involvement

Kindly rate the extent to which Earlier Supplier Involvement affect performance of telecommunication sector in Kenya on likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree).

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Strategic Alliance

Kindly rate the extent to which strategic alliances affect performance of telecommunication sector in Kenya on likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree). The results have been summarized in the table below.

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**Supplier Relationship Management**

Kindly rate the extent to which Supplier Relationship Management affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree).

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**Supplier development**

Kindly rate the extent to which Supplier development affect performance of telecommunication sector in Kenya on a likert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree).

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</table>
Performance of Telecommunication Sector

Kindly rate the extent to which Earlier Supplier Involvement, Strategic Alliances, Supplier Relationship Management and Supplier development affect performance of telecommunication sector in Kenya on alikert scale of 1-5 (where S.A: Strongly Agree, A: Agree, N: Neutral, D: Disagree, S.D: Strongly Disagree).

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