BUSINESS PROCESS OUTSOURCING IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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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-Africa in Nairobi for academic credit.

Signed: __________________________    Date: __________________________

Catherine Gatheru (ID 646327)

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

Signed: __________________________    Date: __________________________

Dr. Jeremiah Koshal

Signed: __________________________    Date: __________________________

Dean, School of Business
ACKNOWLEDGEMENT

I thank God for providing me with an opportunity, strength, health, knowledge and favour to complete this research project. I am heartily thankful and appreciate my supervisor Dr. Jeremiah Koshal, without whose guidance and supervision, this project would not have been accomplished. Finally I would want to acknowledge the role played by my colleagues and lecturers at the USIU-A while pursuing this Master’s degree. Thank you and God bless you all.
DEDICATION

This research is dedicated to my husband and son who have been a source of inspiration and more so, to my parents who never got tired of talking to me on the value of education even long after I became financially independent.
# TABLE OF CONTENTS

STUDENT'S DECLARATION ..........................................................................................i
ACKNOWLEDGEMENT .............................................................................................ii
DEDICATION ..............................................................................................................iii
TABLE OF CONTENTS ...............................................................................................iv
LIST OF TABLES .........................................................................................................vi
LIST OF FIGURES .......................................................................................................vii
ABSTRACT ................................................................................................................vi

## CHAPTER ONE ......................................................................................................1
1.0 INTRODUCTION ...................................................................................................1
  1.1 Background of the Study ....................................................................................1
  1.2 Statement of the Problem ...................................................................................3
  1.3 Purpose of the Study ..........................................................................................4
  1.4 Research Objectives .........................................................................................4
  1.5 Significance of the Study ...................................................................................4
  1.6 Scope of the Study .............................................................................................5
  1.7 Definitions of Terms ..........................................................................................5
  1.8 Summary ...........................................................................................................6

## CHAPTER TWO .....................................................................................................7
2.0 LITERATURE REVIEW ......................................................................................7
  2.1 Introduction .........................................................................................................7
  2.2 Strategic Planning for Business Process Outsourcing in Kenya ......................7
  2.3 To Examine the Development of BPO Industry in Kenya ...............................11
  2.4 To Explore the Factors Affecting the Growth of BPO Firms .........................15
  2.5 To Examine the Impact of Business Process Outsourcing in Kenya ............18
  2.6 Chapter Summary ............................................................................................23

## CHAPTER THREE ...............................................................................................24
3.0 RESEARCH METHODOLOGY ........................................................................24
  3.1 Introduction .......................................................................................................24
LIST OF TABLES

Table 3.1: Business Process Outsourcing Firms in Kenya ........................................25
Table 3.2: Target Population .........................................................................................26
Table 3.3: Sample Size ..................................................................................................26
Table 4.1: Study Response Rate ....................................................................................29
Table 4.2: Strategic Plan Initiation of BPO Sector in Kenya ........................................33
Table 4.3: Strategy Implementation in BPO Sector of Kenya ......................................34
Table 4.4: Monitoring and Evaluation of BPO Strategic Planning ..............................34
Table 4.5: Influence of Infrastructure on BPO Firms’ Growth ..................................37
Table 4.6: Influence of Regulatory Framework on BPO Firms’ Growth ....................38
Table 4.7: Influence of Human Capital on BPO Firms’ Growth .................................38
Table 4.8: Impact of BPO on the Economy .................................................................39
Table 4.9: Impact of BPO on Information Technology .................................................40
Table 4.10: Impact of BPO on Employment ..................................................................40
Table 4.11: Impact of BPO Sector on Education and Training ....................................41
LIST OF FIGURES

Figure 4. 1: Age of study participants ................................................................. 30
Figure 4. 2: Gender of study participants .............................................................. 30
Figure 4. 3: Marital status of study participants ...................................................... 31
Figure 4. 4: Education level of study participants .................................................... 31
Figure 4. 5: BPO work experience among study participants ............................... 32
ABSTRACT

The purpose of the study was to enhance understanding of the Business Process Outsourcing (BPO) sector in Kenya. The study was guided by four specific objectives: To analyze strategic planning for BPO in Kenya; examine the development of BPO industry in Kenya; explore factors affecting the growth of BPO firms, and examine impact of BPO in Kenya. The study adopted the descriptive study design. The target population of the study was staff of 18 BPO firms. The study adopted a stratified random sampling technique that selected top, middle and low levels of management staff in BPO sector. The researcher selected 10% of the population in each category to be included in the final sample size for the study. The sample size for the study was 131 respondents. The study used primary data which was done by drop-and-pick administration of the questionnaires. The Statistical Package for Social Sciences (SPSS) Version 20 was used to run descriptive statistics such as frequency and percentages so as to present the quantitative data in form of tables and graphs based on the major research objectives.

The findings showed that strategic plan initiation had the highest ranked strategic planning for BPO sector in Kenya, that human capital was the largest factor influencing BPO sector in Kenya, that majority of firms did off-shore business and call centers was the most practiced BPO service and that greatest impact of the BPO sector was in IT investment. The study concludes that strategic plan initiation influenced the strategic planning for BPO in Kenya. The study recommends that there should be more consultation between stakeholders in the BPO sector, that there should be more support on on-shore BPO in the country to enhance the growth of the BPO sector in Kenya, that this improvement should include providing education and training in BPO in colleges and higher institutions of learning and that the government and stakeholders in the BPO sector should be engaged in investments in ICT sector such as the proposed Konza City to attract foreign firms’ investment in the nation’s BPO sector.

In terms of further studies, there is need to conduct studies on the BPO sector in Kenya in terms of financial performance of BPO firms in Kenya. There is also need to conduct further study on the challenges and constraints facing the BPO sector in Kenya.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Business Process Outsourcing (BPO) can be traced back in the United States Army in the 1980s as a technique for processing of travel documents. In the 1990s the idea grew to other United States companies in human resources, computer technology services and financial services given as shared services. Currently, the BPO has been seen on facilities management, logistic services, purchasing, legal services and medical services are provided as shared services in most firms (Strikwerda, 2014).

Banemann, Spiller, Yetton and Davis (2005) study among United States organisations can realize cost savings from 40 % to 70 % within a duration of 2 years of implementation between 25 % and 50 % for firms in Europe. Strikwerda (2014) found that some of the other merits were higher levels of strategic flexibility and quality of service in the firm. Kearney (2016) also showed evidence that more than 85 % of Fortune 500 firms have led to a myriad of advantages from capability enhancement and cost reduction to worldwide delivery and business changes by adopting BPO.

According to Click and Duening (2005), defined BPO as the idea of business processes from the firm to an external service provider. The global telecoms infrastructure is now consistently reliable and well established. The BPO efforts more often include a shift from work to international service providers. There are five BPO global hot spots have come up although organisation from several countries to specialize in myriad business exporting services and processes. India has created a niche for itself through outsourcing in engineering and technical products, China prides itself with manufacturing and technical outsourcing, Mexico has created a niche in manufacturing outsourcing, United States has created a niche in analysis and creative and the Philippines has created a niche in the outsourcing of administrative duties (Kagume, 2013).

In Africa, Kenya remains among the three top destinations for BPO. Within the BPO market, Kenya has an advantage owing to the lower costs of labour for quality services. Secondary schools are the entry point for call centre staff which produce more than 700,000 students in a year. In polytechnics, tertiary institutions and local universities produce
approximately 40,000 graduants a year. The average salary for a high school leaver a month is $187.5 (Kshs. 15,000). This shows that wages in Kenya are comparable to those in India which is among the largest call centres destination globally (Wanjiru, 2012).

A major advantage of Kenya as a BPO destination is that the first language is the Queen’s English which is significant in establishing BPO establishments and call centres. The internationalisation process of local accents, accent sanitisation for global customer callers can comprehend is unnecessary or much easier for BPO workers in Kenya. Business Process Outsourcing has been driven by the private industry, however, stable legal environment, support from government, business environment are important (Awino & Mutua, 2014).

The BPO sector has been cited as one of six pillars of economic advancement to underpin the Vision 2030 which is the nation’s overall strategy to meet middle-income status in 20 years. The Vision 2030 rallies Kenya to fast become the first BPO destination in Africa. According to the strategy, the aim is to have 7,500 direct BPO employment and see the growth of the industry to contribute to the nation’s GDP to Kshs. 10 Billion as of 2012. Despite these noble efforts for the BPO industry, McKinsey Global (2009) found that the idea was not as ambitious as a BPO industry which had the capability to generate 20,000 jobs and Kshs. 45 Billion as of 2014 (Republic of Kenya, 2013).

According to Ramachandran and Voleti (2004), the regional BPO industry is currently undergoing robust growth. However, due to the rapid growth in BPO companies the industry may be unable to retain productivity and quality of services offered. In addition, BPO firms may fail to take cognizance to the possible exit barriers and strategies if necessary. This may lead to a collapse of the industry as happened in the dot com era. For BPO’s to grow there is need of a detailed oversight over the key success factors; capability to understand customer needs and specific domains in business acquisition. To amalgamate this, key success factors is a prerequisite for the growth in BPO’s. If BPO’ companies are able to integrate the key success factors identified above, then the current trend of growth in BPO will continue (Ramachandran & Voleti, 2004).
The BPO sector has thrived due to global competition, mounting margin pressure, an increased focus on core functions and low capital are driving firms like never before for new approaches to have things done at a lower cost. These trends create opportunities for developing nations with huge talent, strategic locations and affordable employment with the chance to buy offshoring services for large corporations. In this vein, the Government of Kenya through its national development blueprint, Vision 2030, envisages BPO as a key ingredient in achieving the economic pillar targets (Republic of Kenya, 2013).

According to the Republic of Kenya (2013), the growth in the worldwide business process outsourcing sector has provided a new opportunity for Kenya to exploit a novel growth area for IT enables services (ITES) and BPO. The Vision 2030 saw BPO as a priority industry in the Economic Pillar to have more than 20,000 employment opportunities and contribute to more than 10 % of the Gross Domestic Product (GDP). The umbrella association of the BPO practitioners is the Business Process Outsourcing Contact and Companies Society (BPOCCS) and the Kenya ICT Authority which is the key government organization directly involved with BPO sector activities (Chumo, 2015).

1.2 Statement of the Problem
In its second Medium Term Plan 2013-2017 of the vision 2030, the Government of Kenya hoped to improve the BPO industry through: developing digital villages by providing more than 30,000 opportunities in the BPO sector by 2017 from the 13,000 jobs today; These programmes and projects for 2013-2017 included completion of the first phase of the Konza Technology City, to create services and products at an operational of BPO skills, create a pool of BPO skills, strategic level and professionals to support the growing market needs and develop efforts directed at creating a leverage on digital content to find new opportunities to do business more so for the youth (Republic of Kenya, 2013).

Despite these noble efforts, the full potential of BPO industry has not been achieved. The promises of job creation, economic growth and increase in foreign direct investments (FDI) are far from being achieved (Iraki, 2012). For instance, the BPO industry is facing various challenges that impede their growth and development. In terms of job creation, the industry was expected to have created more than 15,000 jobs by 2015, but BPO operators estimate the industry currently employs about 2,500 people (Macharia, 2016). There is therefore
need to examine the BPO sector in Kenya by analyzing the strategic planning for BPO in Kenya, BPO industry as a whole in terms of its development in Kenya comparing it to other offshoring destinations, factors affecting BPO firms in Kenya, and impact of BPO in Kenya a gap that this study intended to fill.

1.3 Purpose of the Study
The purpose of the study was to enhance understanding of the BPO sector in Kenya

1.4 Research Objectives
The study sought to achieve the following research objectives:
1.4.1 To analyze strategic planning for Business Process Outsourcing in Kenya
1.4.2 To examine the development of BPO industry in Kenya
1.4.3 To explore the factors affecting the growth of BPO firms
1.4.4 To examine the impact of BPO in Kenya

1.5 Significance of the Study
1.5.1 Policy Makers
The findings of this research will be of significance to policy makers in the BPO sector as it will identify the services and products of BPOs and thus assist policy makers to make legislation and policies on enhancing the growth of the BPO sector which limit the performance of the BPO sector in Kenya.

1.5.2 BPO Top Management
The findings of this study will be of importance to top managers of the BPO sector firms in Kenya as it will give them an opportunity to identify and inform on the challenges of the BPO sectors and if this are corrected through adoption of the study recommendations will lead to greater performance of the BPO sector.

1.5.3 Scholars and Academia
This study will be of significance to scholars and academia by providing a source of references for future researchers on the BPO sector and also will contribute to the body of knowledge on the BPO sector in Kenya and will also make suggestions for further study on the BPO sector.
1.6 Scope of the Study
This study sought to analyze the BPO sector in Kenya. The study examined the development of BPO industry in Kenya, strategic planning for Business Process Outsourcing in Kenya, factors affecting the growth of BPO, and the Impact of Business Process Outsourcing on economic development in Kenya. This study targeted 18 BPO companies in Kenya.

1.7 Definitions of Terms

1.7.1 Business Process Outsourcing (BPO)
This refers to the transmission of processes as well as the responsibilities and operational activities. This means to the increased trends of moving entire business operations to either third-party or self-owned (David, 2005).

1.7.2 Gross Domestic Product (GDP)
This refers to the monetary value of services and finished goods which are produced within a nations’ border within a period of time. GDP can be calculated on a quarterly or annual basis (Kira, 2013).

1.7.3 Information Communication Technology (ICT)
This refers to a general term that has any communication application or device which includes cellular phones, satellite systems television, radio, network and computer software and hardware as well as the several applications and services (UNESCO, 2002).

1.7.4 Information Technology Outsourcing (ITO)
This refers to an organization’s outsourcing internet or computer related work such as programming to other firms. The concept is used interchangeably with BPO which refers to the outsourcing of jobs that do not often require much technical skills (Lacity, Khan & Willcocks, 2009).

1.7.5 Knowledge Process Outsourcing (KPO)
This refers to the form of outsourcing where information-related and knowledge-related work which is done by a different firm or by a subsidiary of the same firm. The subsidiary can be in an offshore location or the same country to save other resources or costs (Sen, Kumar, Avula & Kumar, 2013).
1.8 Summary
The study is organized into five chapters. This chapter has given readers the background of the study problem, as well as a brief history of Business Process Outsourcing. The chapter has also covered the research problem which is to examine the Business Process Outsourcing in Kenya. The chapter has highlighted the purpose of the study and has come up with research objectives that guided the study. The chapter ends with giving the readers the study scope and importance. Chapter two of the study presents the literature review of the study which was presented in tandem with the research objectives. Chapter three of the study presents the research methodology that the study adopted to achieve the research objectives. Chapter four of the study presented the results and findings of the study. Chapter five of the study presented the summary, conclusions, discussion and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on Business Process Outsourcing (BPO) in Kenya. Specifically, it examines the development of BPO industry in Kenya, strategic planning for BPO in Kenya, factors affecting the growth of BPO and the Impact of BPO on economic development in Kenya with a view to identify any gaps from previous studies and fill them.

2.2 Strategic Planning for Business Process Outsourcing

Strategic planning is seen as a significant tool of management (Aldehayyat, 2011). Stonehouse and Pemberton (2002), defined that strategic planning is a core on the setting of long-term firm objectives and the implementation and development of plans designed to meet them. A strategic plan is defined as undertaking a set of processes to develop diverse strategies that can contribute to reaching the organizational direction (Tapinos, Dyson and Meadows, 2005).

There are three levels that strategic planning can be formulated. These are: functional level, business and corporate level. At the functional level, strategy formulation is done by supervisors and line managers (Sababu, 2007). Strategy formulation at the business level is implemented by human resources, logistic managers, marketing managers and production managers (Yabs, 2010). At the corporate level, the board of directors and top management are engaged in formulation of strategies (Yabs, 2010). In terms of national strategies, policy makers and government officials are mostly engaged in corporate strategy formulation for a nation, stakeholders in the BPO sector can be seen as the entities responsible for strategy formulation at the functional level and BPO vendors as strategy formulators at the business level.

Daft (2012), sees strategic planning as the process of determination of goals and definition of the means for meeting them and plans to assist managers think toward the future rather than think merely in regard to day-to-day activities. Strategic planning is often used where organizations or companies aim to gain an upper hand over their competitors (Wanjiru,
Strategic planning is now generally accepted as the foundation of good leadership and management in any organization, be it public or private.

Kraus, Harms and Schwartz (2009) contend that the merits of strategic planning are given from different perspectives. Other perspectives include ensuring thorough consideration, generating information of all available options, stimulating new ideas, enhancing interaction and internal communication and forcing the firm to evaluate its environment. For both small and large businesses, long-term planning is significant. There are no motivations for firms to ignore doing it due to the strategic planning allows them to capitalize the chances that are in the future and have the ability to prevent the threats therein (Sosiawani, 2015).

Strategic planning can be traced back to the 1950s and early 1960s and was used in the public sector. The idea emanated from the motivation for the need for the US departments of defenses to plan save time and costs while planning for its long-term needs (Young, n.d). Young (2001) agree that strategic planning is a process of developing a long-term plan to guide a firm, such as a commission or department and a state agency toward a clear articulated objectives, goals and mission. This is a process of assessing where a firm is at the present, identifying the opportunities and challenges that present themselves and to determine what destination is most important and how to get there.

2.2.1 National BPO Strategic Planning

There is evidence to indicate governments were indeed involved in strategic planning for BPO industry. In Jamaica, the government adopted a five year plan to have a structured expansion of the growing BPO industry. A five year strategic plan and a 12-month action plan were developed to strengthen Jamaica’s competitiveness and maintain strong relations with pre-existing outsourcing companies (JAMPRO, 2014).

Fadhili (2010) study on effects of national culture on organizational capabilities on BPO found that majority of respondents rated existence of a national BPO strategy as extremely important while 18.2% rated it as very important. Majority of the study participants attach some importance (extremely important, very important and important) to the existence of a national BPO strategy.
Soita and Gichinga (2016) concluded that outsourcing decisions are based on company strategic plans and as a high priority, the company policy is an indicator of how the national strategic plans are performing. This means that BPO performance is based on the strategic plans in place to promote BPO activities. In Uganda, the BPO strategy was adopted to achieve increased revenue to the country, creation of jobs and additional capital investment in the economy. The key elements of Uganda’s national BPO strategy include: finance, policy framework, marketing, human resources/skills, entrepreneurship, infrastructure and subcontracting (Republic of Uganda, 2008).

This shows the significance of strategic planning in undertaking investments in the BPO industry as envisaged in the Kenya Vision 2030. According to Wanjiru (2012), Kenya entered into the BPO market without focusing on first laying the fundamental structures that would have formed the backbone of the industry. This has been clearly highlighted by the government’s failure to create bills and enact laws that would guide and protect the industry, thus giving it the backing force of the law. Though Kenya has fast become the leader in outsourcing in East Africa, the government has not done enough to give it a competitive edge in the market. Communication channels as pertaining to BPO’s have not been well formulated and thus the enthusiasm of catapulting Kenya to compete with countries like India and South Africa is dwindling (Wanjiru, 2012).

However, the performance of the BPO sector has been impressive. The achievements and expectations from the BPO sector a decade ago have not been realized. According to a Graham and Waema’s (2014) study, although Kenya has been moderately successful in attracting foreign BPO firms, the focus on international BPO work has not succeeded as originally envisioned and Kenya has not been able to build a positive and successful brand around the BPO sub-sector. BPO is one of the seven priority areas of the economic pillar of Vision 2030 as outlined in the Second Medium Term Plan of 2013-2017.

### 2.2.2 National BPO Strategic Planning Performance

Graham and Waema (2014) also indicated that one of the possible explanations as to why the BPO industry expectations in Kenya did not bear fruit was due to the BPO strategy that
focuses on the global market before developing local customers and include government. The lack of focus on development of a home outsourcing industry to help enhance the ITEs and BPO firms and give them the ability to deliver large projects was important to develop depth in the sector and spur and large-scale firms.

Second, there have been variations to the worldwide outsourcing and BPO sector, which rendered the local BPO market that Kenya is focusing on is less attractive. The global outsourcing contracts are becoming larger in bundled and scale, that is, they have various services, for example, contact centers, help desk and IT support. Furthermore, owing to competitiveness of the worldwide outsourcing industry and the deals have smaller margins (ICT Authority, 2015).

According to Wausi, Mgendi and Ngwenyi (2013), Kenya’s BPO strategy as captured in the Kenya Vision 2030 centered on infrastructural and human capacity development, incentive packages to attract BPO investments, and marketing Kenya as a viable BPO destination. A flagship project, to build the state-of-art BPO Park and four key initiatives (marketing, training, infrastructure development and incentives) were earmarked as channels through which this strategy would be operationalized. The park envisaged would be a state-of-the-art facility which would consolidate the key enabling factors critical for a competitive BPO industry, including superior telecommunications infrastructure, easy access to international transport facilities, and affordable and readily available electricity.

Several scholars (Spicer and Sadler-Smith, 2006; Alpkan et al., 2007; Aldehyyat and Twaissi, 2011) have admitted that strategic plans should be realistic, simple, sufficiently demanding and not too ambitious. The strategic planning process should offer some extent of flexibility to allow the organization or initiative in the dynamic environment.

According to Mintzberg (1994), there is a danger in strategic planning because most managers assume that the world does not stop as managers wait to implement and plan strategies. There is evidence of an empirical quantitative study that has been done on organizations around the world (Europe, North America and Asia) which have reported that there exists a positive link between strategic planning flexibility and organization functioning despite the level of environment vitality (Ionescu, Cornescu & Druică, 2012).
At the strategic level, flexibility assumes enduring improvement of activities and process emerges in achieving a sustainable competitive advantage (Matthyssens, Pauwels and Vandenbemt, 2005). The flexibility of the strategic planning process is an important factor for familiarizing strategic plans to competitive environment in a perpetual variation (Dibrell, Down and Bull, 2007).

2.3 Development of BPO Industry

A study by Palugod and Palugod (2011) indicated that BPO and Information Technology Outsourcing (ITO) continues to be subject by customers from developed countries more so in Europe (more so in the UK) and United States. In 2008, the United States represented approximately 60 % of Indian BPO and IT exports. In regard to growth rates, the European market has seen some significant growth at 41 % for the United Kingdom and more than 50 % for the rest of Europe. It is probable that in developed nations, European nations will enhance their adoption of the BPO service model. There are other nations that are emerging on off-shore nations like Latin America (Brazil, Argentina, and Mexico) and Asia Pacific (China, and Japan).

2.3.1 Global Development of BPO Industry

In India, Budhwar, Luthar and Bhatnagar (2006), through their study confirmed that, the initial focus of Indian BPO industries was to create a reliable and strong platform by using technology as a selling point hence building the success of the Indian software industry in late 1990s. This has seen India develop infrastructure where technology is more being used as means for improving the quality of service delivery.

The motivations for giving service quality were: the first was “people attractiveness” which meant to produce more than 2 million English speaking grandaunts annually who are willing to work for wages that are paid lower wages that Western counterparts. The availability of computer and technical literate human capital who offer effective and efficient service makes India a destination for multi-national corporations (Budhwar et al., 2006).

Secondly, India had the benefit of “location attractiveness”. International organizations save costs by outsourcing their function to India owing to availability of different and cheap
but established and strong infrastructure, technology parks, offering telecom services, well-developed software sector and enhanced international bandwidth (Budhwar et al., 2006).

The Philippines entered into the BPO market in 2004 by 2009 the nation had become the third-largest BPO destination globally right after India and China. At the moment, the sector accounts for 544,000 of jobs with 344,000 working at call centers. The BPO sector also accounts for 1.3 million jobs through indirect employment and contributes to 4.8% of the national GDP. In the years 2004-2009, the employment of the sector grew 34.5% and saw its revenue grow to 37.0% annually (World Bank, 2010).

Despite the global economic crisis the BPO sector experienced 19% growth in 2009 and 26% in 2010 (Trestle Group Consulting, 2010). The sector is shying away to knowledge-based (software development and accounting) businesses from voice-based services (call centers). Currently, there are more than 600 IT-BPO firms that employ 442,000 and the direct contribution to GDP is approximately 5.3% (World Bank, 2010).

In Pakistan, business process outsourcing is defined as delegation of service type business operations to third-party service providers by the Philippine department of trade and industry (DTI, 2003). This encompasses services related to business administration, IT, marketing, sales and customer care. The BPO sector has shown phenomenal growth in medical transcription, legal transcription, and data capture. Forms processing has not been substantial, however in the last few years, there has been a major boom in outsourcing voice-based call center services both in-bound and out-bound (Ahmed and Javed, 2015).

The biggest employer in the BPO sector in India is contact centers which are the second biggest BPO subsectors in regard to employment and total revenues generated in 2005 were back-office operations and software development. The software development subsector generated $204 million and employed 12,000 staff. The other BPO subsectors comprise of engineering design, animation, and digital content (Srivastava, Tiwari and Kumar, 2011).

2.3.2 Regional Development of BPO Industry

In Sub-Saharan Africa (SSA) region, BPO has been growing steadily as a source of revenue and employment. In 2008, the list of offshore providing nations increased to 72, where
Egypt, South Africa and Morocco were in the top 30. South Africa remains a key player in offshore outsourcing in Africa. There are several countries that have had success with BPO in Africa and this encouraged the capacity building of BPO capacities in the recent past was inspired by India. In Africa, Rwanda, Ghana and Kenya are seen at different stages of BPO sector development. For example, the BPO sector in Kenya has been limited by poor and costly communication connectivity which was a barriers to effective communication (Pandy and Rogerson, 2014).

In South Africa, the government realized that the BPO sector was a significant industry to attract investment and job creation. According to Pandy and Rogerson (2014) the South African government as early as the 2000s had distinguished the growth of a range of government interventions and initiatives in support of expanding the competitiveness of the country for the offshoring of BPO work. The government highlighted some of the major constraints in growth of BPO sector to induce investments in the industry. These constraints included: lack of needed talent, lack of experience, lack of marketing, high costs of doing business and lack of investor support.

The department of trade and industry (DTI) since 2007 has given incentive initiatives to promote BPO business as an approach to bridge the gap of South Africa in comparison with other offshore locations to improve the nation’s competitive advantage. Despite the cost initiatives, South Africa’s strategic advantage in offering BPO services includes its first world experience, significant cost savings, deep domain skills, and English-speaking talent pool. In 2012 and 2013, the number of BPO projects on the system grew by 60%, whilst job support or creation grew by 48% (Mashalaba, Wyatt, Mathe and Singh, 2015).

In Kenya, Kenya’s Vision 2030 sees BPO as one of the fulcrums on which the nation’s future economic growth will depend on. However, BPO foundations are not as deep in regard to what is to be outsourced and how to achieve this. According to Binder (2007), call centers are the third industrial revolution and Kenya has been eager to take advantage of this revolution. The BPO efforts in Kenya have been supported by the World Bank with grants of kshs. 600 Million which have been underutilized owing to strict procurement and government regulations. The major driving force for Vision 2030 and BPO is to create jobs
the growing population and improve the living standards and make Kenya a prosperous and competitive nation (Iraki, 2012).

According to the Ministry of Higher Education, Science and Technology/Ministry of Information and Communication (2012) training needs assessment report on business process outsourcing and knowledge process outsourcing (KPO) industry in Kenya, there is no specific niche that Kenya has adopted, but the various BPO-ITES firms are contracted on a variety of jobs outsourced both locally and internationally.

Kenyan business people and policy-makers have showed interest in the global BPO market share since 2004. The arrival of the 2009 fiber optic cables would provide opportunities for the East African nations to diversify their dependence on traditional commodity exports and use improved internet connectivity to transition to quaternary and tertiary service sector exports (Graham and Mann, 2013). The main version for the BPO industry in Kenya was Kenyan owned, export oriented and geared towards job creation (Graham, 2015).

Kenya’s BPO clusters can be traced back to 2005 with the entry of Nik Nesbitt which founded KenCall, which was the first call center that met global quality standards. KenCall experienced several challenges in its first years such as insufficient infrastructure and poor quality of connectivity which was a barrier of the firm’s marketing initiatives. Early 2007 saw the BPO sector named as one of six flagship clusters of Kenya’s Vision 2030 and this led to the formation of Contact Center Society as the first Institution for Collaboration (IFC) which rapidly grew to 33 members. Late 2007 saw the formation of a second IFC, the Kenya Information and Communication Technology (ICT) Board (Bryce, Hartley, Kassam, Saloojee and Williams, 2011).

The BPO environment in Kenya benchmarked against BPO market leaders show Kenya ranks significantly higher than both India and the Philippines in terms of the overall ease of doing business. The challenging business environment is not a barrier to BPO sector growth due to weaker positions of BPO sector leaders such as Philippines and India. Given Kenya’s cost advantage, assets of the nation, the BPO cluster was expected to attain high growth rates with the enactment of significant policies and their implementation (Bryce et al., 2011).
Today, Kenya has an increasing BPO sector with 50 registered firms in operation. The major institutions that are engaged in driving the Kenyan BPO sector are Kenya Business Processing and Contact Centre Society, Communications Commission of Kenya, Kenya Information Communication Technology (ICT) Export Processing Zones Authority, ICT Board and the Ministry of Information and Communications (Wachira, Brookes and Haines, 2016).

2.4 The Factors Affecting Growth of BPO Firms

In Malaysia, Ramin and Yusoff (2008) examined business process outsourcing adoption among the Malaysian government-linked companies. The research revealed that lower prices and advantages from economies of scale were cited as the highest driver for BPO sectors by managers in government organizations. The improved expertise and technology in BPO firms was ranked as the second driver for outsourcing. The study established that the benefits of BPO were focusing on organizations’ core competencies, lowered costs by maximization of efficiencies and increased productivity of back office or support function services. Mutual trust between the BPO firms and clients was ranked as the most critical success factor for outsourcing.

Dorasamy, Marimuthu, Jayabalan, Raman, & Kaliannan (2010) conducted a study on the factors affecting outsourcing accounting functions at small to medium enterprises (SMEs) in Malaysia. The literature review from the study revealed factors such as operation management, the risks of outsourcing, types of industry, firm size, resources, costs and competencies. The research established that the factors leading to the decision of outsourcing operations and risk management are mostly tied to outsourcing levels. The research concluded that although competencies, costs, firm size, resources and industry type are important factors of outsourcing in other areas but did not come out as predictors of outsourcing for accounting functions.

2.4.1 Global factors affecting growth of BPO Firms

In India, Thapliyal (2016) research showed that some of the depressing side of BPOs was the myriad of challenges which included a shortage in terms of managers competent in BPO management both senior and middle management, opposition from politicians in the UK and US to move BPO operations by local firms to India, poaching of managers by new
market entrants to the sector and high attrition rates. Aziz (2013) confirmed that employees working in BPO firms were working long shifts, often during night, thus, becoming easy victims of various psycho-physiological ailments.

Raghunath and Panga (2013) study showed that some of the threats facing the Indian BPO market were new entrants into the global sector including Indonesia, Malaysia, the Philippines, Singapore, Vietnam and Thailand. Other factors were staffing with workers knowledgeable of US culture, skilled staff for BPO jobs, infrastructure for providing good telecom facilities, political reasons concerning markets of Europe and North America and improving operating processes.

Jothi and Kumar (2016) study on employee attrition as a major threat to Indian BPO industries indicted that BPO firms in India were experiencing attrition rates of above 60 per cent. In Nepal, Kshetri (2007) indicated that institutional factors could affect offshore business process and information technology outsourcing. These institutional issues would range from rule of law, privacy laws, professional organizations in the destination country and public pressures against offshore outsourcing in the origin country.

The other factor that has an influence on the growth of the BPO sector is government support. The BPO sector requires supportive legislation and infrastructure to thrive. Rajeev and Vani (2007) indicate that India’s experience in the BPO sector was supported by BPO friendly policies which can also be replicated in other countries entering the BPO market. However, India’s international trade policies are still restrictive in comparison to other countries such as the Philippines and Malaysia who are its major competitors for BPO services.

In Pakistan, Ahmed and Javed (2015) conducted a case study on Pakistan’s Call Centers by adopting qualitative techniques to determine the challenges facing BPO firms. The study found that some of the factors included high rates of employee attrition, lack of efficient use of the technological resources, high costs of setting up call centers. Despite the training given to the call center agents after hiring, still language barriers, technological know-how of the system and inefficient knowledge of the products are the biggest ingredients in posting the negative image of call centers.
2.4.1 Regional factors affecting growth of BPO Firms

In South Africa, Mashalaba et al. (2015) study on the evaluation implementation of BPO services programme identified significant constraints to the growth of the industry as lack of required talent, lack of marketing, costs of doing business, poor investor support and lack of experience. Aklali, Abbott, Dasuki and Quaye (2016) study found that HIV/AIDS prevalence, quality infrastructure, government support, inflexible labor laws were found to have a direct effect on the growth of the BPO industry. Pandy and Rogerson (2014) noted that the national government efforts to leverage the BPO sector to combat the unemployment problems as a major driver to expand the call center sector in South Africa.

In Kenya, there are several studies that have been done and have highlighted some of the factors that affect growth of the BPO sector in Kenya. Waema (2009) conducted a study on development of a business process outsourcing industry in Kenya focusing on its critical success factors. These included lack of specific BPO policy, legal and regulatory framework, institutional framework, human resource issues, and youth and gender issues, incentives for BPO operations and niche for Kenya.

Nding’ori’s (2015) research on factors affecting outsourcing of customer service of Airtel Networks Kenya Limited found that lack of effective communication and lack of employee motivation was a significant barrier to outsourcing of services. Muthoni and Nyakagwa (2014) examined the factors influencing the adoption of outsourcing by manufacturing companies listed on the NSE in Kenya. The study found that the greatest concern for firms adopting BPO was the need to reduce costs and limited resources and adoption of BPO by competitors was seen as the least driving factor to adopt BPO.

Gitau (2014) studied the factors affecting growth of BPO firms in Kenya. The factors included in the study were need identification and business process outsourcing, vendor’s expertise and business process outsourcing, training and development and business process outsourcing and competence needs. Wachira et al. (2016) showed that some of the factors affecting the BPO sector were people centered and included poor leadership, micro-
management, low compensation and inadequate training. Some studies have given general factors that can affect BPO growth.

Kagume (2013) conducted a study on investigation of factors inhibiting growth of BPO companies in Kenya. The study concluded that the major challenges facing BPO companies in Kenya are: employee related, financial, customer expectations and government specific challenges. Chumo’s (2015) study showed that government support through favorable incentives and support of marketing activities is key in enabling success of the BPO sector which is fragile and new, reliable infrastructure as well as affordable bandwidth, availability of training programs and improved remuneration for the BPO sector was a very important aspect for success.

Respondents in the study also indicated the need for the government to establish a one stop-shop for facilitating BPO sector in issues relating to licensing and any other requirements and lack of legislation to enable e-transactions though this is in progress. Mann and Graham (2016) analysis of the BPO sector in Kenya was that managers experienced difficulties in trying to access global work due to lack of personal connections, lack of managerial experience and physical distance from markets.

Swadesin and Kalindi (2012) study on an analysis of the emergence of BPO industry in India identified and discussed several factors that affect the growth of BPO industry. The geographical distance and location has been cited by several scholars as a major determinant of offshore BPO. In India’s case for instance, the three geographical issues pertaining to BPO business are English speaking skills of western and Indian workers, time zone differences and an unreliable communications network. In terms of time zone differences, most of the global organizations outsource their call centers to India owing to its time zone benefits. The 12 hour time difference allows an organization to offer around the clock everyday services. Most of these companies are form the US have been able to provide customers on a round-the-clock support.

According to Sharma, Saxena and Aanand (2005), the reliability of the communication network is a major factor that affects BPO growth. This means that the ability and capacity to coordinate, monitor and transfer knowledge in a project depends mostly on the reliability
and quality of the communication network for involved parties (Rao, 2004). India for instance is ranked as the 103 out of 133 in terms of its availability and quality of telephone lines. Sharma et al. (2005) report that India has invested in underwater cable networks to enhance availability of bandwidth for BPO sellers.

Most of the business of BPO is conducted in English; most of the vendors and clients are often in different countries and have distinct native languages. Therefore, the inability to speak correct and audible English can limit the BPO opportunities for a nation. In India for instance, heavy accents may prevent call workers ability to speak clear audible English. In contrast, Kenya has been regarded as having an advantage since the formal language is English (Meenakshi and Vani, 2008).

2.5 The Impact of Business Process Outsourcing

The impact of outsourcing can be described as a double edged sword; outsourcing can have both harmful (socially) and beneficial (economically) effects to a nation. One of the social impacts has been the erosion of cultural values and benefits. This is because majority of the business for outsourcing is from western nations which impose their western culture on BPO vendor countries and their workers (Sharma et al., 2005).

The traditional way of doing thing such as national holidays may not be observed, work culture is often changed such as working times which affect social interaction of the family and community. On the flipside, BPO business is creating employment for a majority of the tech-savvy population and offers the youth the space and opportunity to learn and experience new business opportunities in the BPO sector (Mishra and Kumar, 2014).

2.5.1 Economic Impact of BPO Sector

In India for instance, the IT-BPO has been in operation in the last three decades and has had a significant impact on the Indian society and also economy as compared to other sectors in the same period of time. India has been able to move from an agricultural based and rural based economy to a knowledge based economy. Today, India is a global leader in terms of IT capital and hosts some of the major IT players of the world (Singh, 2016).

The National Association of Software and Service Companies (NASSCOM) research reported that 74% of employees in India are less than 30 years old and those less than 25
years represent 35% of the workforce. The high paying jobs that are provided by the IT-BPO sector offer young Indians with meeting their needs and achieving their aspirations while supporting their families. The BPO sector also provides a standard for work conditions, terms and environments. The sector has also contributed to offering jobs to the marginalized in the Indian society.

The work culture in the BPO sector is less hierarchical and different from normal administrative office work. When employees are exposed to this culture they become oblivious of the home and society hierarchies (Nangia, 2015). Scholars and researchers have shown evidence that employees in BPO sectors challenge traditional customs and values due to having independent incomes. Sharma et al. (2012) reported casual sex and live-in relationships among Indian call centers employees have been on the increase and indulgence in alcohol and drug abuse has also risen due to the stressful nature of BPO work.

Nagalakshmi (n.d) indicated that the BPO sector in more than fueling India’s economy India positively influences the lives of Indian citizens through indirect and direct contributions to the different socio-economic metrics including living standards, employment and diversity among others. The sector has had a major role in the transformation of India’s image from a slow bureaucratic economy to become a nation of innovative entrepreneurs and a worldwide player in provision of business services and world class technology solutions.

According to Swadesin and Kalindi (2012), the BPO sector gives employment to approximately 0.7 Million people in India. The annual revenue is approximately $11 billion and contributes to 1% of the nation’s annual GDP. The BPO sector also contributed to the development and growth of communication networks, English language skills, promoted cultural diversity and influenced for a large and educated workforce and educational opportunities. For instance, India has experienced mushrooming of a large number of computer training schools even in the remote areas, mainly to cater to this industry (Rajeev and Vani, 2007).

In the Philippines, between 2007 and 2012, the IT-BPO industry was the fastest growing sector with revenues growing at compound annual rate of 25.3%. According to IBPAP,
indirect employment generated by the IT-BPO sector grew from 600,000 in 2007 to 2 million in 2012 (World Bank, 2013). The BPO sector’s contribution to GDP has risen in tandem with the number of companies setting up operations in the country.

Currently, the Indian BPO sector provides employment to more than 74,400 and continues to grow annually. Seventy percent of the revenue from India’s BPO sector is from call centers, 10% is from IT-related work which caters to the 56% that handles the world’s business process outsourcing and 20% revenue is from data entry work (Raghunath, 2014).

The BPO industry in Philippines accounted for just 0.075% of GDP in 2000, rising swiftly to reach 2.4% in 2005, 4.9% in 2011, and 5.4% in 2012. Its estimated GDP contribution was 6% in 2015, with expectations that it could contribute up to 9% of GDP in 2016, according to the IT and Business Process Management (IT-BPM) Roadmap for 2012-16 published by the industry group IT and BPO Association of the Philippines (Errighi, Khatiwada and Bodwell, 2016).

In Ghana, Mainsah (2004) indicated that the government believed that investments in technology were the answer to employment and export problems and that the nation had an advantage over its neighbors. Ghana sought to increase its investments to lead to an early thrust for BPO industry and in the end be able to transform the nation to a major BPO service player and ICT.

2.5.2 Social impact of BPO sector
The ICT sector has created well-paid jobs for India’s skilled workforce and more critically, for Indian women. The labor force participation rate of women in India has traditionally been low. Only about a third of Indian women are part of the organized labor force. There are many reasons for this, including early school dropout rate, particularly in rural India and pressure on getting young girls and women married early and early child-birth (Rani, 2011). Women represent some 40% of the workforce in the BPO sector, and their increased earning power has enhanced their social standing and shifted the power balance between the genders (Kousar and Begum, 2013).

The ICT sector has created job opportunities outside major metropolitan areas. Towns that want to attract BPOs have invested in creating infrastructure, including access to water and
power for the industry, which has improved living standards in areas that previously did not have such infrastructure. Cumulatively, there are significant benefits for those who work at the centers and those who live in those towns, affecting many rights, including the right to an adequate standard of living, and other rights associated with structured, formal employment, such as health benefits from companies that adhere to relevant laws (Kurien, 2010).

Several studies (Felicilda and Firmalino, 2012; Aziz, 2013) have shown that the BPO sector often has a negative effect on the health and wellbeing of employees. In India, Dhanesha’s (2014) study revealed that there was several health issues reported among employees working in the BPO sector including 20 % digestive disorder, increased stress levels, 26 % eye-sight problems, 35 % sleep disorders and most BPO staff have had to move to outsourcing hubs and live independently. Source of impact of BPO are from nature of work, work timing, stress due to fewer holidays and impact of pressure owing to performance measurement which is based on metrics, stress due to travel time and impact of overtime working.

Despite the positive impacts the BPO sector has had on the economy in the Philippines, negative impact of BPO sector is also exhibited. Errighi et al. (2016) reported that sector faces numerous challenges related to decent work. This included: real danger of skills shortages threatens as employers struggle to find correctly trained workers and, once they are hired, to retain them for longer periods; employees report high-stress work environments with detrimental impacts on health, while HIV/AIDS is increasingly prevalent among BPO workers; more than 50 per cent of workers are women, but they tend to be concentrated in low-paid, low-skilled jobs; and trade union activities are almost non-existent in the BPO sector.

The BPO sector has been found to have made a significant impact on creating human capital. In India, the government has in the past invested heavily in tertiary education which provided a large pool of human resources for BPO companies establishing in India (Rajeev and Vani, 2007). Presently, the government is engaged in emphasizing IT education in both private and public institutions to produce technical manpower that will continue to serve the growing BPO sector.
In comparison, Philippines as compared to India has a higher literacy level and therefore scores better than India in terms of offering human capital for BPO services. Magtibay-Ramos, Estrada and Felipe (2008) admit that the BPO sector in the Philippines has had an impact on education and training policies to enhance employment opportunities for its youth in BPO services. In Mauritius, the impact of the BPO sector has been to provide employment to female workers. The Mauritius economy provides jobs for male workers in sugar cane farms and textile industry which is the predominant means for employment. However, the entry of BPO services has seen more women employed in this sector (Nowbutsing and Ancharaz, 2011).

2.6 Chapter Summary
This chapter presented a reviewed of literature on BPO from a global, regional and Kenyan perspectives in line with the study objectives. The literature was sourced from published and unpublished sources, government reports, dissertations and online journals. Chapter three introduces and discusses the research methods and techniques the study will adopt to achieve the study objectives.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the methodology, which will be used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques that was used to select the sample size. It also describes how data will be collected and analyzed. The suitable methodology in this study gives the guidelines for information gathering and processing.

3.2 Research Design
Ogula (2005) refers to a research design as a strategy, plan or structure of a research to get answers to research questions. This study used a descriptive survey research design. Orodho (2003) defines it a method for gathering information by administration of a questionnaire or interviewing a sample of persons. The main feature of the design is to provide a description of a sample of institutions, persons or objects through questionnaires (Creswell, 2003).

The descriptive study design was preferred for this study based on the need of the study to describe the current state of the BPO sector in Kenya and there was no variable manipulation. Descriptive research can either choose to adopt qualitative, quantitative or mixed methods. This study chose the quantitative approach where data was collected through questionnaires and the responses and information collected was numerical and can be quantified.

3.3 Population and Sampling Design

3.3.1 Population
According to Ogula (2005), a population is a group of institutions, objects or people that have a common interest that a researcher maybe interested in. Ngechu (2004), describes a population as a set of people, elements, events, services or group of households that are under investigation. For this study, the population consisted of staff of eighteen (18) Business Process Outsourcing firms as shown in Table 3.1.
3.3.2 Sampling Design and Sample Size

3.3.2.1 Sampling Frame

A sampling frame is an exhaustive list of all the units of analysis that a researcher intends to include in the target population in their research. This research was conducted in 18 firms in the BPO sector. Table 3.1 shows the sampling frame for the study.

<table>
<thead>
<tr>
<th>Business Process Outsourcing Firms in Kenya</th>
<th>Population (No. of staff)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Virtual Office</td>
<td>64</td>
</tr>
<tr>
<td>2 Surge Dynamics Ltd</td>
<td>126</td>
</tr>
<tr>
<td>3 Stanza Solutions</td>
<td>250</td>
</tr>
<tr>
<td>4 Records &amp; Archives Management Systems (K) Ltd</td>
<td>149</td>
</tr>
<tr>
<td>5 Open sky East Africa Ltd</td>
<td>126</td>
</tr>
<tr>
<td>6 Nurture World Solutions Ltd</td>
<td>260</td>
</tr>
<tr>
<td>7 My Expert Desk Services</td>
<td>177</td>
</tr>
<tr>
<td>8 Masada Agencies Ltd</td>
<td>150</td>
</tr>
<tr>
<td>9 Ken-Tech Data Ltd</td>
<td>202</td>
</tr>
<tr>
<td>10 Grephys Outsourcing Limited</td>
<td>100</td>
</tr>
<tr>
<td>11 Global Outsourcing Intl. Ltd</td>
<td>95</td>
</tr>
<tr>
<td>12 Genius Executives Limited</td>
<td>69</td>
</tr>
<tr>
<td>13 Eco-Conquest Africa</td>
<td>200</td>
</tr>
<tr>
<td>14 Echnovate BPO &amp; Research</td>
<td>87</td>
</tr>
<tr>
<td>15 Cyka Manpower Services Ltd</td>
<td>200</td>
</tr>
<tr>
<td>16 Contactworld</td>
<td>61</td>
</tr>
<tr>
<td>17 Adept Technologies Ltd</td>
<td>56</td>
</tr>
<tr>
<td>18 Accu BPO</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,450</strong></td>
</tr>
</tbody>
</table>

3.3.2.2 Sampling Technique

The study used the stratified random sampling technique to identify the sample for the study which was heterogeneous. The aim of stratified random sampling is to acquire different representations from different subgroups in the population (Mugenda & Mugenda, 2008). The study identified all the sections in each of the firms which formed the different strata before selecting the units from each stratum which was included in the sample. Simple random sampling was then used to select random members of the population in each of the strata. Table 3.2 shows the target population of the study stratified among the top
management, middle level and low level management staff of BPO firms. The different levels of management were targeted in order to have a representative sample of staff in BPO firms.

Table 3.2: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>300</td>
</tr>
<tr>
<td>Middle level management</td>
<td>950</td>
</tr>
<tr>
<td>Low level management</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,450</strong></td>
</tr>
</tbody>
</table>

3.3.2.3 Sample Size

According to Cooper and Schindler (2003), the sample size for a study should be a variation of the population along certain parameters under investigation and the estimating precision needed by the researcher. The study uses Mugenda and Mugenda (2008) advice on sampling 10-30 % of the population. The researcher selected 10 % of the population in each category to be included in the final sample size for the study. The sample size for the study was therefore 245 respondents. However, the researcher was able to collect and analyse data from 131 respondents.

Table 3.3: Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Population (N)</th>
<th>Percent</th>
<th>Sample Size (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td>300</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>Middle level management</td>
<td>950</td>
<td>10</td>
<td>95</td>
</tr>
<tr>
<td>Low level management</td>
<td>1,200</td>
<td>10</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,450</strong></td>
<td><strong>100</strong></td>
<td><strong>245</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection

The study used primary sources of data. The primary data was collected by use of a questionnaire. The study adopted a structured questionnaire which had response option questions and likert scale questions. The likert scale questions were used to allow respondents to indicate their perceptions on the statements provided in the questionnaire where a 5-point likert scale was used. The questionnaire comprised of five sections which included the background information and the other sections were designed in line with the study objectives.
3.5 Research Procedures
Primary data collection involved both self-administration of a questionnaire and use of online survey platform. Prior to the commencement of data collection, the researcher obtained all the necessary documents, including an introduction letter from the University. The drop-and-pick method was used, which involved dropping the questionnaire physically at the respondents’ places of work. The questionnaires were left with the respondents and were picked up later by the researcher once they were filled up. The data collected from the online surveys was tabulated automatically.

According to Mugenda and Mugenda (2008), validity is the accuracy and meaningfulness of inferences, which are based on the research results. A pilot test was conducted with 10% of the sample size to test the reliability and the validity of the data to be collected using the questionnaire. Subjects in the actual sample were be used in this pilot study. Same procedures used in the actual data collection exercise were used for the pretesting exercise. The questionnaire was modified according to the pilot test findings and this was incorporated into the final questionnaire.

The concept of reliability means the extent to which a research instrument can continuously measure certain interests over time. It is the degree to which an instrument can constantly deliver the same results if administered to different populations over time (Nachmias and Nachmias, 2004). In order to test the reliability of the instrument, the study conducted a pilot test among 20 staff of BPO firms. The researcher modified the instrument according to the findings and experiences of staff with the instrument during the pilot study. The researcher used the Cronbach’s Alpha to measure the reliability of the likert scale items. A Cronbach alpha of 0.70 and above is deemed reliable. The questionnaire was able to achieve a reliability score of 0.73 in the likert scale categories which is rated as good for research (Cohen, Manion and Morrison, 2008).

3.6 Data Analysis Methods
The data analysis process began with the coding of the questionnaire. The data from the questionnaire was then entered into the Statistical Package for Social Scientists (SPSS). The data was analyzed using descriptive statistics. This statistical tools were preferred since the objective and research design for the study was to describe the situation with the BPO
sector in Kenya. The descriptive statistics used include frequencies, percentages, mean and standard deviation. The data was presented in tables and figures and the researchers own interpretation.

3.7 Chapter Summary
This chapter discussed the research design, population, sampling frame, sampling technique, sample size, how data was collected, research procedures and how data was analyzed. The sample size of the study was 131 respondents and information was collected through questionnaires. Chapter Four discusses the results and findings of each research objective.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This section presents the results and findings of the study. This chapter is presented in subsections which include response rate, demographic information, strategic planning for Business Process Outsourcing in Kenya, development of BPO industry, factors affecting the growth of BPO firms and the impact of BPO in Kenya.

4.2 Response Rate

The study administered 245 questionnaire during the data collection analysis and was able to collect back 153 questionnaires. However, from the 153 questionnaires 131 questionnaires met the criteria for analysis as some of the questionnaires had incomplete responses and wrongly filled responses. The response rate was thus established at 53.4 % which as shown in Table 4.1.

Table 4.1: Study Response Rate

<table>
<thead>
<tr>
<th>Questionnaires administered</th>
<th>No. returned</th>
<th>Questionnaires used in analysis</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>245</td>
<td>153</td>
<td>131</td>
<td>53.4 %</td>
</tr>
</tbody>
</table>

4.3 Demographic information

This subsection includes the demographic information of the study. The demographic information sought from respondents included age, gender, marital status, education level and experience in BPO sector.

4.3.1 Age

Figure 4.1 shows the age results of the study participants which revealed that 50.8 % of the participants were 18-24 years, 25-34 year olds accounted for 40.2% and 9.0 % were 35-44 years.
4.3.2 Gender

In terms of their gender, the results show that most of the respondents were female and accounted for 63.9 % as compared to their male counterparts who represented 36.1 % as indicated in Figure 4.2.

4.3.3 Marital status

Figure 4.3 shows the marital status of the study participants, the findings show that most of the respondents were in marriage or domestic relationship (56.6 %), 40.2 % were single or never married and 3.2 % were widowed.
4.3.4 Education level
In regard to their education level, the results show that 41.8% of the participants had a bachelor’s degree education, 27.9% had a professional certification education, 27.0% had a trade, and technical/vocational training and 3.3% had a postgraduate degree as shown in Figure 4.4.

4.3.5 Experience in BPO sector
In terms of respondents working experience in the BPO sector, the findings show that majority of the study participants who accounted for 77.9% had less than 10 years’ experience and the remaining 22.1% had more than 10 years’ experience as shown in Figure 4.5.
Figure 4.5: BPO work experience among study participants

4.4 To analyze strategic planning for business process outsourcing in Kenya

This section of the data analysis shows the results and findings of the study in regard to the strategic planning process for BPO in Kenya. The findings are presented in subsections which present the strategic plan initiation, strategy implementation and monitoring and evaluation for the BPO sector in Kenya.

4.4.1 Strategic plan initiation

Table 4.2 shows the descriptive statistics of the study participants’ responses on the initiation of strategic planning in the BPO sector. The findings show that among the statements on strategic plan initiation in the BPO sector, the majority of respondents agreed that an agreement was reached among the main stakeholders about who should be involved in the process of strategic planning for BPO with a mean score of 4.18 and standard deviation of 1.150.

This was followed by an agreement was reached among main stakeholders about the purpose of strategic planning before starting the process of strategic planning (M=3.74; SD=1.456) and the steps of the strategic planning formation process were agreed on and documented before starting the process (M=3.67; SD=1.269).
Table 4.2: Strategic Plan Initiation of BPO Sector in Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree or Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Plan Initiation</strong></td>
<td>13.9%</td>
<td>7.4%</td>
<td>14.8%</td>
<td>17.2%</td>
<td>46.7%</td>
<td>3.75</td>
<td>1.456</td>
</tr>
<tr>
<td>An agreement was reached among main stakeholders about the purpose of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strategic planning before starting the process of strategic planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An agreement was reached among the main stakeholders about who should be</td>
<td>4.9%</td>
<td>4.9%</td>
<td>13.9%</td>
<td>19.7%</td>
<td>56.6%</td>
<td>4.18</td>
<td>1.150</td>
</tr>
<tr>
<td>involved in the process of strategic planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The steps of the strategic planning formation process were agreed on and</td>
<td>8.2%</td>
<td>10.7%</td>
<td>20.5%</td>
<td>27.0%</td>
<td>33.6%</td>
<td>3.67</td>
<td>1.269</td>
</tr>
<tr>
<td>documented before starting the process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.4.2 Strategy implementation

Table 4.3 shows the descriptive statistics of the study participants’ responses on strategic implementation in the BPO sector. The findings show that among the statements on strategic plan initiation in the BPO sector, the majority of respondents strongly agreed that a strategy map was developed for BPO industry in Kenya at the organisational level they were involved in with a mean of 4.08 and a standard deviation of 1.217.

The findings revealed that for political commitment to implement the BPO industry strategy plans was a mean score of 3.30 and a standard deviation of 1.210 and the lowest ranked statement was the developed strategies and plans for the BPO industry were implemented successfully with a mean score of 3.09 and a standard deviation of 1.279.
Table 4.3: Strategy Implementation in BPO Sector of Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree or Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy implementation</td>
<td>5.7%</td>
<td>7.4%</td>
<td>13.1%</td>
<td>20.5%</td>
<td>53.3%</td>
<td>4.08</td>
<td>1.217</td>
</tr>
<tr>
<td>A strategy map was developed for BPO industry in Kenya at the organisational level you were involved in.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The developed strategies and plans for the BPO industry were implemented successfully</td>
<td>11.5%</td>
<td>23.0%</td>
<td>30.3%</td>
<td>15.6%</td>
<td>19.7%</td>
<td>3.09</td>
<td>1.279</td>
</tr>
<tr>
<td>There was political commitment to implement the BPO industry strategy plans</td>
<td>7.4%</td>
<td>18.9%</td>
<td>32.0%</td>
<td>20.5%</td>
<td>21.3%</td>
<td>3.30</td>
<td>1.210</td>
</tr>
</tbody>
</table>

4.4.3 Monitoring and Evaluation

The study asked respondents to indicate to what extent monitoring and evaluation was conducted in the strategic planning process for the BPO sector in Kenya. Table 4.4 shows the study responses; the results show that respondents were neutral on the outcomes of the strategies and plans for the BPO sector have been evaluated with a mean of 3.54 and a standard deviation of 1.193.

Table 4.4: Monitoring and Evaluation of BPO Strategic Planning

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree or Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring And Evaluation</td>
<td>8.2%</td>
<td>11.5%</td>
<td>29.5%</td>
<td>23.0%</td>
<td>27.9%</td>
<td>3.51</td>
<td>1.241</td>
</tr>
<tr>
<td>The execution of the BPO industry strategies and plans are monitored</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The outcomes of the strategies and plans for the BPO sector have been evaluated</td>
<td>7.4%</td>
<td>9.8%</td>
<td>30.3%</td>
<td>26.2%</td>
<td>26.2%</td>
<td>3.54</td>
<td>1.193</td>
</tr>
</tbody>
</table>

This was followed by execution of the BPO industry strategies and plans are monitored with a mean of 3.51 and standard deviation of 1.241 and the least ranked was Some of the
strategies, systems, policies, and goals of the BPO industry were revised as a result of the evaluation process with a mean score of 3.37 and a standard deviation of 1.473.

4.5 To examine the development of BPO industry in Kenya
This section of the data analysis presents the study findings on the development of the BPO industry in Kenya. This information included the focus of BPO business, growth stage of the BPO sector and services offered by sampled BPO firms in Kenya.

4.5.1 Focus of BPO business In Kenya
The study sought to determine the focus of BPO firms in Kenya. The study findings revealed that 38.5% indicated offshore business, 25.5% cited onshore business within Kenya and its close neighbours, and 36.0% indicated focus was on both offshore and onshore business as depicted in Figure 4.6.

Figure 4.6: Focus of BPO business In Kenya

4.5.2 Growth of the BPO sector
The study sought to gain the perception of the respondents on the growth stage of the BPO sector. The study findings indicate that most participants perceived that the BPO sector was in the growth stage (48.4%), 27.9% perceived it to be in its initial stages, and 23.7% perceived the BPO sector to be a mature sector as shown in Figure 4.7.
4.5.3 Services offered by BPO firms

The services offered by BPO firms in Kenya are call centers (32.0%), outsourcing of IT services (27.0 %), financial services (19.7 %), manufacturing sector data entry (12.3 %) and transcription (9.0 %) as presented in Figure 4.8.

---

**Figure 4.7: Growth stage of the Kenyan BPO sector**

**Figure 4.8: BPO Services offered in Kenya BPO Sector**
4.6 To explore the factors affecting the growth of BPO firms

This section of the data analysis shows the study findings on the factors affecting the growth of the BPO sector in Kenya. The section is presented in subsections which include the influence of the infrastructure, regulatory framework, and human capital.

4.6.1 Infrastructure

The results show that highest ranked item in the infrastructure statements was high costs associated with accessing bandwidth for BPO processes (M=3.11; SD=1.395). This was followed by geographical locations and settings suitable for BPO operations setup (M=2.86; SD=1.410), and the least ranked item among infrastructure statements was availability of bandwidth infrastructure for BPO services (M=2.78; SD=1.270).

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of bandwidth infrastructure for BPO services</td>
<td>18.9%</td>
<td>24.6%</td>
<td>28.7%</td>
<td>15.6%</td>
<td>12.3%</td>
<td>2.78</td>
<td>1.270</td>
</tr>
<tr>
<td>High costs associated with accessing bandwidth for BPO processes</td>
<td>17.2%</td>
<td>19.7%</td>
<td>18.9%</td>
<td>23.8%</td>
<td>20.5%</td>
<td>3.11</td>
<td>1.395</td>
</tr>
<tr>
<td>Geographical locations and settings suitable for BPO operations setup</td>
<td>21.3%</td>
<td>23.0%</td>
<td>23.8%</td>
<td>12.3%</td>
<td>19.7%</td>
<td>2.86</td>
<td>1.410</td>
</tr>
</tbody>
</table>

4.6.2 Regulatory framework

The study sought to determine the influence of the regulatory framework on the growth of BPO firms in Kenya. Table 4.6 shows that the highest ranked item was stringent procurement procedures in Kenya affect BPO sector (M=3.24; SD=1.193), this was followed by lack of a clear policy to regulate BPO sector (M=2.93; 1.331) and lack of incentives framework to attract BPO firms (M=2.85; 1.118). The rest were rigid labour laws for exporting BPO industry to Kenya (M=2.50; 1.287) and licensing procedures and processes of BPO firms (M=2.40; 1.204).
### Table 4.6: Influence of Regulatory Framework on BPO Firms’ Growth

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of a clear policy to regulate BPO sector</td>
<td>18.9%</td>
<td>15.6%</td>
<td>39.3%</td>
<td>6.6%</td>
<td>19.7%</td>
<td>2.93</td>
<td>1.331</td>
</tr>
<tr>
<td>Stringent procurement procedures in Kenya affect BPO sector</td>
<td>6.6%</td>
<td>21.3%</td>
<td>34.4%</td>
<td>17.2%</td>
<td>20.5%</td>
<td>3.24</td>
<td>1.193</td>
</tr>
<tr>
<td>Lack of incentives framework to attract BPO firms</td>
<td>12.3%</td>
<td>24.6%</td>
<td>37.7%</td>
<td>16.4%</td>
<td>9.0%</td>
<td>2.85</td>
<td>1.118</td>
</tr>
<tr>
<td>Rigid labour laws for exporting BPO industry to Kenya</td>
<td>27.0%</td>
<td>27.9%</td>
<td>25.4%</td>
<td>8.2%</td>
<td>11.5%</td>
<td>2.50</td>
<td>1.287</td>
</tr>
<tr>
<td>Licensing procedures and processes of BPO firms</td>
<td>30.3%</td>
<td>23.0%</td>
<td>28.7%</td>
<td>12.3%</td>
<td>5.7%</td>
<td>2.40</td>
<td>1.204</td>
</tr>
</tbody>
</table>

#### 4.6.3 Human capital

Table 4.7 shows the results on the influence of human capital on BPO firm growth in Kenya. The findings show that the highest ranked item was managerial experience to participate in the BPO industry (M=3.40; SD=1.352) and was followed by accredited institutions to provide training to future BPO personnel (M=3.34; SD=1.406) and the least ranked item was availability of qualified staff to work in BPO sector (M=2.64; SD=1.121).

### Table 4.7: Influence of Human Capital on BPO Firms’ Growth

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of qualified staff to work in BPO sector</td>
<td>20.5%</td>
<td>21.3%</td>
<td>36.1%</td>
<td>18.0%</td>
<td>4.1%</td>
<td>2.64</td>
<td>1.121</td>
</tr>
<tr>
<td>Managerial experience to participate in the BPO industry</td>
<td>9.8%</td>
<td>18.0%</td>
<td>25.4%</td>
<td>15.6%</td>
<td>31.1%</td>
<td>3.40</td>
<td>1.352</td>
</tr>
<tr>
<td>Accredited institutions to provide training to future BPO personnel</td>
<td>15.6%</td>
<td>13.1%</td>
<td>20.5%</td>
<td>23.8%</td>
<td>27.0%</td>
<td>3.34</td>
<td>1.406</td>
</tr>
</tbody>
</table>
4.7 To examine the impact of BPO in Kenya

This section of the analysis presents the findings on the impact of the BPO sector in Kenya. The impact of the sector has been presented in terms of the economy, information technology, employment, and education and training.

4.7.1 Economy

Table 48 shows the results of the study on the impact of BPO sector on the economy which shows that the highest ranked item was the BPO industry has made an effect on economy growth (M=3.59; 1.453) followed by the BPO sector has increased the level of foreign direct investments in Kenya (M=3.00; SD=1.233), and the least ranked item in regards to BPO impact on the economy was the BPO sector has contributed to growth of the formal sector (M=2.84; 1.174).

Table 4.8: Impact of BPO on the Economy

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BPO industry has made an effect on economy growth</td>
<td>16.4%</td>
<td>5.7%</td>
<td>18.0%</td>
<td>22.1%</td>
<td>37.7%</td>
<td>3.59</td>
<td>1.453</td>
</tr>
<tr>
<td>The BPO sector has increased the level of foreign direct investments in Kenya</td>
<td>16.4%</td>
<td>14.8%</td>
<td>32.8%</td>
<td>24.6%</td>
<td>11.5%</td>
<td>3.00</td>
<td>1.233</td>
</tr>
<tr>
<td>The BPO sector has contributed to growth of the formal sector</td>
<td>16.4%</td>
<td>18.0%</td>
<td>41.8%</td>
<td>13.1%</td>
<td>10.7%</td>
<td>2.84</td>
<td>1.174</td>
</tr>
</tbody>
</table>

4.7.2 Information technology

The study sought to determine the impact of the BPO sector on information technology in Kenya. The results indicate that the highest ranked item was that the BPO sector had attracted ICT investment in the country (M=4.16; SD=1.076) followed by the BPO sector has promoted ICT development and growth in the country (M=3.61; SD=1.376). The least mean score was 2.90 and standard deviation was of 1.434 was observed for the BPO industry has led to lower costs for ICTs as indicated in Table 4.9.
Table 4.9: Impact of BPO on Information Technology

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information technology</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BPO sector has attracted ICT investment to the country</td>
<td>4.1%</td>
<td>4.1%</td>
<td>13.9%</td>
<td>27.9%</td>
<td>50.0%</td>
<td>4.16</td>
<td>1.076</td>
</tr>
<tr>
<td>The BPO sector has promoted ICT development and growth in the country</td>
<td>11.5%</td>
<td>11.5%</td>
<td>18.0%</td>
<td>23.0%</td>
<td>36.1%</td>
<td>3.61</td>
<td>1.376</td>
</tr>
<tr>
<td>The BPO industry has led to lower costs for ICTs</td>
<td>11.5%</td>
<td>14.8%</td>
<td>28.7%</td>
<td>23.0%</td>
<td>22.1%</td>
<td>2.90</td>
<td>1.434</td>
</tr>
</tbody>
</table>

4.7.3 Employment

In regards to the impact of the BPO sector on employment in the country, the findings show that the highest ranked item in terms of employment was that the BPO sector has reduced unemployment opportunities in the market (M=3.34; SD=1.394) and this was followed by the BPO sector continues to offer and create employment opportunities for the unemployed (M=3.33; SD=1.362), and the BPO sector has contributed to increased youth employment (M=3.30; SD=1.284), as illustrated in Table 4.10.

Table 4.10: Impact of BPO on Employment

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The BPO sector has contributed to increased youth employment</td>
<td>11.5%</td>
<td>14.8%</td>
<td>28.7%</td>
<td>23.0%</td>
<td>22.1%</td>
<td>3.30</td>
<td>1.284</td>
</tr>
<tr>
<td>The BPO sector continues to offer and create employment opportunities for the unemployed</td>
<td>13.9%</td>
<td>13.9%</td>
<td>23.8%</td>
<td>23.0%</td>
<td>25.4%</td>
<td>3.33</td>
<td>1.362</td>
</tr>
<tr>
<td>The BPO sector has reduced unemployment opportunities in the market</td>
<td>13.9%</td>
<td>15.6%</td>
<td>21.3%</td>
<td>21.3%</td>
<td>27.9%</td>
<td>3.34</td>
<td>1.394</td>
</tr>
</tbody>
</table>
4.7.4 Education and training

In terms of the impact of BPO sector on education and training in the country, the results show that the highest ranked item was that there are more education and training opportunities for ICT due to employment opportunities in the BPO sector (M=3.36; SD=1.312) followed by the BPO sector influence to growth in ICT training institutions in Kenya (M=3.30; SD=1.104) and the least ranked item in regard to education and training was the BPO sector has created education and training opportunities in ICTs (M=3.11; SD=1.427).

Table 4.11: Impact of BPO Sector on Education and Training

<table>
<thead>
<tr>
<th>Statements</th>
<th>No extent at all</th>
<th>To a less extent</th>
<th>Moderate extent</th>
<th>To an extent</th>
<th>To a great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and training</td>
<td>13.1%</td>
<td>9.0%</td>
<td>32.0%</td>
<td>20.5%</td>
<td>25.4%</td>
<td>3.36</td>
<td>1.312</td>
</tr>
<tr>
<td>There are more education and training opportunities for ICT due to employment opportunities in the BPO sector</td>
<td>7.4%</td>
<td>13.1%</td>
<td>36.9%</td>
<td>27.9%</td>
<td>14.8%</td>
<td>3.30</td>
<td>1.104</td>
</tr>
<tr>
<td>The BPO sector has influenced growth in ICT training institutions in Kenya</td>
<td>16.4%</td>
<td>21.3%</td>
<td>22.1%</td>
<td>14.8%</td>
<td>25.4%</td>
<td>3.11</td>
<td>1.427</td>
</tr>
<tr>
<td>The BPO sector has created education and training opportunities in ICTs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.8 Chapter Summary

This chapter presented the results and findings of the study. The chapter was presented in subsections which included the demographic information, analyzing strategic planning for BPO in Kenya; examining the development of BPO industry in Kenya; exploring factors affecting the growth of BPO firms, and examining impact of BPO in Kenya. The findings were presented in graphs and tables and researcher’s own interpretation.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusion and recommendations of the study. The chapter is presented in subsections which include a summary of the findings, discussions, conclusions and recommendations of the study as per the objectives.

5.2 Summary of findings

The purpose of the study was to enhance understanding of the Business Process Outsourcing (BPO) sector in Kenya. The study was guided by four specific objectives: To analyze strategic planning for BPO in Kenya; examine the development of BPO industry in Kenya; explore factors affecting the growth of BPO firms, and examine impact of BPO in Kenya.

The study adopted the descriptive research design. The target population of the study was staff of 18 BPO firms in Kenya. The study adopted a stratified random sampling technique that selected top, middle and low levels of management staff in BPO sector and simple random sampling was then used to select respondents from each of the strata. The researcher selected 10 % of the population in each category to be included in the final sample size for the study. The sample size for the study was 131 respondents. The primary data collection involved both self-administration of the questionnaire to study participants.

The Statistical Package for Social Sciences (SPSS) Version 20 was used to run descriptive statistics such as frequency and percentages so as to present the quantitative data in form of tables and graphs based on the major research objectives.

The demographic information showed that 50.8 % of the sample were 18-24 years, 25-34 year olds accounted for 40.2% and 9.0 % were 35-44 years. In terms of their gender, 63.9 % were female and 36.1 % were male. The marital status results showed that 40.2 % were single or never married, 56.6 % were married or in a domestic relationship and 3.2 % were widowed. Their education was bachelor’s degree education, (41.8 %), professional certification education (27.9 %), trade, and technical/vocational training (27.0 %), and postgraduate degree holders (3.3 %). Seventy eight percent had less than 10 years’ experience and 22.0 % had more than 10 years’ experience working in the BPO sector.
The first objective of the study was to analyse strategic planning for Business Process Outsourcing in Kenya. This was categorized into strategic plan initiation, strategy implementation and monitoring and evaluation of strategic planning. The findings show that the highest ranked item in regards to strategic plan initiation was an agreement was reached among the main stakeholders about who should be involved in the process of strategic planning (M=4.18, SD=1.150). In terms of strategy implementation, the findings showed that a strategy map was developed for BPO industry in Kenya at the organisational level of the respondents (M=4.08, SD=1.217). The results showed that the outcomes of the strategies and plans for the BPO sector have been monitored and evaluated (M=3.54, SD=1.193). Overall, the results indicated that strategic plan initiation was the highest ranked strategic planning factor for BPO sector in Kenya.

The second objective of the study was to examine the development of BPO industry in Kenya. The findings showed that 38.5 % respondents indicated their firms focused on offshore business, 25.5 % focused on onshore business within Kenya and its close neighbours, and 36.0 % focused on both off-shore and on-shore business. In terms of the growth of the sector, most perceived that the BPO sector was in the growth stage (48.4 %), 27.9 % perceived it to be in its initial stages, and 23.7 % perceived the BPO sector to be a mature sector. Also, the results revealed that, the services offered by BPO firms in Kenya were call centers (32.0%), outsourcing of IT services (27.0 %), financial services (19.7 %), manufacturing sector data entry (12.3 %), and transcription (9.0 %).

The third objective of the study was to explore the factors affecting the growth of BPO firms in Kenya. The findings revealed that among the infrastructure factors, the high costs associated with accessing bandwidth for BPO processes was a significant factor (M=3.11; SD=1.395). The stringent procurement procedures in Kenya were identified as the most significant regulatory factors (M=3.24; SD=1.193). In terms of the influence of human capital factors and their effect on BPO sector, the findings revealed that managerial experience to participate in the BPO industry was ranked highest (M=3.40; SD=1.352). Overall, the findings show that human capital was the largest factor influencing BPO sector in Kenya.
The fourth objective of the study was to examine the impact of BPO in Kenya. The impact of BPO sector was measured in terms of the economy, Information Technology and employment which were the cornerstones for the promotion of the BPO sector. The findings showed that respondents perceived that the BPO industry has made an effect on economy growth (M=3.59; 1.453). In regard to its impact on information technology, the BPO sector was perceived to have attracted ICT investment in the country (M=4.16; SD=1.076). In regard to its impact in the employment sector, results indicate that respondents perceived that BPO sector has reduced unemployment opportunities in the market (M=3.34; SD=1.394). The findings further revealed that respondents perceived that there were more education and training opportunities for ICT due to employment opportunities in the BPO sector (M=3.36; SD=1.312). Overall, the results revealed that the greatest impact of the BPO sector was in information technology.

5.3 Discussion

5.3.1 Strategic planning for Business Process Outsourcing in Kenya

The first objective of the study was to analyse strategic planning for Business Process Outsourcing in Kenya. This was categorized into strategic plan initiation, strategy implementation, and monitoring and evaluation of strategic planning. Among these three, the results indicated that strategic plan initiation had the highest ranked strategic planning for BPO sector in Kenya. The finding of this study is that strategic planning for the BPO sector has affected the performance of the sector.

This finding supports the evidence in research that strategic planning for BPO sector is paramount in order to achieve a sustainable market share in the global business. In pursuit of this goal of establishing a vibrant BPO industry in Kenya, the government has developed a roadmap that will see Kenya take advantage of its unique geographical position and it’s well developed ICT human resource base to become the preferred destination for outsourcing in Africa (Republic of Kenya, 2013). The 2006 Kenya ICT strategy, collaboration and outsourcing, launched by the president of Kenya, created the framework for Kenya to focus on global business process outsourcing as a way of generating jobs for young people and generating wealth for local entrepreneurs and investors (Kagume, 2013).
According to Wausi, Mgendi and Ngwenyi (2013), Kenya’s BPO strategy as captured in the Kenya Vision 2030 centered on infrastructural and human capacity development, incentive packages to attract BPO investments, and marketing Kenya as a viable BPO destination. A flagship project, to build the state-of-art BPO park and four key initiatives (marketing, training, infrastructure development and incentives) were earmarked as channels through which this strategy would be operationalized. The park envisaged would be a state-of-the-art facility which would consolidate the key enabling factors critical for a competitive BPO industry, including superior telecommunications infrastructure, easy access to international transport facilities, and affordable and readily available electricity.

Wanjiru (2012) study pointed out the that the government had changed its BPO strategy, focusing on correcting inefficiencies in its services sector and technology infrastructure, after five years of international marketing had failed to establish the country as a competitive outsourcing destination. The failure of the BPO industry to fully takeoff further came into the limelight when Sameer Business Park in Nairobi, a business park that had been created as a BPO centre, had to open its doors to other firms.

The study found that strategic plan initiation was cited as an important factors in success of BPO implementation. This means that there is need for initiating strategic planning for BPO business in Kenya. This finding supported Kagume (2013) argument that other policy and regulation challenges faced by BPO’s in Kenya were due to the lack of a BPO strategy and weak monitoring and evaluation framework. According to McKinsey Global (2009), the go to market strategy approach used by the government has serious shortcomings and does not fully take into account the situational analysis. The findings also corroborate Soita and Gichinga (2016) who concluded that outsourcing decisions are based on the company strategic plans and as a high priority, the company policy is an indicator of how the national strategic plans are performing. This means that BPO performance is based on the strategic plans in place to promote BPO activities.

5.3.2 Development of BPO industry in Kenya

The findings show that the focus of firms was on offshore (international) and on-shore (local and regional) focus on outsourcing services. The offshore BPO sector is considered as offering a source of opportunities which the local BPO sector is not taking advantage of.
Graham and Waema’s (2014) study, although Kenya has been moderately successful in attracting foreign BPO firms, the focus on international BPO work has not succeeded as originally envisioned and Kenya has not been able to build a positive and successful brand around the BPO sub-sector.

BPO is one of the seven priority areas of the economic pillar of Vision 2030 as outlined in the Second Medium Term Plan of 2013-2017. Graham and Waema (2014) also indicate that one of the possible explanations as to why the BPO industry expectations in Kenya did not bear fruit was due to the strategy for BPO that focused on the international market before developing local clients, including Government.

The findings showed that BPO services among sampled respondents were, starting from the majority, call centers, followed by outsourcing of IT services, financial services, manufacturing sector, data entry, and transcription. According to the Ministry of Higher Education, Science and Technology/Ministry of Information and Communication (2012) training needs assessment report on business process outsourcing and knowledge process outsourcing (KPO) industry in Kenya, there is no specific niche that Kenya has adopted, but the various BPO-ITES firms are contracted on a variety of jobs outsourced both locally and internationally.

The types of contracts that characterize the ITES-BPO organisation are engaged in range from back-office tasks such as accounting that require graduate professionals to simple telemarketing. Wausi et al’s. (2013) findings showed that some of the BPO services offered by BPO firms were contact centers as a major service which comprises outbound and inbound services (customer service, lead generation, market surveys, telesales, telemarketing, appointment booking); animation; HR processes; back office processes (data captioning, data entry, data conversion); accounting processes; transcription (financial, medical); web and software development and accounting processes.

5.3.3 Factors affecting growth of BPO firms in Kenya

The study sought to determine the factors affecting the growth of BPO firms in Kenya. These factors were identified as infrastructure, legal and regulatory framework and human capital. The study findings showed that human capital was ranked the most significant
factor to impact the BPO sector. This study finding corroborates other several studies that found that human capital has an effect on the BPO sector.

This finding agrees with Kagume’s (2013) findings which revealed that there are significant factors for success of BPO companies identified by this study is: availability of a skilled labour force. Wachira et al. (2016) study cited that unemployment levels in Kenya are high, which means that human capital is underutilized. The unemployment rate in Kenya is 40%. It is possible that outsourcing initiatives can create job opportunities for the unemployed in Kenya. Rajeev and Vani (2007) agree that developed infrastructure and human capital formation would raise the performance of the BPO industry and would also improve productivity in other sectors.

The call centre industry has been identified as one of the milestones of economic growth and it is estimated that it will bring in over $ 200 million to Kenya’s economy in the next six years. To achieve this estimates to be achieved in Kenya, it is important for the Government to invest heavily in the delivery of appropriate skills that will enable human capital deal with complicated data management and human resource issues that appear in the industry (Wachira et al., 2016).

This view of the importance of human capital on BPO sector performance is also supported in the South Africa context. Rogan, Diga and Valodia (2013) maintained that there was a considerable possible pool of talent and human capital to serve the South Africa’s call centre sector as well as other business services. Similarly, Kenya has a huge pool of human capital that can be engaged not only in call center business but also in Knowledge Process Outsourcing (KPO) given the large numbers of graduates each year from universities who miss out on employment opportunities in their respective courses.

These findings support global estimates on the influence of the human capital of developing countries and ICT skills which influence the growth of the BPO sector. According to estimates by the World Bank, the average ICT concentration of employment opportunities in South Africa grew by 26 % in the last ten years, while 6.7 % of all jobs in Ghana and 18.4 % of all employment in Kenya are in occupations with High ICT intensity (World Bank, 2016). In addition, a number of African countries have successfully positioned
themselves as hubs for the global digital business process outsourcing (BPO) sector, including Ghana, Mauritius, Kenya, Senegal and South Africa. For example, more than 210,000 South Africans and roughly 7,000 Kenyans currently work in BPO, mostly in voice based services and transactional back-office services (Kearney, 2016).

5.3.4 Impact of BPO in Kenya
The study sought to examine the impact of BPO in Kenya. The study asked respondents to indicate in which sector the BPO sector had an impact. This sections were the economy, infrastructure, and information technology sector. The study found that the respondents perceived that the BPO sector had an impact on Kenya IT sector. This study corroborates previous studies that have found that the BPO industry has had impacts on the IT sector of nations that have adopted the industry.

This finding agrees with Swadesin and Kalindi (2012) study in India which revealed that the BPO sector also contributed to the development and growth of communication networks. This findings agrees with Rajeev and Vani (2007) arguments that governments can support generation and diffusion of ICT through public investment in the use of ICT by promoting BPOs. This support earlier findings of Bajpai and Radjou (2000) who argued that Indian IT development strategies have mostly focused on attracting foreign investment into the local IT industry and exploring market opportunities in the western hemisphere. There is a lot of investment in technologies since the promotion of BPO in Kenya. These investments are posited to enhance the attractiveness of the nation as a destination for BPO business.

However, this finding contradicts Mann and Graham (2016) study in Kenya which reported that although the government made substantial investments in marketing and infrastructure, Kenyan BPO organisations have had challenges in reaching the international market and have increased their concentration on regional and local markets. These efforts include the plans to bring undersea fibre optic cables to the Mombasa port would enhance the nations and region internet connectivity. This opportunity of improved connectivity was seen as a direct link to the BPO sector by businessmen and politicians stressing that the fibre optic connectivity would link the region with the global market (Graham & Mann, 2013).
The government had also made substantial investments, financing fibre optic infrastructure, subsidizing bandwidth and introducing training programs. Similarly, Mainsah (2004) study indicated that the Ghana government believed that investments in technology were the answer to employment and export problems and that the nation had an advantage over its neighbours. Ghana sought to increase its investments to lead to an early thrust for BPO industry and in the end be able to transform the nation to a major BPO service player and ICT.

5.4 Conclusion
5.4.1 Strategic planning for BPO in Kenya
The first objective of the study was to examine the strategic planning for the BPO sector in Kenya. The study asked respondents to indicate to what extent strategic plan initiation, strategy implementation, and monitoring and evaluation of strategic planning for the BPO sector. The study found that strategic plan initiation was the most cited factor on strategic planning for BPO sector in Kenya. The study, therefore, concludes that strategic plan initiation influenced the strategic planning for BPO in Kenya.

5.4.2 Development of BPO industry in Kenya
The second objective of the study was to examine the development of the BPO sector in Kenya. The study asked respondents to indicate the focus of BPO firms, the growth stage of the BPO sector in Kenya, and IT outsourcing services offered by BPO firms. The study findings show that most firms focused on off-shore business and call centers was the focus of businesses of BPO firms. The study, therefore, concludes that BPO firms focused on off-shore business and the call centers were the most popular form of BPO firms.

5.4.3 Factors affecting the growth of BPO firms
The third objective of the study was to explore the factors affecting the growth of BPO firms. The study asked respondents to indicate the extent of the influence of infrastructure, regulatory framework and human capital. The findings show that human capital was the largest factor influencing BPO sector in Kenya. The study, therefore, concludes that human capital for the BPO sector in Kenya is the most significant factor influencing the growth of BPO firms in Kenya.
5.4.4 Impact of BPO in Kenya
The study sought to examine the impact of BPO in Kenya. The study asked respondents to indicate in which sector the BPO sector had an impact. This impacts was distinguished from the economy, infrastructure and information technology sector. The study found that the respondents perceived that the BPO sector had an impact on Kenya IT sector. Therefore, the study concludes that the BPO sector has a significant impact on IT investments.

5.5 Recommendations

5.5.1 Recommendations for Improvements

5.5.1.1 Strategic planning for BPO in Kenya
The study found that strategic plan initiation had an effect on BPO sector in Kenya. The study, therefore, recommends that the country should focus on strategic planning for BPO businesses in Kenya to improve performance of the BPO sector. The study also recommends that there should be more consultation between stakeholders in the BPO sector.

5.5.1.2 Development of BPO industry in Kenya
The study findings showed that most firms focused on off-shore outsourcing. However, the off-shore business did not and has not met the expected value. The study, therefore, recommends that there should be more support on on-shore BPO in the country to enhance the growth of the BPO sector in Kenya.

5.5.1.3 Factors affecting growth of BPO firms
The study found that the human capital was the most ranked factor influencing growth of the BPO sector. The study therefore recommends that the investments in human capital should be improved to strengthen the BPO sector in Kenya. The study further recommends that this improvement should include providing education and training in BPO in colleges and higher institutions of learning.

5.5.1.4 Impact of BPO in Kenya
The study results showed that the greatest impact of the BPO sector was ranked in IT sector. The study recommends that the government and stakeholders in the BPO sector should be
engaged in investments in ICT sector such as the proposed *Konza* City to attract foreign firms’ investment in the nation’s BPO sector.

5.5.2 Recommendations for Further Study

The purpose of the study was to enhance understanding of the Business Process Outsourcing (BPO) sector in Kenya. The study was guided by four specific objectives: To analyze strategic planning for BPO in Kenya; examine the development of BPO industry in Kenya; explore factors affecting the growth of BPO firms, and examine impact of BPO in Kenya. The study focused on the perceptions of staff on the study objectives. There is need to conduct studies on the BPO sector in Kenya in terms of financial performance of BPO firms in Kenya. There is also need to conduct further study on the challenges and constraints facing the BPO sector in Kenya.
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Kousar, J., & Begum, A. (2013). Women and BPOs in India. International *Journal of Humanities and Social Science Invention,* 2 (5), 1-3


Strikwerda, J. (2010). *Shared Services Centers II: From cost to value.* Assen: Van Gorcum BV.


APPENDICES
APPENDIX 1: LETTER OF INTRODUCTION

Dear Respondent

RE: PARTICIPATION IN ACADEMIC RESEARCH
I am a graduate student at the United States International University -Africa pursuing a Master of Business Administration in Strategic Management. In partial fulfilment of the requirements of the Degree I am conducting a research on BUSINESS PROCESS OUTSOURCING IN KENYA

This company has been selected to participate in the study as a member of the BPO industry in Kenya. You, as a staff member are asked to participate in the research. I would appreciate if you would spare a few minutes of your time to fill the questionnaire to the best of your knowledge and in the most honest way possible. The data shall be used for academic purpose only and it will be treated with confidentiality. In case you need any information on the study please feel free to contact the researcher through the contact information below.

Thanks for your cooperation.
Yours Faithfully

Catherine M. Gatheru
MBA Student
USIU School of Business
Email: mumbi.mumbi18@gmail.com
Phone Number: +254 720935900
APPENDIX 2: QUESTIONNAIRE FOR BPO FIRMS STAFF

Instructions
The questionnaire will take approximately 25 minutes to complete
Please use a pencil to select your response for easier changes
Please use a (√) tick to indicate your response

Part 1: Demographic information
1. What is your age?
   18-24 years old
   25-34 years old
   35-44 years old
   45-54 years old
   Above 55 years

2. What is your gender?
   Male [ ]
   Female [ ]

3. What is your marital status?
   Single, never married [ ]
   Married or domestic partnership [ ]
   Widowed [ ]
   Divorced [ ]
   Separated [ ]

4. What is your education level?
   Trade/technical/vocational training [ ]
   Bachelor’s degree [ ]
   Master’s degree [ ]
   Professional certification [ ]
   Postgraduate degree [ ]

5. How long have you worked in the BPO sector?
   Less than 10 years [ ]
   More than 10 years [ ]
Part 2: Strategic planning for Business Process Outsourcing

6. The following statements refer to the strategic planning for BPO in Kenya. Please indicate to what level you agree or disagree with the strategic planning process.

1=strongly disagree, 2=disagree, 3=neither agree or disagree, 4=agree, 5=strongly agree

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<td>b An agreement was reached among the main stakeholders about who should be involved in the process of strategic planning</td>
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<td>c The steps of the strategic planning formation process were agreed on and documented before starting the process</td>
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<td><strong>STRATEGY IMPLEMENTATION</strong></td>
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<td>a A strategy map was developed for BPO industry in Kenya at the organisational level you were involved in</td>
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<td>b The developed strategies and plans for the BPO industry were implemented successfully</td>
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<td>c There was political commitment to implement the BPO industry strategy plans</td>
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<td><strong>MONITORING AND EVALUATION</strong></td>
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<td>a The execution of the BPO industry strategies and plans are monitored</td>
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<td>b The outcomes of the strategies and plans for the BPO sector have been evaluated</td>
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Some of the strategies, systems, policies, and goals of the BPO industry were revised as a result of the evaluation process.

Part 3: Development of BPO Industry in Kenya

7. What kind of business does your BPO focus on?
   - Onshore (within Kenya and its close neighbors) [    ]
   - Offshore (Countries far from Kenya) [    ]
   - Both [    ]

8. In your opinion describe the BPO sector in Kenya?
   - At its initial stages [    ]
   - Growing market [    ]
   - Mature Market [    ]

9. What services does your firm offer? (Multiple responses allowed)
   - Financial Services [    ]
   - Outsourcing IT services [    ]
   - Call center [    ]
   - Manufacturing Data entry [    ]
   - Transcription [    ]
   - Others (Specify) …………………………..

10. What outsourcing services do you think Kenya is best suited for?
    - Financial Services [    ]
    - Outsourcing IT services [    ]
    - Call center [    ]
    - Manufacturing Data entry [    ]
    - Transcription [    ]
    - Others (Specify) …………………………..
### Part 4: Factors affecting the Growth of BPO Firms in Kenya

11. The following statements refer to some of the factors affecting growth of the BPO industry has had in other countries. Where 1=No extent at all, 2=To a less extent, 3=Moderate extent, 4=To an extent, 5=To a great extent Please indicate to what extent these statements are true of the BPO sector in Kenya.

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<td><strong>INFRASTRUCTURE</strong></td>
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<td>a Availability of bandwidth infrastructure for BPO services</td>
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<td>b High costs associated with accessing bandwidth for BPO processes</td>
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<td>c Geographical locations and settings suitable for BPO operations setup.</td>
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<td><strong>REGULATORY FRAMEWORK</strong></td>
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<td>a Lack of a clear policy to regulate BPO sector</td>
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<td>b Stringent procurement procedures in Kenya affect BPO sector</td>
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<td>c Lack of incentives framework to attract BPO firms</td>
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<td>d Rigid labour laws for exporting BPO industry to Kenya</td>
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<td>e Licensing procedures and processes of BPO firms</td>
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<td><strong>HUMAN CAPITAL</strong></td>
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<td>a Availability of qualified staff to work in BPO sector</td>
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<td>b Managerial experience to participate in the BPO industry</td>
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<td>c Accredited institutions to provide training to future BPO personnel</td>
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**Part 5: Impact of BPO Industry in Kenya**

12. The following statements reflect some of the impacts that BPO industry has had in other countries. Please indicate to what extent these statements are true of the BPO sector in Kenya. Where 1=No extent at all, 2=To a less extent, 3=Moderate extent, 4=To an extent, 5=To a great extent

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<td>The BPO industry has made an effect on economy growth</td>
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<td>b</td>
<td>The BPO sector has increased the level of foreign direct investments in Kenya</td>
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<td>The BPO sector has contributed to growth of the formal sector</td>
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<td><strong>INFORMATION TECHNOLOGY</strong></td>
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<td>The BPO sector has attracted ICT investment to the country</td>
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<td>The BPO sector has promoted ICT development and growth in the country</td>
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<td>c</td>
<td>The BPO industry has led to lower costs for ICTs</td>
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<td><strong>EMPLOYMENT</strong></td>
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<td>The BPO sector has contributed to increased youth employment</td>
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<td>The BPO sector continues to offer and create employment opportunities for the unemployed</td>
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<td>The BPO sector has reduced unemployment opportunities in the market</td>
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<td><strong>EDUCATION AND TRAINING</strong></td>
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<td>There are more education and training opportunities for ICT due to employment opportunities in the BPO sector</td>
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<td>The BPO sector has influenced growth in ICT training institutions in Kenya</td>
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<td>c</td>
<td>The BPO sector has created education and training opportunities in ICTs</td>
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**Thank You**

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