INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

IJRCM

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   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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CALL CENTRE OUTSOURCING PRACTICES ADOPTED BY MOBILE PHONE COMPANIES IN KENYA

LEWIS KINYUA KATHUNI
LECTURER
CHUKA UNIVERSITY COLLEGE
KENYA

NEBAT GALO MUGENDA
LECTURER
CHUKA UNIVERSITY COLLEGE
KENYA

ABSTRACT

This study establishes call centre outsourcing practices, benefits and associated risks. The study was triggered by the current cost cutting initiative by telecommunication firms and the fact that these centers are not revenue generating functions, but support functions. The study was to find out how mobile phone companies have embraced the call centre outsourcing practices in their operations, its challenges and subsequent benefits and risks accruing from such arrangements. The paper adopts an exploratory case study method covering all the sectional heads of customer service department. The study found out that call centre outsourcing as a practice is relevant in the mobile phone industry. The current call centre functions can be outsourced to third parties as the services are non core and not unique to telecommunication companies. Mobile companies have adopted call centre outsourcing practice. Whereas the decision to outsource call centre functions meets the key objective of cost optimization, various challenges and risks were inherent in the implementation of the practice. The study recommends that telecommunication companies implement call centre outsourcing practice, as their key function is the provision of telecommunication infrastructure and not support functions.

KEYWORDS
Kenya, Mobile Company, Outsourcing, Strategy.

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Outsourcing of non core functions has become a popular method of cost management and improved efficiency by firms in the face of increased competition. This approach, in contrast to managing all company functions in-house, is easy to administer and in most cases cheaper. It is however, important to observe that one of the greatest challenges of corporate strategy consideration has always been identifying the business area in which a firm should participate in order to maximize its long term profitability (Hill and Jones, 2001).

Strategic decisions such as outsourcing as highlighted by Johnson and Scholes (2002) are based on building on or stretching an organization's resources and competencies to create new opportunities or capabilities based on these resources for competitive advantage. Outsourcing is a business strategy whereby a company hires an independent outside company to do some of its non-core company work (Kotler, 1997). Most companies prefer to own brand rather than physical assets. A few companies are moving toward hiring outside parties to provide almost all services.

Companies outsource a wide range of services, all aimed at creating competitive advantage. They include customer care services, accounting and financial services, security services, human resource services, cleaning services and to some extent, technical services. These services are non-core and repetitive in nature thus similar in almost all organizations. They can be done by an outside company at cheaper cost or at the same cost but in a more efficient and effective manner (Quinn and Hilmer, 1994). Outsourcing or the contracting out of non-core business activities is one of the most popular trends in organizational strategy of the last decade. Abraham and Taylor (1996) states that the key idea is that organizations can free-up resources involved in support functions in order to improve the performance of core functions.

1.1.1 CALL CENTRES

Call centers are not easy to define, Kinnie et al. (1998) suggests that call centers possess three distinctive characteristics, thus employees are engaged in specialist operations with integrated telecommunication and information systems technologies, their work is controlled by automatic systems which virtually simultaneously distribute the work, control the pace of that work and monitor their performance, and that employees are in direct telephone contact with the customer through dealing with in-bound calls, making out-bound calls or a combination of the two. Call centers are organizations that provide customer service agents for a wide variety of organizations. The work involves answering phone calls from, or making calls to, customers. Thus there is a level of automated control for the call center personnel. In addition to this there is less physical or face to face customer contact which in essence means that the call center function is separated from the actual consumer.

According to Muhanna & Barney (2005) there is an evident movement away from face-to-face contact toward online and technology-mediated methods. Data to support this has been collated in various literatures. One of these is Anton & Phelps (2002) who writes that as of 2005, it had been projected that 45% of all contacts companies have with their customers occur over the telephone, 45% happen via online means (Web site, e-mail, etc.), just 5% occur face-to-face, and the remaining 5% via other means. The company can outsource the call center functions and thereby reap certain benefits accruing as a result of this decision.

1.1.2 MOBILE PHONE COMPANIES IN KENYA

Kenya's mobile phone industry has seen many changes over the last few years. As mobile telephony grows in popularity in the country and the greater East Africa region, both mobile and fixed line operators are trying to position themselves to take advantage of new opportunities through infrastructure development and strategic acquisitions. The challenges faced by the makers of telecommunications policy in Kenya are exceptionally demanding. To meet economic needs, it will be necessary to expand the network, enhance service quality and features, and upgrade operational efficiency and productivity.

Kenyan government has responded to these challenges with a market-oriented economic policy, which emphasizes openness to the world economy and export-led growth. This policy necessitates a more universal and reliable telecommunications network than would be needed had Kenya attempted a predominantly inward-looking, centrally-directed economic strategy similar to those attempted by some other African countries (Communication Commission of Kenya, 2007)

As listed by the Communications Commission of Kenya, the following mobile phone companies offer mobile phone services in the country; Safaricom Limited, Zain Kenya Limited, Essar Kenya Limited and Telkom Orange Mobile Limited. Numerous different packages are now on offer increasing customer choice. Emphasis has been placed on cost, coverage, new product innovations and on general customer service. Safaricom boasts of over 85% in market share as compared to Zain's 15%, whereas the other two operators take the remaining 5%, according to the current Zain quarterly journal, 'ACE 2011 Strategy'.

Kenyan mobile market is very dynamic. The way in which competition is played out varies over time, sometimes changing very rapidly. Due to big size of mobile firms in Kenya, competition is taking place in several arenas simultaneously and moves in one arena have triggered countermoves in a different arena. The mobile industry is characterized by rapid pace of change to the extent that competitive advantage on one particular basis will not last for any significant period

of time. Since competitive advantages are temporary and quickly eroded, it is essential to continuously find new bases for competing. This has led to the current cut throat competition, and a 'copy paste' counter strategies in product and service offering.
Inherent within the notion of strategy is the issue of competitiveness. It is about gaining advantage over competitors. Managers have however taken a far too parochial view as to the sources of competition, usually focussing their attention on direct competitive rivals. This is evident in the Kenyan mobile industry where competition is so stiff to the point of intense product and promotion imitation by rival firms. Porter (1980) described competitive factors in the environment which influence competitiveness. The five forces model described by Porter helps identify the sources of competition in a particular industry such as the mobile industry in Kenya. Competitive forces are subject to steady changes into the future and discontinuities caused by changes in the environment, currently in play in the mobile phone industry in Kenya.

1.1.3 ZAIN KENYA LIMITED

Zain Group was established in 1983 in Kuwait as the region's first mobile operator. It is the leading mobile telecom operator in the Middle East and Africa. It is also the fourth-largest telecommunications company in the world in terms of geographic presence, with a footprint in 22 countries spread across the Middle East and Africa. According to its official website, Zain was launched in Kenya in November 2004 and is part of Zain International. It is Kenya's second largest mobile phone network measured by subscribers. The international firm's headquarters are located in Bahrain, Kuwait. It has over 1.5 million subscribers in Kenya out of the 17 million mobile users in the country. Zain Quarterly journal, (June 2009).
Zain Kenya has had a share of its changes. However, note worthy is that the changes have largely been organizational rather than market focus strategies. The firm first known as Kencell was later re-named Celtel before undergoing another transformation into its current name: Zain. The company has also seen changes in ownership which in effect have had an impact on the company's strategic focus. The company's strategy has largely been organizational as opposed to customer focus.
The company has experienced poor performance in the years that has seen it sold twice in just 6 years. The unique mobile phone market has posed various challenges to the company, and has tried various marketing strategies of which some have been successful whereas others have been a failure. According to Johnson and Scholes (2002) managers whether in private or public sector can make a sense of uncertain world around their organization, the business environment. Exploring the concepts of its environment is key in establishing the extent to which the company environment is likely to help or hinder the company's competitive position and performance, and competitive strategies to be adopted.

1.1.4 OUTSOURCING IN KENYA

Outsourcing in Kenya is in its infancy stages according to Communications Commissions of Kenya, which notes that though most of outsource service providing company's pitch for international outsourcing business, their chunk of local contracts is still quite low. There is a deliberate drive to increase these contracts in the Kenyan market. The Business Process Outsourcing market is as sensitive as tourism and it is important to build the domestic market to supplement the international contracts that support the players during the low times, like the period after politically instigated violence broke out following the 2007 general elections. According to the same article compared to South Africa, which has 70 per cent of such contracts sourced locally, Kenya is at 30 per cent.
The Ministry of Information has introduced bills in parliament that will include rules protecting fibre optic cables from vandals, as they are the backbone communication hardware for a large potion of outsource activities. According to the chairperson of the Kenya BPO & Contact Center Society, the industry has the potential to create between 10,000 to 15,000 job opportunities in three years and three times the number in indirect jobs.

REVIEW OF LITERATURE

2.1 INTRODUCTION

Organizations have traditionally carried out a wide range of extremely diverse and frequently non-core activities in-house according to Kakabadse & Kakabadse (2005). This has led to the growth of a phenomenon globally whereby the companies realize that it is more strategic to concentrate on their core competencies and hand over non-core functions to a third party.

2.2 CONCEPT OF OUTSOURCING

Various definitions have been advanced in prevailing literature. According to Aubert (2004) the term was coined in the late 1980s for the subcontracting of information systems. As a result, a general perception is that 'outsourcing' is predominantly utilized with the function of information systems. Gilley and Rasheed (2000) expanded the definition even further by suggesting outsourcing as the substitution of activities performed in-house by acquiring them externally, according to them, though the firm has the necessary management and financial capabilities to develop the products or services internally they strategically opt to use an external party. This perspective is echoed by Campos (2001) who suggests outsourcing to consist of contracting an external supplier to perform a task previously executed by the organization itself, and may also even involve new activities. In this sense the contracted entity not only performs strictly the functions performed by the firm but may introduce new activities. A similar vein of thought was Quelin and Duhamel (2003) who suggested outsource to be the operation of shifting a transaction previously governed internally to an external supplier through a long-term contract, and involving the transfer to the vendor.
Bailey *et al.* (2002) hinged his definition on the element of end objective in his definition by proposing that outsourcing involved handing over some or all of that particular activity and related services to a third party management, for the required result. Thus it is not just an activity of delegating the activities performed to a third party but there must be a desired result that needs to be achieved. In addition to having a desired result, the company also must give out an element of control as was suggested by McCarthy and Anagnostou (2004) who claimed that outsourcing not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge to the external organization. There must be a transfer of some technology from the firm to the contracted third party.
Various other literature gives definitions that travel along similar veins as mentioned e.g. according to Laabs, (1997) outsourcing involves having an outside vendor provide a service that would otherwise be performed in-house. The emphasis lies in an outside vendor performing the task or service. Similar in definition is Gibson (1996) who suggests that it is the transfer of routine or repetitive tasks to an outside source. In this definition the elements of repetitive tasks that are routine hence do not demand a steep learning curve takes the main thrust.
A different dimension is introduced by the journal of Structural Cybernetics(1996) grey literature that proposes outsource to involve paying another firm to perform part or all of the work that one would normally perform. Thus the idea of a fee to have another entity perform the tasks normally performed is propagated. Heywood (2001) suggests that the industry most closely associated with outsourcing has been information technology. IT functions have been outsourced since the 1970s due to the expensive hardware and software required for state-of-the-art systems. As the corporate world shifted to data storage and retrieval on computers, the need for qualified IT specialists who could implement and monitor these systems outstripped the available supply. Unable to hire skilled specialists, firms turned to contract workers, consulting firms, and specialist companies in Europe and the United States. Eastman Kodak Co. moved the bulk of its IT operations to three outsourcing partners in 1989, triggering a wave of IT outsourcing by other Fortune 500 corporations (Johnson, 1997). These contractor organizations sought experienced IT help from all over the world.
As can be captured from the above definitions outsourcing is the use of independent private suppliers at a fee to perform a function that the company deems to be non-core with a strategic definable objective and involving filtration of some company specific knowledge to the private suppliers. The service or product can be provided internally but for strategic reasons the firm opts to use independent private suppliers who have explicit superior capabilities to perform it. In the Kenyan market, the mobile telephony industries key function is to provide clear and accessible mobile connectivity. This is distinct from having halls of call center service personnel picking phones and explaining to the subscribers how to best use their cell phones.

2.3 OUTSOURCING PRACTICES

Organizations have traditionally carried out a wide range of extremely diverse and frequently non core activities in-house (Kakabadse & Kakabadse, 2005). This has led to the growth of a global phenomenon whereby the companies realize that it is more strategic to concentrate on their core competencies and hand over non-core functions to a third party. Outsourcing is thus the use of independent private suppliers to perform a function that the company deems to be non-core.

Some simple definitions that have been put forth are, having an outside vendor provide a service that you usually perform in-house (Laabs, 1997), the transfer of routine and repetitive tasks to an outside source (Gibson, 1996), paying other firms to perform all or part of the work.

Despite it being a relatively new phenomenon in the Kenyan market, outsourcing according to Duffy (2001) dates back to Roman times with the outsourcing of tax collection functions. It has grown in popularity ever since and gained greater impetus in the 1970s, when large and diverse corporations were considered to be underperforming, a trend that became even more pronounced in the early 1980s with the onset of global recession (Kakabadse and Kakabadse, 2000). Although outsourcing has been a common business practice for decades, the impetus for outsourcing emerged from the moribund economy of the 1980s and 1990s (Embleton and Write, 1998)

Outsourcing is currently the buzzword amongst company strategist and is immensely lucrative business for outsource suppliers. The undisputed truism is that outsourcing has become big business, and its effective management is critical to the future success of an organization (Kakabadse and Kakabadse, 2002). Various reasons exist as to why a company may wish to delve into outsourcing. In general, some of the motivating forces thought to be behind outsourcing include lower costs and staffing requirements, improved flexibility, and access to specialized skill sets and creativity (Chesbrough and Teece, 1996; Deutsch, 2004; Linder, 2004; Lynch, 2004). Conversely, some of the drawbacks of outsourcing innovation are thought to be opening the market to new entrants (Porter, 1980) and exposing core competencies to imitation and substitution (Piachaud, 2005). These drawbacks however are mitigated by the inherent benefits derived from outsourcing. A survey conducted by Kakabadse & Kakabadse (2000) highlights that, now and into the future as much attention will be given to reducing costs as to strategically focusing the organization on gaining greater competitive advantage.

According to Mahoney (1992) an organization's vision is to focus on consistently superior performance, or develop assets of high specificity that create value. In order for organizations to achieve their goals and objectives, they have to consistently adjust to their environment (Pearson & Robinson, 1997). The environment is turbulent and chaotic, constantly changing, and organizations must therefore be flexible and adaptable to survive. Managers have major tasks in ensuring the success of organizations. Organizations have developed and adopted different techniques over time to help them cope with the threat posed by the strategic problem. One of the most recent and most comprehensive of the management approaches is strategic management (Pearson & Robinson, 1997). According to Johnson and Scholes (2002) strategies that an organization pursues have a major impact on its performance relative to its peers.

As can be derived from the above, outsourcing some functions can give the company a strategic competitive edge as it then concentrates on that which it is good at. In the Kenyan market the telecommunication industry's key function is to provide communication services. It is not within their realm to provide call center support, yet they may be heavily investing in in-house call support centers. This study will investigate the relevance of using outsourced call centers to provide these services as a strategic initiative.

2.4 BENEFITS OF OUTSOURCING

Quinn (2000) has advanced various reasons that a company may have for outsourcing. These include, helping to cut cost, increase capacity, improve capacity, improve quality, increase profitability and productivity, improve financial performance, lower innovation costs and risks, improve organizational competitiveness, and achieve economies of scale. Most companies according to Klein (1999) outsource primarily to save on overheads through short-term cost savings. This finding has been echoed by Finlay & King (1999), who show that a prime driver for outsourcing is cost-effective access to specialized computing and systems development skills. Equally emphasized is that global competition has not only compelled companies to apply greater discipline over costs but also to how long it takes to resolve or respond to the customer expectations. (Quinn & Hilmer, 1994).

According to Frost (2002) there are a variety of common reasons for companies to outsource. These include: The reduction and control of operating costs, improving company focus, gaining access to world-class capabilities, free internal resources for other purposes, the lack of resources available internally, to accelerate re-engineering benefits; Difficult to manage/out of control function, to make capital funds available, sharing risks, cash infusion, to avoid being swamped with extra administration in a period of growth, accelerating a learning curve in a new business area, or conversely, cutting the need for investment and risk.

According to Lacity & Hirschheim (2003), there are a number of expected gains that companies can derive from outsourcing. They range from the reduction of operational costs and the ability to transform fixed costs into variable costs asserted by Alexander and Young(1996), to the ability to focus on core competencies given by Quinn and Hilmer(1994) while having access to the industry-leading external competencies and expertise (Kakabadse and Kakabadse, 2002). For a company to consider outsourcing it must therefore weigh the benefits that lie in outsourcing with the risks that are associated. There are various risks that can be associated with outsourcing as elucidated below.

2.5 RISKS ASSOCIATED WITH OUTSOURCING

Outsourcing does generate some problems. First of all, outsourcing usually reduces a company's control over how certain services are delivered, which in turn may raise the company's liability exposure. Alexander and Young (1996) highlight the risk of becoming dependent on a supplier, Barthelemy (2001) draws our attention to the hidden costs of outsourcing and authors such as Doig et al. (2001) and Quinn and Hilmer (1994) identify the possibility of a loss of vital know-how in particular with respect to core competencies as a major risk factor in outsourcing. There is also the problem of selecting the most suited supplier/service provider and their longer-term ability to offer the capabilities that are needed in particular in business environments with rapid technology change according to Earle (1996). Companies that outsource should continue to monitor the contractor's activities and establish constant communication.

According to Frost (2002) the use of outsourcing as a strategic management tool, increases operational risk in a number of ways including a lack of strategic clarity before outsourcing takes place, and/or a failure to take into consideration strategic change in the future, which might change the nature of the outsourcing relationship. Some outsourcing transactions are very highly valued, with success or failure making a greater difference to an institution's overall financial position and reputation in the marketplace.

As outsourcing involves the handing over of control to a third party to run a function or process, there is always the risk of initial business disruption. This risk also occurs at the termination of the contract when there is either contract renewal or the control of the function or process is handed back to the customer. Institutions become newly dependent on third parties to manage what could be a significant part of their operations (Alexander and Young 1996). If the strategic direction of an institution changes there is the risk that service contracts become outdated and inflexible. Although outsourcing generally suggests a more efficient way of doing things, the client may find that the outsourcing vendor is not actually more efficient in running a function. The service responsibilities of the outsourcer and retention of responsibilities by the client may be ill-defined, leading to disputes later on. Management on the client's side may resist because they fear a loss of control, or that what they are good at is being displaced to a third party (Earle 1996).

The outsourcer may fail to understand adequately the client's business, which increases risk for the client. Outsourcers need to take a strategic perspective of the customer's vision, current and future core competencies, where it adds value, positioning in the market and so on. Wang and Regan (2003) found out that when outsourcing IT functions, there may be an increased risk of access to private and sensitive data. In the case of outsourcing human resources management, companies are transferring the administrative management of one of their most significant assets to a third-party service provider. Staff opposes the outsourcing because of a reluctance to change. Hoecht and Trott (1999).

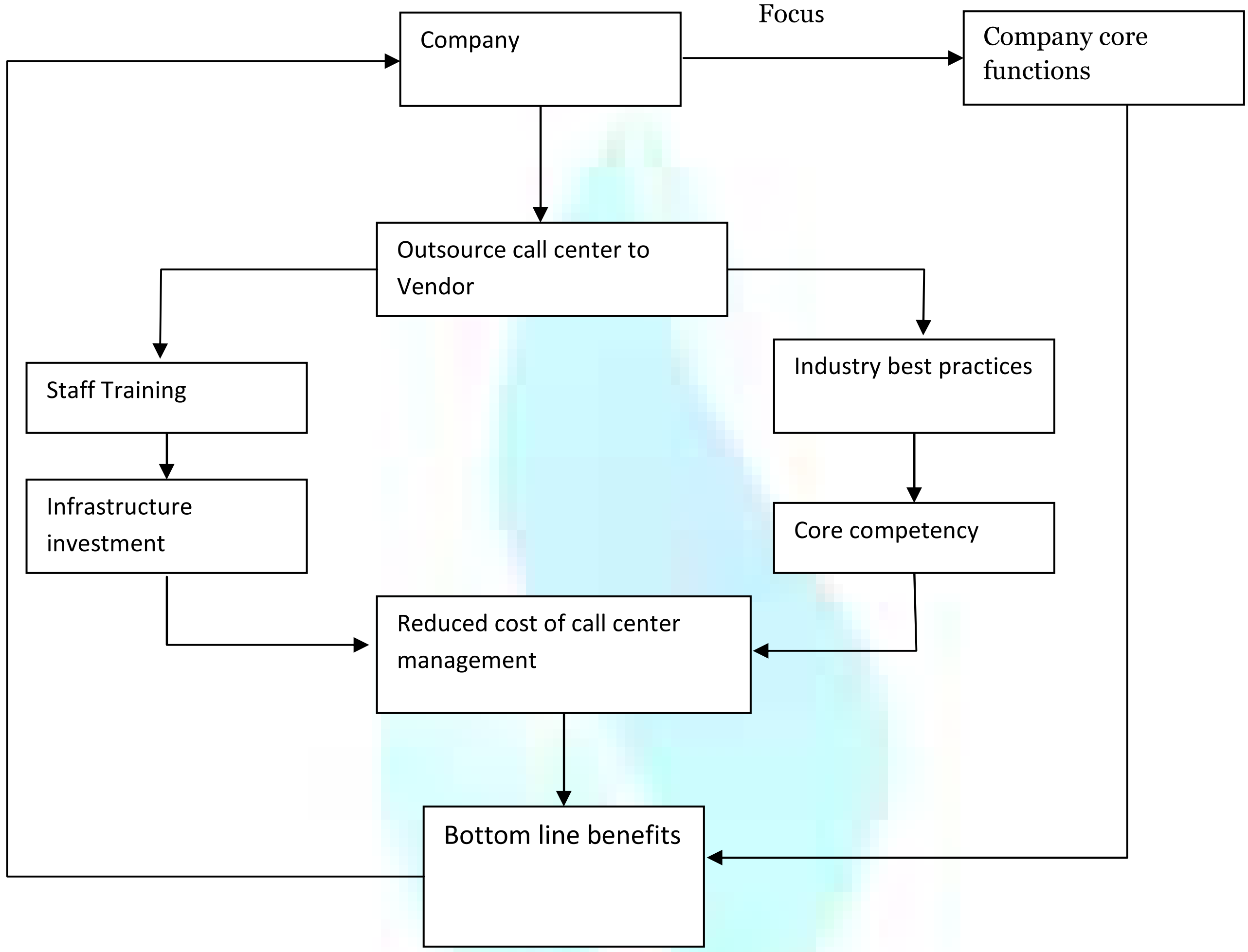
2.6 GLOBAL OUTSOURCING OF CALL CENTRES

According to Stack & Downing (2005) one significant global business trend is the growing interest in, and practice of, outsourcing of the customer service function. They assert that customer service work has been one of the most prominent organizational functions outsourced. They further elucidate that several factors such as reduced barriers related to proximity, conducive regulation, and other strategic elements has led customer service work to be one of the most prominent organizational functions outsourced.

Outsourcing call centers globally has been a continuous trend. According to Heywood (2001) the movement of basic manufacturing from developed nations such as the United States to less economically developed overseas locations to take advantage of lower labor costs has been ongoing since the 1950s, setting a trend towards outsourcing of other services. As a result of this the global outsourcing of call centers has substantially altered the nature of work in companies. While such services as building, security and food service, are considered peripheral functions within firms, the growth of globalize sourcing in formerly core functions such as product assembly, customer service and legal and financial services transforms the very nature of organizational culture.

The face of outsourcing has changed from predominantly IT to involve call center outsourcing. Moran (2003) alluded to the fact that these services have expanded into new areas such as call centers, with staff trained to answer and transact basic service-related areas, including order entry and credit card processing. He suggests that there may be as many as 35,000 outsourcing call centers by 2005 in India alone. More sophisticated customer service work involving credit collection, benefits administration, pension administration and insurance claims processing is now being handled by offshore firms for U.S. businesses. In addition Kirkpatrick (2003) asserts that tax accounting and securities research for Wall Street firms is likely to be performed offshore as well. He suggests that financial services firms spend a greater percentage of their outsourcing dollars with offshore vendors than other industries.

CONCEPTUAL FRAMEWORK



For those services that can be delivered over the telephone, the separation of production from consumption allows the use of external service providers other than the company. Outsource is the use of a third entity to provide a service or product at a fee, whereas call center units do not have to be part and parcel of the service producing entity. From the literature it can be seen that a call center can successfully be segregated from the service provider, to the extent of being located in a totally different venue.

To this end and as per the definition of outsource, the function can be handed over to a third party at the benefit of the service provider. A survey conducted by Kakabadse & Kakabadse (2000) highlights that now and into the future as much attention will be given to reducing costs as to strategically focusing the organization on gaining greater competitive advantage.

As can be seen outsourcing some functions can give the company a strategic competitive edge as it then concentrates on that which it is good at. In the Kenyan market the mobile telephony industries key function is to provide clear and accessible mobile connectivity. This is distinct from having halls of call center service personnel picking phones and explaining to the subscribers how to best use their cell phones.

As illustrated, the company can outsource its call center function thereby freeing resources to focus on its core functions which will have bottom line benefits. The outsource vendor will have certain competencies that will also point to the bottom line benefits.

IMPORTANCE OF THE STUDY

This study is significant as its findings will be valuable to the management of Zain Kenya Limited to enable them identify call centre outsourcing gaps that may require re-evaluation. The study will also be of great assistance to the current telecommunication companies whose core function lies in providing mobile connectivity networks and not helpdesk functions. Lastly the study will be beneficial to outsource vendors as they can use the findings and recommendations to enhance their service offering.

STATEMENT OF THE PROBLEM

The impact of competition in the mobile telephony industry has resulted in faster expansion and growth of the sector. For telecommunication companies, call center helpdesk is a support function. By studying the mobile industry outsourcing practices, the study purposes to investigate the use of outsource of call center as a tool to enhance strategic advantage. According to Quinn and Hilmer (1994) the ability to focus on core competencies given by the basic business idea of outsourcing is that if a firm does not specialize in a certain function, it will be beneficial to transfer control of the function to a specialist organization that will be able to offer at better cost and quality.

The telecommunication industry players have, as their core business, providing telecommunication services and not call center support services. However, due to the nature of provision of such services, various levels of cognitive dissonance come up and need to be mitigated. Mobile firms employ the use of fundamentally large teams of call center personnel, yet this is not their core business. They stand to benefit cost and quality improvements by outsourcing these call centers.

The literature available so far indicate that there has since been no study aimed at critically analyzing the call centre outsourcing practices by mobile phone companies in Kenya hence the knowledge gap. Kamau (2007) conducted a research on employee perception of the outsourcing strategy at the Kenya Power and Lighting Company Ltd. She aimed to determine the manner in which employees perceive outsourcing strategy as adopted by Kenya Power and Lighting Company. Makhino (2006) also conducted a research on the benefits and challenges of outsourcing human resource activities, a survey of commercial banks in Kenya. However, little attention has been paid on call centre outsourcing practices in the mobile industry. The question that stands out is; how have Kenyan mobile phone operators adopted call centre outsourcing practices? And is call center outsourcing a viable option to attain strategic competency or to be used in tandem with the overall company strategic initiative?

OBJECTIVES

The objectives of this study are:

1. To determine the current call center practices in telecommunication companies in Kenya.
2. To establish the perception of management teams in telecommunication companies in Kenya with regards to call center outsourcing.
3. To establish the benefits and challenges that would be faced in implementing call center outsourcing for telecommunication companies in Kenya.
4. To establish the financial effect of call center outsourcing to telecommunication companies in Kenya.

RESEARCH QUESTIONS

The study aimed to answer the following:

1. What is the current call center practice in the telecommunication industry in Kenya?
2. What is the prevailing perception of call center outsourcing amongst telecommunication companies?
3. What are the benefits and challenges facing call center outsourcing for telecommunication companies in Kenya?
4. How can call center outsourcing be made more effective for telecommunication companies in Kenya?

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter outlines the various steps that the researcher used to execute the study in a bid to satisfy the study objectives. The methodology used detailed the research design adopted and methods used for data collection and data analysis.

3.2 RESEARCH DESIGN

The research used case study method. The method was qualitative in nature and provided an efficient and logical way of looking at practices, events, collecting data, analyzing information and reporting the results. The unit of study was Zain Kenya Limited. The case study method gave the researcher an opportunity to learn about practices and events through extensive description and contextual analysis. This was in line with the objective of the study which was to study the practices of call centre outsourcing by Zain Kenya Limited, through an in-depth exploration of the outsourcing practices, benefits and its associated risks.

3.3 DATA COLLECTION

Primary data for the study was collected by way of interview and probing, using an interview guide. The interview guide had specific themes aimed at 4 informants, all sectional managers in customer service department at Zain Kenya Limited. The sectional heads interviewed were the call centre manager inbound, Back office manager, Support manager and walk-in centre manager. Secondary data was used to supplement and confirm primary data and was obtained from the company website which has extensive information on history, functioning, management and current activities of the company. Other company documentations also provided some of the needed information.

3.4 DATA ANALYSIS

Primary data collected was analyzed through content analysis to arrive at analytic conclusions. According to Nachmias and Nachmias (1996) this facilitates systematic and objective inference as well as identification of characteristics and relation of trend. Content analysis of data was based on analysis of meanings and implications emanating from respondent's information and documented data on call centre outsourcing practices at Zain Kenya Limited.

RESULTS AND DISCUSSIONS

4.1 INTRODUCTION

This chapter presents the analysis of data collected from the informants using the interview guide in Appendix 2. The interviews were done with the 4 sectional heads of customer service department namely, call centre – inbound, Call centre support, Back office and Walk-in centres. The study was designed to establish the prevailing call centre outsourcing practices, their benefits, risks and challenges adopted by Zain Kenya Limited.

4.2 FUNCTIONS OF THE CALL CENTRE

The informants were asked to give the key functions of the call centre in meeting the departmental objectives and the overall company objectives. This was to gain an enhanced understanding of the current call center practices. From the responses, it was noted that one of the key functions of the call centre is to seek for customer needs and information. The researcher established that the call centre was important in probing questions and seeking information about customer needs in order to satisfy them.

4.3 PREVAILING CALL CENTRE OUTSOURCING PRACTICE

In addition to seeking customer information, the study found out that the call centre played a critical role in resolving all client queries and complaints. There is a well instituted system in which customer complaints are handled by routing calls to call centre agents. All calls received at the call centre are attended to immediately, with the difficult and technical issues escalated for resolution at the back office section.

The informants also reiterated that it was the role of the call centre to cross and up sell company products after launch. Being the company immediate contacts to the customers, the call centre agents contact prospective customers in an effort to communicate and sell company products and services. The study found out that there was a telesales team under the back office section charged with the responsibility of telemarketing company products and services. This agrees with the industry practice that customer service agents who engage in and responsive listening to customers can increase sales and communicate relevant and useful information to the market.

The researcher sought to determine the call centre outsourcing practices adopted by Zain Kenya Limited. The informants were asked to elaborate the implementation of the call centre outsource as a company strategy. The researcher in endeavoring to determine the current call center outsourcing practices sought to confirm whether all the call centre functions had been outsourced to an external vendor.

The findings of the study found out that Zain Kenya has adopted call centre outsourcing as a strategic decision. Call centre outsourcing practice has been successfully implemented by the company, since it commenced in 2008. The practice was gradual depending on the sensitivity of the function and training of personnel required. The respondents anonymously agreed that outsourcing the call centre functions gave the company a strategic competitive edge as it then directs resources to its core functions.

The research findings further confirmed that the roll out of outsourcing practice and activities was well planned and useful information and communication made to the sections affected. This was important to ensure a smooth transition from the in-house handling of client issues to use of an external supplier. Change management was critical and the informants clearly stated that company wide training to prepare staff was done. The outsource vendor adapted all the processes and systems through an agreement with Zain. The cost of laying out new call centre infrastructure was high, thus the reason for continued use of the already established systems, tools and processes. Consistency of call centre quality was also mentioned by the informants as a reason for the transfer of the call centre infrastructure to the outsource vendor.

The study found out that Zain adopted the call centre outsourcing practice to control the high staffing costs at the call centre. The informants indicated that before the outsourcing of some key sections in 2008, the company employed 200 call centre agents to take care of about 3 million customers. The company management thus recommended a drastic reduction of the call centre workforce to cut costs. The company sent home 79 call centre agents on an expansive retrenchment exercise directed from the Zain headquarters in Kuwait. The informants were of the view that the reduction of the staff was necessary as the new vendor could not afford to meet their high costs.

Another important aspect that the informants identified was the order in which outsourcing of call centre sections was done. The services of an external consultant were used in its implementation to ensure smooth running of the call centre functions. As such therefore, the consultants recommended that back office section be outsourced first. This is because it was seen as a support role to the call centre inbound function, and that first line resolution of customer complaints was encouraged. Second to be outsourced was the outbound and walk-in shop functions. As at the time of this study, the interviewees confirmed that outsourcing of call centre inbound section was already in progress.

4.4 ZAIN MANAGEMENT ROLE IN CALL CENTER OUTSOURCING

The researcher sought to determine what roles are played by the company management itself in the implementation and coordination of the call center outsourcing practice. It was evident from the study that the most critical role played by the company revolved around the control of call centre agents, from sourcing to training. However, the informants were of the opinion that this role should be transferred to the outsource vendor in meeting the goal of minimizing costs in their administration. Zain according to the informants should divest in activities that they regard as peripheral to their business and focus upon their core activities, which, for many, leads to increased specialization, while still pursuing other value adding objectives.

Another role as mentioned by the interviewees was in the acquisition of call centre infrastructure such as systems, equipments and processes. The company is indirectly involved to ensure high quality, efficient and effective equipment is used by the outsource vendor. The informants were categorical that such a move amounts to interference as the full mandate of running the centre should be left to the vendor. They felt that this role should be passed to an entity whose competency is in sourcing such equipment. IT outsourcing has been encouraged by the technological advancement in data storage capability and equipment maintenances which has dramatically increased in quality and significantly decreased in cost.

In response to the question posed on the mechanisms that Zain has put in place to ensure successful outsourcing of the call centre, the informants reiterated that a monthly evaluation is conducted to gauge how the outsource vendor was meeting the stipulated call centre standards. The call centre standards were set by Zain, and the outside vendor is required to meet a target of 99% of all the set customer service standards. Zain has the authority to modify the standards as at when it deems necessary to do so. It is evident from the study that Zain has 100% control of the outside vendor. This is to ensure conformity to the group call centre standards.

4.5 BENEFITS OF CALL CENTRE OUTSOURCING

The study also sought to identify the benefits of call centre outsourcing practice to Zain Kenya Limited. The informants highlighted some key benefits associated with outsourcing the call centre function. It was evident from the responses received that cost management and improved efficiency were direct benefits of outsourcing the call centre functions. The practice, in contrast to managing the function in-house, is easy to administer and cheaper in the long run. The study found out that the company outsourced its call centre functions primarily to save on overheads through short term cost savings and thereby improve financial performance.

The informants also cited strategic competitive edge enjoyed by the company as it then concentrates on core strategy issues only. The call centre function is non-core and repetitive in nature, and can thus be done by an outside company at cheaper cost or at the same cost but in more efficient and effective manner. The company can free up resources involved in support functions of the call centre in order to improve the performance of core functions.

4.6 RISKS OF CALL CENTRE OUTSOURCING

It is clear from the study that there are a number of risks associated with call centre outsourcing practice. It was found out that Zain management was aware of the risk of reputation damage as a result of using a third party to run the call center. The informants admitted the nasty experience from customers in the realization that their queries and information was being handled by a third party. Many questions were also raised by customers and Zain employees on the credibility of outsourcing the call centre after more than 8 years of in-house operation.

It was also established that outsourcing the call centre functions reduced the company's control over how the services were delivered, which raised the company's liability exposure. Since outsourcing involves the handing over of control of the function to a third party, there is always the risk of business disruption. It was noted that the service responsibilities of the outsourcer and retention of responsibilities by the client may be ill-defined, leading to disputes later on. In addition to this, there may be an increased risk of access to private and sensitive data, which may leak to the public and even to the competition.

Compliance risk was another grey area in using an outsource vendor mentioned by the respondents. The informants described a situation in which the company exposed itself to audit loopholes by having non company staff. The risk lay in the liability the company would expose itself by the failure to fully comply with the company audit rules, thus opening the company to litigation or other legal action.

4.7 CHALLENGES IN IMPLEMENTATION OF CALL CENTRE OUTSOURCING

The researcher set out to determine the various challenges that would be faced in implementation of call center outsource. It was found that the greatest challenge came from a perceived security threat. This is the threat of information leakage or negative company image. Some outsourcing transactions are very highly valued, with success or failure making a greater difference to an institution's overall financial position and reputation in the marketplace.

The study found out that the fear held by current call center employees of loosing their jobs was a formidable challenge to call center outsourcing. The informants were all in agreement that a big challenge faced in the implementation of call centre outsourcing practice was fear of loss of jobs. To this extent, the management had to make the hard decision of laying off employees to facilitate the implementation of the practice.

There is also the challenge of selecting the most suited supplier and their long term ability to offer the capabilities that are needed in business environments with rapid technological change and stiff competition, evident in the Kenyan mobile industry. Getting companies with requisite skills and capacity was found to be a fundamental challenge. According to the informants, Zain had to employ the services of a consultant in selecting the outsource vendor which came at an extra cost. Close monitoring was required to ensure that the vendor met the standards, rules and regulations stipulated by Zain.

It was evident from the responses received that the company faced the challenge of instituting information trust with the outsource firm. Sensitive information can be leaked to outsiders more so the competition. The informants cited situations in which new products and service information is leaked to the competitors before launch greatly affecting the company's strategies. There is a trade off between access to cutting edge knowledge via collaborative service provision and technology development in knowledge intensive industries and the risk of losing commercially sensitive knowledge to competitors.

4.8 COPING WITH CALL CENTRE OUTSOURCING CHALLENGES

The study found out from the participating informants that establishment of formal policies, rules and procedures for call center outsourcing practices the most critical and effective in mitigating the various challenges and drawbacks of call centre outsourcing. Indeed, the ability to infuse best industry practice may not only depend on the relative competence of the provider, but the service providers may also be restricted in their ability to pass on best practices by confidentiality agreements.

The informants also indicated that market research to ascertain viability of outsourcing in the face of the stiff mobile phone industry competition would assist in resolving the challenges posed by call center outsourcing. A market research on the viability of call center outsourcing in the context of Kenyan mobile phone industry is a prudent step prior to the implementation of the practice. The respondents indicated that assurance of the employees of their job security would serve to counter the challenges of call center outsourcing. Communication is very important in implementation of such a strategy. The informants asserted that the company should provide work councils and representative bodies. In combination with effective and timely communication, this should lead to greater employee retention and more satisfied employees during and after the outsource implementation strategy.

RECOMMENDATIONS

The success of the call centre outsourcing practice relies mainly on its implementation. The study results have the implication that the practice is cost effective and that it ensures the company is able to concentrate and invest its resources in core business areas. The realization by Zain that call centre was a support function was prudent in trying to remain competitive in the versatile mobile phone industry.

Further, mobile phone companies should implement call center outsourcing practices as most of the functions that are performed by the current call center department can be passed on to an independent entity without compromising the service delivery, as they are not unique to the companies. They are also non core functions, with the mobile phone companies' core functions being the provision of mobile telephone connectivity and not fielding of and resolution of client queries. Call center outsourcing also has additional benefits of higher standard of service delivery as the companies that would provide the call center service have it as their core competency, thus would have best in market competencies.

It is also recommended from the findings of this study that outsource of the call centers be undertaken after exhaustive planning, market research on the industry, cost implications and an evaluation of the risks and benefits of outsourcing. Employee consideration in the wake of the expected changes and probably loss of jobs due to the practice is also recommended. Resistant to change and fear of loss of jobs are formidable challenges that can be used by the staff to sabotage the process. Companies should provide work councils and representative bodies. In combination with effective and timely communication, this should lead to smooth implementation of the call centre outsourcing practices.

The company management needs to plan and prioritize the activities that give quick significant improvements and performance in the turbulent mobile phone environment. It is recommended for the organization to continually adopt new strategic, operational and tactical responses. The study findings have indicated that there are numerous risks and challenges in outsourcing practices, and is therefore recommended that the company continuously embrace competition and technological advances, coupled with frequent industry analysis to have a clear understanding of new trends in the market.

Because outsourcing practice is a new phenomenon in the Kenyan mobile industry, it must begin with a communications campaign to educate all those who will be impacted by this change. Communication to all levels of personnel must remain active from start to end in order to keep everyone involved and working towards a common goal. Implementation of outsourcing practice is most effective when everyone understands the need for the practice, and works together to tear down old business systems and processes and build new ones. In order for this practice to be embraced, everyone in the organization must understand where the organization is today, why the organization needs to adopt the practice, and where the organization needs to be in order to survive in the competitive environment.

CONCLUSIONS

The study sought to establish the call centre outsourcing practices by Zain Kenya Limited, its benefits and associated risks. Several conclusions can be drawn from the major findings of this important study. The findings revealed that indeed the company management appreciates the relevance of call center outsourcing practices in its efforts to optimize call centre cost operations, and enable the company focus on its core business. In addition to this, the study established the key issues in the implementation of the practice including the benefits and risks.

The study reveals that there are many challenges faced by the company in its effort to implement the outsourcing practice, owing to the fact that the call centre operated in-house for over 8 years. The study pointed out the various challenges ranging from fear of loss of jobs to various risks the company will be exposed to. The study also sought to determine the financial implication of the use of outsource as a strategic endeavor, in which the management considered the practice tenable and effective in its pursuit to optimize operational costs of the call centre.

The decision by the company to adopt call centre outsourcing practices was noble in line with the competitive nature of the mobile industry in Kenya, where effective cost management to enhance performance is critical. The research determined that the prevailing call centre outsourcing practices were yet to be entrenched fully with clear guidelines on its implementation. However, the gradual outsourcing of the call centre functions was well thought as it ensured a smooth transition from the in-house company operations to an external supplier. It was found that the management is aware of the risks related to outsourcing arrangements, and has put various measures in place to counter such risks and challenges.

SCOPE FOR FURTHER RESEARCH

The study focused on mobile phone Companies in Kenya and it would be interesting to conduct a similar study on any of the regions in the world, more importantly those that are yet to adopt outsourcing practices. Further, it would be important to conduct a study to find out the quality and standard of service provided by companies that have ventured into call center outsourcing vending.

ACKNOWLEDGEMENTS

My special thanks go to my supervisor Prof. Ogutu, Senior lecturer, Strategic Management, University of Nairobi for his invaluable and insightful contributions that have enriched the results of this study. His uncompromising stance on the quality and attention to detail served to enrich the quality, scope and contents of the study. Profound thanks and appreciation go to my family for their understanding and support during my entire time of study. You are all a true source of my inspiration and moral support. Your patience for me was of tremendous value and has borne worthy fruits. I will eternally be grateful to you all.

To all lecturers of the University of Nairobi School of business who were involved in the noble task of imparting knowledge and to all my colleagues in the MBA class, I sincerely thank each one of you. To God Almighty, Thank you for making this possible.

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