The Effects of Outsourcing Practices Conducted by Organisations in Nairobi

By

Wanjugu Wachira

Submitted in the fulfillment of the requirements for the Degree
Doctor of Philosophy in Development Studies in the
Faculty of Business and Economic Sciences at
Nelson Mandela Metropolitan University

March, 2015

Supervisor: Dr. Michael Brookes
Co-Supervisor: Prof. Richard Haines

Declaration

I, Wanjugu Wachira student number 207058561, hereby declare that the thesis for student qualification to be awared is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

…………………….

Wanjugu Wachira

10 March, 2015

Acknowledgements

I wish to extend my sincere gratitude to the following persons who contributed in one way or another to ensure the completion of this study.

- My Supervisor Dr. Michael Brookes and Co-Supervisor Prof. Richard Haines for guiding and encouraging me through this study.
- Carol Christie for editing my thesis.
- The Research Capacity Department (NMMU) personnel for awarding me with a bursary.
- All the respondents who participated in this study.
- Research Assistants Mark George Chege and Steve Karanja who assisted in collecting data for this study.
- My family for their continued support and encouragement throughout the study.

TABLE OF CONTENTS

Declaration……………………………………………………………………………………i

Acknowledgements……………………………………………………………………………ii

Table of Contents……………………………………………………………………………..iii

Declaration.. i

Acknowledgements.. ii

Abstract.. xiii

List of Key Words.. xiv

Abbreviations xv

CHAPTER ONE: INTRODUCTION………………………………………………..…1

1.1 Introduction 1

1.2 Outsourcing and Development 1

1.2.1 Outsourcing.. 1

1.2.2 Development 3

1.3 Re-thinking Development 7

1.4 Outsourcing Debates 10

1.4.1 East Africa.. 10

1.4.2 United States of America 11

1.5 Rationale and Objectives of the Study 13

1.6 The Research Problem 15

1.7 Focus of the Study 16

1.8 Contributions of the Study 16

1.9 Limitations of the Study 17

1.10 Literature Review 18

1.10.2 Outsourcing Theories and Models 19

1.10.3 Developments in Outsourcing 19
1.10.4 Trends in Outsourcing 20
1.10.5 Offshoring/International Outsourcing: Outsourcing and Insourcing 21
1.10.6 Outsourcing in Africa and other Transitional Economies 21
1.10.7 An Overview of the Kenyan Economy 22
1.10.8 Outsourcing in Kenya: Outsourcing Perceptions 22
1.11 Empirical Study 23
1.11.1 Issues Pertaining to Outsourcing in Nairobi 23
1.11.2 The Impact of Outsourcing on Organisations in Nairobi 23
1.12 Definition of Key Concepts 23
1.13 Outline of the Thesis 25
1.14 Conclusion 27
PART ONE: LITERATURE REVIEW 30
CHAPTER TWO: DEVELOPMENT THEORY AND POLICY IN THE TWENTIETH CENTURY 30
2.1 Introduction 30
2.2 Section One: Classical Development Theory and Policy 32
2.2.1 Modernisation Theory 33
2.2.2 Ricardian Theory 36
2.2.3 Structuralism 37
2.3 Section Two: Recent Approaches to Development Theory and Policy 44
2.3.1 Neo-liberalism 44
2.3.2 Social Capital 46
2.3.3 The Capability Approach 47
2.4 Conclusion 49

CHAPTER THREE OUTSOURCING THEORIES AND MODELS ... 52

3.1 Introduction ... 52

3.2 Section One: Outsourcing Theories ... 53

3.2.1 Social Exchange Theory (SET) ... 53

3.2.2 Relational Exchange Theory (RET) ... 53

3.2.3 Expectation Confirmation Theory (ECT) ... 54

3.2.4 Kudos Theory ... 54

3.2.5 Transaction Cost Analysis Theory (TCA) ... 55

3.2.6 Agency Outsourcing Theory ... 56

3.2.7 Resource Based Theory (RBT) ... 57

3.2.8 General Systems Theory (GST) ... 57

3.2.9 Network Theory (NT) ... 58

3.3 Section Two: Outsourcing Models ... 58

3.3.1 Business Outsourcing Models ... 59

3.3.2 Offshore Outsourcing Models ... 61

3.4 Section Three: Empirical Studies on Outsourcing ... 63

3.2.1 Research on Outsourcing in Kenya ... 63

3.4.2 Research on Outsourcing in other African Countries ... 67

3.4.3 Outsourcing in other Transitional Countries ... 69

3.5 Conclusion ... 74

CHAPTER FOUR: DEVELOPMENTS IN OUTSOURCING ... 76

4.1 Introduction ... 76

4.2 Section One: Outsourcing Vendors ... 77

4.2.1 Types of Outsourcing ... 77

4.2.2 Selecting and Assessing Outsourcing Vendors ... 79

4.3 Section Two: Outsourcing Relationships and Contracts 81

4.3.1 Managing Relationships in Outsourcing 82

4.3.2 Contracts and Negotiations in Outsourcing 84

4.4 Section Three: Complexities Surrounding Successful Outsourcing Outcomes 87

4.4.1 Kenya Airways Scenario 87

4.4.2 Outsourcing and Unions 89

4.5 Conclusion 90

CHAPTER FIVE: TRENDS IN OUTSOURCING 92

5.1 Introduction 92

5.2 Section One: Total Quality Management (TQM) and Outsourcing 93

5.2.1 Principles of Total Quality Management (TQM) 94

5.2.2 Quality Control (QC) 96

5.3 Section Two: Human Resource Management (HRM) Outsourcing and Education 97

5.3.1 Human Resource Management Outsourcing 97

5.3.2 Education and Outsourcing 100

5.4 Section Three: Outsourcing from a Supply Chain Management (SCM) Perspective - New Diversifications in Supply Chain Management 100

5.4.1 The Historical Development of Supply Chain Management 101

5.4.2 The Importance of Supply Chain Management (SCM) 102

5.4.3 Supply Chain Portal (SCP) and Supply Chain Management (SCM) Outsourcing and Diversification 103

5.5 Conclusion 105

CHAPTER SIX: OFFSHORING/INTERNATIONAL OUTSOURCING AND 108

INSOURCING AND OUTSOURCING 108

6.1 Introduction ... 108

6.2 Section One: Offshoring/International Outsourcing ... 109

6.2.1 Tips to make Offshoring/International Outsourcing Easier ... 110

6.2.2 Factors that have Driven Global Outsourcing Efforts ... 111

6.2.3 Offshoring Business Processes ... 111

6.2.4 Factors Affecting the Success of Offshoring Business Processes in Low Income Countries ... 112

6.2.5 Common Errors in Offshoring/International Outsourcing ... 113

6.2.6 Legal Issues Governing Offshoring/International Outsourcing ... 114

6.3 Section Two: Outsourcing and Insourcing ... 116

6.3.1 What are Outsourcing and Insourcing? ... 116

6.3.2 Differences between Outsourcing and insourcing ... 116

6.4 Conclusion ... 118

CHAPTER SEVEN: OUTSOURCING TRENDS IN AFRICAN AND OTHER TRANSITIONAL COUNTRIES ... 121

7.1 Introduction ... 121

7.2 Significance of Outsourcing for Developing Nations ... 122

7.3 Challenges Facing Outsourcing Companies in Developing Countries ... 123

7.4 Trends in Outsourcing in African and Other Transitional Countries ... 123

7.5 Key Outsourcing Destinations in Africa and Asia Favoured by Developed and Transitional Countries ... 127

7.6 Conclusion ... 132

CHAPTER EIGHT: AN OVERVIEW OF THE KENYAN ECONOMY ... 134

8.1 Introduction ... 134

8.2 Kenya’s Economic Growth Patterns ... 135

8.3 Savings and Investment ... 136

8.4 International Trade and Balance of Payments 136

8.5 Employment and Unemployment 138

8.6 Current and Future Strategies to Boost the Kenyan Economy 140

8.7 Conclusion 142

CHAPTER NINE: OUTSOURCING IN KENYA: GENERAL PERCEPTIONS AND IMPACTS OF OUTSOURCING 144

9.1 Introduction 144

9.2 Section One: Outsourcing in Kenya 145

9.2.1 Kenya’s Business Process Outsourcing (BPO) Industry 145

9.2.2 The Full Potential of Outsourcing is yet to be grasped in Kenya 147

9.2.3 Does Kenya Engage in and Benefit from Offshoring/International Outsourcing? 150

9.2.3.1 Case Study 1: Agricultural Sector Investment, Outsourcing and Political Risks: The Case of Kenya's Flower Trade with the European Union 151

9.3 Section Two: General Outsourcing Perceptions 153

9.3.1 The Outsourcing Decision 154

9.3.1 Risks and Challenges Associated with Outsourcing 155

9.4 Section Three: General Impacts of Outsourcing 156

9.4.1 Methods Adopted to make an Outsourcing Project Successful 156

9.4.2 Factors that Facilitate and Hinder Successful Outsourcing Outcomes 157

9.4.2 Perceived Impact of Outsourcing 158

9.5 Conclusion 161

PART TWO: METHODOLOGY 164

CHAPTER TEN: RESEARCH METHODOLOGY 164

10.1 Introduction 164

10.2 Research Design 164

10.3 Quantitative Research 165

10.4 Type of Research 166

10.5 Research Methods 167

10.5.1 Survey- Based Method……………………………………………………….167

10.5.2 Case Study Methodology 167

10.6 Methods of Data Collection 168

10.6.1 Primary Method of Data Collection... 168

10.7.2 Secondary Method of Data Collection…………………………..………..169

10.7 Sample 172

10.7.1 Simple Random Sampling.. 174

10.7.2 Convenience Sampling 176

10.8 Data Analysis and Presentation.. 177

10.9 Conclusion.. 183

CHAPTER ELEVEN: ISSUES PERTAINING TO OUTSOURCING IN NAIROBI...... 185

11.1Introduction 185

11.2 Age Distribution of Respondents who participated in this Study................. 185

11.3 Promoting Knowledge on Outsourcing.. 188

11.4 Advertising Outsourcing in Nairobi... 189

11.5 Outsourcing and Budgeting 192

11.6 Conclusion.. 194

CHAPTER TWELVE: THE IMPACT OF OUTSOURCING IN ORGANISATIONS IN NAIROBI 196

12.1 Introduction 196

12.2 Percentage of Organisations that Engage in Outsourcing and those that do not.. 196

12.3 Benefits and Shortcomings of Outsourcing 199

12.4 Risks, Challenges and Problems Associated with Outsourcing................... 219

12.5 The Future of Outsourcing 223

12.6 Respondents' Perceptions of Outsourcing 224

12.7 A Framework of the Effects of Outsourcing 227

12.8 Conclusion... 228

CHAPTER THIRTEEN: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. 232

13.1 Introduction 232

13.2 Conclusion... 238

13.3 Recommendations 241

BIBLIOGRAPHY.. 245

APPENDIX 1 QUESTIONNAIRE…………………….....……………………………..…334

APPENDIX 2: SAMPLE.. 339

APPENDIX 3: GLOBAL OUTSOURCING STATISTICS 344

APPENDIX 4: CORRELATION ILLUSTRATIONS……………………………………...364

ILLUSTRATIONS

Illustration 1 Literature Review Topics…………………………..……………………..18

Illustration 2 Theories and Models of Development Theory and Policy…………………32

Illustration 3: Theories and Models that apply to Outsourcing……………………………52

Illustration 4: Models of Outsourcing……………………………………………………...59

Illustration 5: Developments in Outsourcing……………………………………………..76

Illustration 6: Trends in Outsourcing………………………………………………………92

Illustration 7: Offshoring/International Outsourcing: Outsourcing and Insourcing... 108

Illustration 8: Outsourcing Trends in Africa and Other Transitional Countries………..121

Illustration 9: An Overview of the Kenyan Economy……………………………………..134

Illustration 10: Outsourcing in Kenya: General Outsourcing Perceptions and Impacts…………………………………………………………………………….....…...144

LIST OF TABLES

Table 1: Classification of Countries…………………………………………………….….4

Table 2: Arguments for and against Outsourcing……………………………………………..11
Table!.3: Defination of Conscepts….……………………………………………………23
Table 4: Types of Outsourcing ………..……………………………………………………77
Table 5: Factors Affecting the Success of Offshoring Business Process in Low Income Countries……………………………………….……………………………….………112
Table 6: Global Service Location Index (GSLI) 2011……………………………………126
Table 7: Key Outsourcing Destinations in Asia and Africa Favoured by Developed and Transitional Countries……………………………………………………………………..128
Table 8: Average Annual Growth Rates of Real GDP (%)……………………………135
Table 9: Imports and Exports…………………………………………………………137
Table 10: Examples of Services Offered by Outsouricng Firms In Kenya………….148
Table 11: Factors that Help and Hinder Successful Outsourcing Outcomes…………157
Table 12: Research Design Plan……………...……………………………………………165
Table 13: Total Sample Population…………………………………………………...173
Table 14: Steps used to Compile a List of Sample Organisations for the Study……..174
Table 15: Coding Matrix for Section A of the Questionnaire…………………………177
Table 16: Matrix for Section B of the Questionnaire…………………………………178

LIST OF GRAPHS

Graph 1: Kenya Unemployment Rate…………………….……………………………..……139
Graph 2: Age Distribution of Respondents……………………………………………..186
Graph 3: Representation of Departments………………………………….....................187
Graph 4: Promoting Organisation to Engage in Outsourcing…………………………188
Graph 5: Advertising Methods……….………………………………………………..190
Graph 6: Awareness Level of Outsourcing…………..……………………………………..191
Graph 7: Outsourcing Budget Allocation…………………………….......................193
Graph 8: Services Outsourced by Organisations in Nairobi……………………………..198
Graph 9: Benefits of Outsourcing……………………………………………………………..200
Graph10: Percentage of Organisations that Gain from Outsourcing…………………..201
Graph 11: Reasons why Organisations Fail to Engage in Outsourcing………………..218
Graph 12: Outsourcing and Risks……………………………………..…………………..219
Graph 13: Risks Associate with Outsourcing……………………………………………..220

Graph 14: Problems and Challenges Associated with Outsourcing……………………222

LIST OF PIE CHARTS

Pie Chart 1: Respondents' View on Advertising Done by Outsourcing Firms…… 189
Pie Chart 2: Initiatives used to Promote the Practice of Outsourcing…………………..192
Pie Chart 3: Percentage of Organisations that Engage in Outsourcing….....................197
Pie chart 4: Knowledge of other Orgnisations that Engage in Outsourcing……………203
Pie chart 5: The Future of Outsourcing……………………………………………………223

LIST OF CHARTS

Chart 1: Employees' Views of Outsourcing 1……………………………………………..225
Chart 2: Employees' Views of Outsourcing 2…………………………………………….226
Chart 3: The Impact of Outsourcing amongst Organisations in Nairobi…………….…227

LIST OF DIAGRAMS

Diagram 1: Transaction cost Theory and outsourcing……………………………………..55
Diagram 2: Agency Theory and Outsourcing………………………………………………56
Diagram 3: A Framework for Evaluating Outsourcing Decisions…….……….…..……154

Abstract

The purpose of this study is to investigate the relationship between outsourcing and development in Nairobi**.** The key research question for this study is what are the impacts of outsourcing practices conducted by organisations in Nairobi? Data were obtained from questionnaires distributed in December 2010. A total of 85 profit-making firms in Nairobi with a sample of 165 management employees were selected for this study.

The empirical findings obtained relate to four outsourcing theories. Transaction Cost Analysis (TCA) Theory focuses on the cost savings that result from outsourcing. Agency Outsourcing Theory centres on outsourcing firms hiring agents to achieve productivity. Hiring agents may result in permanent staff being retrenched and additional outsourcing personnel being contracted and job creation and/or job loss results. Expectation Confirmation Theory (ECT) emphasises the importance of an outsourcing provider conforming to quality management principles. Resource Based Theory (RBT) proposes that organisations need a collection of resources and capabilities to execute outsourcing successfully.

Findings further suggested that outsourcing can yield positive and/or negative outcomes depending on risks encountered, the business environment, company policies, function/s to be outsourced, and the competence and commitment of an outsourcing vendor. To further enhance the positive impact of outsourcing three improvements need to be executed: formulation of standard policies, price regulations, and commitment of outsourcing firms in adhering to set contract deadlines. It is suggested that the following would allow organisations to gain more from outsourcing in the future: the adoption of international/offshore outsourcing practices, more commitment by outsourcing consultants, the standardisation of charges for outsourcing contracts, and the use of new technology that would improve how outsourcing is conducted.

It is concluded that the positive impacts of outsourcing would foster development to some extent while the possible negative impact of outsourcing would impede development.

List of Key Words

- Outsourcing
- Development
- Business Processing Outsourcing (BPO)
- Offshoring
- Total Quality Management (TQM)

Abbreviations

BOM - Bills of Material

BOOT- Build Own Operate Transfer

BOT - Build Operate Transfer

BPO - Business Process Outsourcing

BTO - Business Transformation Outsourcing

CDP - Committee for Development Policy

CET - Common External Tariff

COMESA - Common Markets for Eastern and Southern Africa

CUNY – City University of New York

CI – Continuous Improvements

COQ - Cost of Quality

DET- Department of External Trade

GDP- Gross Domestic Product

EAC - East African Community

ECOSOC - Economic and Social Council

EDI - Electronic Data Interchange

EPZ - Export Processing Zones

ERP - Enterprise Resource Planning System

EU - European Union

ECT - Expectation Confirmation Theory

FDI - Foreign Direct Investment

GST- General Systems Theory

IPR - Intellectual Property Rights

IGAD - Inter-Governmental Authority on Development

IAOP - International Association of Professionals

ICL - International Computer Limited

I-O – Insourcing-Outsourcing

IT- Information Technology

ITES – Information Technology Enabled Service

ICOS - International Centre for Outsourcing Studies

ITO – Information Technology Outsourcing

ICN - Intelligent Collaborative Negotiation

INV - Intensive Vendor Engagement

JIT - Just in Time

KBS - Kenya Bureau of Standards

Kebs – Kenya Bureau of Statistics

KEMU – Kenya Methodist University

KIA - Kenya Investment Authority

LDCs - Least Developing Countries

MCGS - Materials Cost of Goods Sold

MVD - Mutual Value Discovery

NAFTA – North American Free Trade Agreement

NT - Network Theory

ODC – Offshore Development

ODT - Offshore Developer Team

QC - Quality Control

RBT - Resource- Based Theory

ROIC - Return on Invested Capital

R & D – Research and Development

SLA - Service Level Agreements

SCM - Supply Change Management

SET - Social Exchange Theory

SPC - Statistical Process Control.

TCA -Transaction Costs Analysis

TQM – Total Quality Management

UPS - Universal Payment Services

WTO – World Trade Organisation

1.1 Introduction

Ever-increasing competition among organisations globally has forced management to establish new strategies and techniques for productivity and efficiency. Many organisations worldwide employ outsourcing in their daily business operations. Mindrum, Hindl, Lacity, Simonson, Sutherland and Willcocks (2012) assert that globally, outsourcing of information technology (IT) and business processes (BP) are becoming a routine management activity in numerous major private and public organisations. Quinn (2000) suggests that strategic management of outsourcing is probably the most useful management tool. It is not enough for an establishment to simply rely on its employees as the knowledge base for ideas (Carayannis, 1999; Chesbrough, 2003; Dodgson, 1991; Desouza, Awazu & Jasimuddin, 2005; Hitt, Ireland & Lee, 2000). Many company executives have now realised that they need to collaborate with other organisations to source new ideas, skills and capabilities.

This chapter begins by elaborating on what outsourcing and development entail. The ideology of re-thinking development is also considered. Furthermore, the key factors that prompted the need for this research on the effects of outsourcing are explained. The research questions, the scope and contribution of the study, and the study objectives are highlighted to provide clarity on what the study sought to explore. Furthermore, an overview of the literature review and empirical study is given. The thirteen chapters of the thesis are outlined and, finally, a summary of this chapter is provided.

1.2 Outsourcing and Development

1.2.1 Outsourcing

Outsourcing is the act of moving some of an organisation's internal activities, decisions and responsibilities to outside providers (Dominguez, 2005; Schniederjans, 2006:3; Gilley, 2004; Chase, Aquilano & Jacobs, 2004:373). Outsourcing involves three key components - the client organisation, the outsourcing vendor and the project (Power, Desouza & Bonifaz, 2007: 3).

Rouse & Corbitt (2004) note that there are two broad types of outsourcing organisations. The first are organisations that provide simple business processes such as the manual labour involved in cleaning, or in agriculture. These business processes do not require IT support. The second are establishments that provide complex IT support services such as network maintenance technology and software development. Outsourcing can be difficult to execute, although beneficial to parties involved if strategically and professionally managed (Inkpen, 2001). According to Nembhard, Shi & Aktan (2003), the value of outsourcing is determined by the cost of transportation, delivery time and the uncertainty of the future market.

In the past, outsourcing has reaped benefits such as cost savings. Today, the benefits are more likely to be productivity, flexibility, speed and innovation in developing business processes and accessing new technologies and skills (Greer, Youngblood & Gary, 1999; Bacon, 1999). Some of the shortcomings of outsourcing encountered by client firms are loss of managerial control, hidden costs, a threat to information security and confidentiality (Bucki, 2014), and worker insecurity due to job loss (Rose India Technologies Limited, 2014).

Jenster, Pedersen, Plackett & Hussey (2005) point out that the pressures of outsourcing have changed over the years. Current outsourcing issues that need to be considered and evaluated to foster successful outsourcing outcomes are competition, more demanding customers, technological obsolescence, increasing pressure to deliver shareholder value, and the fact that recession is a periodic occurrence globally.

Outsourcing also involves concerns such as motivation, scope, performance decision making, contract and partnership: these have resulted in the outsourcing of research (Lee, Huynh & Chi-wai, 2000) and the incorporation of a broader range of relationships (Ballou, 2003:716; Sanders, Locke, Moore & Autry, 2007). Insinga & Werle (2000) suggest that outsourcing decisions, if only taken at the operational level, can result in a client organisation becoming dependent on an outsourcer, which leads to the vulnerability of the client organisation.

Outsourcing may be more of a problem or burden than a good business strategy when organisations engage in it for the wrong reasons. For example, some countries experience outsourcing booms and it is now common to find organisations outsourcing because this is what their competitors are doing. These organisations may want to convince their clients that they are keeping up with current business strategies. The organisation’s executives may not be sure which business functions need to be outsourced and which will bring maximum profitability if outsourced.

Consequently, these organisations will perform poorly and their organisational effectiveness will be impeded (Kathawala & Elmuti, 2000).

Globalisation has led to increasing competition between organisations, which has resulted in various market improvements such as increased product ranges and customer-specific products, and reduced product life cycles (Christopher, Stephen & Christine, 2004). It has also become common practice in competitive business environments to find organisations concentrating on core business functions (such as manufacturing) and leaving the non-core functions (such as cleaning) to outsourcing companies (Kim & Won, 2007; Sahay & Mohan, 2006).

Offshore outsourcing is a trend that has developed globally. It involves contracting to outsourcing vendor companies in a different country. The expansion and increased capability of offshore outsourcing organisations in India, China and the Philippines, among other countries, has led to functions like software development, call centres and accounting being outsourced to them (Stack & Downing, 2005; Oshri, Kotlarsky & Willcocks, 2008; 2011). According to Lacity, Rottman & Khan (2010), to remain competitive, outsourcing vendor firms need to appeal to client organisations, and motivate and maintain personnel. McIvor (2000) points out that it is important for a client organisation's management to establish a relationship or a strategic alliance with an outsourcing provider if the organisation is to consider outsourcing its core business functions (such as manufacturing). Due to the increase in outsourcing of non-core activities (such as cleaning), business opportunities have been created to cater for the demand for new services (Hertz & Alfredsson, 2003), particularly in logistics. Logistics outsourcing is also referred to as third party logistics (3PL). According to Marasco (2008), logistics outsourcing involves using external firms − commonly referred to as 3PL providers[1] − who provide logistics functions which previously were performed in-house (Selviaridis & Spring, 2007).

1.2.2 Development

The term 'development' refers to developing nations working their way towards achieving economic performance, favourable living standards sustainability and

[1] Logistics outsourcing involves functions such as transportation, warehousing and information systems (Rabinovich, Windle, Dresner & Corci, 1999; Sink & Langley, 1997).

equality. 'Developing' nations are considered 'developed' when they fulfil certain criteria known as development indicators, such as Gross Domestic Product (GDP)[2] and Gross National Product (GNP)[3] (Global Sherpa, 2012). The productivity with which countries use their productive *resources/physical capital* such as machinery and buildings, *human capital* (such as labour and skills) and *natural capital* (such as minerals and wildlife) is widely recognised as an indicator of a country's level of economic development (World Bank, 2007). Countries are often classified to reflect whether they are 'developed' or not. Table 1.1 provides examples of countries that have been classified in terms of level of *development*.

Table 1: Classification of Countries

Classification	**Countries**
African Least Developed Countries (LDCs) plus Haiti	Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia
Asian LDCs	Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal, Yemen
Island LDCs	Comoros, Kiribati, Samoa, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.

[2] Gross Domestic Product (GDP) is computed as the amount of the total final production (output in monetary terms) of all products and services manufactured/rendered in a one year period in a given country (Britannica, 2014).

[3] Gross National Product (GNP) refers to the total 'market value' (in monetary terms) of the final goods and services manufactured in a country within a given duration of time (which in most cases is one year). GNP is calculated before allowance is given for the utilisation of resources used in the production process. GNP is similar to Gross Domestic Product (GDP) except that the latter does not incorporate income accumulation of citizens in a country nor earnings from investments which are abroad. Simply put, GNP is considered an indicator of the level of a country's economic activity (Britannica, 2014).

Developed Economies	Andorra, Austria, Australia, Belgium, Bulgaria, Bermuda, Canada, Cyprus, Czech Republic, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Holy See, Hungary, Iceland, Ireland, Italy, Israel, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Saint Pierre and Miquelon, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States
Transition Economies	Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, Russian Federation, Serbia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, Uzbekistan

Source: United Nations Conference on Trade, 2012[Try to get the Source and the table on the same page]

Africa’s four most developed economies are Egypt, Morocco, South Africa and Tunisia. Manufacturing and services provide a total of 83% of their combined GDP. On the other hand, domestic services such as construction, banking, telecom and retailing have accounted for more than 70% of their economic growth since 2000. Domestic consumption is the largest contributor to economic growth in these four nations (Leke, Lund, Roxburgh & Wamelen, 2010) and is a trend that other African nations could embrace to increase economic growth. This means that citizens of African countries would need to purchase domestic products rather than imported products.

The World Bank Report of 2007 argues that today, a wealth of natural capital (natural assets such as minerals) is not the most essential criterion for achieving development. High-income countries such as the Republic of Korea and Japan have limited natural capital yet are flourishing. Notably, Japan and Korea’s high economic development enables them to utilise their minimal natural resources much more efficiently than would be possible in many less developed nations.

GDP per capita[4] almost quintupled in Western Europe between 1950 and 2008 and in Africa it doubled in the same period. However, some African countries fell behind in GDP in the same period, including the Central African Republic, Liberia and the Democratic Republic of the Congo. Many blame western colonialism and its legacy. However, Broadberry & Gardner (2013) argue that Africa's failure to develop should not be seen as the 'exception', but rather as the 'historical norm'. Africa achieved economic growth in the 1950s, 1960s, late-1980s and the 2000s. However, these growth surges were followed by 'growth reversals', particularly in the 1970s, the early 1980s and the 1990s, when GDP dropped. The *Africa Focus Bulletin* of January 2011 reports that GDP in Sub-Saharan Africa is estimated to have increased by 4.7% in 2010 from 1.7% in 2009.

African countries encounter serious challenges, such as poverty, disease and high infant mortality (Leke *et al*., 2010). Despite this, Africa's collective GDP at $1.6 trillion in 2008, is now considered to be roughly equal to that of Brazil or Russia. The African continent is considered among the world's most rapidly growing economic regions, which is an indication that hard earned transformation and growth is taking place.

Increased GDP is generally seen as economic progress and is often read as shorthand for positive change and improved circumstances. However, one can question − as some development theorists have − whether all 'growth' is favourable. Chambers (2004) questions what change is considered favourable: some have considered improved living standards and health facilities as important (Power, 2003:2). Change is a continuous process: positive change results in human development and the development of a country. Development touches on aspects that are lacking and require 'intensification' (Power, 2002:2), and is often considered equivalent to progress.

Where change occurs there is conflict between people due to personal interests and scare resources. Change brings distribution of monetary assets and

---

[4]According to Amadeo (2014), 'GDP per capita is a measurement of how prosperous a country feels to each of its citizens … GDP per capita takes a country's production, as measured by GDP, and divides it by the country's total population. Hence, it is the output of a country's economy per person.'

other benefits to a society, which impacts on power relationships. There will always be those who benefit and those who do not benefit at all.

Some reference to development theory is appropriate here. Modernisation theory explains economic progress and how it should lead to development. Dependency theory, on the other hand, focuses on social, economic and political inequalities. In this regard, poverty and development continue to be focus areas in developing countries. In the 1990s, the idea of foreign aid surfaced; this was in the form of Structural Adjustment Programmes (SAPs) from international institutions, in particular the World Bank and International Monetary Fund. However, these failed and the problem of poverty still exists (Shah, 2013). Neoliberalism, which is associated with improved ideas of 'economic liberalism', can also be argued to have failed to foster development in developing nations. Neoliberal policies came at the expense of the poor, who continue to suffer while a minority have accessed great wealth. Thus, the field of economic development has a conflicted history; many have become skeptical of attempts to force Africa and other developing areas into a neoliberal world order while others are eager to access its rewards.

It is in this context that the practice of outsourcing in Kenya must be considered. Many are critical of its practice, which can lead to job loss and worker alienation. However, in a global economy where control of the entire supply chain is an increasing rarity, it is important to consider exactly how developing economies enter into this practice.

In conclusion, there is a need to increase economic activity in developing countries to attain increased productivity, which in turn will result in development. The question that needs to be addressed is whether domestic and international outsourcing increases economic activity and whether the practice could thus be part of the path to attaining development in a country such as Kenya?

1.3 Re-thinking Development

Today 'development' is also measured non-monetarily using Human-centred Development (Fukuda-Parr & Kumar, 2009), the Capability Approach (Comim, Qizilbash & Alkire, 2008), and the Sustainable Livelihoods Approach (IFAD, 2015) among others. In the 1990s, work on human-centred development was partly taken up by various international development organisations. This approach posits that development needs to focus on people rather than concentrating on economic growth (Korten, 1991). Humanist perspectives consider alternative dimensions of development and emphasise the need to build human resources and capacity, to have more decentralised and participatory types of development policies, and to efficiently and effectively utilise the numerous institutions and establishments of civil society. An example is the Basic Needs Approach, which emphasises alternative development thinking and concepts such as 'gender', 'eco-development', and 'participation'.

Poverty does not only involve poor living standards, but also a lack of choice and capability. This may be understood as a new 'development paradigm' in itself, which is referred to as the Capability Approach. The Capability Approach considers and promotes the traditional material goals of development and the non-material objectives of individuals and communities, and acknowledges individual agency and contribution in the development process. It champions expanding the freedoms and opportunities that individuals or groups select and value. The Capability Approach was developed as a flexible and multi-purpose framework rather than a precise theory of well-being (Sen 1992: 48; Qizilbash 2008: 53–54; Robeyns 2005: 94–96). (See chapter 2 for more on the Capability Approach.)

The Sustainable Livelihoods Approach is defined as an integrated development method that evaluates community assets using adaptive strategies and technologies to analyse those policies and investment requirements that enhance livelihoods to achieve sustainable development (International Institute for Sustainable Development, 1999). The Sustainable Development Paradigm is specifically applied to understand the new dynamics associated with rural development.

It is necessary to evaluate and explain how development can be achieved at present and in the future and what challenges could hinder development. This study considers how both practical and theoretical aspects of outsourcing need to be considered and examined to comprehend their effects.

Leke *et al.* (2010) suggest practical approaches to economic growth to enable African countries to develop, namely, manufacturing higher-value products (this has already happened in, South Africa's and Morocco's automotive industries, continuing to capitalise on comparative advantages such as proximity to Europe and familiarity with European languages, improving education systems, and continuing to build internal service industries necessary for future employment and development.

Haines and Hurst (2011:8-24) discuss new trends in Development Theory, some of which are summarised next.

A 1987 World Commission and Environment Report by Gro Harlem, fomer Norwegian Prime Minister, helped notify the public of the need for the type of economic development that could bring sustainable development while conserving the environment. This ideology is founded on the model/discourse of complexity. According to complexity theorists, to achieve the objectives of sustainable human development it is necessary to comprehend human activity in relation to complex systems. Complexity theorists assert that humans should be treated as complex systems and since complex systems are by nature open, humans should manage their surrounding environments as integral to their existence. This can be applied to outsourcing: despite the fact that numerous companies aim to maximise their economic returns and impact on economic development, it is essential that the environment is conserved for future generations through avoiding exploitation of resources (natural and human) and pollution. Conserving the environment could contribute to ensuring sustainable energy and natural (and human) resources for the manufacturing that is necessary to maintain the outsourcing industry.

Secondly, according to Sen, (1992), there is still room for re-thinking human and individual rights in development. This applies to outsourcing providers' treatment and remuneration of outsourcing personnel; some providers exploit the personnel they contract.

Thirdly, should adopt the traditional feminine values of complexity, flexibility, community, care, cooperation and interrelatedness rather than perpetuating the masculine values of linearity, individualism and competition to reverse the numerous humanly created violations that have led to global crises in the environmental, social and economic spheres. This can be applied to outsourcing providers, who need to consider their staff and clients' wellbeing when fostering economic and human development.

Fourthly, globally the evolution of Development History (which is a varied approach that focuses on the historically sensitive foundation of Development Studies) in academics as a sub-discipline of Development Studies has occurred. There is a growing concern for explanations for economic and business behaviour which navigates industrial development paths of particular nations. This can apply to the business behavioural trend of many organisations globally who choose to outsource one/some of their business activities to achieve maximum productivity levels and economic returns. This is an area that could be of interest and thus can be explored further.

1.4 Outsourcing Debates

There are numerous debates around outsourcing. This section examines two instances that have led to debate. One is a recent example that took place in East Africa; the other occurred in the US in 2004.

1.4.1 East Africa

In 2012, at a summit in Nairobi, local entrepreneurs criticized government for supporting international outsourcing firms to the detriment of domestic firms, who were not being given the opportunity to develop their experience in international outsourcing. Government responded that local providers lacked technology and, to some extent, managerial experience: their equipment was outdated and they were unable to meet international standards. The outsourcing companies maintained that because East African governments were not allocating sufficient funds to the outsourcing sector it was not developing in the region. Domestic outsourcers had the capacity to perform tasks to required standards; however, it was felt that international governments, who stipulate the conditions under which companies may outsource to other nations, searched for reasons to reject domestic outsourcers in East Africa. In addition, only certain tasks could be outsourced internationally.

It was suggested that outsourcing providers should consider doing more domestic outsourcing rather than only looking to international markets. Generally, it was agreed that the East African region was going to suffer if it did not promote and support outsourcing providers in the area. The need to invest more in the outsourcing sector was emphasied and it was concluded that although much had been done, more was required if the East African outsourcing sector was to witness a significant boom (EMENAC News, 2012).

It is evident that the East African region needs to expand its outsourcing industry both locally and internationally to compete with countries in Asia. Training outsourcing employees in production and/or service provision is necessary to ensure standards are met. The use of modern suitable technology would also facilitate the maintenance of standards and productivity levels. East African governments could play a key role in developing a strategy to tap into new markets.

1.4.2 United States of America

In the US, debates on outsourcing mainly centre on 'American jobs' being offshored to developing and transitional countries. This is also an outsourcing concern in Western Europe. Table 1.2 below summarises arguments for and against outsourcing in the US (and also applies to the debates around outsouring in many European countries).

Table 2: Arguments for and against Outsourcing

Arguments for Outsourcing	Arguments against Outsourcing
Foreign competition now has an impact on both services and manufacturing. If a vehicle can be manufactured more cheaply in a country such as Ghana, then it should be. Such a transaction raises revenue, since resources are advantageously dispatched with increased investment and growth to the exporting country and consequently, lowers prices in the importing country. Indeed trade is a positive activity (The Economist, 2004).	Manufacturing and technology jobs in their millions are transferred to foreign countries where companies are in a position to pay employees far less money. However, there are numerous firms that continue to receive federal funding and simultaneously outsource jobs abroad. The Defending American Jobs Act (2004), which was sponsored by more than 50 legislators, stipulates cutting the federal funding of firms that retrench employees at higher rates in the US than abroad. In addition, the Act requires firms that apply for federal grants and loans to declare what wages they give their employees locally in the US as well as overseas (Solheim, 2004).

A key change is taking place as hundreds of thousands of jobs flee the economy. Although the wages for these positions are low in comparision with American wages, they are generally considered to be more than those offered by local employers in other countries (e.g. in Africa and Asia). Thus, a new middle class is developing in cities previously dominated by inequality. Spending will help grow the economy, which may result in increased salaries and enhanced conditions of employment (Monbiot, 2004).	It has been argued that outsourcing will create new employment opportunities in high paying professions. However, the US has no competitive advantage or superiority in innovation. The US is at present empowering its competition with the appropriate resources to innovate equally as well as the US. Loss of jobs due to outsourcing reduces the tax base for the US, results in high unemployment benefit costs, and increases the cost of government retraining programmes to some extent (Terry, 2004).
There is no major difference between jobs lost due to trade and those lost due to technologies or work processes. Although job losses are painful, they are an essential part of increasing innovation and productivity, which are considered the source of new wealth and a means to increase standards of living (Lindsey, 2004).	It has been suggested that the jobs lost to outsourcing are offset by the millions of Americans hired by foreign firms to produce new products and services. However, most employment opportunities have occurred as a result of foreign firms purchasing US firms, for example, Daimler taking over the Chrysler company.Due to insourcing, 2.78 million US employment opportunities were lost in foreign-owned companies between 1991 and 2001 (Scott, 2004).

The debate is complex and has to do with the economic, social and political benefits and losses involved in the transfer of technology and service jobs overseas. Two major questions are '*What can be done to minimise job losses?'* and *'What measures need to be taken to ensure the outsourcing workforce is adequately compensated?'*

1.5 Rationale and Objectives of the Study

There are several key factors that motivated this research on the effects of outsourcing. The first is the need for citizens, entrepreneurs and the government of Kenya to increasingly participate in fostering development. It is my view that this can be achieved through expanding outsourcing initiatives. Outsourcing saves costs and increases efficiency (Laurie, 2012), which foster increased productivity in organisations.

This study sought to establish whether outsourcing is a viable venture for business organisations in Kenya and to determine how applicable outsourcing is for a Third World nation like Kenya. Are there adequate resources, skills and knowledge available to ensure that outsourcing would produce favourable development outcomes in Kenya?

According to Rao (2004), where poverty is considered highest, if it can be established how assets can be transformed into capital, there is an opportunity for abundant wealth. Outsourcing can be incorporated if the poor are empowered with the relevant knowledge and skills to engage in economic activities.

The second reason why a study on outsourcing was deemed important is that there is capacity for development in Kenya. Capacity development[5] involves identifying new solutions to old problems relating to development through technical co-operation. In 1993, the United Nations Development Programme (UNDP) launched a project with over 30 governments on the African continent to review the effectiveness of technical co-operation[6] and simultaneously establish national policies and priorities relating to the development of nations (UNDP, 1998).

Donors today leave routine but necessary functions to the governments of developing nations (Fukuda, Lopes & Malik, 2002). If local capacity is fostered, the society is educated about outsourcing, and the priorities of communities are clearly

---

[5] Capacity development refers to the ability of actors (individuals, groups, organisations, institutions and countries) to engage in particular functions/objectives effectively, efficiently and sustainably (Fukuda *et al,* 2002).

[6] Technical co-operation involves the provision of resources aimed at transferring skills and knowledge and capacity building within national establishments to undertake development initiatives. Moreover, technical co-operation includes resources in the form of human personnel both in the international and national domains. Technical co-operation is divided into two broad classifications, that is, ‘invested’ and ‘freestanding’ general organisational support (UNDP, 1998).

demarcated, a developing nation such as Kenya could adopt the practice of technical co-operation to enhance its outsourcing practices.

According to Stiglitz (1998), successful development transformation affects what we do and the manner in which we do it. Successful development emerges from within the country itself and to accomplish this, the country must have institutionalised good leadership to manage and incorporate the process of change and the changed society.

The third factor that motivated this study is the link between technology, poverty and development. Since outsourcing encompasses technology, and poverty levels in Kenya are high, is it possible that technology could facilitate an improvement in the productivity and efficiency of outsourcing? Bhagwati (2001) argues that technology is viewed as a solution to development almost to the extent that technology has become development. Technology is also used in social, cultural and economic relations. Hence, technology reflects and influences the society that produces it in terms of practices conducted within organisations that adopt outsourcing.

The fourth factor that motivated this study is the fact that unemployment levels in Kenya are high. This means that human capital is underutilised. According to the Kenya National Bureau of Statistics (2012) and Parente (2014), the unemployment rate in Kenya is 40%.

The fifth factor that motivated this study is the fact that Kenya’s Gross Domestic Product (GDP) grew to 5.2 % in 2013 (Kenya National Bureau of Statistics, 2013). Considering that the growth rate is relatively low, this study sought to establish if outsourcing could facilitate an increase in Kenya’s economic growth.

It should be noted that organisation-level evidence suggests that manufacturing companies experience enhanced performance when foreign service providers deliver high quality and low cost services to the manufacturing phases. Furthermore, industry-level evidence suggests that not all manufacturing organisations benefit in the same way (Francois & Woerz, 2008).

Based on the above factors, the study objectives were as follows.

- This research sought to establish the reasons why organisations in Nairobi engage or fail to engage in outsourcing. This objective aided the evaluation of the viability of the practice of outsourcing to foster development.

- This study sought to identify challenges, risks and constraints that surround outsourcing in relation to participatory development approaches adopted in attaining job creation and increased economic activity in Nairobi.
- The third objective was to assess the awareness level of organisational management of the practice of outsourcing. This objective aimed to establish whether there is adequate promotion of outsourcing and to provide the opportunity to evaluate suitable promotional techniques that can be adopted to ensure that adequate awareness of the practice of outsourcing is achieved.
- This research also sought to establish the number of organisations that actually engage in the practice of outsourcing in Nairobi and those that do not. This will determine whether there is room to foster and encourage more employers, employees and the public at large to engage in the practice if it is found to be a lucrative business venture. This objective is linked to establishing the benefits organisations in Nairobi aim to obtain when they outsource.
- The final objective was to investigate what the future trends and expectations of outsourcing initiatives in Nairobi could be. This objective involved exploring whether outsourcing is a promising business venture to be considered in the future.

1.6 The Research Problem

This study investigated the effects of outsourcing practices conducted by organisations in Nairobi, the capital city of Kenya. Organisations considered were profit-making organisations such as manufacturing and service-providing companies. The key research question was − what are the impacts of outsourcing practices conducted by organisations in Nairobi? The key research question prompted the following sub-questions:

- What causes organisations in Nairobi to engage in outsourcing?
- What causes organisations in Nairobi not to engage in outsourcing?
- What percentage of organisations in Nairobi engage in outsourcing?
- What percentage of organisations in Nairobi fail to engage in outsourcing?

- What benefits do organisations in Nairobi aim to obtain when they engage in outsourcing?
- What are the risks and problems associated with outsourcing?
- What are the anticipated future trends in outsourcing in Nairobi?

1.7 Focus of the Study

The research was limited to Nairobi, the capital city of Kenya. This is because the majority of industries in the major economic sectors and the recruitment agencies are located in the capital city. The research evaluated the current trends in outsourcing in Nairobi. Employees' views on outsourcing were sought to determine whether outsourcing is a viable business option or not.

1.8 Contributions of the Study

This study investigated the impact of outsourcing activities conducted by sampled organisations in Nairobi and gives an indication of the performance of these firms. The study differs from studies on outsourcing in Kenya in the following ways.

Previous studies were based on only one industry sector or organisation, and covered only one or two aspects of outsourcing. This means the results obtained only applied to one specific sector (e.g. banking), or a specific organisation and thus the results might not be applicable to other industry sectors. This study analysed data from a probability sample of 85 companies from various industry sectors in Nairobi to provide for more comprehensive findings.

The second contribution is that the study evaluated the benefits, risks and pitfalls of engaging in outsourcing and the factors influencing the success or failure of outsourcing among organisations in Nairobi.

The third contribution is that the study presents data on organisations in a variety of industries in Nairobi and thus gives an indication of relative engagement in outsourcing across sectors. Previous studies omitted this aspect. This data is useful as it provides insight into whether outsourcing is a suitable business practice for particular sectors to venture into presently and in the future.

The study provides insight into the impact of outsourcing, which could serve as a basis for outsourcing policy formulation in Kenya. The findings could be useful to the government, investors and potential investors and to the citizens of the Republic of Kenya.

The study provides information on whether development can be achieved in a country through adopting outsourcing initiatives. The study also provides insight into how viable outsourcing initiatives can be adopted in other profit making organisations.

This research examined the potential impact of domestic and international outsourcing initiatives on Kenya's economy and the social welfare of citizens who are involved in outsourcing initiatives. The research also provides insights into better ways of conducting outsourcing to ensure successful practical outcomes.

Factors such as the potential to increase competitiveness globally, to promote efficiency and growth and to attract more investment domestically and internationally through outsourcing were explored. The idea of adopting outsourcing to enhance resource mobilisation for sustainable development for the benefit of future generations was examined. Thus, evaluations of policy frameworks that govern outsourcing and sustainable development were considered. Knowledge about development challenges pertaining to changes in international economic and political relationships that affect outsourcing was examined. Furthermore, a framework for the effects of outsourcing was formulated based on data findings.

Finally, this study contributes to the discipline of Development Studies as there is very little that has been published on outsourcing in Africa, particularly in the discipline of Development Studies and in relation to Development Studies literature. Thus, this research prompts further research on outsourcing to be conducted to broaden the knowledge on outsourcing in the discipline of Development Studies.

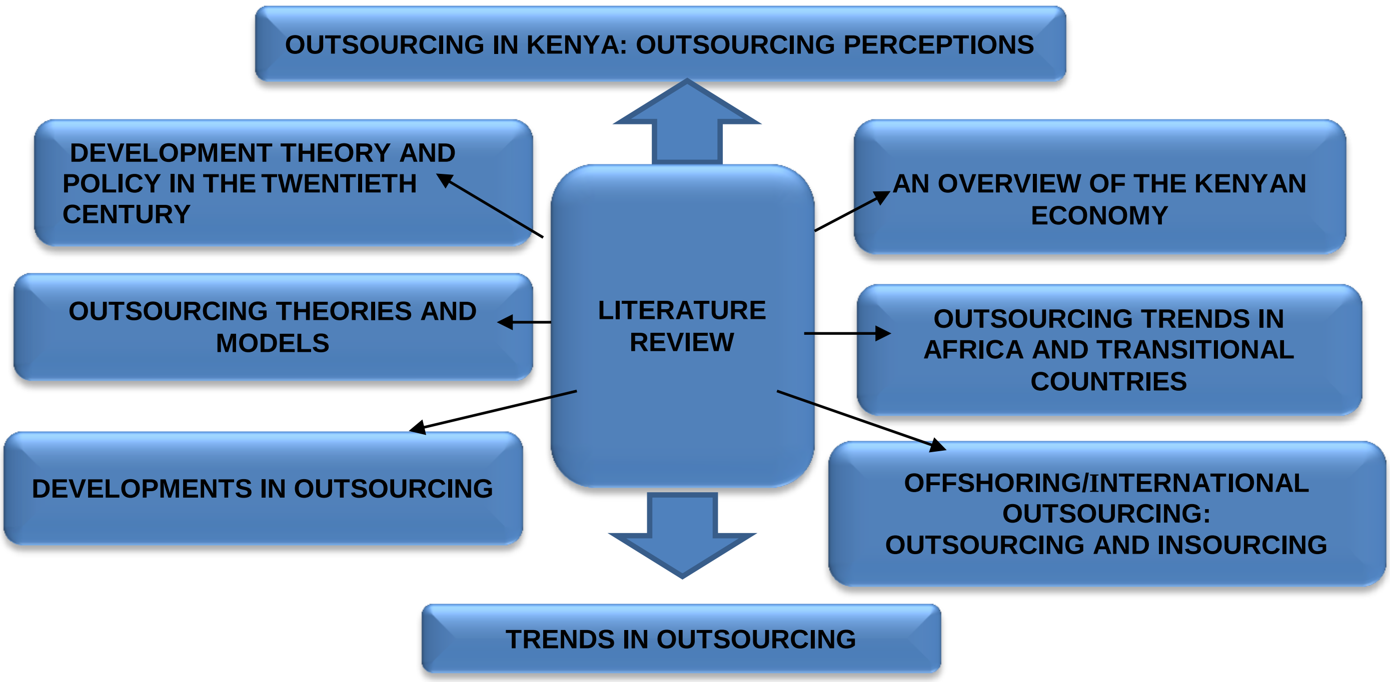
1.9 Limitations of the Study

One key limitation of the study was the fact that it only focuses on sampled organisations in Nairobi and thus does not consider rural towns close to Nairobi, such as Thika and Kiambu. Data from these rural towns would provide additional insights. However, this provides an opportunity for future research on the extent to which outsourcing has been adopted in rural towns.

1.10 Literature Review

Jenster *et al.* (2005:2) explain outsourcing as a form of specialisation. Specialisation, in this sense, can be defined as concentrating on an activity in the lines of production in which an individual or an organisation has some natural or acquired advantage (Pearce, 1983). This section provides a summary of topics discussed in the literature review chapters of this study. The literature review comprises eight chapters of the thesis (summarised in Figure 1.1).

Illustration 1: Literature Review Topics



1.10.1 Development Theory and Policy in the Twentieth Century

Classical development theories and recent approaches to development have evolved over the years. An overview of Modernisation Theory, Ricardian Theory, the Structuralist approach to development, Dependency Theory and International Division of Labour provide a theoretical background to the 'grand' theories in Development Theory. Neo-liberalism, Social Capital Theory, and the Capability

Approach are discussed to illustrate current approaches in development theory and policy.

1.10.2 Outsourcing Theories and Models

An analysis of the evolution of outsourcing shows how outsourcing came into existence in direct relation to established theory in social, business and economic science. There are several theories that are particularly relevant to outsourcing practices and decision strategies. They include Transaction Costs Analysis (TCA), Agency Outsourcing Theory, Resource-Based Theory (RBT), Network Theory (NT), General Systems Theory (GST), Social Exchange Theory (SET), Expectation Confirmation Theory (ECT) and the Kudos Theory. These theories explain outsourcing from a range of disciplines.

Outsourcing firms adopt various outsourcing models. The type of model depends on what is to be outsourced. Business outsourcing models are adopted when dealing with domestic or local outsourcing and include the time and material model, the fixed price model, the hourly, weekly or monthly charges model, the turnkey model, and the hybrid model (Webtenet Solutions, 2012). On the other hand, offshore outsourcing models are adopted when dealing with international outsourcing. The offshore models that will be discussed are the joint venture model, the dedicated team model, sub-contracted offshoring, the pure offshoring project, the onsite-offsite model, global delivery onsite offshoring, subsidiary/captive development centre offshoring, service provider offshoring and multi-vendor offshoring (Babu, 2003-2012).

Finally, empirical research on outsourcing in Kenya, in Africa more generally, and in developed countries is evaluated to provide clarity on what results have been obtained.

1.10.3 Developments in Outsourcing

Client organisations decide which type of outsourcing to adopt based on their needs and goals. There are ten types of outsourcing adopted by organisations today. They are offshore outsourcing/offshoring, traditional outsourcing, co-sourcing, spin-offs, back sourcing, business process outsourcing (BPO), value-added outsourcing, shared outsourcing, multi-outsourcing and near-shore outsourcing (Schniederjans, 2006:8)**.**

Kern & Willcocks (2001) discuss the challenges and risks that emerge during selection of and negotiation with outsourcing vendors. Outsourcing has been addressed in the media globally, as labour unions strive to protect permanent employees and outsourced personnel. The majority of labour unions in the US, for example, that many jobs have been moved offshore to countries such as China and India (Winslow, 2006). Although staff collectively bargaining contract terms is considered key in outsourcing, in most situations outsourced personnel may have little bargaining power, particularly in a country where unemployment is high and the cost of labour is cheap.

1.10.4 Trends in Outsourcing

Key trends in outsourcing discussed in this study are Total Quality Management (TQM), Human Resource Management (HRM) Outsourcing, Education and Outsourcing, and Supply Chain Management (SCM). TQM principles and quality control aspects are implemented by outsourcing vendors at all times when performing functions contracted by client organisations. A TQM structure is based on the argument that as quality improves, costs will reduce as a result of lower failure rates and reduced resources wastage (Appley, 1994: 330-331). In most circumstances, outsourcing vendors specialise in providing only one area of HRM. It is common to find organisations using consultants and offering temporary contracts, so as to avoid the human resource costs of benefits and retirement obligations as well as the management requirements involved in maintaining a large workforce (Business Resources, 2011). To add value to the outsourcing industry, training is essential. Training is promoted and conducted by the human resource department of the vendor organisation. Outsourcing vendor organisations continuously train their staff to enhance their skills and improve productivity. Kenya Methodist University was the first learning institution in East Africa to introduce Business Process Outsourcing (BPO) programmes to enhance and encourage the practice of outsourcing (Kamau & Lucheli, 2011:36).

1.10.5 Offshoring/International Outsourcing: Outsourcing and Insourcing

According to Article Base (2012), China and India have been identified as the fastest growing economies in recent years. They have a GDP of 7% and 8%, respectively. Part of this growth is due to the movement of manufacturing activities from the US to China (where labour cost is cheaper). In particular, white collar jobs, call centres and software companies have been created in Bangalore. In India today, call centres are considered important for modern business and job creation, particularly for young college and university graduates in urban towns. Ghimire (2006) states that offshoring (transferring) jobs to India or China or other countries where labour cost is cheaper has resulted in job losses in the US and Europe. However, there have been increases in the profit margins and productivity levels of European and US companies as a result of offshoring.

There are a number of factors that influence organisations to either outsource or insource. Insourcing refers to delegating a task or activity to an individual within a firm rather than to an individual who is outside the firm domestically or internationally (Schniederjans, 2006).

1.10.6 Outsourcing in Africa and other Transitional Economies

African countries and other transitional economies such as India, China and Malaysia engage in outsourcing both locally and internationally. The current trend in India, China and Malaysia is international outsourcing (offshoring) of BPO services. India has been very successful in the outsourcing industry and many African nations, such as South Africa, Egypt, Morocco, Kenya, Ghana and Mauritius, have also put effort into building their outsourcing capabilities in recent years (Manning, 2013). Ghana, for example, has strategically positioned itself as an attractive BPO destination (Zachary, 2004; Imara Africa Securities Team, 2011). Developing nations in Africa, such as Kenya, Ghana and Rwanda, are considered to be at different stages of development with regard to the BPO industry. In the past the BPO industry in Kenya was limited by costly and poor communication connectivity which hindered effective communication to the world (Okongo, 2012). It is in this context that answers to questions such as why developed countries source from particular countries and what is outsourced by different African and other transitional economies were sought in this study.

1.10.7 An Overview of the Kenyan Economy

The growth of the Kenyan economy was evident in 2010 when the GDP expanded by 5.6% after slow growth of 1.5% and 2.6% in 2008 and 2009, respectively. This significant growth was attributed to economic stability, increased credit to the financial sector, low inflationary pressure and improved weather conditions which boosted the agricultural sector (Government of Kenya, 2011:17). This is an indication that the Kenyan national economy has the potential to increase its GDP and create job opportunities by producing more goods and in the delivery of services. This could be achieved through injecting resources into viable investment opportunities.

1.10.8 Outsourcing in Kenya: Outsourcing Perceptions

In the recent past, economic issues have been raised with regard to outsourcing in Kenya. Telkom Internet and Broadcast in Africa (2012) report that there have been disagreements about the Kenyan government's initiatives in attracting investment in the technology industry. However, emphasis has been placed on outsourcing of key business processes which include routine functions such as call-centre operations and data entry. Furthermore, attracting high-end technological investment in Kenya will lead to increased innovation and competitiveness, resulting in a stronger economy. However, a lack of skills has affected BPO industry operators in Kenya. To resolve this problem, the Kenya Information Communications Technology (ICT) Board plans to establish a BPO Centre of Excellence programme in collaboration with Kenya's universities.

Perceptions of outsourcing range from an appreciation of the perceived benefits to an awareness of the shortcomings. Factors that hinder successful outsourcing outcomes are also considered in this thesis, which attempts to explain what influences the impact of outsourcing. World Solution (2011) suggests that there are three key growing trends in outsourcing − lack of expert labour in some areas of the business process, the availability of cheaper labour in some countries, particularly in developing nations, and the ability to and feasibility of concentrating on other crucial business processes.

1.11 Empirical Study

1.11.1 Issues Pertaining to Outsourcing in Nairobi

Issues addressed relate to population representation, promoting knowledge on outsourcing, views on advertising conducted by outsourcing firms and the awareness level of outsourcing among organisations in Nairobi. In addition, the relationship between advertising and the awareness of outsourcing in Nairobi was sought through the use of correlation analysis (summarised in Appendix 4). Initiatives that promote outsourcing and outsourcing budgets were evaluated and the relationship between budget allocation and organisational involvement in outsourcing was computed using correlation analysis (summarised in Appendix 4).

1.11.2 The Impact of Outsourcing on Organisations in Nairobi

Research findings established that outsourcing is believed to have positive and/or negative effects depending on the risks encountered and other underlying factors such as the commitment and competence of the outsourcing vendor, the business environment, the function/s to be outsourced and company policy, which need to be monitored. Therefore, careful planning and execution of outsourcing initiatives is essential to ensure favourable outsourcing outcomes.

1.12 Definition of Key Concepts

Term	**Definition**	**Source**
Business Process Outsourcing (BPO)	BPO involves contracting with service provider(s) for the provision of business process operations as per the client organisation’s requirements.	(Linder, 2004; Kshetri, 2007; Youngdahl, Ramaswamy & Verma, 2008)
Impact	‘Measure of the tangible and intangible effects or consequences of one thing’s or entity's action or influence upon another.’	Business Dictionary (2013)

Development	**Definition 1** Development involves growth, expansion and change. **Definition 2** 'The process of economic and social transformation that is based on complex cultural and environmental factors and their interaction' or 'The process of adding improvements to a parcel of land such as grading, sub-divisions, drainage, access, roads, utilities.'	Chikati (2009) Business Dictionary (2013)
Outsourcing	Outsourcing involves the 'sub-contracting' of a service or activity to an outsourcing provider (located locally or internationally).	Drtina (1994)
Offshoring/ offshore/ International Outsourcing	**Definition 1** Offshoring is defined as the allocation of non-core functions to an external party (such as a sub-contractor) in a country other than the one where the product or service will be consumed. **Definition 2:** Offshoring takes place when a company uses 'low-cost labour', 'high-quality services' and 'specialist expertise' from offshore outsourcing providers.	Evaristo, Nicolas, Prikladnicki & Avritchii (2005). Pai and Basu (2007)

Table 3: Definition of Concepts

1.13 Outline of the Thesis

This thesis consists of thirteen chapters. In the Introduction an overview of outsourcing and development and key justification factors that prompted the need to conduct this research on the effects of outsourcing were discussed. The research questions and study objectives were explained and the scope and contribution of the study were discussed. Finally, a summary and concluding remarks were provided.

Chapter Two examines key pillars of and milestones in development theory, policy and practice relevant to this study. Grand theories and more recent approaches to development are evaluated. The theories discussed provide a development theory and policy perspective on outsourcing.

Chapter Three evaluates various outsourcing theories and models, in particular, the offshore outsourcing model and the business outsourcing model. The chapter discusses empirical studies on outsourcing that have been conducted in Kenya and other African countries and in both transitional and developed countries.

Chapter Four expounds on developments in outsourcing that facilitate successful outsourcing outcomes. Key topics discussed are types of outsourcing, selecting and assessing outsourcing vendors and managing outsourcing relationships, including outsourcing contracts and negotiations. Lastly, complexities surrounding outsourcing, including unions and outsourcing, are evaluated.

Chapter Five examines trends in outsourcing. These are Total Quality Management (TQM), Human Resource Management (HRM) Outsourcing, Education and Outsourcing, the Supply Chain Portal (SCP) and Supply Chain Management (SCM) Outsourcing and Diversification.

Chapter Six examines offshoring/international outsourcing and Insourcing and Outsourcing. Factors affecting offshoring/international outsourcing are discussed as well as legal issues pertaining to offshoring/international outsourcing. The difference between outsourcing and insourcing is extrapolated on to establish which is more likely to foster development.

Chapter Seven elaborates on the significance of outsourcing in developing nations. In addition, challenges faced by outsourcing providers in developing countries are considered. Outsourcing trends in Africa and transitional countries such as India, China and Malaysia are explained as are the challenges faced by outsourcing providers in developing countries. Lastly, the chapter explains key outsourcing destinations in Africa and Asia.

Chapter Eight provides an overview of the Kenyan economy. Issues pertaining to the unemployment rate, the economic growth rate, savings and investment are evaluated. Literature on the Kenyan economy provides a picture of the economic climate of the country.

Chapter Nine discusses topics relating to outsourcing in Kenya and outsourcing perceptions. Kenya's Business Process Outsourcing (BPO) industry and the potential for outsourcing in Kenya are examined and economic issues relevant to outsourcing in Kenya and the trade policies governing Kenya are discussed. Two case studies are evaluated to assess the extent to which Kenya engages in and benefits from offshoring/international outsourcing. The perceived impact of outsourcing and the risks and challenges associated with outsourcing are evaluated. Factors that help and hinder the collaborations involved in outsourcing are also examined.

Chapter Ten elaborates on the research design adopted in this study, in particular, research methods used, the sample size, data collection, analysis and presentation tools.

Chapter Eleven provides general information obtained on outsourcing from questionnaires distributed to staff in sampled organisations in Nairobi. This chapter provides an overview of issues that facilitate a better understanding of and background to outsourcing in Nairobi. The overview specifically provides insights concerning the respondents' knowledge on outsourcing, views on advertising by outsourcing firms and the awareness level of outsourcing in organisations. Additionally, initiatives that promote outsourcing and outsourcing budgets are evaluated.

Chapter Twelve provides an overview of the impact of outsourcing practices in organisations in Nairobi. The overview specifically provides insights concerning the services commonly outsourced by sample organisations in Nairobi, the benefits of outsourcing, the percentage of sample organisations that engage in outsourcing, the percentage of sample organisations that fail to engage in outsourcing, and the reasons why some sample organisations engage in outsourcing and others do not. Risks, challenges and problems associated with outsourcing are also addressed. The future of outsourcing is explored to provide a guide whether the future for outsourcing is promising or not. Promoting knowledge on the benefits of outsourcing is also considered. Two final sub-topics are a summary of employees' perceptions of outsourcing and a framework for the effects of outsourcing.

The final chapter provides a summary and concluding remarks on the main findings of the study. The chapter provides several recommendations that could be adopted in the future in an effort to enhance outsourcing efforts.

1.14 Conclusion

Outsourcing involves three key players − the client firm, the outsourcing vendor and the project (Power, *et al.,* 2007:3). Quinn (2000) believes that strategic management of outsourcing is probably the most useful tool in management. In the past, outsourcing was associated with benefits such as cost savings. Currently, outsourcing benefits are associated with productivity, flexibility, speed and innovation in developing business processes and access to new technologies and skills (Greer, Youngblood & Gary 1999; Bacon, 1999).

Egypt, Morocco, South Africa and Tunisia are considered Africa's most developed economies. The total amount of manufacturing and services produced in terms of GDP in these countries is 83%. However, construction, banking, telecom and retailing which are domestic services, have accounted for more than 70% of their economic growth since 2000. Domestic consumption in these four countries is considered the largest contributor to economic growth (Leke *et al*., 2010).

There were five key factors that prompted this study. The first is the need for increasing participation of citizens, entrepreneurs and the government of Kenya in fostering development. It is my view that this can be achieved through expanding outsourcing initiatives. This is based on the fact that outsourcing has been shown to have significant benefits.

The second reason is that there is capacity for development in Kenya. This involves identifying new solutions to old problems relating to development through technical co-operation.

The third factor is that there is a link between technology, poverty and development. Considering that outsourcing encompasses technology, and poverty levels in Kenya are high, it is possible that technology could improve the productivity and efficiency of outsourcing.

The fourth factor is the fact that unemployment levels in Kenya are high (40%) (Kenya National Bureau of Statistics, 2013); Parente, 2014), which mean that human capital is underutilized. Outsourcing could create employment opportunities in Nairobi.

The fifth reason for the study is the fact that Kenya's Gross Domestic Product (GDP) grew to 5.2% in 2013 (Kenya National Bureau of Statistics, 2013). Considering that this growth rate is relatively low, this study seeks to establish if outsourcing can facilitate an increase in Kenya's economic growth.

The study's purpose was to establish the extent to which the practice of outsourcing is being conducted and the impact outsourcing has on organisations in Nairobi. These findings will ultimately assist in providing a better understanding of how and under what conditions outsourcing can contribute to development, poverty reduction and social change. The key research question was what is the impact of outsourcing practices conducted by organisations in Nairobi? This research was limited to Nairobi, the capital city of Kenya because the majority of industries are located in the capital city.

This study contributes knowledge on the impact of outsourcing, particularly for the Kenyan government, investors and potential investors and the citizens of the Republic of Kenya. The study further provides information on whether development can be achieved in a country through adopting outsourcing initiatives, which thus contribute to the field of Development Studies. The study also provides insight into how viable outsourcing initiatives can be for other profit-making organisations in Nairobi and could serve as a guide to policy formulation for outsourcing in Kenya.

Development by its very nature is deep-rooted and complex. It is a collective effort born out of the long existence of people who share particular cultures. Development cannot be imposed, nor can it be brought about by a person, or a group of individuals. Governments of developing and transitional nations such as Kenya, need to evaluate their states to re-discover or establish the means to foster development. Developing and transitional nations need to develop in accordance with their own strengths and possibly establish alternatives to modern capitalism, while incorporating practices such as outsourcing which on the surface might appear capitalist, but can be reimagined in a contemporary African context. Sustainable development is not possible if there is no adequate basic infrastructure or good political management of local and global resources.

The next chapter examines development theories, in particular, classical theories and policies of development, and more recent approaches to development theory and policy.

PART ONE: LITERATURE REVIEW

CHAPTER TWO: DEVELOPMENT THEORY AND POLICY IN THE TWENTIETH CENTURY

2.1 Introduction

Various discussions on 'development' have emerged since the concept was first formulated. During these periods some debates have dominated in comparison to others and have become the key channel of insight in the field. Furthermore, there is a contention between development theory and policy which is visible in the failures of development policies which have been formulated under a development model which consequently creates new definitions, new means or even a change in the development 'paradigm'.

For some time now more rigorous and extensive debates about development theory and practice have taken place. This has occurred due to unfavourable policy formulation and implementation which has resulted in the increased poverty levels and low economic growth rates that are believed to characterise Third World countries. However, changes from 'neoliberal' philosophy and zeal about specifically market-driven approaches have created room for more informed discussions to take place. Thus, current discussions are no longer centred on classical theories.

According to Booth (1993), the unfulfilled promises and the discontent with development theories and policies have created an informative discussion that has enhanced the development plan. A key area that has been addressed and discussed intensely by development theorists and practitioners is whether the 'free market system' can rectify the challenges associated specifically with 'global capitalism' and provide the appropriate magnitude and forms of intercessions needed (Birdsall and de la Torre, 2001; Collier and Dollar, 2002; Fine, 2006; Giddens, 1998 and 2000; Gore, 2000; Hildyard, 1998; Ocampo, 2005; Stiglitz, 1998 and 2002 and Wade, 1990). The financial crises of 2008 encouraged the renewal of Keynesians methods of economic policy-formulation and more revolutionary policy recommendations than those from the neoliberal perspective of 'liberalisation' and 'deregulation'.

Discussions in development theory have shifted from classical narratives to more local, empirical and inductive methods (reasoning that entails moving from the specific to the general and seeking to provide strong evidence for the truth of conclusions made). This has resulted in an approach to development that incorporates participation, empowerment and capacity development. On the other hand, institution building, organisational strengthening, social capital, people-centred development, sustainable development and good governance are areas that have been considered in international policy discussions and debates.

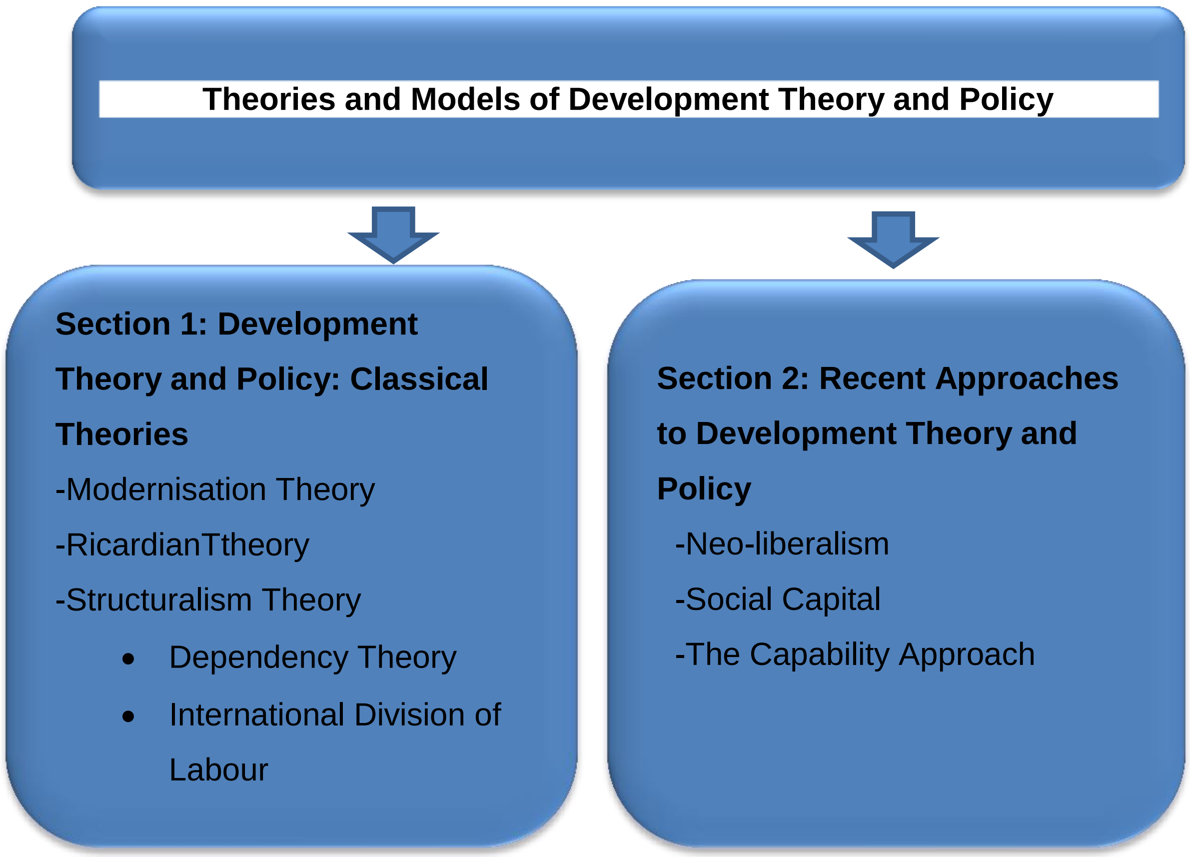
Even though there have been different views on development, there has also been increasing consensus that recognises that in the long term development requires more comprehensive and appropriate approaches, techniques and polices that consider more than ‘macro structural adjustment’ (as elaborated on in for instance Stiglitz, 1998 and 2002; World Bank, 1998).

In the 1970s and 1980s concerns pertaining to ‘gender’, ‘environment’, ‘participation in development projects’, ‘decentralisation’ and ‘local development’ were addressed and theoretical perceptions and practical techniques were developed. In the 1990s however, ‘participation’, ‘people-centred development’, ‘social capital’, ‘good governance’, ‘democratisation’, ‘decentralisation’ and ‘local development’ emerged as related terminologies and as key terms in development. These terms are now being used to revise development theory. These have created a renewed interest in the development ‘paradigm’. In addition, a historical understanding of the emergence of development is required so as to comprehend the changes in development ideology. Thus, understanding development and the role of different development components as well as the role of a particular nation, market and society in the process of development is crucial. The aim of this chapter is to present a chronological overview of development discourses as well as to outline how and to what extent contemporary discussions have been tailored by specific theoretical assumptions.

In order to understand the different perspectives in development one needs to understand the underlying concepts that have been applied to development and the manner in which these ideas have been taken up and implemented. Therefore, this chapter is based on an extensive review of the literature pertaining to some selected key topics relevant to under-development, development, policy and institutions. Thus, the chapter concentrates on theories, themes and implicit topics in development literature which have contemporary policy relevance for understanding the relationship between outsourcing and development.

This chapter is divided into two main sections. The first looks at classical development theories while the second concerns more recent approaches to development theory and policy. Classical theories discussed are Modernisation Theory, Ricardian Theory, the Structuralist Approach to Development, Dependency and International Division of Labour. The more recent approaches to development theory and policy considered are Neo-liberalism, Social Capital, and the Capability Approach. The illustration below summarises the theories discussed in this chapter.

Illustration 2: Theories and Models of Development Theory and Policy



2.2 Section One: Classical Development Theory and Policy

Development theory is a combination of theories about how desirable change in society is best achieved. Development theory can be divided in two: development theories that specifically deal with the social and economic occurrence of 'underdevelopment' and 'development' and those that are based on problem-solving. The focus of both of these approaches is based specifically on economic, social, political and/or cultural factors. To some extent, these approaches overlap with one another. This section evaluates Modernisation theory, Dependency theory, Structuralism and Ricardian theory.

2.2.1 Modernisation Theory

Modernisation theory is a convergence of evolutionary and functionalist theory. In the 1950s and 1960s Modernisation theory was the foundation for the prevailing macro development rhetoric. Modernisation is considered to be the gradual evolution from 'traditional', to more 'progressive' or 'modern' societies. The objective of this ideology is the formulation of a 'modern' industrialised urban-based nation. Modernisation theory provided Third World nations with a guideline on how change could be achieved, in other words, on how industrialised nations had supposedly achieved development. Modernisation has also been defined as the process of change towards different types of social, economic and political structures that emerged in Western Europe and North America from the seventeenth to nineteenth centuries and thereafter spread to other European nations and in the nineteenth and twentieth centuries to South America, Asia and Africa (Eisenstadt, 1966:5-6).

The term 'Modernisation theory' has its roots in the historic evolutionary explanation of social change (Giddens, 1991: 137-138 and Smith, 2003:44). Emile Durkheim, Karl Marx and Max Weber theorised the changes initiated by the industrial revolution. There are two concepts that continue to influence current modernisation discourse globally. The first is that of regular 'social change' and the other is the idea of 'development' (Smith, 2003: 44). Modernisation theory tries to explain how society is meant to 'progress' and what variables influence that progress and how communities react to that progress.

Rostow's classic 'Stages of Economic Growth' together with the writings of Eisenstadt and Smelser, can be considered exemplary examples of modernisation thought. Rostow argued that for a nation to become modern, it had to go through five systematic phases. The first stage is referred to as the 'traditional society'. In this stage the economic system is considered to be stationary and the prominent economic activity is agriculture with traditional methods of cultivation. The second phase is referred to as the 'preconditions required for take-off'. It is characterised by increased rate of investment as economic activity increases. The third phase is the 'take-off stage' which is characterised by dynamic economic growth. The fourth phase is referred to the 'drive to maturity' which is characterised by continued investment in economic activity. At this stage new forms of industry are established. Consequently, according to Rostow, social and economic prosperity result. The drive to maturity is considered to start approximately 60 years after take-off. Lastly, there is the high mass-consumption stage in which consumers are offered a range of products and services (Potter, Binns, Elliott, and Smith, 1999:51 and Rostow, 1960).

The concept of outsourcing can be linked to Rostow's model which is characterised by increased rate of investment. Industralisation can foster dynamic development which can be attained through increased economic activity. Outsourcing initiatives may allow for increased productivity and efficiency. However, this is a complex and challenging venture to accomplish in totality because of the complexities that surround successful outsourcing outcomes which need to be critically evaluated such as evaluating outsourcing providers' performance and the stability of the micro and macro business environment among other variables.

Increased globalisation has offered some resistance to Modernisation theory. Social movements have opposed globalisation on behalf of minority groups of society. This means that 'globalisation' and 'localisation' (which is the process of adapting a product or a service, such as outsourcing to a particular culture) arise at the same time (Routledge 1992). Through globalisation, nations are able to attain some degree of modernisation. Through the exchange of knowledge, skills and technology as well as engaging in international trade such as in offshore outsourcing, a nation can improve and increase its economic growth significantly. Globalisation implies a process of 'intensification' of global 'economic', 'cultural' and 'social' relations. It is a mixture of markets, business sectors and product systems which have resulted from strategic behaviour. The participants are businesses and in some cases states or nations (Giddens, 1999).

Despite the claims that modernisation has fostered development in First World nations, questions have been raised as to whether developing countries can achieve development in the same logical sequence in which developed nations did. Thus, critics of the failures of Modernisation theory have emerged.

2.2.1.1. The Failures of Modernisation Theory

A key criticism of Modernisation Theory is that the global situation was not considered in full. Modernisation Theory assumed that the process of modernisation and industrialisation was assured and that developing nations had as good a chance as the developed countries or an even better chance of achieving industrialisation. The idea of a traditional/modern distinction is also considered to be simplistic.

Itagaki (1963) summarises two critics of Rostow's stages of economic growth. Kenneth Berrill states that although Rostow considered the stage of 'take off' to signify discontinuity ('take off' focuses on a complex transformation in which the various variables in this transformation cannot be separated) and argues that it is not possible to separate the continuous flow of changes into phases. A. K. Cairnoross, criticises Rostow's emphasis on discontinuity and asks: 'Is there a genuine discontinuity or is there a simple acceleration of growth?' On the other hand, the concept of 'sequence' signifying continuity is also criticised. Cairncross further states:

> 'Although Rostow draws attention to some of the characteristics of the successive stages of economic growth he does not put forward any model of the interaction of the variables at each stage …… There are no definitions of the successive stages that admit to their identification by reference to verifiable criteria … One of the greatest weaknesses of stage approach to history is that it provokes but cannot answer the question: What comes next?'

Approaches to achieving modernisation were increasingly weakened due to policy shifts in the 1980s in the West. This resulted in debt-ridden developing countries being forced into the position of petitioners for alms. Developing countries were then forced to adopt neo-liberal macro-economic policies and at the same time they were denied aid to modernise their governments. This led to modernisation theorists taking a more reflective and humble approach.

Globally, several vigorously pursued programs to achieve modernisation and development with Western models have unfortunately resulted in chaos, cultural conflict and confusion. This could be attributed to the fact that experts from developed countries ignore local issues in developing countries, as documented by Timothy Mitchell (November, 2002) in 'The Rule of Experts'. Thus, the failures of

Modernisation theory brought the need for other theories to be evaluated so as to establish other means in which development can be achieved.

2.2.2 Ricardian Theory

David Ricardo documents that Rricardian theory measures economic progress in terms of the amount of output produced by the economy of a country. The shortcomings of Ricardian theory have caused economists to investigate other meanings of growth and development. Many have come to challenge a key assumption of Ricardian theory which is that an economy's potential is determined by its resources and technology. Development economists view this assumption as 'far-fetched' and are rather of the view that it is more realistic and practical to say that the problem of developing nations, like Kenya, is not the lack of potential but the lack of 'know-how' on how to achieve economic potential (De Soto, 2000; and Guest, 2004).

What hinders development is not a lack of resources or technology but a failure to utilise to the maximum the resources and the technology which are readily available. This is an indication that suitable strategies need to be selected by governments and companies so that increased productivity levels may be achieved. This can be further achieved through the appropriate allocation of resources and the adoption of suitable technology for production purposes. In the case of outsourcing for instance, knowledge on outsourcing needs to be readily available to organisations. This will help them make better decisions about what function to outsource and how to go about outsourcing. Outsourcing strategically executed could facilitate in achieving to some extent the much needed productivity levels required to foster economic growth and investment in a nation.

In development economics and economic history, the focus has moved to how and to what extent economies have prospered through establishing their potential. Grantham (1999) has considered this approach - more evident in the writings of Adam Smith that of David Ricardo.

Over the years, there has been a change in opinion. It has been suggested that, instead of considering resources and technology only, economists could begin to consider institutions - the social and political structures that help or hinder productivity. Thus, economic development and political development are increasingly viewed as similar. This interest in institutions evolved through economic historians – specifically North and Thomas (1970) and Jones (1988). Additionally, development economists have also started to take an interest in economic and political institutions (Shirley, 2005) as they contribute in improving and increasing economic activities. Political and social institutions need to be considered with regard to formulating and modifying regulations and laws that govern economic activities such as domestic and international/offshore outsourcing. Favourable policies can create opportunities that will enhance outsourcing initiatives that may facilitate in the attainment of development in the future. Policies formulated can be guided by international laws and laws that govern certain nations that are considered to be prospering as a result of outsourcing such as India and China.

In conclusion, Ricardian trade theory assumes that technical progress will advance agriculture-producer actions. Free and competitive trade facilitates in making factor price (the money required to purchase goods from a factory) coincide together with traded goods prices. It was not applicable initially that technical progress focuses in the industrial nations because of market systems which incooperated the reduction of prices in industrial agricultural products. As a result, nations producing agricultural goods ultimately benefit in some way due to technical progress. This is because companies will protect their profit margins whereas unions will ensure that they protect their wage level and ensure increased productivity will not result in reduction in wages and consequently, industrial good prices will not reduce. Ricardian theory (Comparative Advantage theory) considered international trade to be the driver of development for underdeveloped countries.

2.2.3 Structuralism

The Structuralist approach to development emphasises the need to consider structural features when engaging in economic analysis. The Structural approach began with the work of the 'Economic Commission for Latin America' (ECLA). Past Structuralist models emphasised ‘internal’ and ‘external disequilibria’ which come from the productive structure and its interactions with the dependent relationship Third World nations previously had and some continue to have with First World nations.

Recent additions made to structuralist economics have highlighted the significance of institutions and distribution amongst productive sectors and social groups. Looking at the macro economic level, ‘modern’ Structuralism would trace its roots to Kalecki' (1970). The Structuralist approach to development has highlighted the dependency condition that characterises developing nations thus illustrating the need to explore Dependency theory which was essentially considered a follow up to the Structuralist approach.

Furthermore, the structuralist approach to development argued that in the International Division of Labour, Latin American nations played a minor role in specialising in the manufacturing and export of raw materials and food. Structuralist economics’ main aim was to provide more workable structures of domestic and national economies in order to assist governments to plan for national development (Preston 1996: 179 -189 and Martinussen 1997: 73- 84). Structuralists held the view that Third World nations could only handle obstacles through adequate and organised state action. Developing nations needed to accelerate the process of industrialisation, and reduce their dependence on trade with developed countries, and instead increase trade among other developing and transitional countries.

In conclusion, structuralism did not reject the industrialisation path to development. It rather rejected the unregulated synergy with the global capitalist economy as a means of attaining development. Modernisation and Structuralist theory were founded mainly as a top-down approach to be implemented solely by the state. Large-scale industrial projects such as the building of dams were considered key in encouraging accelerated economic growth. In addition, development aid and technical assistance had a crucial role to play in both Modernisation and Structuralism. Structuralist apparoaches to understanding development can be grouped in ‘smaller’ theoretical positions. Below I consider Dependency theory and International Division of Labour as two related yet separate theories.

2.2.3.1 Dependency Theory

Modernisation theory faced varied criticism in the late 1960s, specifically because of one of its assumptions which is that the development experience of Western industrialised countries could be applied to developing countries in a relatively easy manner. On the other hand, Latin American Structuralism and its main policy outcome - the Import Substitution Industrialisation (ISI) strategy-- also faced criticism from the advocates of Dependency theory who opposed Modernisation theory. Dependency theorists realised that structuralist-inspired policies failed to end the dependency linkage with developed countries. This resulted in a growing concern and as a result development planning began to change.

François Perroux and Kurt Rothschild are two key authors of Dependency theory. Dependency theorists believe that short-term spurts of growth that do not withstand long-term growth within a country will result in ‘imbalanced’, ‘unequal’ and ‘high deficit balances’. Repeated fluctuations in the long term also have a significant impact across national comparisons of economic growth and societal development. What was viewed to be good in the long-term growth may end up being just a short-run growth after a period of long recession (Tausch, 2003).

Dependency thinking helped in the development of First World nations. This type of development is referred to as ‘dependent development’. Dependency thinking begins from the idea that resources are moved from the poor and underdeveloped countries to a developed nation which resulted in the accumulation of wealth in the developed countries at the cost of Third World countries. In contrast to Modernisation theory, Dependency theory suggests that not all nations develop in similar phases of development. Dependency theory further suggests that underdeveloped countries provide natural resources and cheap workforce for First World nations (in the terms of this thesis, this could be understood as offshore outsourcing), without which First World countries could not have had the standard of living which they enjoy today (University of Twente, 2012).

Developed nations are now engaging in offshore outsourcing, in other words shifting jobs to developing countries. Consequently, developed countries are left with fewer job opportunities. On the other hand, developing countries gain job opportunities, increased economic growth as well as knowledge and skills. Offshore outsourcing has brought about heated discussions in developed countries and is a complex issue to challenge and resolve. In the past however, developing countries heavily relied on funding from developed countries. This was obtained through the Structural Adjustment Programs (SAPs) that were insisted on by the World Bank and were meant to aid developing nations (Easterly, 2003). The SAPs eventually failed to facilitate development and were therefore dissolved.

The dependency syndrome cannot be ignored as it continues to prevail to some extent in that First World countries continue to depend on labour from developing countries to achieve maximum returns and economic growth. Thus, Dependency theory can be modified to incorporate the dependency of developed countries on those that are considered to be still developing.

Classical theories of development did not consider the different development experiences of men and women. Debates around gender as a development led to the Women in Development (WID) approach. Another perspective that evolved related to the environmental aspects of the development process. This was what brought about the evolution of the concept of ‘sustainable development’. For the first time the environment was addressed in an international debate and environmental conservation was discussed (See ‘Limits to growth: A report to the Club of Rome's Project on the Predicament of Mankind’, Meadows, Randers, and Behrens III, 1972 and UN Conference on Human Environment or Stockholm Conference held in Stockholm 5-16 June, 1972).

Obstacles to development exist. However, it would be useful for developing nations to consider the words of Williamson (1989) who documents that ‘no statement about how to deal with the debt crisis in Latin America would be complete without a call for the debtors to fulfil their part of the proposed bargain by ‘setting their houses in order,’ ‘undertaking policy reforms,’ or ‘submitting to strong conditionality’.

2.3.1.1 Criticisms of Dependency Theory

Although Dependency theory was largely inspired by Marxism, some of the criticism of it has also come from Marxist scholars. The one main source of criticism is the Modes of Production approach and the other is the Classical Marxism of Bill Warren.

Marx stressed the manner in which class relations came about from a particular mode of production (for example slavery, feudalism and capitalism). This motivated some scholars to further study Third World countries in this regard. These critics illustrated how capitalism has in fact empowered the survival of pre-capitalist techniques, such as peasant production. This made it possible for capitalist farmers to reinforce the accumulation of monetary rewards.

For example, in some parts of Africa contract commercial farming has become a trend (Smalley, 2013). Farmers with large farms engage in contract farming with private companies (where large scale farmers are contracted to grow a particular cash crop) and employ on casual terms small scale farmers who have farms which are too small to support their families or unemployed persons in the community. This benefits capitalist farm owners who can choose to pay low wages as they do not employ labourers throughout the year. (In other words the farmers employ outsourced labour.) Thus, the peasant farmers have no bargaining power. This means that cheap labour will result in increased profits for the large-scale farmers.

Warren's criticism of Dependency theory queried what he viewed as its 'pseudo-Marxist foundation'. From the background of classical Marxism, and from the little Marx had to say about colonialism, Warren attributed the phases of underdevelopment to capitalism in general, as opposed to only 'dependent' nations in capitalism. In addition, Warren (1980) argued that the expectations of capitalist development in parts of developing countries were good and that some important transformations had already taken place.

2.2.3.2 International Division of Labour

Globalisation has to do with world cutural flows (Appadurai, 1996), which result in increased cultural connection and increased global culture. It has also led to a global society where countries have assumed different roles in the International Division of Labour that is part of the global capitalist project, secured in industrialism (Sklair, 1995).

Recent changes in the trend of global production have been motivated by trade liberalisation, technological improvements and economic transformation. Theories of comparative advantage suggest that differences between countries determine what they produce. Nations which have a large pool of skilled manpower manufacture goods that require skills. It is important to evaluate whether there is a relationship between specialisation, outsourcing and wages. It can be argued that, if outsourcing is associated with specialisation gains arising from an increase in the division of labour, domestic outsourcing tends to increase wages for both unskilled and skilled labour. The relative demand for unskilled workforce in, for instance, Western Europe and the US has declined through international specialisation

(Feenstra and Hanson, 2003). Outsourcing is considered biased towards activities that are intensive in the use of unskilled labour. The comparative advantage effect is due to specialisation gains which result from the exploitation of capability differences across nations.

The International Division of Labour is related to when the stages of manufacturing are no longer scheduled to national economies. This has led to a trend of transfer (global industrial shift) in which production processes are shifted from First World nations (for example the USA, Europe and Japan) to developing countries in Asia (for example China, Vietnam and India) and Latin America. This has occurred because the cheapest countries to manufacture and assemble components with low-cost labour-intensive parts for the manufacturing process are moved to the developing world where costs are relatively lower than in First World nations.

Companies take advantage of transportation and communications technology as well as splitting and destination flexibility of production. Since 1953 to the late 1990's, the industrialised economies' share of global manufacturing output declined from 95% to 77% whereas the developing economies' share output has more than quadrupled from 5% to 23% (Krempel and Pluemper, 1999). This has resulted in companies engaging in international outsourcing. Hence, First World nations establish company branches in developing nations thus creating job opportunities in developing nations as well as knowledge and skill transfer as previously explained in Dependency theory.

Duranton and Jayet (2005) argued that the opportunities used to obtain gains from the division of labour are minimised by the extent of the market. The extent of the market is determined by the efficiency of transportation. As far as outsourcing is limited by transportation efficiency, the level of outsourcing will to some extent reflect the division of labour.

An important difference between the comparative advantage effect and the division of labour effect is that the comparative advantage effect will be skill biased and thus would primarily benefit the abundant factor in a country whereas there is no reason to anticipate that the division of labour effect to be skill biased. Therefore, analytically, it is not correct to differentiate between the two effects, considering that foreign outsourcing usually results in a combination of the two impacts. This would be the case if, for example, foreign outsourcing, in part, is made up of activities relocated to nations with varied skill abilities and in part, functions outsourced to nations with similar skill capabilities. Domestic outsourcing is assumed not to be skill biased and could as a result; only affect productivity and salaries to the degree that it affects the division of labour. Domestic outsourcing basically affects salaries if there is a division of labour effect. Hence, domestic outsourcing is expected to be more beneficial for unskilled labour than international outsourcing. International outsourcing tends to reduce salaries for low and medium-skilled manpower while, salaries of highly skilled workforce rises. By contrast, domestic outsourcing tends to increase salaries for low and medium-skilled labour, while there is no significant impact on highly skilled salaries (Skaksen, 2004).

In *The Wealth of Nations*, Adam Smith argued that specialisation benefits are achieved in larger markets through increasing the division of labour and an immediate consequence is that manpower can be in a position to demand higher salaries in larger markets. This key insight was later formalised by Ethier (1982) who illustrated that ‘intra industry trade’ (the exchange of similar products that belong to one industry) are considered ‘differentiated intermediate’ goods (products that are used in the final production of a final good can arise because companies find it profitable to divide their production phases). Thus, a larger number of intermediate goods become readily available due to the opening up of trade and this ultimately increases the productivity of final goods. This insight is theoretically well understood.

Duranton and Jayet (2005) realised that there is relatively little research/data available on the division of labour. In their empirical analysis they concentrated on the connection between the extent of the market and the division of labour. They established that there is a positive relationship between division of labour and the size of French cities. In contrast, the connection between the division of labour and salaries has not yet been researched.

Latin-American nations played a role in the International Division of Labour by specialising in the production and export of raw materials and food items. This resulted in an economy marked by a high degree of specialisation along with structural change (Prebisch, 1963). For development to occur structural changes in varied areas like ‘international integration’, ‘agrarian reform’, ‘education’, ‘fiscal reform’ and ‘improved access to finance’ need to be considered (Prebisch, 1996). These changes would result in an improved national economy through the development of increased diversity in industrial productivity, price stability and increased job opportunities.

In conclusion, the International Division of Labour promotes economic activity and skill transfer to nations that create an environment that encourages international trade as well as international or offshore outsourcing. What could hinder the implementation of the International Division of Labour are unfavourable policies governing investment, particularly in offshore outsourcing.

2.3 Section Two: Recent Approaches to Development Theory and Policy

The failures of classical development theories brought the emergence of new theories and approaches to explain how development could be achieved. For instance, the introduction of favourable policy formulation, institutions and community ties (social capital) in fostering development has been considered. This section looks at Neo-liberalism, Social Capital, and the Capacity Approach.

2.3.1 Neo-liberalism

Neo-liberalism, which is also referred to as 'market liberalism', is a dominant view of development. It is particularly witnessed in the industrialised West as well as in some influential international bodies in the development field such as the World Bank and the IMF. The advocates of this view can be traced back to supporters of the 1950s of 'free enterprise', who trace their scholarly descent back to Adam Smith.

According to Makwana (2006), neoliberal policies advocate for market forces (the impact of demand and supply on trading within a free market) and commercial activity as the most efficient way of supplying goods and services. Furthermore, Neo-liberalism discourages government intervention into 'economic', 'financial' and 'social' concerns.

In Tony Blair's speech on 'Globalisation and Neo-liberalism', in September, 2000, he argued that 'Globalisation' and 'Neo-liberalism' are similar phenomena but only in a limited sense. The neo-liberal philosophy views a country as a business enterprise. A country markets itself as an investment destination instead of simply selling export products. Proponents of Neo-liberalism consider free markets and free trade to allow creative entrepreneurial initiatives that with time will enhance society. This is believed to ultimately result in individual freedom and the appropriate allocation of resources (Hayek, 1973 and Rothbard, 1962/1970, 2004). The ‘capitalist’ crisis of the past 25 years which is characterised by reduced profit rates led to the revival of ‘economic liberalism’ by the corporate elite. This is what makes Neo-liberalism 'neo' or new (Martinez and García, 2011 and Cohen, 2007).

Palley (2005) suggests that a significant change has occurred due to Neo-liberalism which has replaced the economic theories of John Maynard Keynes (1936) and his followers. Keynesianism was viewed as the prominent theoretical structure in economics and economic policy-making between 1945 and 1970. This was eventually replaced by a ‘monetarist’ approach which was pioneered by Milton Friedman (1962) and Friedman and Schwartz (1963). Neo-liberalism, however, is at the fore-front, particularly in macro-economic policy-making today. Neo-liberalism can be related to outsourcing in that less harsh regulations (for profit-making companies) can foster lucrative domestic and international/offshore outsourcing initiatives that can increase a nation’s economic growth.

Those who support Neo-liberalism argue that the net gains for all nations under ‘free trade’ and ‘capitalism’ will in most situations outweigh the costs. Neo-liberalism can also be compared with ‘economic nationalism’ and ‘fair trade’.

In conclusion, a significant feature of neo-liberalism is the regulation of the market. It is assumed that individuals behave in a reasonable manner to increase material needs. Although it does not matter who the individuals are, the dominant ideology of neo-liberalism is ‘individualism’.

2.3.1.1 Critics of Neo-liberalism

Critics of Neo-liberalism say that it results in the rich becoming richer while the poor become poorer. However, the practice of outsourcing which could involve the participation of the poor could change this notion. From a global angle, Neo-liberalism has been implemented by influential financial institutions such as the IMF, the World Bank and the Inter-American Development Bank (Martinez and García, 2011 and Cohen, 2007).

Kelsey (2009) further argues that, in theory; it would be a challenge to maintain a ‘market-driven regulation’ where it is responsible for a devastating global depression and where governments’ reactions have discredited the most primary ideology of Neo-liberalism. If governments do not have the independence to respond to continuing policy failures, local or global crises through involvement and the promotion of social acceptance as opposed to free market controlled by one central authority, then there is a risk that social concerns would facilitate in creating political division.

2.3.2 Social Capital

Social Capital refers to for instance, the family, friends and colleagues who make up an important asset for an individual. Social Capital can be used in a crisis situation and at the same time enjoyed and used to influence material gain. Communities that are wealthy with social groups and public associations would be in a better position to deal with poverty and vulnerability (Moser, 1996 and Narayan, 1996) in order to resolve conflicts (Schafft, 1998), and/or to explore new opportunities (Isham, 1999).

The new formulation of Social Capital as a term brought about the renewal of interest in academia for an ancient debate in the discipline of social science which is the relationship between 'trust', 'social networks' and the development of a new 'industrial' society. Social Capital theory is known to have gained popularity through the unity of early sociological theory with the explanation of an immaterial type of capital. As such, the traditional definition of capital has been overcome allowing researchers to handle issues in a new way (Ferragina, 2010:73).

Social Capital theory has been used in various forms to discuss superior management performance, increased performance of members of different groups; the value obtained from strategic collaborations (which could include outsourcing firms and client firms) and improved supply chain relationships. Social Capital is viewed as a resource that persons formulate from specific social frameworks which they then use to attain their interests. Social Capital is formed through changes in relationships among actors (Baker, 1990: 619).

The features of Social Capital that facilitate in useful benefits could similarly have the capability to cause negative outcomes. Some of the pitfalls of Social Capital include: creating behaviour that worsens a situation instead of improving the economic performance of a situation; hindrance to 'social inclusion' and 'social mobility'; creating division among community members instead of uniting them; facilitating in increasing crime instead of reducing criminal activities and under achievement of education and health-damaging behaviour (Aldridge, Halpern, and Fitzpatrick, 2002 and Grover, 2012). Furthermore, groups which can generate Social

Capital can also omit others within a given community (Morrow, 1999 and Szreter, 2000). According to Wall, Gabriele and Frans (1998), Social Capital can become a hindrance to individuals' actions and choices. For example, there is a particularly high chance that negative Social Capital in urban poverty situations may arise (Small, 2002).

Examining the research of Coleman (1987, 1988, 1990) on education and specifically that of Putnam (1993a;1995) on public participation and the performance of institutions, has provided motivation for the majority of present work on Social Capital which has ultimately brought together education in nine key areas. These consist of the following: families and youth behaviour concerns and challenges; learning and education; community life; work and firms; fairness and leadership; collective action; health and environmental concerns; criminal offenses and development of economies.

Social Capital can be a useful tool in outsourcing in that communities can be educated on outsourcing and entrepreneurial opportunities. A community may incorporate the practice of outsourcing to enhance economic development. Through engaging in meaningful collaborations, entrepreneurial activities could be fostered thus benefiting the community at large. Building networks and relationships based on trust are essential for obtaining successful outsourcing outcomes. Hence, positive Social Capital is a useful tool for enhancing economic development.

Social Capital theory was meant to ‘depoliticise’ development and to instil a political and neutral character (Cleaver, 1999; Green 2002; Mosse, 1997; Phillips and Edwards, 2000; Shore and Wright, 1997 and Wright, 1996).

2.3.3 The Capability Approach

The Capability Approach theory is a framework that consists of two key standard claims: that the freedom to attain well-being is of great importance and that freedom to attain well-being is comprehended in relation to an individual’s capabilities, which are the individual’s real opportunities to engage in what he/she considers of value. This approach has been developed in particular normative theories, for instance, theories of social justice or what could be referred to as accounts of ‘development ethics’. Furthermore, the Capability Approach has also led to new interdisciplinary literature in the field of social sciences. Consequently, this has resulted in new statistics and social gauges as well as a new policy paradigm in Development

Studies, which is referred to as the ‘human development approach’. For an elaborate introduction to the human development approach see Fukuda-Parr (2003) and Fukuda-Parr and Kumar (2009).

The Capability Approach can be looked at from a philosophical point of view as well as a social science perspective. From the perspective of social sciences see Comim, Qizilbash and Alkire (2008), Deneulin (2009) and Kuklys (2005). The Capability Approach can be traced back to theorists such as Aristotle, Adam Smith, and Karl Marx (see Nussbaum 1988 and 1992 and Sen 1993 and 1999: 14, 24). Economist-philosopher Amartya Sen who championed the approach, and philosopher Martha Nussbaum and other scholars in the humanities and social sciences have greatly developed the Capability Approach. Notably, the Capability Approach was developed as a flexible and multi-purpose framework, as opposed to a precise theory of well-being (Sen 1992: 48; Qizilbash 2008: 53–54; Robeyns 2005: 94–96). This open-ended and underspecified nature of the Capability Approach somewhat explains why the concept ‘Capability Approach’ was selected and is used today in literature as opposed to using ‘capability/capabilities theory’.

Even though there are various philosophical disagreements about the best description of the Capability Approach, it is now generally understood that the Capability Approach involves the following activities: First is the evaluation of an individual’s well-being, second that of social arrangements and finally, the structure of policies and proposals based on social change within society. In the above mentioned activities the Capability Approach prioritises people’s genuine opportunities to be educated and their ability to enjoy supportive social relationships, happiness and resources such as income or wealth. For a brief overview of how the Capability Approach has been adopted in practice see Robeyns (2006).

Academics and policy makers use the Capability Approach in a variety of fields. The approach dominates in Development Studies and policy making, welfare economics, social policy and social and political philosophy. The Capability Approach can be applied both narrowly and broadly (Crocker and Robeyns 2009). In a narrow approach, the Capability Approach explains what information is required to judge how good an individual’s life is. This type of information is necessary for human development. The narrower application of the Capability Approach, which concentrates on the evaluation of individual functioning levels and capabilities, is relevant to outsourcing. Notably, in a practice like outsourcing it is essential to have staff who have skills to perform a particular task for contracted client firms. Capability is achieved through education and experience. Having the appropriate capability ensures competence.

2.3.4.1 Critics of the Capability Approach

Supporters of Rawls' 'Theory of Justice' have competently criticised the Capability Approach (Pogge, 2002; Freeman, 2006 and Kelly, 2010). First, the Capability Approach is claimed to be advocating for a specific comprehensive moral view, which Rawlsians find questionable. Second, Rawlsians argue that a theory of justice requires a public standard of inter-personal comparisons, because the obtained principles of justice among citizens with varied views of the good life will not be considered solid. It is suggested that since capabilities are difficult to measure in a public manner as they would require enormous and varied types of information, the Capability Approach is considered as a theory unsuitable of justice.

Lastly, some Rawlsians, like Richardson (2006) believe that the Rawlsian principles of justice can be utilised if one wants to include human beings with varied needs for instance the disabled, which consequently may result in the justification of a combined 'social primary goods/capabilities metric of justice'. In summary, this debate is still on going and is considered far from closed. (See Pogge, 2002; Anderson, 2010 and Robeyns 2009.)

2.4 Conclusion

The development theories and policies described here can be seen in two categories: those that evaluate 'underdevelopment' and 'development' and those that are based on problem evaluation and other opportunities.

Rostow's model of growth elaborates on the linear progression that nations go through to attain economic progress (Rostow, 1960). These stages of attaining development are viewed as not suitable for developing countries. Ricardian theory, however, measures economic progress in terms of the quantity of output produced by the economy. The failings of Ricardian theory have caused economists to look further for explanations of growth and development. In particular, many have come to challenge a key assumption of Ricardian theory which is an economy's potential is defined by its resources and technology. Development economists view this assumption as increasingly far-fetched. It is suggested that a more rational way is to state that the problem of developing nations is that they do not lack the potential but rather they lack the inability to achieve that potential (De Soto, 2000; Parente and Prescott, 2000, and Guest, 2004).

Rather than looking only at resources and technology, economists have begun to take an interest in institutions - in the social and political frameworks that facilitate or hinder productive economic activity that foster development. This interest in institutions was brought about by economic historians such as North and Thomas, 1970 and Jones, 1988).

Dependency theorists hold that short-term spans of development which do not foster long-term development, will not be balanced and equal and thus will tend to result to high state deficits (Tausch, 2003). Unlike Modernisation theory, Dependency theory states that not all nation's progress through similar stages of development. The theory further states that developing nations provide natural resources and cheap manpower for First World nations without which developed nations would not have been having the standard of living which they have today (University of Twente, 2012).

Globalisation which is the key concept on the debate of International Division of Labour, describes economic process which results from the alteration of the investment, manufacturing and distribution decisions made by firms individually. International Division of Labour has led to a trend known as 'global industrial shift', in which manufacturing procedures are shifted from First World nations (such as the USA, Europe and Japan) to transitional and developing countries such as in Asia (Krempel and Pluemper, 1997). Multinationals constantly look out for new or under-exploited markets. They seek to increase sales volume - mostly by trying to develop new needs among varying target individuals and groups (Kenway and Bullen, 2001:90). Multinationals do indeed contribute to the economic growth of a country and in the establishment of new company branches globally.

A more recent approach in development theory and policy is Neo-liberalism which is a set of political beliefs including that the one and only key purpose of the state is to protect personal, commercial independence as well as solid private property rights (Mises, 1962; Nozick, 1974 and Hayek, 1979).

The term 'Social Capital' was first used in about 1890 but became widely used in the late 1990s. The power of 'community governance' has been emphasised since antiquity, from Aristotle to Thomas Aquinas to Edmund Burke (Bowles and Gintis, 2002). One implication of Social Capital is that it offers a way to mend social and economic perceptions. Secondly, Social Capital is considered as economic growth which is designed by the type and extent of social interactions particularly between communities and institutions (Esman and Uphoff, 1984).

The Capability Approach was developed as a flexible and multi-purpose framework, as opposed to a precise theory of well-being (Sen 1992: 48; Qizilbash 2008: 53–54; Robeyns 2005: 94–96). It is now generally understood that Capability Approach involves evaluating individual well-being, social arrangements and the structure of policies and proposals based on social change within society (Robeyns, 2006).

Despite the numerous efforts to address how development can be achieved in Africa through emerging development theories, policies and approaches, Africa is considered to contribute less than 1.2% of the world's GDP (World Bank, 2006). All in all the problem of underdevelopment in Africa continues to be pondered in the minds of many. This means that debates and discussions on how sustainable development can be achieved and maintained in Africa continue to be explored.

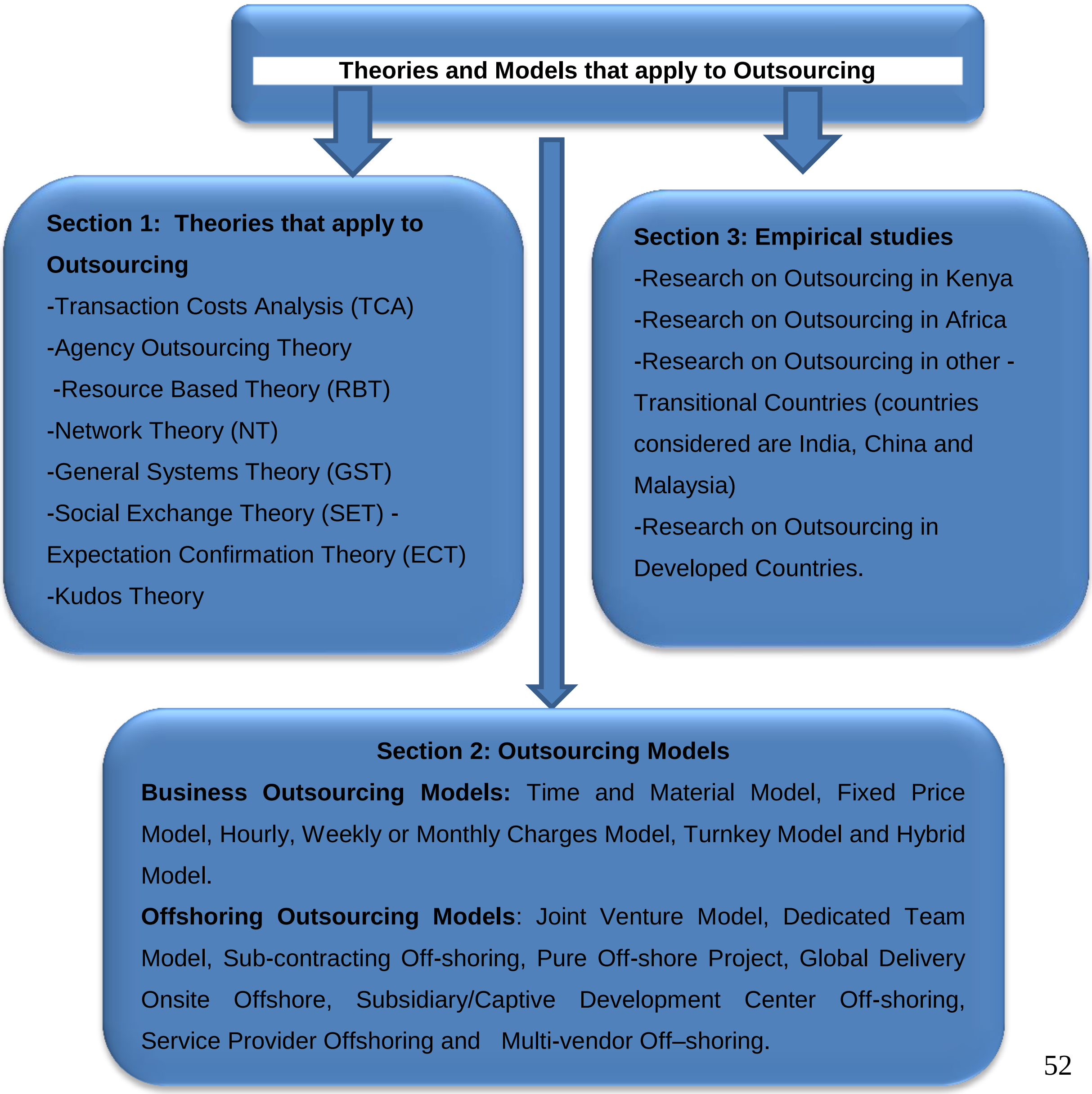
The next chapter looks at outsourcing theories and models. The chapter also expounds on empirical studies that have been conducted on outsourcing in Kenya, Africa, transitional countries and developed countries.

CHAPTER THREE OUTSOURCING THEORIES AND MODELS

3.1 Introduction

This chapter consists of three main sections. The first section expounds on outsourcing theories while the second section discusses the two outsourcing models adopted by outsourcing vendors: Business Outsourcing models and Offshore Outsourcing models. Lastly, section three elaborates on empirical studies on outsourcing conducted in Kenya, in Africa, in other transitional countries and in developed countries. The illustration that follows provides an outline of the topics discussed in this chapter.

Illustration 3: Theories and Models that apply to Outsourcing



3.2 Section One: Outsourcing Theories

There are several theories that are particularly relevant to outsourcing practices and decision strategies. They include: Transaction Costs Analysis (TCA), Agency Outsourcing Theory, Resource Based Theory (RBT), Network Theory (NT), General Systems Theory (GST), Social Exchange Theory (SET)**,** Expectation Confirmation Theory (ECT) and the Kudos Theory.

3.2.1 Social Exchange Theory (SET)

Social Exchange Theory (SET) is used to explain the relationships that result from outsourcing. Relationships between organisations have been researched from a range of academic disciplines. SET, however, focuses on the aspect of exchange and is one of the most suitable theories to explain inter-organisational behaviour. SET evolved from the disciplines of economics, sociology and psychology and was developed and improved by Blau (1964), Cook (1977), Emerson (1962), Homans (1958) and Levine and White (1961) with the objective of explaining the social behaviour of individuals from an economic perspective. SET concentrates on the exchange between two parties which involves a relationship of shifting of resources for both actors to benefit. For the purpose of my research, these actors consist of the client firm and the outsourcing provider. Over time, SET has been enhanced by a range of features, ranging from a technical and economic analysis (Blau, 1964) to the psychology of supportive behaviour (Homans, 1958).

3.2.2 Relational Exchange Theory (RET)

According to Kern and Willcocks (2001) and Lee and Kim (1999), Rational Exchange Theory (RET) adopts a similar approach to that of SET. RET is founded on the concept that exchanging parties (the client firm and the outsourcing firm) are in mutual agreement. The exchange partners consider the exchange relationship important enough to dedicate resources for the purpose of its maintenance and growth (Anderson and Narus, 1984 and Dwyer, Schurr and Oh, 1987).

The underlying principle of exchange interaction between the involved parties (the client firm and the outsourcing provider) involves shared expectations in the exchange relationship. Such expectations of both parties in the relationship ultimately determine the relationship and the recognised satisfaction of both parties.

3.2.3 Expectation Confirmation Theory (ECT)

Expectation Confirmation Theory (ECT) evolved from the study of marketing and consumer behaviour. ECT suggests that expectations, together with the expected performance, result in 'post-purchase satisfaction' (Oliver, 1977 and Oliver, 1980). Thus, repeat sales and new sales result when consumers are satisfied and outsourcing exchange relationships, the expectations of both parties (the client firm personnel and the outsourcing vendor firm personnel) have to be considered in order to obtain favourable outcomes that are beneficial to all parties concerned.

3.2.4 Kudos Theory

'Kudos' comes from the ancient Greek word for praise; in other words, one gets 'kudos' for exceptional achievement. Kudos theory is a management theory of outsourcing. It promotes the belief that whatever the outcome of an outsourcing venture may be, managing the change process is important for the success of any outsourcing programme.

One issue that is considered in Kudos theory is the evaluation of stakeholder requirements and ensuring that there is transparency in correspondence. All parties concerned in an outsourcing venture can be involved in the outsourcing process. The support of top executives should be considered. This would involve implementation of strategic objectives such as outsourcing initiatives.

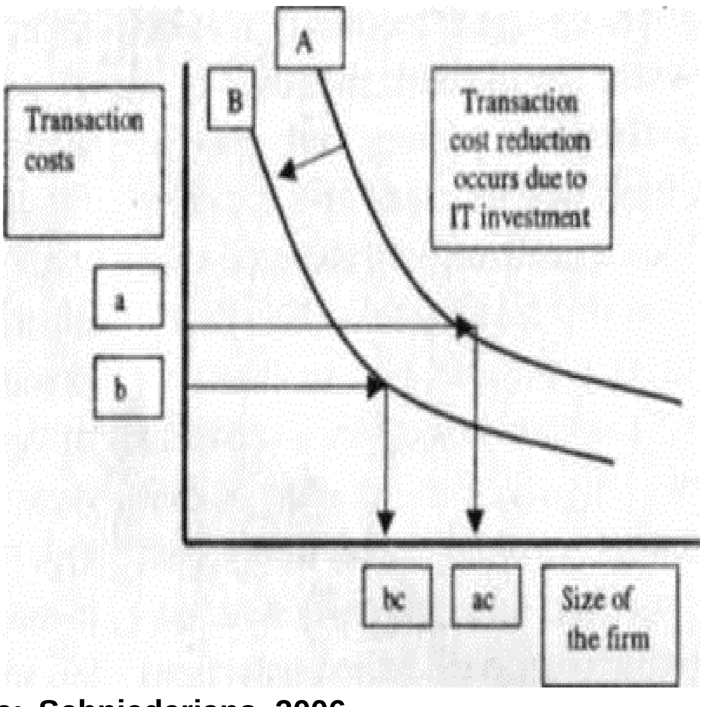
Top management must formulate clear goals and objectives of the outsourcing initiative and communicate clearly how outsourcing would be beneficial to the organisation. Considering that each aspect of the outsourcing relationship is motivated by the contract, both the outsourcing company and the client firm must reach an agreement desirable to both parties. The key document used in outsourcing contracts is the Service Level Agreement (SLA) (Griffiths, 1998). A SLA is a contractual service obligation and is also a document that explains the minimum outcome measure an outsourcing provider promises to achieve, when offering a service to a client firm. The SLA also sets out the corrective action and any penalties that might take place if the performance falls below the required standard. A SLA is an essential component of the legal contract between a consumer and the outsourcing provider (Loosely coupled, 2010).

Griffiths (1998) further argued that Kudos theory uses a sequence of systematic actions for the successful implementation of an outsourcing agreement. There are four main aspects to a typical kudos outsourcing programme. These include: programme initiation, service implementation, final agreement and programme closure.

3.2.5 Transaction Cost Analysis Theory (TCA)

Transaction Cost Analysis *(*TCA) theory is based on the assumption that firms seek to cut down on business expenses. TCA was originally formulated by Coase (1937). The theory suggests that investments, including outsourcing, help to reduce transaction costs which in turn reduces the size of the organisation, making a firm more productive (Putterman *et al.,* 1995). The belief that outsourcing helps to reduce transaction cost is illustrated in the diagram below.

Diagram 1: Transaction Cost Theory and Outsourcing



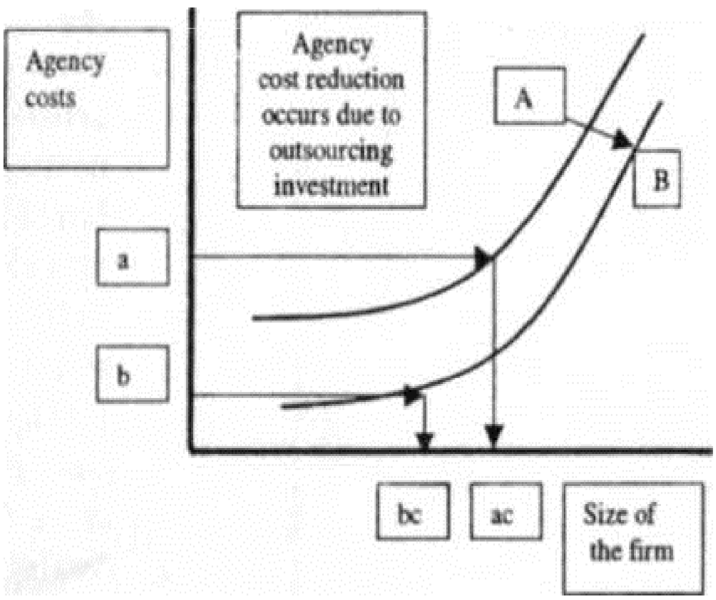
Source: Schniederjans, 2006

A shift in transaction costs from point ‘A’ to ‘B’, is measured by a cut down in transaction costs from ‘a’ to ‘b’, which results in a reduction in the size of an organisation (this means that there is a reduction of employees, physical assets among other items in the organisation) and from ‘ac’ to ‘bc’. Most of the scholarly literature today uses this economic theory to emphasise the benefit of outsourcing (Aubert, Rivard and Patry, 1996; Domberger, 1998 and Kern and Willcocks, 2001).

3.2.6 Agency Outsourcing Theory

Another economic theory that applies to outsourcing is Agency theory***.*** Agency theory focuses on the impact of outsourcing on employees or 'agents', in particular those who work for the owners of client businesses. According to this theory, as a company grows in size and its channel of distribution employee relations increase, the owners need to increase the number of employees who work as agents so as to support the complexity of the organisation. This means that an investment in outsourcing saves an organisation time and improves its control over its business operations by shifting non-core activities outside the firm. Thus, a client firm will require fewer employees. This is illustrated in the agency graph that follows, the agency cost reduces (from 'A' to 'B') and moves the agency costs curve from 'a' to 'b', causing a reduction in the size of the firm from 'ac' to 'be' as illustrated in Diagram 2 (Schniederjans, 2006). In essence there is a reduction in the number of employees (Laudon and Laudon, 2004: 83).

Diagram 2: Agency Outsourcing Theory



Source: Schniederjans, 2006

3.2.7 Resource Based Theory (RBT)

Resource Based Theory (RBT) implies that a company is viewed as a bundle of resources (Sirmon, Hitt, Ireland, and Gilbert, 2007, 273–292). It suggests that an organisation must secure an efficient amount of the correct type of resources from its surroundings in order to survive and improve its operational outcome (Bolumole, Frankel, and Naslund, 2007: 40). RBT considers companies as a collection of a range of resources and capabilities and evaluates why they exist and what determines their magnitude and focus.

RBT has over time provided an important perspective for understanding how organisations compete through their resources and capabilities. Whether a company is able to maintain competitive advantage will be determined by its ability to obtain, mix and distribute resources in a manner that fosters sustainable productivity and/or added value advantage. From this viewpoint, the rationale for outsourcing is that it will maximise value through having access to external resources. Additionally, a resource based view is particularly suitable in evaluating organisational outsourcing. This is because firms essentially use outsourcing as a technique for attaining access to other companies' valuable resources (Sirmon *et al.,* 2007, 273–292)*.* Thus, RBT suggests that outsourcing is a way for multi-national companies (MNCs) to access complementary resources. This is where outsourcing is traditionally seen to enhance operational efficiency through reducing expenses. RBT suggests that access to skilled manpower and knowledge of resources is an increasingly essential motivator behind outsourcing to developing countries (Jensen and Pedersen, 2007)).

3.2.8 General Systems Theory (GST)

General Systems Theory (GST) centres on the organisation and the interdependence of relationships. In the world on commerce, GST is used to explain how materials-flow, related activities and information within and outside firms are so complicated that they can be considered only in the view of their collaborations. This school of thought considers outsourcing arrangements with the view that the outcome of organisations is no longer fully dependent on what a firm does internally but is largely affected by the collective outcome of firms linked through business stages and relationships **(**Walonick, 1993)**.**

Meyer and Scott (1983) document three key models for evaluating the relationship between organisations and the environment. The first is the Organisation-set model (usually referred to as resource-dependency theory). This model concentrates on the resource needs and dependencies of a firm. Second, is the Organisational Population model. The model looks at a collection of firms that make similar demands from the environment. The model also emphasises the competition created by limited environmental resources. Finally, the Inter-organisational Field model looks at the relationships between firms, mostly within a localised geographic area.

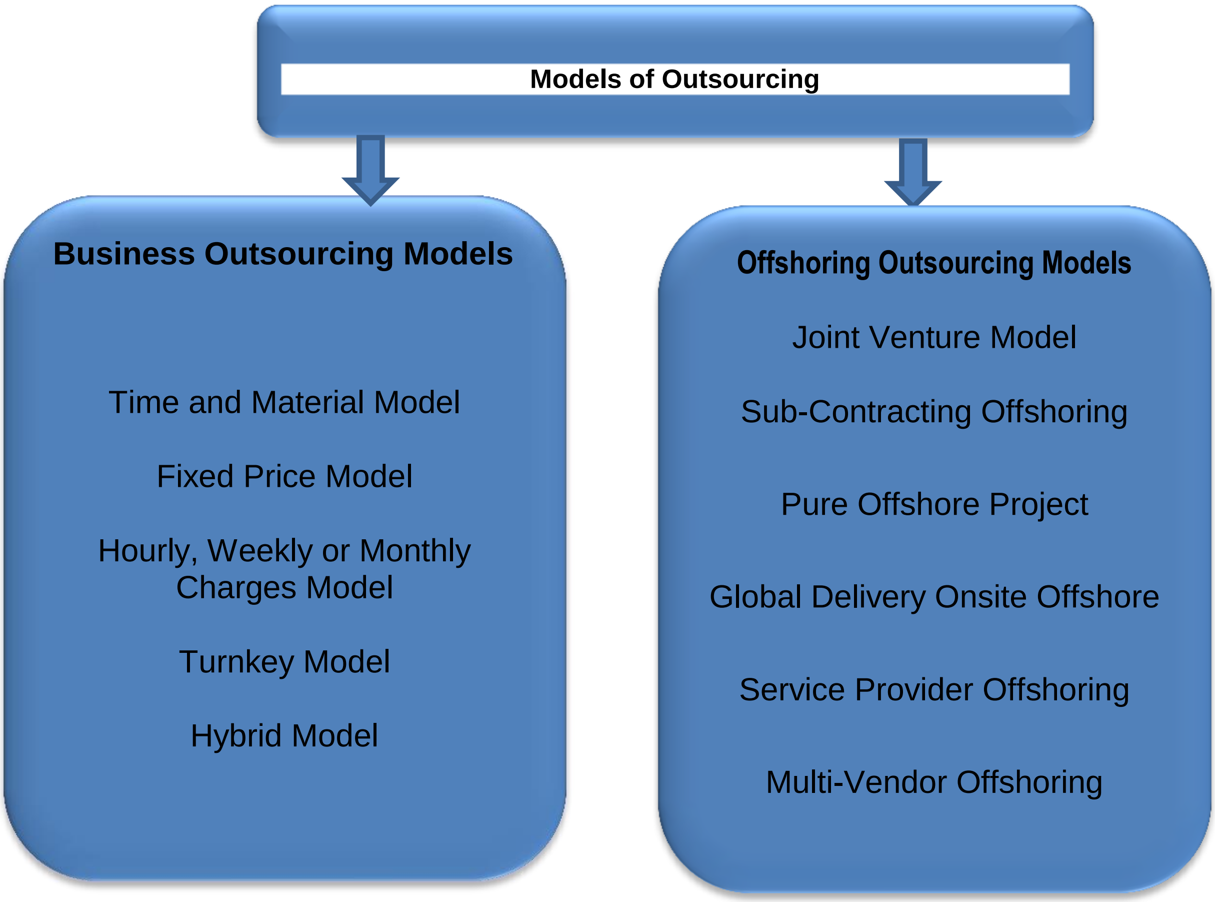
3.2.9 Network Theory (NT)

Network Theory (NT), when applied to outsourcing, considers it as an activity that helps the firm to manage its distribution channel as a single unit through the use of relational contracting (interactive hiring) and network harmonisation (the coordination of securing contacts). Different types of NT collaborations are based on the main ideas of economic inspiration, authority and confidence. Additionally, NT theory recognises that companies in some situations depend on resources managed by other firms. Access to these resources can be achieved only by interacting with these firms, and forming relationships, and consequently networks, across the value channel. NT represents an attempt to develop a resourceful theory of the firm while widening the understanding of benefit from a focus on cost-reduction to incorporation of the management of varying companies' resource base (Bolumole *et al.*, 2007:41-42). This perspective is useful to managers seeking to understand, maintain and expand their competitive advantage through their organisations' specific network collaborations.

3.3 Section Two: Outsourcing Models

Outsourcing models can be classified into two main groups: Offshore Outsourcing models and Business Outsourcing models. The diagram that follows illustrates this classification.

Illustration 4: Models of Outsourcing



Source: Babu, 2003-2014 and Webtenet Solutions, 2012

3.3.1 Business Outsourcing Models

Business Outsourcing models are adopted mostly in domestic outsourcing. There are five key Business Outsourcing models: the Time and Material model, the Fixed Price model, the Hourly, Weekly or Monthly Charges model, the Turnkey model and the Hybrid model. The Time and Materials model is also referred to as the Costs and Materials model. The model is viewed to be relatively popular and is used particularly for information technology application development and maintenance projects which are projects that take a year or longer. This model allows the client firm to pay for outsourced services in installments, in accordance with the payment terms and the contract formulated between the client firm and vendor organisation. Once the vendor and the client have agreed on the time limits, the resources required for the project are then invoiced to the client company every month or every week. The Time and Material model is considered to be flexible as the budget can be negotiated. The model is of a relatively low risk to a client firm as the project can be cancelled at any stage by the client firm. Care is observed as there are no definite time limits set for the finishing of the outsourced projects (Gateway Group of Companies, 2009). It is, however, more difficult to estimate the resources that will be required for a project (Variance Infotech, 2014 and QArea 2001-2014).

The Fixed Price model involves a client firm choosing the outsourcing vendor/s with whom they can enter into detailed negotiation that would result in reducing timelines or expenses. Both the client firm and the outsourcing vendor have a clear picture of the requirements and the specific implementation methodology to be adopted. The outsourcing vendor provides a costing model and the client firm can request proposals from different outsourcing vendors on the same or a similar project to be outsourced for comparison purposes. The project in question is outsourced for a fixed price by a client firm. It is therefore important that costing is conducted carefully by the outsourcing vendor to avoid losses being incurred. The fixed price projects have to be conducted more professionally than those following other business models because the project risks are owned by the outsourcing vendor and not by the client firm (Webtenet, 2012; Arora, 2011; Mobi Web Technologies, 2014; Variance Infotech, 2014 and Flash Application Development, 2014).

The Hourly, Weekly or Monthly Charges model is viewed as the most appropriate for maintenance and support projects. This type of outsourced project is invoiced on an hourly basis - depending, on the number of hours spent on maintenance or support services provided by an outsourcing provider (Webtenet, 2012 and Mobi Web Technologies, 2014). Outsourcing firms operate on Fixed Weekly or Monthly Charges model, where there is an agreement of a minimum number of hours of service per payment period. The weekly and monthly charges models are considered cheaper than the hourly charged models (Webtenet, 2012).

The Turnkey model is commonly adopted in medium and large-sized software outsourcing projects (Webtenet, 2012 and Focus, 2013). The requirements and initial software plans and designs are initially provided by the client firm. However, the software is mostly developed in a range of stages. Each stage in the Turnkey project can be based on either a Fixed or Time and Material price model. Payment is made after the completion of every stage based on agreement between the outsourcing provider and the client firm. The terms and conditions of one stage may be different from those of another similar or same project (Webtenet, 2012). This mode of payment (per stage completed) is advantageous to the outsourcing vendor who could decide to cease offering outsourcing services if payment is not made after one phase of work has been completed. If the client firm is not happy with the work done in any particular phase, they can also decline to make the payment until the work of a particular phase is properly done. This method encourages commitment by both the outsourcing vendor and the client firm.

A Hybrid model is adopted by an outsourcing vendor when, due to the unique nature of the project, a client firm's project may not fit into any particular Business Outsourcing model. In such a situation, an outsourcing vendor offers a combination of some suitable Business Outsourcing models thereby making it a 'Hybrid model'. For instance, a project can be implemented by using the Fixed Price model and the Time and Material model (Gateway Group of Companies, 2009). The Hybrid model is a useful model for complicated and unique projects that require a range of models to ensure that the outsourcing initiative is successfully accomplished. The Business Outsourcing models are meant to help the client organisation in attaining efficiency and quality standards of products and services through the aid of outsourcing vendors. An outsourcing vendor selects the appropriate model for a client company to attain satisfactory outsourcing outcomes. Economies of scale are an important aspect to incorporate when adopting Business Outsourcing models. Thus, minimal or no wastage of raw materials or time is essential.

3.3.2 Offshore Outsourcing Models

Rouse (2007) suggests that Offshore Outsourcing models can be considered as a type of business process outsourcing. Offshore outsourcing is the practice of hiring an external establishment to perform some business functions in a country other than the one where the products or services are actually manufactured. Additionally, offshoring functions are performed in a foreign country by a foreign branch or company. The practice of transferring work to a foreign country with higher wages reduces domestic employment and domestic investment. The Offshore Outsourcing models discussed in this section are: Joint Ventures, Sub-contracting of Offshoring, Pure Offshore Projects, Global Delivery Onsite-Offshore models, Service Provider Offshoring and Multi-Vendor Offshoring.

According to Outsourcing Law (2012), the Joint Venture model describes an organisation partnering with a local or international company. Today, there are various popular terms used to describe the Joint Venture model. These include: offshore-development centre (ODC), captive-development centre or in some instances, branch/local or international offices. The Joint Venture model is very popular among technologically advanced organisations that are comfortable in the management of technology enhancement and innovation. Examples are IBM, Microsoft and Oracle which look to offshoring as an expansion of their own division strategies. Babu (2003-2014) suggests that a Joint Venture (JV), ties up a local organisation either by taking an 'equity stake' or establishing an independent firm in which each organisation contributes resources to create a 'win-win' outcome.

A Sub-contracting model is one where an outsourcing firm places its skilled work force 'on site' at the client's location locally or internationally (Article Base, 2012 and Babu, 2003-2014). The outsourcing employees, thus, become a part of the client firm's employee team.

A Pure Offshore Project, on the other hand, describes a situation where the focus is well defined and the work is conducted with minimal supervision. The Pure Offshore model is not used often but is adopted by organisations that are innovative and seeking to capitalise on international expertise that is not readily available locally. Offshoring of individual projects is done by client companies that have a clearly defined outsourcing programme, which could reduce the risks of outsourcing by dividing the work into smaller, more manageable projects that a firm could outsource to vendor companies (Articles Base, 2012).

According to Larsen, Manning and Pedersen (2012), the Global-delivery Onsite Offshore model ensures a high return on investment for the client firm. The model utilises a small team on-site that works with the client firm managers and teams and co-ordinates work with the offshore team which performs most of the work (Babu, 2003-2014 and Larsen *et al.,* 2012).

Babu (2012) differentiates between Service Provider Offshoring and Multi-vendor Offshoring. Service Provider Offshoring refers to when client firms outsource projects, programmes and individual work orders to offshore outsourcing vendors. On the other hand Multi-vendor Offshoring involves the use of a combination of a range of offshoring methods. For instance, the use of Pure Offshore Project model combined with Sub-contracting model.

In conclusion, Offshore Outsourcing models should be carefully selected by the management of client firms and outsourcing vendors to ensure that goals are attained

3.4 Section Three: Empirical Studies on Outsourcing

This section looks at outsourcing research conducted in Kenya, in Africa more generally, in other transitional countries and also in developed countries. Key findings and insights are outlined and evaluated.

3.2.1 Research on Outsourcing in Kenya

There has been research on outsourcing in Kenya. Studies range from investigating the benefits and risks associated with security services, outsourcing in Kenyan universities, the effects of outsourcing on organisational performance, implications of the BPO strategy among others.

3.4.1.1 Benefits and Risks of Outsourcing Security Services: Case Study of Kenya Tea Development Authority (KTDA

The study revealed that the main benefit of outsourcing security services at KTDA lay in the attainment of good quality security services which, in turn improved the performance at KTDA. The study further revealed that there are various risks in outsourcing security at KTDA. The risks highlighted included: incurring hidden costs, lack of internal organisational confidentiality, loss of total control of internal security systems and lack of sufficient information on the potential of the outsourcing security firm. The researcher recommended that KTDA should put in place a measurable contract management strategy. In addition, policies with penalties for non-compliance should be formulated. It was further suggested that KTDA management should conduct outsourcing audits to evaluate whether outsourcing benefits outweigh the risks and thereafter put in place policies that would govern the outsourcing process in totality (Wanjohi, 2010).

3.4.1.2 Outsourcing in Kenyan Universities: An Examination of Challenges and Opportunities

The study revealed that through outsourcing, universities in Kenya are in a position to reduce costs, improve efficiency and ability to meet the rising demand for greater accountability. The major challenges highlighted were ‘negative attitude of personnel’, ‘poor monitoring and evaluation’, ‘lack of co-operation by students to the outsourced personnel’ and ‘interference by the community’. It was recommended that the government, through the Ministry of Higher Education and Commission for Higher Education, should enforce urgent measures to ensure that a general regulatory structure is in place in order to guide individual university administrators in executing outsourcing in their institutions. Data analysis further revealed that security and cleaning services are the major activities currently outsourced in public universities while the least outsourced task was catering. Furthermore, outsourcing of security and cleaning were also perceived to have the least risks. Outsourcing catering services for students was viewed as unpopular with the public universities because of the sensitivity associated with the service (catering requires high levels of hygiene and professional preparation of foods and beverages to prevent food poisoning/contamination). It was concluded that a university successfully outsourcing its functions requires careful planning and comprehensive evaluation by management (Sang, 2010).

3.4.1.3 The Effects of Outsourcing on Organisational Performance at Delmonte Kenya Limited

Analysis revealed that outsourcing has helped Delmonte access modern technology and expertise. Key findings indicated that outsourcing has enhanced Delmonte’s performance through focusing on core competencies. Accessibility to confidential data, the negative attitude of staff and the risk of challenges such as labour strikes were also identified (Maku and Iravo, 2013).

3.4.1.4 The Implementation of the Business Process Outsourcing Strategy in Standard Chartered Bank Kenya Limited

Results revealed that the business operations that Standard Chartered Bank Kenya Limited outsources are information systems, accounting, auditing, archiving, cash sorting, product design, security personnel, transport and training among other services. The company outsourced these business functions in order to realise cost savings, increase productivity/efficiency and concentrate on core activities. The challenges facing Standard Chartered Bank Kenya Limited in implementing the adopted BPO strategies included ‘lack of qualified outsourcing providers’, ‘financial risk’, ‘lack of compliance with the contract’ and ‘opposition from internal staff at the bank’ (Ghikas, 2012).

3.4.1.5 A Study on the Critical Success Factors in Business Process Outsourcing of Logistics Companies in Kenya

Results revealed that there are five critical success factors as well as five main challenges in BPO logistics outsourcing. The critical success factors identified were: ‘investment of international companies in the local economy’; ‘internet connectivity’; ‘top management support’; ‘creation/expansion of a potential niche’ and ‘necessary expertise’. The five main challenges identified were: ‘difficulty of assessing savings gained through outsourcing’; ‘non-competitive physical structures’; ‘co-ordinating different suppliers’; ‘unrealistic expectations from outsourcing providers’ and ‘communication barriers with supplier’ (Gichuru, 2012).

Other research on outsourcing in Kenya includes:

- Business Process Offshoring in Kenya: Effects of National Culture on Organisational Capabilities (Athman, 2010).
- Agricultural Sector Investment, Outsourcing and Political Risks: The Case of Kenya's Flower Trade with the European Union (Amponsah, 2012).
- Challenges faced by Bharti Airtel Kenya in Outsourcing of its Services (Aboka, 2012).
- The Effectiveness of Business Process Outsourcing (BPO) in Safaricom Limited- Kenya (Kiiru, 2011).
- Events Management Outsourcing in Kenya (Kamau, 2010).
- National Culture and Organisational Capabilities of IT Offshoring Services in Kenya (Nixon and Athman, 2013).
- Empowerment of Outsourced Employees among the Mobile Telephone Service Providers’ Customer Care Centres in Kisumu (Okumu, 2011).
- A Survey of Outsourcing of Training Services by Commercial Banks in Kenya (Mohamed, 2006).
- An Exploratory Study of Outsourcing in the Kenyan Manufacturing Industry (Ouma, 2010).

- Factors Influencing Outsourcing of Services in Banks: A Case Study of First Community Bank Garissa Branch, Kenya (Salat, 2011).
- Resource Outsourcing on Performance of Selected Parastatals in Kenya (Nyaga, 2010).
- A Survey of Outsourcing Information Technology Services by Commercial Bank in Kenya (Kipsang, 2003).
- A Survey of the Outsourcing of Human Resource Services by Banks in Nairobi (Serem, 2003).
- Strategic Outsourcing: The Experience of Companies Listed in the Nairobi Stock Exchange (Ogachi, 2002).
- Outsourcing of Logistics: The Practices of Medium and Large Kenyan Manufacturing Firms (Motari, 2002).
- A Survey of Business Outsourcing Practices amongst Private Manufacturing Companies in Nairobi (Chanzu, 2002).
- A Survey of the Outsourcing of Human Resource Management Services among Manufacturing Firms in Nairobi (Tarlochan, 2001).
- Competitive Advantage through Outsourcing of Non- core Logistics Activities within the Supply Chain of British American Tobacco Kenya (Kirui, 2001).
- To Find Out Factors Influencing Outsourcing of Services in Selected State Corporations in Kenya (Mukiri, 2008).
- A Study on Factors Affecting IT Services Outsourcing in Multinational Manufacturing Firms in Kenya: A Case of British American Tobacco Kenya Limited (Koech, 2007).
- Factors Influencing the Level of Outsourcing of Non-core Services as a Cost Reduction Strategy in Public Universities in Kenya (Biebei, 2011).
- Factors Influencing Outsourcing of Human Resource Services as a means to Achieve Effective Organisational Performance: A Case Study of Kenya Post Office Savings Bank (Langat, 2007).
- Outsourcing Practices of the Kenyan Banking Sector (Barako, 2008).
- The Impact of Outsourcing on Lead Time and Customer Service: A Survey of Supermarkets in Nairobi (Bosire, Nyaoga, Ombati and Kongere, 2011).

In conclusion, the key shortcomings of previous research on outsourcing in Kenya are:

- The anticipated future trends and potential for outsourcing in Kenya are not addressed.
- Initiatives that promote the practice of outsourcing in Kenya are omitted.
- Benefits, risks, opportunities and challenges are discussed with regard to only one industry sector for instance education (universities). This does not mean that these results would apply to other industry sectors such as hospitality, security among others. This calls for the representation of all the various industry sectors in Kenya to establish more accurately what the impact of outsourcing in Kenya is.
- Reasons why organisations fail to engage in outsourcing are omitted yet are essential to consider.
- Factors influencing the success or failure of outsourcing are not discussed adequately.
- It has not been established whether outsourcing benefits outweigh the outsourcing risks.
- Statistical analysis on the percentage of organisations that engage or fail to engage in outsourcing in Nairobi is not discussed. This information is essential as it can provide insights as to whether outsourcing is a suitable business practice for organisations in Nairobi.

3.4.2 Research on Outsourcing in other African Countries

Published research on outsourcing in African countries is considered here with particular reference to Tanzania, Uganda, South Africa, Nigeria and Zimbabwe. There is generally very little research on outsourcing in developing countries in general.

3.4.2.1 Understanding the Outsourcing of Facilities Management Services in Uganda

Empirical findings indicate that even though some firms insource some facilities management services, most are outsourced. Results further revealed that the most common function outsourced is security and catering. It was established that the most popular driver for outsourcing was obtaining quality services that other firms specialise in. The main motivation for companies not to outsource was control of the quality of service rendered and response time (Natukunda, Pitt and Nabil, 2013).

3.4.2.2 Outsourcing in Co-operatives in Tanzania: Assessing the Contribution of Outsourcing on Organisational Performance

The study revealed that co-operative firms engage in outsourcing so as to 'reduce cost'; 'improve delivery'; maintain 'reliability of services'; 'make use of resources not available in the organisation'; 'reduce manpower needed in the organisation'; 'focus on core organisational competencies' and generates organisational financial rewards for outsourced profitable core activates *(*Sumari, Mori, and Alfred*,* 2013).

3.4.2.3 Logistics Outsourcing by Manufacturers in South Africa

Results showed that there is inadequate managerial involvement in the process of logistics outsourcing and minimal time is spent on the majority of essential aspects of the outsourcing contract, the transitioning of resources and continued management of the outsourced relationship. It was concluded that a thorough outsourcing process needs to be followed so that firms achieve the advantages of logistics outsourcing (Waugh and Luke, 2011).

3.4.2.4 Enterprise Outsourcing Strategies and Marketing Performance of the Fast Food Industry in Lagos State, Nigeria.

Results revealed that outsourcing does contribute to an increase in marketing performance. The research makes useful policy recommendations specifically for marketing professionals, entrepreneurs and senior executives of fast food establishments in Nigeria (Akinbola, 2013).

Other research conducted on outsourcing in Africa includes:

- Impacts of Outsourcing Forestry Operations in the Hyperinflationary Economic Environment of Zimbabwe (Chikuse, Katsvanga, Jimu and Mujuru, 2011).
- Internal Audit Outsourcing Practices in South Africa (Barac and Motubatse, 2009).
- Towards a Developing Country Firm Perspective on Outsourcing (Hansen, Schaumburg-Müller, and Pottenger, 2008).

- Criteria for Sourcing from Developing Countries (Oke, Maltz and Christiansen, 2009).
- How Can African Countries Advance their Outsourcing Industries: An Overview of Possible Approaches (Abbott, 2013).
- Devolution and Outsourcing of Municipal Services in Kampala City, Uganda: An Early Assessment (Mutebi, 2003).
- Central and Eastern European Countries and North Africa: The Emerging Clothing Supplying Countries to the EU (Man-chong and Kin-fan, 2007).

In conclusion, research on outsourcing conducted in other parts of Africa mostly does not concentrate on one industry or organisation as the majority of research conducted in Kenya does. Research on outsourcing conducted in Africa, has been published in international journals while few research studies on outsourcing in Kenya have. This calls for more comprehensive studies on outsourcing in Kenya to be conducted as the outsourcing industry is predicted to improve in Africa as a whole.

3.4.3 Outsourcing in other Transitional Countries

Several research projects on outsourcing have been conducted in other transitional countries. Those considered here are in India, China and Malaysia which are the top three countries in the Global Service Location Index (GSLI) of 2011. These are countries which have been performing well with regard to BPO outsourcing over the years.

3.4.3.1 An Exploratory Study on Job and Demographic Attributes Affecting Employee Satisfaction in the Indian BPO Industry

Results revealed that there is a difference in views of the job-related variables (logical set of attributes) based on ‘gender’, ‘marital status’, ‘education’, ‘age’, and ‘tenure’. Correlations indicated that the ‘interpersonal relationships’, ‘career progression’, ‘salary’, ‘company policies’, ‘working conditions’ and ‘authority’ have a positive relationship with ‘employee satisfaction’. However, ‘accountability’ was viewed to be the only variable with a significant negative relationship with ‘employee satisfaction’. Furthermore, regression analysis revealed that the significant determinants of ‘employee satisfaction’ consisted of ‘interpersonal relationships’, ‘career progression’, ‘salary’, ‘gender’, ‘accountability’ and ‘authority’. The study exclusively used surveys to poll work-related satisfaction from the employees working only in BPO in India and considers only ten job-related variables and five demographic variables for the study (Sengupta, 2011).

3.4.3.2 Strategies for Sustaining the Edge in Offshore Outsourcing of Services: The Case of India

The paper elaborates on India's competitive advantage as a leading supplier of knowledge-based activities and suggests a model for sustaining its competitive advantage. The model suggests that key policy steps to move from its current position as supplier of business process outsourcing services to that of a knowledge leader can be done through offering superior value added services to clients globally (Rajshekhar, Javalgi, Benoy, Elad and Gross, 2013).

3.4.3.3 Accounting Outsourcing Practices in Malaysia

Empirical findings revealed that the most popularly outsourced functions are ‘financial reporting’ and ‘auditing’. The major reasons for engaging in outsourcing were found to be ‘quality service’, ‘core competencies’ and ‘scale economies’. Results further revealed that the decision to outsource accounting services in particular has to do with the type of industry sector and expertise in companies. The majority of companies outsource their preparation of account and audit work and tax for improved quality services. However, there are concerns about ‘confidentiality’ and ‘security of accounting data’ (Maelah, Aman, Amirruddin, Auzair and Hamzah, 2012).

3.4.3.4 Configurations of Outsourcing Firms and Organisational Performance: A Study of Outsourcing Industry in India

The researchers propose five dominant configurations of outsourcing firms that emerge. They are ‘clear-eyed strategists’, ‘adapting professionals’, ‘focalising artisans’, ‘conservative controllers’, and ‘over ambitious associates’. Results further revealed that specific configurations of outsourcing companies are associated with improved performance across a range of firm performance parameters such as ‘average attrition’, ‘growth in employment’, ‘growth in clients’, ‘growth in offered processes' and 'overall satisfaction with organisational performance' (Sharda and Chatterjee, 2011).

3.4.3.5 Drivers and Obstacles of Outsourcing Practices in China

Results suggest that economic factors are a significant motivation for outsourcing in China, where 'cost reduction', 'cost saving', and 'capital investment reduction' are the issues of key concern. Strategic considerations identified consisted of: the use of outsourcing to increase re-engineering gains, concentrating on core competence, increasing flexibility, and facilitating in the penetration of markets. It was further established that environmental factors such as information technology (IT) development and capability of supplier may influence a firm's decision to outsource. Firms in China have encountered challenges and problems in the outsourcing process which are 'the lack of capable service providers'; 'loss of control'; 'poor transportation and IT infrastructure'; 'presence of local protection regulations' and 'lack of overall post-outsourcing measurement' (Lau and Zhang, 2006).

Other studies conducted on outsourcing in transitional countries include the following:

- Is the Offshore Outsourcing Landscape for US Manufacturers Migrating away from China? (Kumar, Van Fenema and Von Glinow, 2009).
- Strategic Outsourcing Practices of Multi-National Corporations (MNCs) in China (Kang, Wu and Hong, 2009).
- What Motivates Manufacturing SMEs to Outsource Offshore in China? Comparing the Perspectives of SME Manufacturers and their Suppliers (Michèle, Ding and Qian, 2011).
- Electronic Government Outsourcing Issues in Malaysia (Samsudin, Hashim, and Mohd Fuzi, 2013.).

It is evident that the research conducted in India, China and Malaysia is broad in scope in that they do not focus on one company. This provides more comprehensive insights and findings.

3.4.4 Outsourcing in Developed Countries

Several research projects on outsourcing have been conducted in developed countries some of which are discussed in this section. They come from a variety of disciplines which illustrates the diverse fields in which outsourcing can be studied.

3.4.4.1 Role of Logistics Outsourcing on Supply Chain Strategy and Management: Survey findings from Northern Europe

Research findings indicated that warehousing, IT and customs brokerage outsourcing may have an impact on some managerial and critical domains of supply chains (SC). The potential effects of SC as a strategy and management are unified IT systems of 'manufacturing and logistics', 'reverse logistics procedures' and 're-engineering of logistics processes'. Research revealed that in-house produced IT operations and potentially outsourced warehousing, have significant roles in global buying (Hilletofth and Hilmola, 2010).

3.4.4.2 Production Outsourcing Offshore in the New Zealand Printing, Publishing and Packaging Industries

Results revealed that to moderate offshore outsourcing expenses, small and medium enterprises (SMEs) utilise the internet to locate suppliers and utilise short-term reliable contracts that are handled casually by brokers. Consumer involvement was vital during the whole offshore outsourcing process. The majority of SMEs formulated long-term business relationships with credible suppliers (Skiffington, Akoorie, Sinha and Jones, 2013).

3.4.4.3 Attractiveness of the United Kingdom for Outsourcing Services

Results revealed that the contribution of Western economies to outsourcing (as outsourcing providers) is relatively strong in comparative position to particular type of services. These services include contact centres, research and development and particular business process outsourcing services (Oshri and Ravishankar, 2014).

3.4.4.4 A Survey of Third Party Logistics (3PL) in Mexico and a Comparison with Reports on Europe and USA

Research indicated that 3PL is a popular but ‘low profile’ practice in large Mexican organisations. Only a third outsources more than three operations, and most are ‘supportive’ and ‘operational’. In comparison to Mexico, 3PL occurs more in Europe and the USA where organisations concentrate more on calculated, combined activities and the reduction of expenses when adopting 3PL whereas Mexican organisations aim for enhanced customer service and focus on core functions. The lack of competing domestic providers makes 3PL costly and could favour larger, global providers (Arroyo, Gaytan and Boer, 2006).

Other research conducted in developed countries includes:

- Outsourcing as Symptomatic: Class Visibility and Ethnic Scapegoating in the US IT Sector (Ganesh, 2007).
- Outsourcing and Strategy in Spanish Town Halls: A Field Studies (Gonzalez, Llopis and Gasco, 2013).
- Logistics Outsourcing by Taiwanese and Dutch Food Processing Industries (Hsin-I, Kemp, van der Vorst, Omta, 2011).
- Logistics Outsourcing in Grocery Distribution: A European Perspective (Paché, 1998).
- Offshore Outsourcing of Production: An Exploratory Study of Process and Effects in Danish Companies (Slepniov and Waehrens, 2008).

Previous studies do not centre on one company but rather on a variety of companies in either one sector or various sectors. The research studies conducted in developed countries appears to be more in depth in comparison to studies conducted in Kenya which centre mostly on one organisation. Another observation is that the studies conducted in developed countries seem to favour research on logistics outsourcing unlike studies conducted on outsourcing in Kenya, in other African countries and in other transitional countries.

3.5 Conclusion

Several theories are particularly relevant to outsourcing practices and decision strategies. They include: Transaction Costs Analysis (TCA), Agency Outsourcing Theory, Resource Based Theory (RBT), Network Theory (NT), General Systems Theory (GST), Social Exchange Theory (SET), Expectation Confirmation Theory (ECT) and the Kudos Theory.

Social Exchange Theory (SET), Resource Based Theory (RBT), General Systems Theory (GST) and Network Theory (NT) emphasise the importance of outsourcing relationships between the outsourcing vendors and the client firms (Blau, 1964; Cook, 1977; Emerson, 1963; Homans, 1958; Levine *et al.,* 1961; Thibaut, 1959 and Kern *et al.,* 2000). ECT highlights the importance of an outsourcing provider conforming to quality management principles (Oliver, 1977 and Oliver, 1980) while Kudos theory reveals the necessity for professional management of an outsourcing venture by all stakeholders (Griffiths, 1998). TCA theory points out the cost saving that results from outsourcing (Coase, 1937 and Putterman *et al.,* 1995). Agency Outsourcing theory centres on client firms outsourcing agents in order to achieve required productivity levels (Laudon and Laudon, 2004: 83) and this results in job creation. In addition, RBT considers firms to have a collection of resources and capabilities necessary to execute outsourcing successfully (Bolumole *et al.*, 2007: 40).

The models of outsourcing have been classified as either Business Outsourcing models or Offshore Outsourcing models. The Business Outsourcing models discussed in this chapter are the Time and Material model, the Fixed Price model, the Hourly, Weekly or Monthly Charges model, the Turnkey model and the Hybrid model. The Offshoring Outsourcing models discussed are the Joint Venture model, the Dedicated Team model, Sub-contracting Off-shoring model, the Pure Off-shore Project, Global Delivery Onsite Offshore, Subsidiary/Captive Development Centre Offshoring, Service Provider Offshoring and Multi-vendor Offshoring (Babu, 2012 and Webtenet Solutions, 2012).

The short comings of the majority of research on outsourcing in Kenya are that anticipated future trends and potential for outsourcing in Kenya are not addressed; initiatives that promote the practice of outsourcing to be conducted in Kenya are also not addressed; benefits, risks, opportunities and challenges are discussed with regard to only one industry sector or company; reasons as to why organisations fail to engage in outsourcing are omitted; factors influencing the success or failure of outsourcing are not discussed adequately; it has not been established whether outsourcing benefits outweigh the outsourcing risks and statistical analysis on the percentage of organisations in the various industries that engage or fail to engage in outsourcing in Nairobi is not discussed.

When prices adjust to those of global markets they no longer reflect domestic productivity, which can result in driving lower-productivity companies in the previously protected sectors to shut dowm. Outsourcing facilitates in filling in the gap of decreasing protected national industries, improving employment and living standards of society. Rising levels of education and urbanisation shows the active role governments play in advancing education as well as in encouraging research and development. This ultimately contributes to social, economic and human development

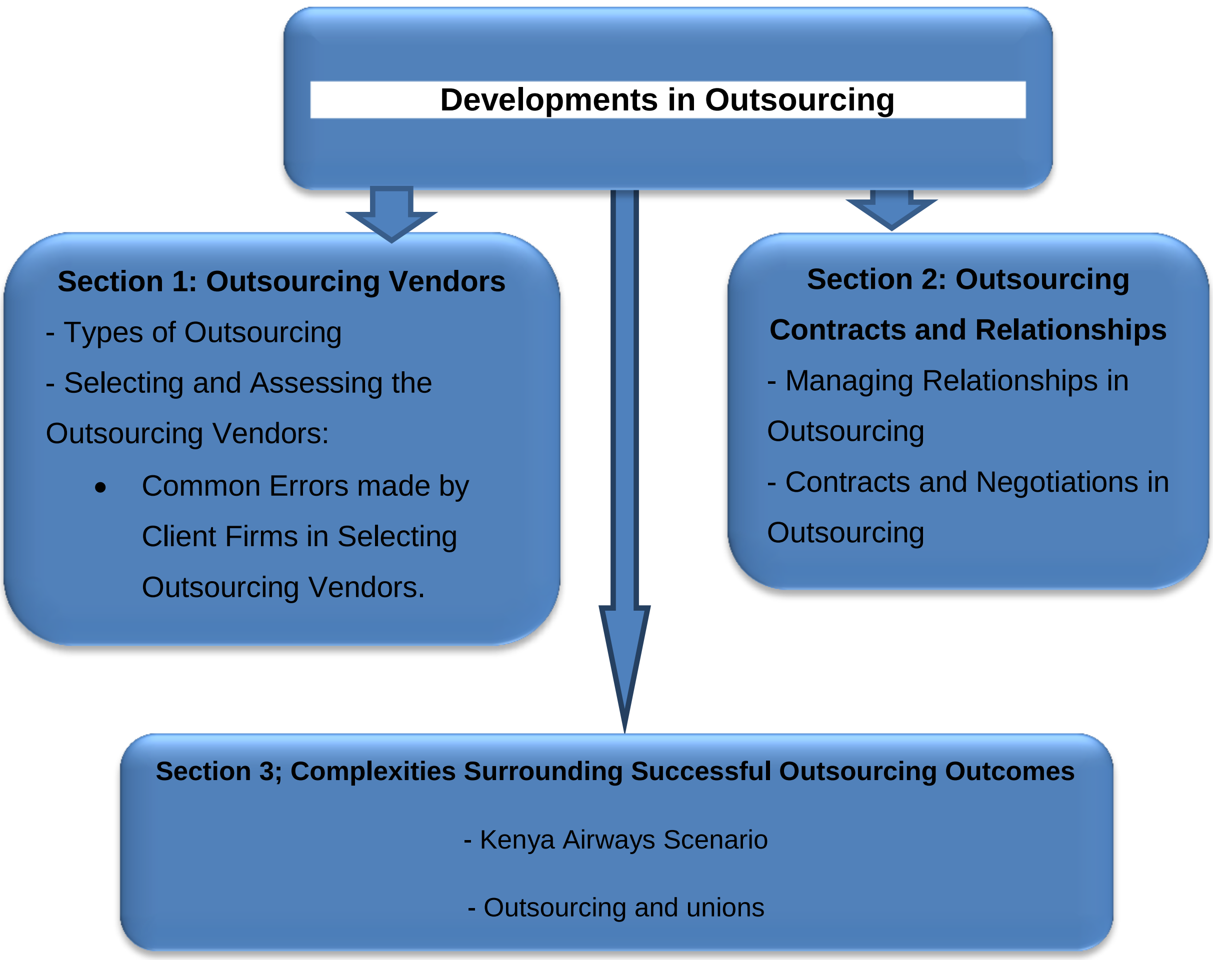
The next chapter addresses outsourcing in a broader context. It deals specifically with types of outsourcing; selecting and assessing outsourcing vendors; the vendor selection process; common mistakes made by client firms in outsourcing vendor selection; managing outsourcing relationships; outsourcing contracts and negotiations; complexities surrounding successful outsourcing and outsourcing and unions.

CHAPTER FOUR: DEVELOPMENTS IN OUTSOURCING

4.1 Introduction

A number of key contextual aspects related to enhancing the delivery of outsourcing services have become clearer in recent years. This chapter has three main sections. The first discusses types of outsourcing, selecting and assessing the outsourcing vendors, and common mistakes that client firms make when selecting outsourcing vendors. The second looks at how client organisations can go about managing relationships in outsourcing as well as contracts and negotiations in outsourcing. The third section examines outsourcing and unions and the complex outcomes of successful outsourcing. The illustration that follows provides a summary of topics discussed in this chapter.

Illustration 5: Developments in Outsourcing



4.2 Section One: Outsourcing Vendors

Major industries - specifically telecommunications, computing, the automotive industry and the military – have outsourced training services for instance for many years now. Contracting helped organisational executives because they did not need to hire additional staff (Hale, 2006:9).

According to Jenster *et al.* (2005:7-17), since the 1980s, services have become a prime target for outsourcing. This trend has resulted in changes in the United Kingdom, where the privatisation of the public sector has taken place.

4.2.1 Types of Outsourcing

There are ten types of outsourcing adopted by firms today. The table that follows lists and defines these.

Table 4: Types of outsourcing

Type of Outsourcing	**Description**
Offshore Outsourcing	This refers to outsourcing to a provider in a different country from the client firm/organisation[7].
Traditional Outsourcing	This involves outsourcing an older business, so that the firm can focus on making a new product. For instance, an outsourcing provider/vendor organisation[8] may operate an older computer-based system for current customers while the client organisation installs a new system and makes it operational.

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

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

Co-sourcing	Refers to outsourcing in which the outsourcing vendor's payment is based on achieving a particular goal, such as improving the client's business performance.
Spin-offs	Refers to outsourced business activities of one company being bought together into a company - as a new and separate firm. For instance, an outsourced accounting department can become a separate accounting service firm.
Back-sourcing	This is where a client firm has experienced less than desirable outsourcing outcome. As a result, the firm moves the outsourced business activities back to the client firm.
Business Process Outsourcing (BPO)	BPO involves the outsourcing of an entire process or department within a firm. For example, outsourcing all monitoring and evaluation services for an NGO client firm or accounting department.
Value-added outsourcing	It involves combining client and vendor firms' strengths to market products or services.
Shared outsourcing	Refers to when an outsourcing provider works for more than one direct firm at the same time. For example, a software outsourcing provider can work on the same computer software code for several banks, all of which require the same type of software for their customers.

Multi-outsourcing	Multi-outsourcing is when multiple outsourcing providers are used simultaneously to ensure, for example, competitive bidding in an outsourcing arrangement.
Near shore outsourcing	Similar to international outsourcing but in the case of near shore outsourcing, the countries are neighbours. For instance, a US firm outsourcing for a Canadian firm.

Source: Schniederjans, 2006:8

4.2.2 Selecting and Assessing Outsourcing Vendors

Vendor assessment involves finding an outsourcing vendor that specialises in the service that a given client organisation wishes to outsource. Bucki (2011) argues that the vendor selection process can be a very complicated and emotional exercise if the management of a client firm does not know how to approach it from the very beginning. To comprehensively understand vendor assessment and selection, it is important to discuss the vendor selection process and the common mistakes that client firms get trapped in when selecting outsourcing vendors.

4.2.2.1 The Vendor Selection Process

Baldo (2004) suggests that vendor selection first involves ‘self-assessment’. Before even undertaking the vendor selection process, a client organisation should make sure that it needs to outsource in the first place. Moreover, a client firm may assess the cost implications of engaging in such a project. A firm that is considering outsourcing as an option may evaluate the fixed costs of shifting production function or any other activity to an outsourcing vendor as well as the variable costs. Fixed costs are the costs that do not change for a given period of time with any activity indicator, for example the salary of a director, rent and insurance for a building. Variable costs, on the other hand, are costs that may change with the amount of production. Power cost is one example of a variable cost; the cost of power varies in direct proportion to the amount of production (Peavier, 2014)**.**

The third issue to consider in vendor selection is the 'macro-factors'. This involves the selection of an outsourcing region or type of outsourcing organisation to follow-up in a client firm's search for a suitable outsourcing provider. This also involves evaluating a variety of outsourcing organisations within a given geographical region. It is essential for outsourcing vendors to have the appropriate equipment, technology and skills required to accomplish activities that client organisations contract them with (Baldo, 2004).

'Relevant factors', the fourth criterion, refers to those related to the unique corporate culture and organisational goals of the client (Baldo, 2004).

Finally, 'personal factors' to do with the person who has to implement the outsourcing engagement must be considered (Pragmatic Outsourcing, 2011). These have to do with personal judgment and the needs of a client firm. Additionally, if a representative from a client firm has negative thoughts or doubts about a potential outsourcing vendor, the client firm representative may opt not to engage in a contract with the outsourcing vendor.

These insights are usually attained over time and they are based on experience and exposure of a client firm's management. The vendor selection process can also factor in the needs of all stakeholders involved in an outsourcing venture.

Once a client organisation has selected an outsourcing vendor, it is essential to ensure that the client firm's representative/s visits the outsourcing vendor organisation. The management of a client firm may encounter some pleasant surprises that might bring certain companies to the top of the list for consideration as appropriate outsourcing vendors.

Mezak (2011) highlights six onsite best practices that a client firm can adopt to ensure that a visit to a potential vendor is successful. First, it is necessary to interview the development personnel and project leader or manager. Second, a client firm needs to critically evaluate a potential vendor/s' knowledge, their process for problem solving and filling any knowledge gaps, their work behaviour and their consistency. This will help the client firm establish an outsourcing provider's credibility in relation to quality assurance. Third, it is essential for client firms to evaluate the training process used by outsourcing providers. Today it is common to find outsourcing provider companies hiring recent qualified university graduates who have selected basic skills. Outsourcing providers are required to make up for this. Inspecting the outsourcing provider's facilities is another aspect to consider. Touring their premises and searching for things such as potential security hazards and poor working environment is important. Lastly, it is essential to confirm the outsourcing company's methodology. This means that the client firm representative should evaluate whether the vendor/s in question advertise a particular methodology of working or not. It is vital to evaluate if the methodology is actually practised or not.

Visiting a potential outsourcing vendor provides insightful information for a client organisation which cannot be obtained through mere conversation. The work environment of an outsourcing vendor reflects how organised a vendor's management team and employees are. By visiting a potential outsourcing vendor, a client firm will get an idea of the corporate culture of the outsourcing vendor's organisation. This is reflected in the dress code and how employees of the outsourcing vendor organisation communicate and behave amongst each other as colleagues.

4.2.2.2 Common Mistakes made by Client Firms in Outsourcing Vendor Selection

Client companies need to be aware of mistakes they could make when selecting outsourcing vendors (Tucci, 2010 and Meyerson, 2009). These mistakes include: forgoing the benefits of selecting an outsourcing provider on a competitive process by focusing too much on the cost of the outsourcing project, disclosing too little or too much information or being dishonest, rushing to conclude an outsourcing contact, and inadequate research and evaluation of all the outsourcing service providers available.

Patience must be cultivated by the client organisation at all times in order to increase the chances of selecting a suitable outsourcing vendor. References provided must be evaluated before the choice of a suitable vendor is made.

4.3 Section Two: Outsourcing Relationships and Contracts

This section is divided into two main topics: managing relationships in outsourcing and outsourcing contracts and negotiations.

4.3.1 Managing Relationships in Outsourcing

An outsourcing relationship involves two parties: the outsourcing provider firm personnel and the client firm personnel. Professional outsourcing relationships are built over a period of time. A key element in managing relationships in outsourcing is the practice of ethics. Batty (2011) highlights that management teams frequently lack the experience needed to execute the design management process that an outsourcing relationship requires. The design management process refers to a strategy for successful project planning and execution. The outsourcing contract by itself is not an exchange for an active, designed management process. The management of relationships in outsourcing can be discussed in three areas: developing a value plan, 'healthy' business relationship tips, and guidelines to engage interactively with the market.

4.3.1.1 Developing a Value Plan

A value plan is a strategy adopted by a client firm to derive positive outsourcing relationships between the outsourcing provider and the client firm. Having a value plan is crucial for the successful adoption of a value assessment. Value is lost in a range of ways specifically in outsourcing relationships. If a client firm's management begins from the point that their objective is to enhance their relationship with the outsourcing vendor, this is a step closer to a quality process that will assist to achieve that objective. On the other hand, if the management is not prepared for the outsourcing programme, it is unlikely to face challenging queries on the original exploratory research and the consequent results.

Furthermore, in order to enhance an outsourcing relationship it is essential for a client firm to engage with the outsourcing provider**.** Evaluations made by the client firm management of the outsourcing provider about the outsourcing provider personnel are in most circumstances undertaken as audits. It is important for a client firm not to create an environment of defensiveness with an outsourcing provider because a client firm's senior management will end up asking the outsourcing provider to work with the client firm's management in order to improve services and costs (Gillin, 2011). When a value-plan has been developed, the outsourcing provider needs to explain the approach that will be adopted to accomplish the client firm's objectives.

4.3.1.2 Helpful Business Relationship Tips for Outsourcing

Blütling (2011) provides five outsourcing relationship tips which client firms should consider in their relationships with outsourcing providers. These are fostering and maintaining interactions in support of strong, trusting relationships; that the outsourcing vendor should drive relationship effectiveness by increasing capabilities through training, organisational learning and growth; establishing, developing and executing effective measures to facilitate the best balance of mutual behaviours and advantages between the client organisation and the outsourcing provider; and finally**,** continuous assessment, planning, managing of risks and controlling of objectives.

4.3.1.3 Guidelines for Interactive Engagement with the Market

Everett (2010) gives five approaches for interacting with the market. The first is the appropriate level of interaction for a given project as some will require more communication than others. The second guideline is Interactive Vendor Engagement (IVE) which involves the combined efforts of the client firm and outsourcing vendor in building trust. A client firm needs to understand what the market can offer. The third guideline is to establish suitable rules and procedures from the start. The fourth guideline is to use communication to evaluate cultural suitability**.** A client firm can at all times use each and every opportunity to meet with the outsourcing provider's sales and delivery personnel to examine the competence suitability, the cultural suitability and the willingness to follow the necessary procedures. Finally, trade-offs[9] result to increased procurement expenses, with reduced delivery expenses and risk. Working up-front on refining essentials, tightening the fit of the solution and building effective business relationships results in time and money well spent - particularly because the procurement stage is seen only as a small percentage of the total contract expense of any outsourcing venture. Managing outsourcing relationships is a key issue in outsourcing. Both the outsourcing provider and the client firm have a key role to play when it comes to ensuring that outsourcing yields favourable results.

[9] A trade-off refers to 'a technique of reducing or forgoing one or more desirable outcomes in exchange for increasing or obtaining other desirable outcomes in order to maximise the total return or effectiveness under given circumstances' (Business Dictionary, 2014).

4.3.2 Contracts and Negotiations in Outsourcing

Contracts are vital documents in outsourcing ventures. Zetter (2006) suggests that contract formulation and negotiations can sometimes be a new domain for some organisations. Gather (2009) however is of the view that too often firms move from one contract negotiation to another - and from one negotiation of commodity buying to those of complicated, long-term, essential business relationships - without any appropriate planning. This section looks at two key areas, namely: the components of an outsourcing contract and contract negotiation strategies and principles.

4.3.2.1 Components of an Outsourcing Contract

A contract is negotiated and signed by both the client firm and the outsourcing provider. A contract clearly identifies aspects such as the services to be rendered by the outsourcing provider, the terms of payment, an exit clause for the outsourcing provider and the client firm and techniques for making alterations to the outsourcing venture agreement (Deckelman, 1998). According to Platz and Temponi (2007), there is a common set of essential contractual components in outsourcing contracts. However, contracts between the client firms and their outsourcing partners are found to be vital in ensuring successful outsourcing (Elmuti, 2003).

Zinnov Offshoring Research and Consulting (2012) reports that a well-defined outsourcing contract helps in a number of ways. Firstly, it assists to clearly articulate the success standards to the stakeholders - in both the client firm and the vendor firm teams. Secondly, it assists in explaining some of the high-level metrics used to evaluate the performance of outsourcing personnel. Thirdly, it explains the project requirements - in terms of individuals, process, security, technology and business continuity. Fourthly, it assists in explaining the incentives and penalties, based on outsourcing provider performance. Next, it assists in handling unpredictable circumstances, without causing undue frustration on either the outsourcing provider or client firm personnel. Finally, it assists in pursuing properly structured growth of the partnership between the outsourcing provider and the client firm.

Outsourcing contracts can be skilfully compiled. Therefore, it is essential to consider the components of an outsourcing contract. Twing (2006) proposes eleven components. First, an outsourcing contract should include the frequency and types of reports the outsourcing firm will prepare. Business continuity plans comprise the second component of an outsourcing contract. This section of the contract incorporates the critical recovery times following a disaster. In addition, it also defines the outsourcing vendor's responsibility for providing back-up equipment, continuous testing and back-up plans for data and programme files.

Thirdly, sub-contracting can also be included in an outsourcing contract. This is where the outsourcing provider's rights to work with sub-contractors in delivering its services are outlined. Cost is the fourth component of an outsourcing contract and refers to the fees to be paid by the client firm for the various services rendered. Ownership of the work product is another important component of an outsourcing contract. This section clearly outlines the ownership of the tools, the equipment, data and output of the work to be conducted by the outsourcing vendor.

Duration is another key component and in this regard the term of an outsourcing contract is outlined. Dispute resolution is also included and in this section how disputes shall be resolved once they occur is outlined. Scope of service is another important component that can be considered in an outsourcing contract. This section clearly describes the rights and responsibilities of the parties involved in the outsourcing contract. Another key component of an outsourcing contract is performance standards. This section outlines the minimum service-level requirements and the measures for failing to meet the standards.

Security and confidentiality arrangements and assurances are also included in the outsourcing contract. Security and confidentiality refers to the safe handling of data, the confidentiality of the client firm's plans, their activities, and customer information as well as defining the outsourcing provider's practices with their personnel. Controls are another component of an outsourcing contract. The client firm may want to define particular controls for instance record maintenance timeframes and the notification of material changes to personnel. Finally, it is important to make provision for an audit in a contract. The contract can specify how frequently the audit will be done and who will pay for the audits and the types of audits necessary for instance financial, security or internal control measures. A contract serves as a record and roadmap which can be referred to at any time after the commencement of an outsourcing venture. It is a guideline for both the vendor organisation and the client organisation.

4.3.2.2 Contract Negotiations, Strategies and Principles

Bucki (2012) proposes a number of strategies that can be used when negotiating outsourcing contracts. Firstly, it is important to rank priorities, along with their alternatives. Secondly, the client firm's management needs to establish the difference between what the client firm needs and what the client firm wants. Thirdly, it is necessary to know when to quit and walk away. This means that it is important for a client firm's management team to establish whether there is a cost or hourly fee that the client company cannot exceed. Fourthly, it is important for the client firm's negotiating team to outline any time limitations and standards. Furthermore, evaluating potential obligation and risks as well as privacy, conflict management and changes in requirements may also be considered in the strategies for planning. The final aspect to consider in strategies for planning outsourcing contract negotiations is to do the same for one's outsourcing provider. This means that it is essential to repeat the same process, as if (the client firm management) were the outsourcing provider. Both the outsourcing vendor firm and the client organisation need to conduct negotiations in a professional and ethical manner - taking the interests of each party into consideration. Contacts are formulated to be used for a given period of time and therefore they can be negotiated right the first time.

It is not enough just to consider the strategies and planning of outsourcing contracts. The principles of negotiation could be considered and practised by client organisations in order to formulate a comprehensive contract that may be adopted for outsourcing purposes. Gottlieb and Healy (1998) have outlined twelve principles of negotiation which could be adopted by client firms when they consider engaging in an outsourcing contract. These principles consist of: the greatest shortcoming in negotiation is not to engage in negotiation at all; the most important individual to know in a negotiation is the negotiator; both the outsourcing vendor and the client organisation have power in a negotiation; single-issue transactions leave both the outsourcing provider and the client firm's management unsatisfied; urgency triggers decisions to be made quickly; an agreement is considered the end and mutual benefit is the means adopted to attain an agreement; the most appropriate negotiating outcomes are obtained through keeping the other party on a 'need-to-know' basis; the benefit of something is always in the eye of the observer; success in negotiation is mostly determined by the amount and type of preparation that follows the negotiation; the intelligence to know when to walk away or when to select another alternative to a negotiated agreement places a negotiator in a very good position; even when the outsourcing vendor and client organisation are in disagreement on key issues, there are always issues on which they can both agree on; meaningful negotiation in most situations involves disputes.

4.4 Section Three: Complexities Surrounding Successful Outsourcing Outcomes

Conducting outsourcing professionally can yield favourable outcomes such as cost savings as highlighted in Chapter One. However, outsourcing can have negative outcomes. The example Kenya Airways, who brand themselves as the ‘Pride of Africa’ and believe in outsourcing, provides an example of both the positive and negative aspects of a successful outsourcing initiative. This section also provides an example of the response of unions to outsourcing.

4.4.1 Kenya Airways Scenario

Kenya Airways has in the recent past formulated plans to cut costs through voluntary retirement, terminations and outsourcing of non-core functions in order to manage increasing costs and to protect its bottom line objectives. To date some employees have already volunteered to resign. However, retrenchment has not yet been conducted. These plans to reduce costs have resulted from the fact that Kenya Airways’ wage bills have more than doubled in the last six years to amount to 13.4 billion Kenya shillings ($159 million) with the total work force increasing by over 16% to 4,834 employees. Kenya Airways top management has not mentioned the level of savings it is hoping to achieve in the near future and neither has it been made public the number of jobs that will be lost in the exercise. The Aviation and Allied Workers Union (AAWU) which has 3,800 members pledged to its members that it would utilise all means at its disposal, including going to court, to block the job retrenchment exercise. It has been queried why the job retrenchment exercise was made public soon after Kenya Airways announced an ambitious five-year expansion plan which would definitely require hiring personnel, rather than reducing staff members. This further opposes what the Kenya Airways management said in March

2012, that it would spend $3.6 billion Kenya shillings, to mainly purchase new aircrafts and thus begin to fly new routes between Africa and Asia (Reuters, 2012).

The above scenario indicates that outsourcing does indeed reduce human resource cost. However, complexities arise considering the fact that staff outsourced are employed more on a casual or contract basis. This means that there is no job security and thus outsourced staff are always anxious, which could lead to poor job performance and sometimes health issues. In addition, to this, staff wages of outsourced personnel cannot be compared with remuneration of permanent staff working at the Jomo Kenyatta International Airport in Nairobi, Kenya. Benefits such as medical aid, pension, complementary air tickets, transport to work and yearly bonuses will not normally be provided to outsourced personnel. This ultimately will affect the morale of the outsourced staff. On the other hand, those employed by outsourcing vendors do indeed get jobs at the end of the day despite the fact that they are not compensated as permanent staff are. As some would argue it is better to have a job that pays something than to be jobless.

The voluntary resignation of some staff at Kenya Airways can be seen as either positive or negative action. It is positive, in the sense that these people might consider engaging in entrepreneurial activities and thus create employment for others, but, on the other hand, some will end up applying for jobs and waiting to be recruited. If they are not recruited, this could result in poverty and a feeling of hopelessness and which ultimately could result in clinical health conditions such as depression and deviant behaviour like crime.

Another key outcome of Kenya Airways' outsourcing its non-core activities is conflict between the airport union and management. Conflict could lead to theft, damage to property and strikes and these would all lead to Kenya Airways incurring losses.

Lastly, it is crucial to also note that Kenya Airways has invested in training the very personnel they want to retrench. This is an indication that the investment in training is not going to be utilised. It is essential to consider that the risk of outsourcing could come with compromised standards due to lack of adequate training of outsourced personnel.

4.4.2 Outsourcing and Unions

Outsourcing is often viewed as cost effective as less labour is required by a client organisation that chooses to outsource. This has resulted in the retrenching of personnel in client firms. Union leaders globally have therefore viewed outsourcing as unfavourable for their members. This calls for policy makers to commit to formulating effective outsourcing policies if the impact of trade union opposition is to be reduced (Schönteich, 2004).

Offshoring has become a major phenomenon discussed in the media globally. The majority of pro-outsourcing executives blame the educational deficiencies in the United States as the key concern that needs to be discussed. The initiative to increase profits by organisations often results in decisions involving 'outsourcing', 'sub-contracting' and 'privatisation'. Sub-contracting is currently considered a form of outsourcing. Employers worldwide are at all times aiming to increase profits and the simplest way to do this is to reduce employees' pay and benefits (such as medical aid and pension) or to make employees work more hours per week. The most recent management strategy to increase profits is outsourcing/sub-contracting/privatisation (UE Union, 2013).

Reasons given for the increase in outsourcing tend to involve economic and human resources management explanations and disregard of the political perspective. In particular, unions and collective labour relations have been a target of a 'neo-liberal'[10] change programme which is followed by both labour and conservative governments which have used outsourcing as a means of individualising the employment relationship and reducing the influence of unions (Asia Pacific Business Review, 2006). According to Grogan (2007:8) employees adopt industrial action, to counterbalance the power that tends to reside with the employer. The collective bargaining process involves decision making between parties that represent the interest of employer and employee. Additionally, collective bargaining involves negotiation and continuous application of agreed set of rules to govern the definite and procedural terms of employment relationship (Windmuller, 1987:3).

Collective bargaining aims to reach some agreement and it is a process of engagement by equal partners. Its outcome depends on the acceptance of the

[10] Neo-liberal is a new economic liberalism present in society today.

parties involved. Unions can only do so much in protecting the rights of employees. The challenge lies in identifying suitable formulae to compensate retrenched workers and the compilation of favourable remuneration packages for outsourcing personnel.

4.5 Conclusion

The ten key types of outsourcing are offshoring, near shoring, traditional, spin-off, co-sourcing, back- sourcing, business process outsourcing (BPO), value added, shared and multi-outsourcing (Schniederjans, 2006: 8**).**

Vendor assessment in essence involves finding an outsourcing vendor that specialises in the service that a given client organisation wishes to outsource. Bucki (2011) argues that the vendor selection process can be a very complicated and emotional exercise if the management of a client firm does not know how to approach it from the very beginning. Baldo (2004) suggests that vendor selection involves 'self-assessment'; assessing cost implications of engaging in the project; the macro-factors; relevant factors and personal factors.

Once a client organisation has selected an outsourcing vendor, it is essential to ensure that the client firm's representative/s visits the outsourcing vendor organisation. Mezak (2011) highlights six onsite best practices that a client firm can adopt to ensure that a visit to a potential vendor is successful. The six practices include: that it is necessary to first engage in an interview with the development personnel and project leader or manager; that a client firm should critically evaluate a potential vendor/s on their knowledge, their process for problem solving and their process for filling any knowledge gaps; work behaviour and their consistency; evaluating the training process; inspecting the outsourcing provider's facilities and lastly, that it is essential to confirm the outsourcing company's methodology.

The principles of negotiation are considered and practiced by client organisations in order to formulate a complete contract that may be adopted for outsourcing purposes. Gottlieb and Healy (1998) have outlined twelve principles of negotiation. These principles consist of the following: the greatest shortcoming in negotiation is not to engage in negotiation at all; the most important individual to know in a negotiation is the negotiator; both parties who are involved in a negotiation have power in a negotiation; single-issue transactions leave both the outsourcing provider and the client firm's management unsatisfied; urgency triggers decisions to be made quickly; an agreement is considered the end and mutual benefit is the means adopted to attain an agreement; the most appropriate negotiating outcomes are obtained through keeping the other party on a ‘need-to-know’ basis; the benefit of something is always in the eye of the observers; success in negotiation is mostly determined by the amount and type of preparation that follows the negotiation; the intelligence to know when to walk away; even when two parties are in disagreement on key issues, there are always issues on which they can both agree.

Labour union leaders have viewed outsourcing as unfavourable to labourers globally. Ultimately, this calls for policy makers to make a commitment to facilitate in the formulation of effective outsourcing policies if at all the impact of trade union opposition is to be reduced (Schönteich, 2004).

Outsourcing also involves shifting work from one firm to another that can do the same activity at a reduced cost. However, this could be evaluated as an advantage or as a disadvantage. For instance, looking at the US, the loss of higher paying jobs to India and China has brought about the use of a new concept which is ‘offshoring’ outsourcing. The initiative to increase profits by organisations often results to decisions involving ‘outsourcing’, ‘sub-contracting’ and ‘privatisation’. The most recent management strategy to increase profits is outsourcing/sub-contracting/privatisation (UE Union, 2013).

Labour unions can only do so much in protecting the rights of employees. However, the challenge lies in identifying suitable formulae to compensate retrenched workers and the compilation of favourable remuneration packages for outsourcing personnel.

Today there is increasingly less government regulation of companies in many countries, and trade unions are not as powerful as they used to be. Many countries generally now have less intrusion of government in the operation of the economy. This encourages investment, and permits the rapid development of new products and activities by companies, and creates an opportunity for workers to adjust to new business opportunities.

The chapter that follows addresses trends in outsourcing which are: Total Quality Management (TQM), Human Resource Management (HRM) Outsourcing and Education, and Supply Chain Management (SCM).

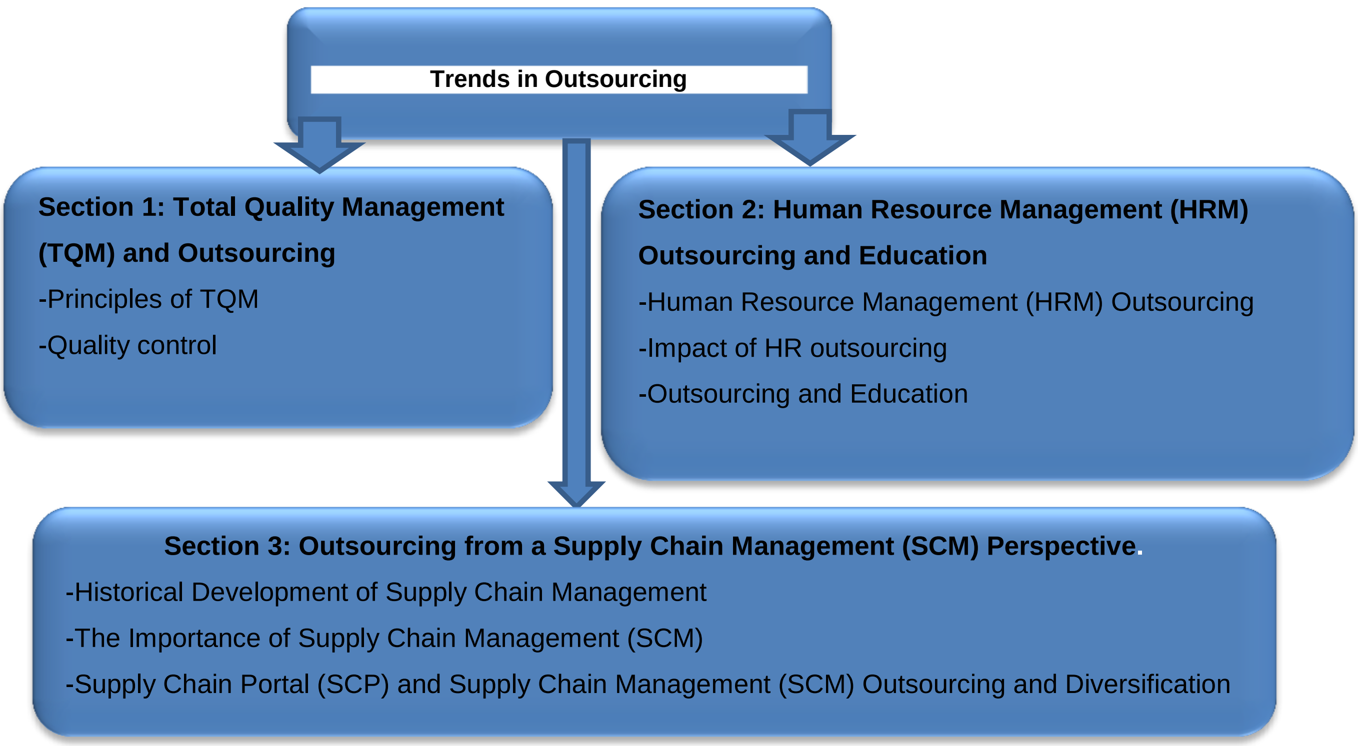
CHAPTER FIVE: TRENDS IN OUTSOURCING

5.1 Introduction

In recent years outsourcing has expanded to include a number of new services such as information technology outsourcing, financial outsourcing and manufacturing outsourcing. Outsourcing has also become very sophisticated and technology intensive (Gupta, 2008). This is attributed to enhanced productivity and the maintenance of standards. It cannot be emphasised enough that skilled personnel is a key requirement when conducting outsourcing.

This chapter looks at the trends in outsourcing today. These all involve practices aimed at enhancing outsourcing initiatives. In particular, Total Quality Management (TQM) is explained in the context of the importance and relevance of the principles of TQM when conducting outsourcing initiatives. Furthermore, education, training, human resource management and outsourcing are also examined. Another key trend discussed in this chapter is Supply Chain Management (SCM). SCM is discussed in relation to its importance to outsourcing. This is accomplished by examining the Supply Chain Portal (SCP) and the diversification of SCM. In summary, the trends in outsourcing examined in this chapter are illustrated in the diagram that follows.

Illustration 6: Trends in Outsourcing



5.2 Section One: Total Quality Management (TQM) and Outsourcing

Outsourcing firms over the years have aimed at attaining the required standard expectations of client firms. Not all outsourcing vendors have managed to achieve TQM when offering outsourcing services to client firm/s.

TQM has been practiced by many companies, including outsourcing vendor organisations, since as far back as the 1990s. Senior management executives are today aware of the quality message that has been declared by the ‘quality gurus’ (Chase, Aquilano and Jacobs, 2002:18). Quality management is often viewed as having developed in four phases: quality inspection; quality control; quality assurance and Total Quality Management (Dale, 1999). According to Bergman and Kiefsjo (2005), TQM is a management structure that constitutes values, techniques and tools that aim at fulfilling - or even exceeding - the needs and expectations of the clients with reduced quantity of resources. According to Ghobddam and Callear (1996) TQM is designed to re-focus the organisation’s conduct, forecasting and working methods towards a custom which is staff-motivated, problem-solving and focused on stakeholders, with good principles and honesty, transparent and free of anxiety.

A TQM structure is based on the ideology that as quality improves, costs will reduce as a result of lower failure rates and reduced wastage of resources. Thus, TQM offers more than just assurance of quality of goods and/or services; it is a structure which looks at quality in every phase of the process of production, both internally and externally. Every part of the organisation must be incorporated to form part of the complete structure. If the TQM structure is not comprehensive, there will be organisational gaps and these could lead to wastage or failure to meet the provisions of another part of the organisation. TQM is an organisational strategy that aims at improving business efficiency and elasticity. Thus, it seeks to accomplish the removal of waste, so that quality outcomes can be achieved faster and cheaper. Quality is achieved through various techniques that are geared towards ensuring customer satisfaction (Appley, 1994: 330-331).

In TQM terms, when an outsourcing vendor attains the required results, their costs will be reduced as wastage will be minimised. A client firm can monitor the performance of outsourcing vendors continuously in order to keep them ‘on their toes'. However, this cannot be done in such a way that the outsourcing vendor/s feel that they do not have any freedom to perform their duties and functions freely.

Shark (1998) argues that a successful TQM environment requires a committed and properly-trained staff that takes part fully in quality improvement initiatives. Such involvement is secured by reward and appreciation methods which focus on the success of quality goals.

An employee who knows what to do is better placed to perform a task to the required standards. Outsourcing vendors should not think of training as a huge cost but rather as an investment as well-trained and motivated employees will strive to achieve the expected performance standards to satisfy a client organisation. A satisfied client firm will enter into another contract with a reputable outsourcing firm and would possibly recommend the outsourcing vendor firm to potential clients who are considering outsourcing a similar service.

O'Brien (2004) believes that companies that use TQM are committed to: improved quality of product or service, faster less irregular response from strategy and development through supplier and sales channels, offices and forecasting right through to the final consumer; offering greater flexibility in modifying the consumer's changing volume and mixed needs and reducing costs through quality enhancement. This section looks at what TQM is and how TQM has evolved over the years. The principles of TQM are also evaluated as well as quality control. These aspects of TQM are considered by outsourcing vendors, for the purpose of delivering the required standards of performance agreed upon with a client firm.

5.2.1 Principles of Total Quality Management (TQM)

McNamara (2011) addresses five principles of TQM. The first is that quality can and must be managed. The second is that processes, not persons, constitute the problem. The third key principle is not to treat symptoms but to look for the cure. This means, for instance, that if a vendor organisation notices that their personnel are not performing their tasks to the required standards, it is important for the supervisors to find the root cause of the problem. McNamara's fourth principle is that quality must be measureable. The client firm's management needs to establish measureable ways to identify whether tasks performed by an outsourcing vendor meet the expected standards. This could be tabulated by listing all the tasks to be conducted and what is considered to be the ideal standard of quality assurance. The final principle is the quality of a long-term investment. For example, this can refer to when a client firm is of the view that the outsourcing vendor is delivering the quality expected. It is then likely that the client firm would renew its contract with the same outsourcing vendor company and possibly even refer other potential clients to the same outsourcing vendor organisation.

Kurtus (2001) provides three additional basic principles of TQM. The first is satisfying the customers which means that the outsourcing vendor provides the required service or product to the client organisation. Satisfying the supplier, the second principle, involves outsourcing vendors purchasing supplies which are used in conducting tasks contracted to them by client organisations. Satisfying a supplier can be achieved through for instance making payments on time for goods delivered. A satisfied supplier could be drawn to offer quality products consistently to its customers. Continuous improvement is Kurtis' third principle of TQM. Outsourcing vendors should strive to continuously improve the services they offer to client organisations - for repeat business and referrals. Continuous improvement involves 'quality circles', 'statistical instruments' and 'control mechanisms'. Management can never be satisfied with the technique used in production or the delivery of outsourced services. This is because there may always be improvements and modifications especially when competition is increasing. It is necessary to strive to keep ahead.

Bizinfo Network (2005) has added employee empowerment and six-sigma as additional principles to the above eight principles of TQM. Employee empowerment provides employees with the opportunity to be involved in decision-making which increases employee's responsibility. This shifts authority to the lowest level possible in an organisation. Empowering employees gives the following additional advantages:

- There is the chance that the decision-making phases can be divided, as can the feedback time.
- It releases the creative innovation abilities.
- Empowerment facilitates in increased job satisfaction, drive and assurance.
- Empowerment facilitates personnel to achieve a greater sense of accomplishment from their work and it reduces operational expenses by

omitting irrelevant levels of management and the consequent screening and rescreening of operations (Mullins, 2005:861).

Six-sigma is the final principle of TQM proposed in the literature. It is a management program executed to save time, improve quality and reduce costs. |The six-sigma program has an accuracy of 99.9997% for the completion of an activity according to Mullins (2005:869).

Six-sigma was in the past adopted by companies solely in manufacturing and logistics. Today six-sigma can be adopted in all industries and all functions. However, critics view six-sigma as unsuitable for developing creative goods and for finding functionally new internal procedures or for establishing comprehensive corporate strategies. Despite the elaborate claims, six-sigma success is not the same as business success. Michael Hammer, a re-engineering guru, states that some of the early adopters of six-sigma, such as the Eastman Kodak Company, the Xerox Corporation and the Polaroid Corporation, have gained numerous business referrals (clients). On the other hand, the use of six-sigma failed to assist IBM's personal computer business. IBM was in many instances, developing the wrong goods, but concentrated on minimising the defects in network equipment and making international modifications to its disk drives. Dell Computers, which is a rival of IBM, has shown it is more effective to wait until a client orders before developing the computer and not, as IBM did, make international modifications to the incorrect methodology (O'Brien, 2004:66). Based on the previous examples it is evident that six-sigma can result to either business success or failure.

In conclusion, the principles of TQM serve as guidelines for attaining the quality standards expected by client organisations that have outsourced one or some of their minor or main functions. Outsourcing firms strive to continuously improve the standards of services they deliver to client organisations on a daily basis, in order to attain the required standard expectations of a client firm's management.

5.2.2 Quality Control (QC)

An outsourcing firm aims to ensure that quality control is achieved at all times by the outsourcing vendor. It is important that the client organisation has a team that can oversee the quality control process to ensure that the outsourcing vendor delivers quality services as agreed in the outsourcing contract. Thus, the client organisation should have a quality control department to monitor the activities of outsourcing providers. Chase *et al.* (2002) suggest that a classic Quality Control (QC) department has a range of functions to conduct. Some of these are: collecting performance data on goods/service in the field; modifying quality concerns which include budgeting and forecasting the QC program in an organisation, crafting and supervising quality control structures inspection steps and ensuring quality.

Client firm's management can monitor outsourcing vendors in order to ensure QC. A team of employees from the client organisation needs to be appointed to effectively conduct this duty. Additionally, the tools and equipment required to measure quality also need to be maintained, such that the quality systems are always in good working order.

5.3 Section Two: Human Resource Management (HRM) Outsourcing and Education

The human resource department of client firms and outsourcing companies play a key role in the implementation of outsourcing initiatives. Education is used to enhance the skills needed for ensuring quality standards are met by the outsourcing vendor. This section evaluates two issues: Human Resource Management (HRM) Outsourcing and its impact and Education and Outsourcing.

5.3.1 Human Resource Management Outsourcing

Mayhew (2014) reports that human resources outsourcing emerged from contracting payroll processing firms in the 1990s and developed to allocating activities previously conducted by human resources assistants and experts, such as recruitment, coordinating benefits and dealing with unemployment claims.

Lepak and Snell's (1998) virtual human resources model identifies the human resource tasks that can be outsourced. The virtual human resources model developed from 'transaction cost economics' (Coase, 1937; Williamson, 1975 and Williamson, 1985) as well as 'Resource Based Theory' (RBT). Transaction Cost Analysis (TCA) theory proposes that tasks that are considered not to be 'firm-specific' (non-core activities[11]) are likely to be outsourced. The resource-based

[11] [1] Non-core activities are those activities that could be outsourced to a third party (the outsourcing provider) without negatively impacting the main functions of a client firm (Mclvor, 2000).

dimension proposes that functions not critical to ‘core competences’ (core activities[12]) need to be outsourced. ‘Unique’ and ‘high value’ functions constitute the category of core human resource tasks, that are not suitable for outsourcing. On the other hand, minor human resource tasks which are characterised by ‘low uniqueness’ and ‘low value’ as well as distinctive human resources tasks which are of ‘low value’ and ‘high uniqueness’ and ‘traditional’ human resources functions with ‘high value’ and ‘low uniqueness’ are considered suitable activities for outsourcing. These strategic principles suggest that in order to improve a firm’s performance, human resource departments need to maintain functions that provide a competitive advantage[13] to a firm and outsource other activities which do not provide a competitive advantage. There are additional rationales for outsourcing human resource activities: specialised skills, reduced expenses, reductions in burden or risk, and limited expansion of human resource competences to meet exceptional changes (Greer, Youngblood and Gary, 1999).

However, there are exceptions to these rationales. For instance, outsourcing a human resource task could make a company vulnerable to being held hostage by an outsourcing vendor. The second exception would be when a task may not be outsourced without negotiating vital information that would result in a company being vulnerable to its competitors. Furthermore, human resource departments get into trouble relatively quickly when outsourced activities such as payroll, employee records, and retirement (specifically administration activities) are not dealt with accordingly (Gilley and Greer, 2004).

The human resources department is the department that ensures that relationships between the outsourcing vendor employees and the client organisation employees are maintained and that there is a harmonious working relationship between the outsourcing firm employees and client firm employees.

In most circumstances, outsourcing firms today specialise in providing only one area of HRM. One vendor firm may handle benefits administration, while a

[12] Core activities refer to those activities that the client organisation does particularly well in – with regards to the basis of competitive advantage (Mclvor, 2000).

[13] According to Kotler and Armstrong (2005), competitive advantage refers to having an upper hand over competitors. Competitive advantage is achieved through offering consumers better value: either through reduced prices or by providing more benefits which would justify the increasing prices.

second outsourcing firm does payroll and taxation. Furthermore, some outsourcing firms specialise in organisational development and human-resource audits. Outsourcing human resource departments ensures that new job opportunities are created based on the agreed costs which are indicated in a contract. The outsourcing contractor pays all the benefits, such as workman's compensation taxes and withholding taxes. It is common today to find organisations going to consultants and temporary contracts, so as to avoid the human resource costs, benefits and retirement obligations as well as the management requirements involved in maintaining a large workforce (Business Resources Article, 2011).

5.3.1.1 The Impact of Human Resources Outsourcing

Firms outsource a range of services in order to attain cost savings, efficiency, service improvements, and increased flexibility (Quinn, 1992 and Hirschhorn and Gilmore, 1992. According to Bennett (1999-2014), the impact of outsourcing HR activites could be positive or negative. Examples of positive outcomes resulting from outsourcing HR actives are cost savings and efficiency. HR outsourcing removes several costs, such as payroll and benefits for staff. This helps small firms which do not have a lot of dispensable cash to commence business.

Efficiency is another positive impact of outsourcing HR activities. Firms that provide outsourced HR functions are in a position to be more efficient than a company developing a HR department from start up. This further allows firms to concentrate on their core functions. On the other hand, some disadvantages of outsourcing HR functions are expertise disadvantage and cultural disadvantage.

A client firm limits its in-house expertise particularly when it comes to employee training and relationships. If a client firm has complex operational processes, it may be a challenge for outsourcing vendor personnel to comprehend how those processes impact on in-house personnel.

Cultural disadvantage is another major disadvantage to outsourcing HR functions. This is because an environment of ‘us against them’ may arise. Trust between the outsourced personnel and client employees may be of great concern.

5.3.2 Education and Outsourcing

In order to enhance outsourcing outcomes it is essential that training takes place. Looking at professional formal education on outsourcing in East Africa, the Kenya Methodist University (KEMU) recently launched a Businesses Process Outsourcing (BPO) training program at the International Centre for Outsourcing Studies (ICOS). Students who graduate obtain certification from the BPO Certification Institute (BCI). BCI is an international BPO standards-and-certification body. KEMU is the first university in the East African region to offer the training program in BPO. Furthermore, the centre is anticipated to train 3,000 students in the next three years. These students are to be selected from both the university's student body and individuals currently employed in the BPO sector who do not yet have any professional qualifications. The Vice Chancellor of KEMU, Jotham Micheni, was of the view that 'the centre would provide a reliable link between academics and the BPO industry which has been weak' (Kamau and Lucheli, 2011:36). This implies that the link between the BPO industry and the training of BPO is lacking and thus needs to be improved. This is an indication that Kenya is striving to enhance the BPO industry. This also means outsourcing is gaining acceptance in Kenya. Thus, the mushrooming of new outsourcing businesses is likely to continue as client organisations and potential client organisations consider and continue to contract outsourcing vendors to perform one or some of their company functions.

5.4 Section Three: Outsourcing from a Supply Chain Management (SCM) Perspective - New Diversifications in Supply Chain Management

Harland (1996) defines Supply Chain Management (SCM) as the management of a network of interconnected businesses involved in the ultimate provision of goods and service packages required by customers. Additionally, SCM involves procuring outsourcing teams who are involved in all movement and storage of raw materials, work-in- process, inventory (stock-taking) and delivery of finished goods - from the point of origin to the final consumer (Harland, 1996).

SCM is relevant to outsourcing, considering client organisations outsource procurement services from vendor organisations. This section on SCM outsourcing looks at the historical development of SCM, the importance of SCM, the Supply

Chain Portal (SCP), Supply Chain Management (SCM) outsourcing and diversification in Supply Chain Management (SCM).

5.4.1 The Historical Development of Supply Chain Management

Supply Chain Management (SCM) involves the management of manufacturing, storage and distribution of products and services. Any inefficiency experienced within a company can have a tremendously negative impact on the company. Good supply chain management can bring huge benefits and competitive advantage to both client firms and outsourcing firms (Biz-Development, 2012). It is therefore important to explore the origins of SCM.

Operations Supply Management (OSM) which is today known as Supply Chain Management (SCM) was first introduced in the late 1950s and early 1960s. Scholars at this time began to dwell on particularly OSM instead of industrial engineering or operations research. Scholars such as Edward Bowman and Robert Fetter (who specifically wrote on analysis for production and operations management, 1957) and Elwood S. Buffa (who specifically wrote on modern production management, 1961) noted the similarity of concerns faced by all production structures. In 1973, Chase and Aquilano's first edition of 'Operations Management' emphasised the need ‘to put the management back in operations management’.

According to Movahedi, Lavassani and Kumar (2009), six key movements are identified in the evolution of SCM. The first was the creation era. The term SCM was first formulated by a US industry consultant in the early 1980s. The characteristics of this era of SCM included the need for huge alterations, re-engineering, and downsizing driven by minimising the cost of programs as well as a widespread interest in the Japanese practice of management. This age of SCM was dominated by the growth of Electronic Data Interchange (EDI) structures. EDI was formulated through the introduction of Enterprise Resource Planning (ERP) systems. Electronic Data Interchange (EDI) was one of the first methodologies to be used in information technology for SCM. EDI involves the electronic exchange of business transaction information via the internet and other networks between supply chain trading colleagues who consist of firms and their clients and suppliers. On the other hand, Enterprise Resource Planning (ERP) refers to incorporated core-functional software that re-engineers manufacturing, distribution, finance, human resources and other basic business functions of a firm. These functions serve to improve productivity, quickness and profitability (O'Brien, 2004:6).

The second movement is the supply chain evolution which was characterised by both improving value-adding and minimising costs through incorporation. The third era is that of globalisation. This era is characterised by the globalisation of SCM in firms with the aim of increasing competitive advantage, value-adding and reducing costs through global outsourcing. The fourth movement in SCM is specialisation. This is when client firms outsource manufacturing and distribution activities offered in SCM to outsourcing vendor companies. The final SCM movement is building on globalisation and specialisation. This is the period of the World Wide Web (WWW) that is meant to increase creativity, information-sharing and alliances among users (Movahedi *et al.*, 2009).

Information-sharing is a key aspect in enhancing outsourcing initiatives. Outsourcing vendor organisations may learn from client organisations and vice versa. Client organisations may also obtain information from other client firms concerning favourable outsourcing procurement organisations, both locally and internationally. Procurement outsourcing organisations can learn from one another – whether based locally or globally and in some instances, they can create opportunities for partnership. SCM plays a key role in the debate of innovative structures and their importance in increasingly complex company projects.

5.4.2 The Importance of Supply Chain Management (SCM)

Organisations have increasingly found that they must rely on effective supply chains, or networks, in order to compete in the global market and networked economy in procurement outsourcing. According to Drucker (1998), the concept of business relationships in SCM extends beyond traditional company boundaries and it seeks to arrange entire business processes in an entire value chain of numerous companies which consist of procurement outsourcing companies and client organisations.

Traditionally, companies in a supply network (outsourcing vendors offering procurement services to client organisations) focused on the inputs and outputs of the processes, with minimal concern for the in-house management. Consequently, the selection of an in-house management control structure was essential for outsourcing procurement firms – as an in–house management control structure is considered to impact on procurement outsourcing vendor firms' performance

(Mintzberg, 1979).

In the twenty-first century, alterations in the business environment have contributed to the development of supply chain networks (procurement outsourcing). This has been attributed to globalisation. Technological changes, particularly in the dramatic fall in information communication expenses which are an important component of transaction costs, have led to alterations in co-ordination between the procurement outsourcing vendor and the client organisation (Coase, 1998).

5.4.3 Supply Chain Portal (SCP) and Supply Chain Management (SCM) Outsourcing and Diversification

The Supply Chain Portal (SCP) is a combined Supply Chain Management (SCM) tool provided on an internet site which provides increased supply chain visibility and access to joint partner data for client firms that wish to outsource procurement services. Some of the advantages of SCP include the following: Firstly, there is real-time interaction across the entire supply chain which ensures that the current inventory information is available for appropriate decision-making in relation to scheduling, purchase orders, shipments, invoices, Bills of Material (BOM)[14] and quality. No matter the size or geographical location of a company's supply chain partners, key inventory information - including outsourcing procurement services - is visible to client companies and their suppliers via the internet. Secondly, the SCP is considered to be a paperless system. This assists trading partners to interact electronically (online). Thirdly, transportation tracking facilitates long-distance trading. Finally, invoice visibility allows the procurement outsourcing supplier to obtain information about payments, vouchers and payment settlement arrangements as well as document management system integration (Houben, 2010). The SCP is a useful tool adopted by vendor organisations that provide procurement services to client organisations, in order to enhance their chances of successful results in procurement outsourcing.

Key points to be recognised by all parties involved in SCM outsourcing include: Firstly, it is essential to establish and define the reason/s for wanting to

[14] Bills of Materials (BOM) are maintained by all firms. These comprise the sequence of everything that goes into the final good. BOM can be referred to as a product structure tree or it could be refered to as a flow diagram which illustrates the order of creating a product (Chase *et al.*, 2003:626).

engage in SCM (procurement) outsourcing. Another is that it is necessary to evaluate the outsourcing business procedures against function. It is important to know what is being outsourced and why it is being outsourced. Another aspect to be recognised is the need to differentiate between the roles of the seller and the buyer. Furthermore, misunderstandings result in conflict and 'unhealthy' business relationships. Details of outsourcing vendor operations are another concern in SCM. It is critical for outsourcing vendors to clearly specify in writing what is done, by whom, how it is done, when and why it is to be done. Last but not least, when dealing with SCM outsourcing, it is important to manage the outsourcing process (Craig, 2003).

SCM outsourcing has numerous areas of responsibility and liability, since it is a complicated, multi-functional operation that 'runs' from suppliers, right through to clients. Challenges will occur and successful, quick problem solving involves establishing who is responsible. A single person can be held accountable for both the client firm and the outsourcing vendor. SCM outsourcing requires a great amount of organisation and planning.

Successful procurement/SCM outsourcing takes initiative and time. It is vital to differentiate theory from reality. Management can evaluate what must be accomplished and who must do it. SCM outsourcing makes it possible for a client company to build a responsive, unified supply chain that functions in near actual time with suppliers, partners and clients. Supply chain outsourcing is considered a highly complicated plan that requires a unique blend of consulting, technology and service expertise.

Supply chain diversification is an essential activity in SCM. Supply chain diversification is a manufacturing business term which is used to describe the act of increasing choices for when to order, what supplies and suppliers to deliver the products to the consumers. In other words, it describes the versatility of the suppliers for a particular product. In early times, the key objective in buying and materials management was at all times to have two or more suppliers. It was believed that competition between suppliers would drive down prices of products. To identify outside suppliers and vendors is a challenging task - and harmonising them to work on a particular project as a team may be even more challenging (Evans, 2004). Having a variety of suppliers can also provide a range of competitive prices based on quality to select from. Thus, this forces the outsourcing vendors to offer quality services to client organisations.

Dawson (2010) suggests that having numerous supplier sources in various geographical locations can help a company to achieve better control of its supply approaches. The closer a supplier is to its clients, the quicker the delivery of goods/services will be. It can also greatly minimise the cost of supplying as it reduces the distance covered. Another advantage of having numerous vendors is that shortages are less likely.

Having discussed the advantages of having numerous suppliers, it is essential to touch on barriers to diversity. Diversification is a complicated activity. One barrier to diversification is ‘systemic risk-diversification’ for both purchasers and suppliers who require access to cash flow (liquidity) and a company’s efficiency and short-term financial stability that allows a purchaser and a supplier to spread risk and maximise returns and raises concerns that may be a threat to a supply chain. These solutions come with challenges of their own. It cannot be ignored that supply chains may include international commercial links which are an indication that there is need for thorough risk assessment and credit evaluation. In this regard, local financial institutions are in the best positron to perform these tasks at local level and are a key element of these supply-chains (European Supply Chain Management, 2012).

SCM is a key element of outsourcing and as such, needs to be evaluated critically to help reduce the risks associated with it. Having multiple suppliers close in proximity with a client firm is essential to ensure efficiency in delivery of products and services. Credibility of suppliers can also be evaluated critically.

5.5 Conclusion

A TQM structure is based on the ideology that as quality improves costs will reduce as a result of lower failure rates and reduced wastage of resources (Appley, 1994: 330-331). Shark (1998) believes that a successful TQM environment requires committed and adequately-trained staff that takes part fully in quality improvement initiatives.

McNamara (2011) addressed five principles of TQM. Quality can and must be managed. Processes, not persons, constitute the problem. Do not treat symptoms but look for the cure. Quality must be measureable. The final principle of TQM is the quality of a long-term investment.

In most circumstances, outsourcing firms today specialise in providing only one area of HRM. It is common today to find organisations going to consultants and temporary contracts, so as to avoid the human resource costs, benefits and retirement obligations as well as the management requirements involved in maintaining a large workforce (Business Resources Article, 2011).

Looking at professional formal education on outsourcing, the Kenya Methodist University (KEMU) recently launched a Businesses Process Outsourcing (BPO) training program at the International Centre for Outsourcing Studies (ICOS). Students who graduate obtain certification from the BPO Certification Institute (BCI). KEMU is the first university in the East African region to offer such a training program in BPO (Kamau and Lucheli, 2011:36). This is an indication that Kenya is striving to enhance the BPO industry.

Supply Chain Management (SCM) is defined as the management of a network of interconnected businesses involved in the ultimate provision of goods and service packages required by customers. Additionally, Supply Chain Management (SCM) also involves procurement outsourcing teams involved in all movement and storage of raw materials, work-in-process inventory and finished goods - from the point of origin to the final consumer (Harland, 1996).

According to Tan, Kannan and Handfield (1998), the study of SCM involves looking at the entire chain from the supply of basic raw materials to final goods and concentrates on how firms utilise their suppliers' procedures, technology and competencies to enhance competitive advantage. Supply Chain Management (SCM) involves manufacturing, storage and distribution of products and services. Any inefficiency experienced within a company can have a tremendously negative impact on the company. Good supply chain management can bring huge benefits and competitive advantage to both client firms and outsourcing firms (Biz-Development, 2012).

A Supply Chain Portal (SCP) is a combined Supply Chain Management (SCM) tool provided on an internet site which provides increased supply chain visibility and access to joint partner data for client firms that wish to outsource procurement services. Some of the advantages of SCP are: Firstly, there is real-time interaction across the entire supply chain. Secondly, the SCP is considered to be a paperless system. Thirdly, transportation tracking facilitates in long-distance trading and finally, invoice visibility allows the procurement outsourcing supplier to obtain information about payments, vouchers and payment settlement arrangements as well as document management system integration (Houben, 2010).

Key points to be recognised by all parties involved in SCM outsourcing are: Firstly, it is essential to establish and define the reason/s for wanting to engage in SCM (procurement) outsourcing. Another issue is that it is necessary to evaluate the outsourcing business procedures against function. It is important to know what is being outsourced and why it is being outsourced. Another aspect to be recognised is the need to differentiate between the roles of the seller and the buyer. Details of outsourcing vendor operations comprise another issue that is considered in SCM. Another aspect that is considered is that firms can plan the change. Last but not least, when dealing with SCM outsourcing, it is important to manage the outsourcing process (Craig, 2003).

Domestic and international trade in a globalized world requires nations and their economies to compete with each other. From an economic perspective successful nations will hold competitive and comparative advantages over other economies, though a single nation will rarely specialise in a particular sector for instance agriculture. This means that a nation’s economy will consist of various industry sectors that will have different benefits and shortcomings in the domestic and global marketplace. The education and training of a nation’s human resources is a key factor in establishing just how well a nation’s economy will do. Two major aspects that influence the wage rate are training and education. In general, well-trained employees tend to be more productive and earn more money and are also in a position to attain the quality standards expected that promote productivity. This means human development takes place when training takes place.

Supply chain management involves the monitoring of supply chain activities with the aim of building a competitive infrastructure, ranking worldwide logistics, harmonising supply with demand and measuring performance worldwide. Additionally, supply chains open markets globally allowing free trade to take place which consequently results in increased economic growth and development within nations.

The chapter that follows expounds on offshoring/international outsourcing and outsourcing and insourcing.

CHAPTER SIX: OFFSHORING/INTERNATIONAL OUTSOURCING AND INSOURCING AND OUTSOURCING

6.1 Introduction

Recent studies (Olsen, 2006; Metters, 2008; Zeynep and Masini, 2008) have provided definitions for the terms outsourcing and offshoring based on two 'variables', the 'ownership of company assets' and the 'location of the provider'. Outsourcing is thus defined as the relocation of functions to external providers irrespective of the outsourcing provider's location. Thus, outsourcing may incorporate relocations within a country or between countries. Offshoring on the other hand, refers to the relocation of functions to any foreign country, regardless of whether the outsourcing provider is considered to be 'external' or 'affiliated' to the organisation. This means that 'offshoring' refers only to international relocations (Olsen, 2006). Organisations today are engaging in offshoring/international outsourcing in order to generate increased profits and to capture new markets.

This chapter looks at two key sections: offshoring/international outsourcing and outsourcing and insourcing. The illustration that follows summarises the topics discussed in this chapter.

Illustration 7: Offshoring/International Outsourcing: Outsourcing and Insourcing

6.2 Section One: Offshoring/International Outsourcing

International outsourcing is looked at in four different ways. The first is that it is full exportation, either directly or by sub-contracting of particular tasks or functions to a foreign company offshore, for use in the client's home country after completion. The second is that it involves partially exporting activity operations using two teams of personnel who are located in different locations. This is, in effect, a part of international outsourcing commonly across different country boundaries and is managed by the headquarter's workforce, in-house, in the home country or in national outlets. The third understanding of international outsourcing is that it is the establishment of a jointly owned business for the supply of shared services. The fourth is that multinational companies support multinational client ventures in various nations (Outsourcing Centre, 2012).

The global community's perception of global outsourcing -- that it is the hiring out of work overseas – is evident in a research survey conducted in the USA by the business consultancy McKinsey and Company. The research surveyed 7,300 senior executives from firms around the world. When the executives were asked about the effects of outsourcing on their own businesses, they had varied answers. In Europe, 70% were of the view outsourcing was good for business so were 86% of Chinese executives and 97% of those in India. On the other hand, only 58% in the United States were of the view that outsourcing was either very positive or somewhat positive for their company (Porter, 2004). This percentage may be a reflection of the growing 'political hostility' in the USA against outsourcing which has come to a boil in the face of reduced job opportunities despite increased economic growth in the US.

The offshoring outsourcing literature also identifies many reasons why Small and Medium Enterprises (SMEs) decide to outsource offshore. Reasons could have been motivated by the Transaction Cost Analysis (TCA) theory. The theory suggests that a company engages in outsourcing only if the savings achieved from outsourcing are more than the transaction costs (Coase, 2007).

An article by Mao, Lee and Deng (2008) agrees with some observations made by Kumar, Fenema and Glinow (2009) who say that an offshoring firm may increase its vendors' trust through effective communication and increased information sharing. In addition, an offshoring company may also have more influence on vendor operations if goals are set and cultural diversity is harmonised.

This section expounds on the following sub–topics: tips to make offshoring/international outsourcing easier; factors that have driven global outsourcing efforts; offshoring business processes, factors affecting the success of offshoring business processes in low income countries; common errors encountered in international outsourcing and legal issues in offshoring/international outsourcing.

6.2.1 Tips to make Offshoring/International Outsourcing Easier

Lee (2010) suggests the following to ensure successful international outsourcing outcomes.

• A client firm should ensure that they have a clear understanding of the project and standards to be met by the outsourcing vendor.

• It is essential to contract an international outsourcing vendor who can interact in a language that the client firm can understand.

• It is vital for a representative from the company headquarters to allocate time to visit its offshore location.

• Tasks can be packaged to avoid overwhelming the offshore workforce. It is also useful not to make the packages too complicated.

• A representative from the client firm must be assigned to supervise the entire project.

There is an International Outsourcing Forum (IOF) that assists client firms and international outsourcing vendors to meet. The IOF suggested in 2012 that the global economic recovery creates prospects for the outsourcing industry as clients re-evaluate their suppliers, reduce risks and develop new operating destinations in an attempt to increase economic returns and efficiency while still maintaining quality of service. Competition for Foreign Direct Investment (FDI)[15] is also providing a wealth

[15] The International Monetary Fund defines foreign direct investment FDI as '... an investment made to acquire lasting or long-term interest in enterprises operating outside of the economy of the investor.'
The investment is called direct because the investor a foreign individual, organisation or group of entities, seeks to 'control', 'manage', or have significant amount of influence over the international company Kolodkin, 2014).

of prospects for companies looking at new locations for service centres (International Outsourcing Forum, 2012).

6.2.2 Factors that have Driven Global Outsourcing Efforts

There are four factors that have driven global outsourcing efforts: the growing numbers of highly skilled educated workforce; the availability of sophisticated facilities; the availability of infrastructure in the global marketplace and the sophistication of shared technology solutions (Powers *et al*., 2007:11). These factors assist international outsourcing vendors in providing quality goods and services at competitive prices in the global market.

An upcoming trend in international outsourcing today is the use of Service-Level Agreement (SLA) which has previously been highlighted. International outsourcing consultant, Naomi Karten (in Workman 2008) describes an SLA as a flexible communication tool structured to clarify responsibilities, manage expectations, enhance communications and strengthen relationships throughout an outsourcing project's life cycle. This approach to International outsourcing is seen by Naomi Karten as being particularly beneficial, especially when the parties involved in the agreement, the service provider and the client firm, are located in two different countries.

6.2.3 Offshoring Business Processes

It has been acknowledged that there are pressures against offshoring (see Smith and McKeen, 2004 and Venkatraman, 2004). However, the potential effect of pressures against offshoring on organisational use and the management of offshore services have largely not been evaluated (Lacity, Rottman and Khan, 2010).

Literature on offshoring/international outsourcing further suggests that, while labour costs savings remains the main motivator of offshoring/international outsourcing, there are other strategic considerations that have emerged. These range from access to skilled and qualified staff to major functions such as innovation (Lewin and Peeters, 2006 and Willcocks, Cullen and Craig, 2010).

India's Business Process Outsourcing (BPO) industry's potential in international outsourcing is evident. It began when Indian entrepreneurs began selling to the US and Europe and became knowledgeable of other prospects, where cheap labour would be a major competitive advantage. Indians were IT aware and they identified many areas where IT could be adopted to shorten the distance between the West and India, with the aim of transferring services offshore to India (Davies, 2006). India has the potential to dominate the international BPO arena, as it has the advantage of cheap labour when compared to First World nations, where labour is costly. India serves as an example of the fact that developing and transitional nations can capitalise on offshoring/international outsourcing, if they identify the services they can offer in the international market as outsourcing initiatives.

Recently in Australia however, the media highlighted the fact that the practice of offshoring/international outsourcing have resulted in the loss of jobs in Australia. For example, two companies Optus and Hutchism, have moved 250 and 200 jobs respectively to offshore providers. Additionally, Australia's airline moved call-centre jobs offshore, while 400 flight crew jobs were moved to London (Grant, 2005).

6.2.4 Factors Affecting the Success of Offshoring Business Processes in Low Income Countries

Factors affecting the success of offshoring business processes have been considered by Abbott (2013). Some of the factors considered are labour force, cultural similarity/difference, government regulations, and political risk among others. The table that follows provides a summary of some of the factors affecting the success of offshoring business processes in low income countries.

Table 5: Factors Affecting the Success of Offshoring Business Process in Low Income Countries

Factors Affecting Location	**Example of Factors**	**Problems of Offshore Outsourcing in Low Income Countries (Developing and Transitional countries)**
Labour force	Skilled workforce, labour productivity, size of labour force, availability of labour force, human	Not enough skilled labour, lax attitudes towards productivity, punitive human resource policies.

	resource policies, and specific skills for example language skills, technical skill.	
Cultural similarity/ difference	Cultural similarity to home country or disadvantages of cultural difference.	Dissimilar cultures, unfamiliarity with the business language.
Government Regulations	Import/export restrictions, policies, taxation structure, attitudes/ incentives towards Foreign Direct Investment.	High duties and taxes on technology equipment, high corporation tax, anti-foreign investment attitudes.
Political Risks	Attitudes towards free market economies, stability of political system, relationship with neighbours, security, attitudes towards western political systems	Political disorder/disaster, frequent changes of government, anti-western political discourse, anti-western sentiment, disputes with neighbouring countries, internal disputes amongst tribal groups.

Source: Abbott, 2013:30-31

6.2.5 Common Errors in Offshoring/International Outsourcing

Despite the fact that offshoring/international outsourcing can be a lucrative business venture, some client firms today do get trapped when they decide to engage in offshoring/international outsourcing. Semerdjian (2010:76) provide several common mistakes client firms make when engaging in offshoring/international outsourcing.

Firstly, organisations may fail to build a complete business proposal. It is vital to build a complete and thorough business proposal. Secondly, contracting firms may lack the necessary skills for formulating an outsourcing contract. Ineffective change management is yet another mistake. Change management outlines the terms and conditions under which the two parties (client firm and outsourcing vendor) will execute any post-contractual alterations to the contract. Client firms also make the mistake of relying heavily on bench-marking.[16] Mismatching the outsourcer's goals and the outsourcer's capabilities is another error that needs to be considered. The next error is underestimating the necessity of effective communication. The final two aspects to consider are setting objectives that are not clear and measurable and not addressing business risks.

A client firm needs to be able to clearly define and measure the process and service they are outsourcing, what it involves, how it is conducted and why it is conducted. Client firms thus need to address the following two questions: what do clients demand from the outsourcing firm's international logistics service? And what does the management of a client firm expect from international outsourcing supplier/s (Supply Chain Management Consulting, 2002).

The management personnel of international outsourcing firms should insist that client firms provide detailed descriptions of the services that are to be rendered and as such can be clearly indicated in the contract. Negotiations may be professionally done without the motive of putting down one party (that is the outsourcing vendor's team or the client firm's team).

6.2.6 Legal Issues Governing Offshoring/International Outsourcing

Borchert, Batshur and Aaditya (2012), in their article 'Policy barriers to international trade in services: evidence from a new database', indicate that little is known about policies that affect global trade in services (including outsourcing). Studies that have been conducted in the past have concentrated on policy commitments conducted in global contracts, though in the majority of situations these commitments do not in the real sense reflect policy. The research described a new initiative to gather equivalent data on trade policies for services from 103 nations in a range of service industries and useful methods of service delivery.

The study revealed that even though public monopolies are now rare and fewer, market services are completely shut. Some of the fastest-growing nations in Asia and the oil-rich Gulf states have prohibitive policies in services, while some of the poorest nations are exceptionally open. Across industries, 'professional' and

[16] Bench-marking refers to the process of comparing a company's products/services and procedures to those of competitors or leading firms in other industries in order to establish ways in which to improve performance (Kotler and Armstrong, 2006:1).

‘transportation’ services are among the most protected industries both in industrialised and Third World nations. On the other hand, ‘retail’, ‘telecommunications’ and ‘finance’ are considered to be more or less open.

According to Bierce (1999), the following questions need to be addressed when dealing with legal issues pertaining to offshoring/international outsourcing.

- How can the contract be compiled to obtain applicable tax advantages and minimise regulatory, functional or other interruptions by foreign government?
- What notices must be provided in international outsourcing and to whom should they be presented?
- What permits and licenses are required for engaging in international outsourcing?
- Are there any conditions relating to ‘local ownership’ and ‘local control’ for permits and licenses?
- What limitations may apply to ‘cross-border’ flows of information, personnel, goods and other foreign services?
- Is the client firm’s information designated to ‘legal privacy’ and ‘intellectual property protection’?
- Does foreign local law limit the enactment of the client firm’s rights under the outsourcing contract? This is in relation to specifically payment requirements, limitations of liability, contracts for performing services, the right of termination, post-termination contracts and selected techniques of managing conflicts.
- Does foreign law limit plans for risk, business continuity and disaster recovery methods?

An outsourcing vendor and a client firm may have vast knowledge of how conflict settlements can be conducted. If a client firm or an outsourcing vendor needs to file a case, they need to be aware of where to file it (the country) and how to go about it correctly. In addition, an offshore contract may include a section that indicates how disputes could be settled. Another issue that is brought out in the questions previously raised is taxation. Different countries have different policies regarding tax when it comes to offshoring/international outsourcing. It is essential for the outsourcing provider and the client firm to be aware of taxation rules that govern the country they are engaging with when conducting offshoring/international outsourcing

(Offshore Outsourcing, 2013). Ignorance is not an excuse. Offshoring/International outsourcing regulations influence the decision that client firms make with regards to whether they will engage in offshoring/international outsourcing or not.

6.3 Section Two: Outsourcing and Insourcing

Companies globally debate whether to outsource or insource in order to maximise their economic returns at the cheapest cost. This section elaborates on two sub-topics: what are outsourcing and insourcing and the differences between them.

6.3.1 What are Outsourcing and Insourcing?

Insourcing refers to delegating a task or activity to an individual within a firm as opposed to employing a new staff member or contracting an individual or outsourcing vendor who is located outside the firm domestically or internationally (Schniederjans, 2006 and Business Dictionary, 2014). Companies may resort to insourcing if they had previously outsourced a certain function but are no longer satisfied with the performance of the outsourcing vendor personnel (Outsource to India, 2002-2014). On the other hand, as highlighted in Chapter One, outsourcing involves contracting another company or individual to perform a particular function. The function being outsourced could be either core or non-core to the business.

Overby (2012) suggests that outsourcing and insourcing are methods of spreading work among different departments or companies for strategic reasons in order to achieve organisational objectives. Furthermore, insourcing is primarily conducted solely from within a company's own operational infrastructure, whereas outsourcing engages companies not aligned with the client company to perform a task or function.

6.3.2 Differences between Outsourcing and insourcing

Client firms need to appreciate that there are cost, resource, control and geographical differences between outsourcing and insourcing which can influence a client firm to either engage in either.

When considering cost in outsourcing and insourcing the difference is significant. Insourcing is generally considered more expensive to a company in comparison to outsourcing because new work procedures must be formulated to begin new divisions of a company. On the other hand, outsourcing uses an outside company that already has a workflow developed and the employees are familiar with the process.

Looking at resources, client firms that use outsourcing do not use their own resources for producing goods or providing services. Insourcing however uses resources already owned by the company to achieve its objectives.

Control is another aspect that may differentiate insourcing and outsourcing. A client firm's control over its functions will differ depending on whether it outsources or insources. Firms that outsource a manufacturing process or a service in most situations have minimal or no managerial control over the manner in which the outside company functions. Companies that insource a manufacturing process or a service have total control over their functions and employees.

Lastly, the location of company's operations will influence whether they outsource or insource. Insourcing involves placing the new operation on site at the client company or somewhere in the immediate vicinity. Outsourcing usually involves using an outside company that is not near the main client firm operations (Overby, 2012 and Marquis and Media, 2014.)**.**

Before a client firm decides whether to outsource or insource, it may first define its business goals. A poorly defined objective could result in neither insourcing nor outsourcing being beneficial to the client firm. Insourcing may seem to be a very easy option for client firms but can prove to be a challenging exercise. Insourcing can be looked at as a suitable alternative to outsourcing if the business requirement is only temporary or no significant investment is required. Insourcing is also an option for client firms who want to outsource but are not confident to do so. Furthermore, insourcing may give a client firm a preview into how outsourcing can work. Insourcing done well may assist a firm build a team of skilled personnel. Insourcing can also aid smaller businesses and startup enterprises that have minimal or no experience with outsourcing. Outsourcing is viewed as a winner when businesses need to reduce costs while still utilising expert personnel. Today, many companies of all sizes use outsourcing for managing non-core functions (Outsourcing Solutions, 2012).

Governments have been setting the benchmark for the general expansion of international business. Any outsourcing and insourcing business decisions must be considered in an international context, if outsourcing and insourcing is to be utilised to the maximum. This is because the financial returns of outsourcing are mostly found in the international arena. This does not mean that domestic outsourcing does not yield profits; it does mean that more financial returns and knowledge transfer are obtained through offshoring/international outsourcing.

According to Hayes (2004), saving money has always been one of the motivators for companies to consider outsourcing and insourcing, but it usually falls behind more strategic motivations, such as focusing on key competences or freeing internal workforce for other initiatives. Moreover, in these tough economic times, more companies are turning to outsourcing as a means of controlling costs. To a great extent a company's ability to save money depends on the design of the contract and the experience of the outsourcer contracted. However, the willingness to accept change is perhaps the most significant aspect to consider.

In conclusion, of all the reasons given for outsourcing and insourcing failure, the most common is that the outsourcing and insourcing decision was made without conducting adequate quantitative analysis. A review of current outsourcing tools has been published in the last decade which may be used by client firms. The major threat of outsourcing and insourcing decisions is being purely ideological, as opposed to being numerical (Chorafus, 2003; Cullian and Willocks, 2003 and Avalos, 2005).

6.4 Conclusion

Companies today are engaging in international outsourcing in order to generate increased profits and to capture new markets, as the world is now seen as a global village. Additionally, there are four factors that have driven global outsourcing efforts: the growing numbers of highly skilled educated workforce; the availability of sophisticated facilities; availability of infrastructure in the global marketplace and the sophistication of shared technology solutions (Powers *et al.*, 2007:11).

According to Davies (2006) India's Business Process Outsourcing (BPO) industry's potential in offshoring/international outsourcing has increased over the years. It began when Indian entrepreneurs began selling to the US and Europe. India became knowledgeable of other prospects, where cheap labour would be a major competitive advantage.

There are several common mistakes client firms get trapped in when engaging in offshoring/international outsourcing. They consist of the following: organisations may fail to build a complete business proposal; contracting firms may lack the necessary skills for formulating an outsourcing contract; ineffective change management is yet another mistake in which client firms can become involved in; client firms also make the mistake of relying heavily on bench-marking; mismatching the outsourcer’s goals and the outsourcer’s capabilities; underestimating the necessity of effective communication; setting objectives that are not clear and measurable and not addressing business risks (Semerdjian, 2010:76).

Trade of any form is governed by policies that serve as guidelines to engaging in ethical business practices. In offshoring/international outsourcing legal issues will vary from country to country based on the fact that each nation has its own systems and regulations in place on offshoring/international outsourcing. Outsourcing vendors and client firms alike should be aware of the legal issues that face them when engaging in offshoring/international outsourcing.

Outsourcing and insourcing are methods of spreading work among different departments or companies for strategic reasons in order to achieve organisational objectives. Insourcing is primarily conducted solely from within a company's own operational infrastructure, whereas outsourcing engages companies not aligned with the client company to perform a task or function. Client firms need to appreciate that there are cost, resource, control and geographical differences between outsourcing and insourcing which can influence a client firm to either engage in outsourcing or insourcing (Overby, 2012).

Offshoring/international outsourcing can result to job creation (for developing and transitional countries which have cheap labour), job loss (for developed countries), transfer of skills and technology as well as economic growth. There are several factors that influence the success of offshoring/international outsourcing. Some these factors are political risks, government regulations, labour force, cultural differences (Abbott, 2013:30-31). Nations need to strive to formulate favourable trade policies that would boost offshoring/international outsourcing which in turn would result to increased economic activity. Thus, offshoring/international outsourcing can result to positive and/or negative outcomes.

When offshoring/international outsourcing takes place, service work attracts Foreign Direct Investment (FDI) in the host countries. Offshoring services in the long term can promote a healthy and stable world economy specifically in emerging markets through FDI. Foreign Direct Investment (FDI) by multinational firms is one of the best means to promote private sector growth and this is a good way to alleviate poverty in developing and transitional countries. Developed countries are now depending on developing and transitional countries to produce goods and provide services. This in turn fosters economic activity, increases revevenue through taxes paid, and creates employment which helps to improve living standards of a society and promotes the transfer of skills and technology to developing and transitional countries. On the other hand, jobs are lost in developed countries though economic growth takes place and consumer products become more affordable in developed countries.

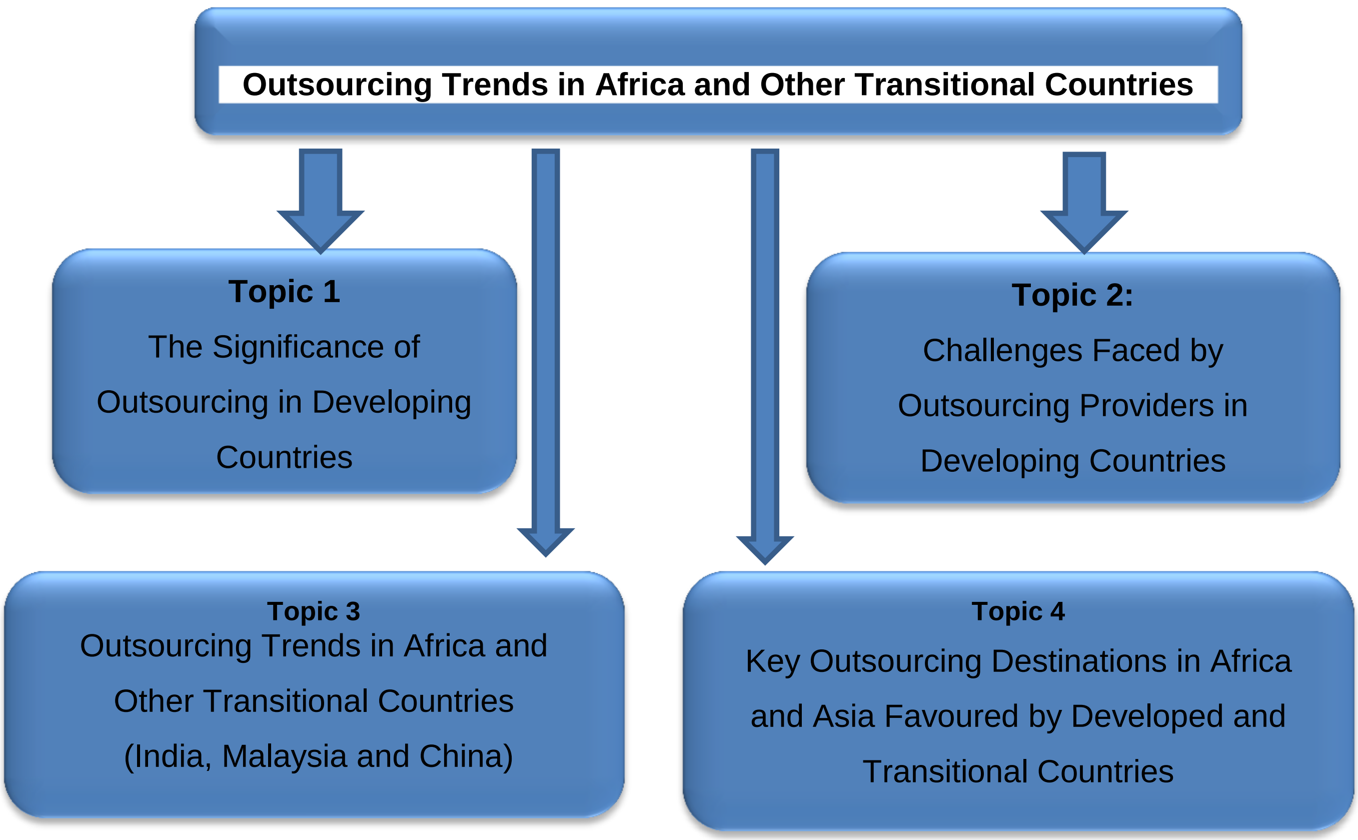
The chapter that follows expounds on outsourcing trends in Africa and other transitional countries in other parts of the world. Other transitional countries considered are India, China and Malaysia.

CHAPTER SEVEN: OUTSOURCING TRENDS IN AFRICAN AND OTHER TRANSITIONAL COUNTRIES

7.1 Introduction

Globalisation has brought about increased competition globally and in Africa and the Middle East offshore outsourcing is considered to be increasing. However, political instability poses ongoing challenges in these regions (Reim, 2007). Outsourcing trends in African and other transitional countries vary because of the varying resources available in these regions. This chapter deals with four main topics. The first is the significance of outsourcing in developing countries. The second addresses challenges faced by outsourcing providers in developing countries. The third expounds on outsourcing trends in African and other transitional countries such as India, Malaysia and China, while the fourth topic discussed is key outsourcing destinations in Africa and Asia favoured by developed and transitional countries.
The illustration below provides a summary of topics discussed in this chapter.

Illustration 8: Outsourcing Trends in Africa and Other Transitional Countries



7.2 Significance of Outsourcing for Developing Nations

According to Mol, Tulder and Beije (2005) it is a challenge to obtain accurate figures on the scale of outsourcing done in developing countries. However, there is adequate evidence to suggest that outsourcing is gaining in its importance, as elaborated on below.

Firstly, there is evidence that Third World nations are gaining in importance in world trade. For instance, one-third of global trade is currently internal to transnational companies (TNCs). On the other hand, another one-third is between TNCs and their international alliance partners (UNCTAD, 2004). A transnational company (TNC) is

> 'a commercial enterprise that operates substantial facilities, does business in more than one country and does not consider any particular country its national home. One of the significant advantages of a transnational company is that they are able to maintain a greater degree of responsiveness to the local markets where they maintain facilities' (Business Dictionary, 2013).

Developing nations in the world merchandise trade increased to 31% in the year 2004, which was the highest percentage since 1950 (World Trade Organisation, 2005). Exports of manufactured goods in developing countries, however, increased from 12% in 1969 to 65% of all goods exported in the year 2000 (UNCTAD XI, 2004b). Third World nations also expanded their exports in services in particular by four times in the decade before 2004 (UNCTAD, 2004).

Secondly, offshoring outsourcing is gaining in importance in the business environment as explained in the points that follow.

- The growth in offshore (offshoring) outsourcing was expected to continue to grow between at least 30 and 40% annually in 2009 (UNCTAD XI, 2004a).
- Offshore outsourcing jobs created in Third World countries were estimated to amount to $320 billion in 2003 (in terms of salaries) and was expected to reach $585 billion in the year 2005 (UNCTAD XI, 2004a).
- Cost factors are often the reason for offshoring, which brought a cost reduction of approximately 20-40% in 2004 (UNCTAD, 2004).

Thirdly, offshoring of IT has become increasingly important. It was anticipated that 25% of basic IT-related services will be outsourced to Third World countries by the year 2010 (UNCTAD XI, 2004a).

7.3 Challenges Facing Outsourcing Companies in Developing Countries

There are several challenges that have hindered the progress of outsourcing in Kenya and developing countries in general. According to Michaels (2011) there are two key challenges encountered by outsourcing companies in developing countries. One of the greatest challenges is competition. Many outsourcing companies are emerging. India, for example which has in the past dominated the outsourcing market, has had to deal with competition from other Asian countries such as the Philippines, China, Taiwan, Thailand, Malaysia and Sri Lanka. In addition, there is competition from African countries such as South Africa, Nigeria, Egypt, Ghana and Kenya. The second challenge facing many outsourcing companies in developing nations is 'concentration risk'. As the market grows smaller due to increased competition, an outsourcing organisation is forced to compete for lucrative contracts with more businesses.

Wanjiku (2009) established additional challenges faced by outsourcing vendors, specifically in Kenya. They are a weak legal and institutional framework, lack of effective and focused marketing of Kenya as a suitable BPO destination, that there are no data protection laws or a BPO sector policy, inadequate investment of the BPO industry, and the lack of a skilled workforce. Kenya is yet to catch-up with popular BPO destinations such as Mauritius, South Africa, Ghana and India. This is an indication that there is insufficient investment in the BPO sector in Kenya.

7.4 Trends in Outsourcing in African and Other Transitional Countries

Africa and other transitional countries such as India, China and Malaysia engage in outsourcing both locally and internationally. The current trend in these regions is international outsourcing of BPO services, which is commonly referred to as offshore outsourcing or offshoring.

Developing nations in Africa such as Kenya, Ghana and Rwanda are considered to be at different stages of development with regard to the BPO industry. For instance, in the past the BPO industry in Kenya was limited by costly and poor communication connectivity which hindered effective communication to the world. However, the installation of a fiber optic cable in Kenya in 2011 resulted in a boost in the country's status as Africa's best economy (Okongo, 2012).

At present Africa is certainly a better destination to conduct business in than it was five years ago. This is due to the improved and reduced cost of all types of communications (Zachary, 2004). Nicholas (2012) reports that the internet has made the distance between countries seem shorter. More firms in First World countries today outsource tasks such as call centre services, preparation of salary payment vouchers, business development, internet research, data entry and web design work. India has dominated in providing services to developed nations. Sri Lanka also provides a number of companies and individuals with outsourced services specifically in the U.S.A., Canada, France and the United Kingdom.

In recent times offshore outsourcing has been identified as a multi-billion dollar sector (NASSCOM, 2012) that involves many nations (Gartner News, 2008). A survey conducted on near shoring activity based on content-analysis of a range of scholarly and non-scholarly sources indicated that in 2006, 51 nations were involved in near shore outsourcing (Carmel and Abbott, 2007), including five African nations (South Africa, Morocco, Algeria, Tunisia and Egypt). In 2008 the list of offshore providing nations increased to 72 (Gartner News, 2008), where Egypt, South Africa and Morocco were in the top 30. Additionally, South Africa remains a key player in offshore outsourcing in Africa (Bargent, 2012) whereas North African nations are undergoing challenges to retain their former popularity because of business uncertainty brought about by recent political activity (The Africa Report, 2012). The offshore sector is particularly sensitive to geopolitics. For example the Mumbai terror attacks in 2008 resulted in the withdrawal of outsourcing contracts from Indian providers (O'Donoghue, 2009).

A report by Reuters indicates that intense competition in India's BPO sector has forced a technology company by the name of Spanco Ltd to expand to Africa where by the firm is expecting to make nearly half of its profits in a two year period. The CEO of Spanco BPO Services, Pravin Kumar, believed that Africa was a solid opportunity for the company because of its location and similar time zone as the company's key markets which are Europe and the United States, in comparison to India. The countries in which Spanco is to launch its operations are Kenya, Burkina Faso, Tanzania, Chad, Niger and Nigeria. India's BPO industry is currently worth an estimated $30 billion. Kumar further added that, 'The BPO industry is completely saturated in India . . . the benefit of expanding in India is not as much as that of Africa' (Imara Africa Securities team, 2011). This indicates that there is potential for

African countries to expand their BPO sector. India's success in the outsourcing industry, as well as that of many African nations such as South Africa, Egypt, Morocco, Kenya, Ghana and Mauritius, has also encouraged the building of outsourcing capabilities in recent years (Manning, 2013). Ghana for instance, has strategically positioned itself as an attractive BPO destination (Zachary, 2004 and Imara Africa Securities team, 2011).

In South Africa, the Western Cape Province is an offshore outsourcing destination, specifically for the UK and other English-speaking countries. However, South Africa's offshore BPO market is relatively small with a contribution of £585m in comparison to India's £10.4bn contribution to the offshore BPO industry. This is according to the outsourcing trade association Business Process Enabling South Africa (BPeSA) Western Cape (Harris, 2012).

Kenya on the other hand, now has improved IT infrastructure, political stability and English language capabilities, which are essential in BPO if a country hopes to become a major BPO destination globally (Manning, 2013). Kenya's BPO industry has been made a key economic driver in its Vision 2030 initiative by the government (Government of Kenya, 2007 and Manning, 2013).

It is now commonly reported that globalisation has created opportunities for developing countries to become part of a growing global labour market (Shao and David, 2007 and Javalgi, Dixit and Scherer, 2009). This is common particularly where globalised work consists of adopting information and communication technologies (ICTs), whose relatively low cost of investment has brought about an increase of industries like offshore software outsourcing (Friedman, 2005).

With reference to the country rankings based on Global Services Location Index (GSLI) for the year 2011, India continues to dominate as the global leader in outsourcing, followed closely by China and Malaysia respectively (Outsourcing Defined, 2012). Ghana topped the Sub-Saharan African countries while Mauritius ranked favourably at 25th position. This was attributed to its strong people skills and a suitable and stable business environment (Kearney, 2009).

The Global Service Location Index (GSLI) 2011 ranks countries based on their attractiveness on IT, BPO and voice related work. The ranking is based on surveys of 50 countries selected on the basis of corporate input, current remote services activity and government initiatives to promote the outsourcing industry. Furthermore, these countries were tested against 39 measures across the three major categories previously mentioned: 'financial attractiveness', 'people skills and availability' and 'business environment' (Outsourcing Defined, 2012). The table that follows provides the Global Service Location Index (GSLI) for the year 2011.

Table 6: Global Service Location Index (GSLI) 2011 (Top Twenty Countries)

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.11	2.76	1.14	7.01
2	China	2.62	2.55	1.31	6.49
3	Malaysia	2.78	1.38	1.83	5.99
4	Egypt	3.10	1.36	1.35	5.81
5	Indonesia	3.24	1.53	1.01	5.78
6	Mexico	2.68	1.60	1.44	5.72
7	Thailand	3.05	1.38	1.29	5.72
8	Vietnam	3.27	1.19	1.24	5.69
9	Philippines	3.18	1.31	1.16	5.65
10	Chile	2.44	1.27	1.82	5.52
11	Estonia	2.31	0.95	2.24	5.51
12	Brazil	2.02	2.07	1.38	5.48
13	Latvia	2.56	0.93	1.96	5.46
14	Lithuania	2.48	0.93	2.02	5.43
15	United Arab Emirates	2.41	0.94	2.05	5.41
16	United Kingdom	0.91	2.26	2.23	5.41
17	Bulgaria	2.82	0.88	1.67	5.37
18	United States	0.45	2.88	2.01	5.35
19	Costa Rica	2.84	0.94	1.56	5.34
20	Russia	2.48	1.79	1.07	5.34

Source: Outsourcing Defined, 2012

South Africa, Nigeria and Kenya were considered Africa's best investment destination in the year 2011 and Kenya is hence one of the top three investment destination countries in the African continent. The top ten investment countries in Africa according to a survey of 800 professionals currently involved in business investment in the African continent were South Africa, Nigeria, Kenya, Ghana, Angola, Tanzania, Rwanda, Botswana, Uganda and Mozambique (Insight into

Business in Africa, 2012). From the previous literature it is evident that it is possible for African countries to attain returns from outsourcing by ensuring that Africa is an attractive investment hub for global companies to set up branches. This will not only provide revenue for the African countries but, more importantly, skills and technology transfer as well as employment opportunities. Furthermore, according to the latest 2013 Tholons Ranking, eight out of the top 100 outsourcing destinations worldwide are based in Africa (Maining, 2013).

Commoditisation[17] creates business opportunities for specialised vendors around the globe and it is also attractive for client companies to outsource services to these outsourcing vendors. The positive side of this is that service commoditisation increases global demand for low-cost technical skills labourers. This trend has resulted in numerous outsourcing providers emerging in India and China, Eastern Europe, Latin America and Africa. Consequently, this has created employment in Third World nations in particular. The negative side is that, because many nations today can potentially train young people to perform commoditised tasks for global customers, competition and cost pressure are on the rise (Manning, 2013).

7.5 Key Outsourcing Destinations in Africa and Asia Favoured by Developed and Transitional Countries

The main offshoring destinations in Asia and Africa are favoured by developed and transitional countries due to the availability of mostly cheap skilled and unskilled labour. The table that follows provides useful insights about countries chosen by developed and transitional nations for the purpose of offshoring. The table further illustrates what attracts developed and transitional countries to start-up firms in some Asian and African countries. Services commonly provided to clients and the ranking of each country is also indicated. The ranking is based on a combination of cost, people skills and business environment.

[17] Goods that are considered commoditised have minimal profit margins and are sold based on the price and not product brand. Commoditised produces are standardised, cheaper, and involve the use of common technology (Business Dictionary, 2014).

Table 7: Key Outsourcing Destinations in Asia and Africa Favoured by Developed and Transitional Countries

COUNTRY	KEY CLIENTS	SERVICES OUTSOURCED	STRENGTHS	RANK
SOUTH ASIA				
India	Europe USA	Information Technology (IT) and Business Process Outsourcing (BPO): largest sectors are financial services (41%), high-tech telecom (20%), manufacturing (17%) and retail (8%).	English speaking workforce and low-cost workforce.	1
Pakistan	Middle East	Software development and information technology services such as medical transcription and call centers (most popular).	English speaking workforce; complete repatriation of foreign companies' profit; equity ownership; and tax exemption on software until the year 2016.	34
Sri Lanka	Europe USA India	Software development IT (focused on research and development).	Competitive wages; qualified English speaking workforce; resources and experts in the service sectors.	19

AFRICA				
Ghana	Asia Europe India USA	Information Communications Technology (ICT) and BPO	Stable democratic environment; official language is English; low-cost labour; a strategic position on the equator sharing the same time zone with the United Kingdom; zero taxes and exemptions on customs duty for research and development and strict on patents and copyright legislation.	27
South Africa	Eastern Europe Mexico Canada	IT and BPO. Its BPO sectors are highly involved in telecommunications, insurance, financial services and other outsourced processes that involve web design and development, sales services, human resources, data capture and conversion, benefits administration, and accounting.	Offers services to the domestic markets of Eastern Europe, Mexico and Canada because of its proximity and affinity to their geography and culture. It is also compatible with Europe's time zone.	29
Tunisia	Europe	IT	Modern infrastructure; stable economy; geographical proximity to	37

			clients; availability of well-trained human resources at low wages.	
EAST AND SOUTH EAST ASIA				
China	USA South Africa	Primary specialisations include: manufacturing, finance, services, health care, and government/ education in the Knowledge Process Outsourcing (KPO), Information Technology Outsourcing (ITO) and BPO sectors. (China has five major cities that provide the bulk of its sourcing services: Beijing; Chengdu; Shanghai, popularly known for providing product development, research and testing and business analytics; Shenzhen, specialising in software, application maintenance and development; and Guangzhou, known for its engineering services. Its	Policy changes such as offering businesses financial support, subsidies, tax breaks, and intellectual property protection rights in twenty pilot cities; Hangzhou, Suzhou, Xian, Shanghai, and Beijing being among them. China also has a large population (cheap labour available) and good infrastructure.	6

		software outsourcing park is located in Dalian).		
Malaysia	Asian Middle East	Knowledge, oil and gas logistics	Multi-cultural and multi-lingual strengths	10
Philippines	America	IT and BPO	Strong English speaking skills and awareness of Western business culture; competitive labour rates; high literacy and a stable telecommunications infrastructure.	7
Singapore	America Asia	BPO	Welcoming business environment; quality infrastructure and proximity to Asian clients.	4

Source: Sourcing Line, 2014

From the previous table it is evident that the most commonly offshored services are BPO and IT. The table also reflects that Asia dominates in offshoring compared to African countries as there are more Asian countries represented. It is also evident that Ghana and South Africa are the leading African countries as far as outsourcing destinations in Africa are concerned. Thus, the two countries serve as examples to other African countries that indeed offshoring outsourcing is a good business venture to undertake. Pakistan's most popular outsourced service is call-centres. It is also evident that Asian countries like India contract Sri Lanka, Singapore and Malaysia to conduct offshore outsourcing. Finally, the leading clients of offshoring outsourcing are Asia, USA and Europe.

7.6 Conclusion

According to Mol *et al.* (2005) it is a challenge to obtain accurate figures on the scale of outsourcing done in developing countries. However, there is adequate evidence to suggest that outsourcing is gaining in its importance, as elaborated in this chapter.

Firstly, there is evidence that Third World nations are gaining in importance in world trade. For instance, while one-third of global trade is currently internal to transnational companies (TNCs), another one-third is between TNCs and their international alliance partners (UNCTAD, 2004). Secondly, offshoring outsourcing is gaining in importance in the business environment. Thirdly, offshoring of IT has become increasingly important. It was anticipated that 25% of basic IT-related services would be outsourced to Third World countries by the year 2010 (UNCTAD XI, 2004a).

There are several challenges that have hindered the progress of outsourcing in Kenya and developing countries in general. According to Michaels (2011), there are two key challenges that outsourcing companies encounter in developing countries: competition and concentration risk. According to Wanjiku (2009), additional challenges faced by outsourcing vendors in Kenya are a legal and institutional framework that is weak, lack of effective and focused marketing of Kenya as a suitable BPO destination, no data protection laws or a BPO sector policy, inadequate investment of the BPO industry and the lack of skilled workforce.

In recent times offshore outsourcing has been identified as a multi-billion dollar sector (NASSCOM, 2012) that many nations are taking part in (Gartner News, 2008). South Africa remains a key player in offshore outsourcing in Africa (Bargent 2012) whereas North African nations are undergoing challenges to retain their former popularity because of business uncertainty which has been brought about by recent political issues (The Africa Report, 2012).

The most commonly offshored services are BPO and IT. Asia dominates in offshoring compared to African countries. It is also evident that Ghana and South Africa are the leading outsourcing destinations in Africa. Thus, the two countries serve as examples to other African countries that indeed offshoring outsourcing is a good business venture. Finally, the leading clients of offshore outsourcing are Asia, USA and Europe (Sourcing Line, 2014).

Africa has been seen to have considerably good growth. However, millions of Africans are still poor. This is mainly because of a failure to diversify sources of growth and the continuous dependence on primary commodity exports. Apparently, Africa’s economic growth is currently mainly driven by commodity exports, mostly oil and metals. However, in other developing nations such as those in Asia, economic growth has been achieved by engaging in industrialisation which concentrates on manufacturing. The risks of Africa’s reliance on ‘commodity-driven growth’ have are unfavourable terms of trade, minimal use of advanced technologies and minimal creation of jobs. Additionally, Africa's dependence on primary commodity exports makes Africa vulnerable to fluctuating global commodity prices and the lack of economic balance (United Nations Economic and Social Council Economic Commission for Africa and African Union Commission Conference Issue Paper, 2013:5). The transfer to and use of knowledge and technology from transitional nations in Asia by African countries can help to promote economic growth and global development. Through engaging in industralisation which involves innovation outsourcing opportunities may arise.

Outsourcing is important to not only profit-making firms that decide to engage in outsourcing activities, but also to the citizens of any country with involvement in outsourcing. Governments continually seek to increase their own prosperity, even though they may in fact cripple modern economic best practices for instance free-trade and the liberty of business through elaborate taxation and legislative measures. Outsourcing is an activity that involves the complex combination of logistics, investing, and contract negotiation and management. Emerging outsourcing trends signal the continuation and deepening of new business strategies that impact on the global economy.

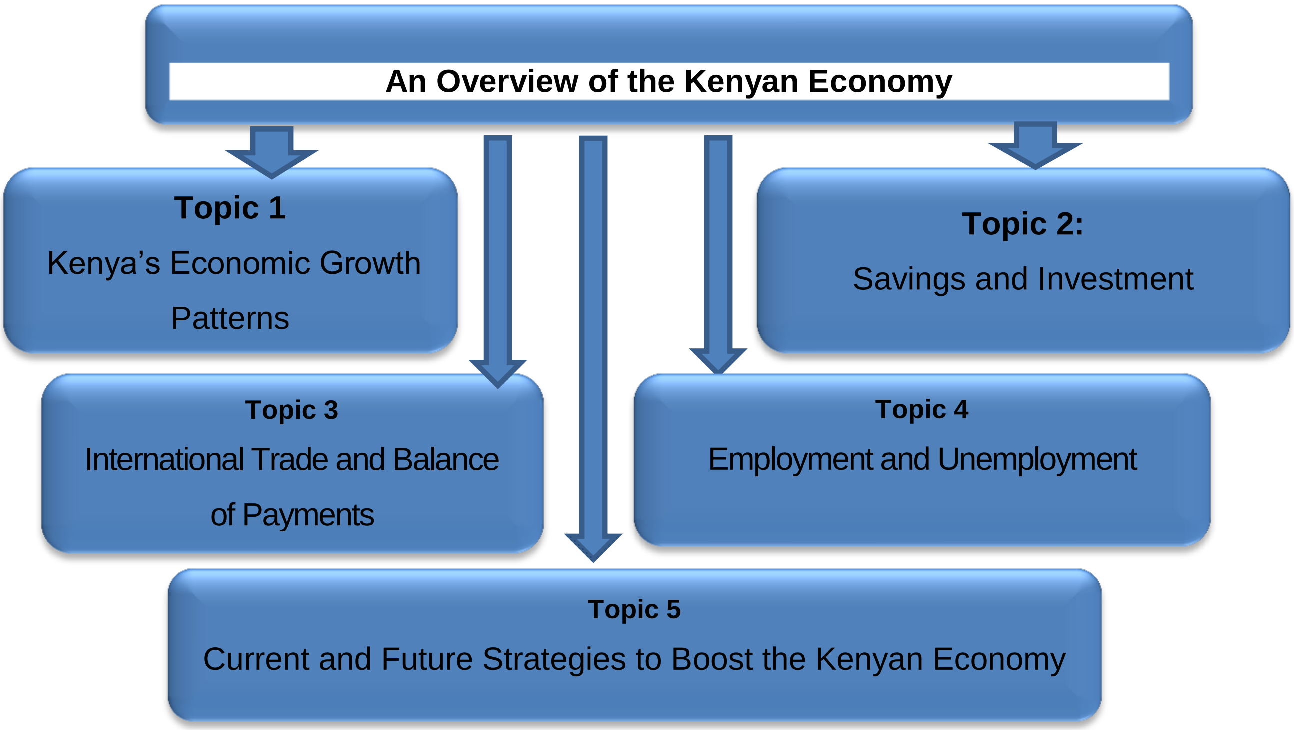
The chapter that follows expounds on the Kenyan economy. The objective of the chapter is to provide insights on the economic stability of Kenya.

CHAPTER EIGHT: AN OVERVIEW OF THE KENYAN ECONOMY

8.1 Introduction

The Kenyan economy's Gross Domestic Product (GDP) was 4.6% in 2012 while in 2011 GDP was 4.4%. These GDPs of 2011 and 2012 were attributed to the agriculture and construction industries as well as a relatively stable economic environment (PWC, 2013). In 2013 however, GDP increased to 5.2% (Kenya National Bureau of Statistics, 2013). The Kenyan economy underwent drastic currency depreciation and increased inflation[18] in the year 2011. On the other hand, the Kenyan economy experienced stability for currency depreciation and increased inflation in 2012 and 2013 with inflation reducing to a single digit. This economic stability is expected to continue through the year 2014 (Odero and Reeves, 2014). This chapter expounds on five topics as summarised in the illustration below.

Illustration 9: An Overview of the Kenyan Economy



[18] Inflation cannot only be viewed simply as an increase in prices, since an increase in prices in one month can be followed by a decrease in the next month. Inflation, therefore, is defined as the persistent tendency of price increases. Inflation represents change in the purchasing power of money. Additionally, in some circumstances, it is possible for a country to experience hyperinflation which means rapidly accelerating prices in goods and services (Ison, 2000:202).

8.2 Kenya's Economic Growth Patterns

After independence in 1963 the Kenyan economy experienced a decline in economic performance as illustrated in Table 7 below. The main sectors that have contributed to Kenya's GDP are agriculture, manufacturing, real estate, government services and private households.

Table 8: Average Annual GDP%

Sector	Period (Years)				
	1964-73	**1974-79**	**1980-89**	**1990-95**	**1996-2000**
Agriculture	4.6	3.9	3.3	0.4	1.1
Manufacturing	9.1	10.0	4.8	3.0	1.3
Finance, Real Estate	9.8	12.4	6.7	6.6	3.6
Government Services	16.9	6.5	4.9	2.6	1.0
Private Household	3.5	14.5	10.0	10.3	5.6
Others	-	8.8	7.7	3.6	2.3
GDP in Percentage (%)	6.6	5.2	4.1	2.5	2.0

Source: Government of Kenya, 2002-2008:1

It is evident from the table above that the average GDP percentage (%) during the first decade after independence (1964-1973) Kenya's economy grew by an impressive 6.6% per annum. This was due to increased agricultural output, expansion of the manufacturing sector supported by the adoption of import substitution strategies, rising domestic demand, expansion of the regional market and adequate inflows of foreign aid. Additionally, a series of factors affected inadequate macro-economic policy response which reversed the impressive GDP of the first decade (Government of Kenya, 2002-2008:1).

One factor is the first oil crisis of 1973 which brought an abrupt end to the rapid growth rate (GDP). Consequently, the GDP declined to below 4% for much of the 1970s, except for 1976/77 when the unexpected coffee boom saw the GDP rising to 8.2% in 1977. Another factor is the collapse of the East African Community in 1977 and the second oil crisis of 1979 which contributed to a further decline in the economic performance of the Kenyan economy. The growth in GDP averaging 6.6% over the period 1964 to 1973 was considered to be exceptional for a developing country at that time (Government of Kenya, 1994-1996:1).

The resilience of the Kenyan economy was evident in the year 2010 when GDP expanded by 5.6% after slow growth of 1.5% and 2.6% in 2008 and 2009, respectively. This significant growth in 2010 was attributed to economic stability; increased credit to the financial sector; low inflationary pressure and improved weather conditions which boosted the agricultural sector (Government of Kenya, 2011:17). Thus, this is an indication that the Kenya national economy has the potential to increase its GDP by producing more goods and delivering more services. The GDP in Kenya expanded to 4.4% in the third quarter of 2013. From 2004 until 2013, Kenya's GDP annual growth rate averaged 4.8% reaching an all-time high of 8.4% in September of 2005 and a record low of 0.2% in December of 2008 (Trading Economics, 1999-2014).

8.3 Savings and Investment

Countries use domestic savings to finance investment. Savings are an essential element which encourages investment to take place in a country. Savings from companies and individuals are used to engage in or increase economic activities or can be given to the government, individuals and companies in the form of loans. Thus, trading and investment are generally not separated. Public investment can boost private investment through increasing private returns and through the provision of infrastructure for the purpose of communication and transport for example (Greene and Villanueva, 1991). However, if additional public investment is financed by a deficit, private investment may be 'crowded out' and this would result in an increase in the 'inter-state rationing' of credit and the tax burden of a country (Ouattara, 2004).

8.4 International Trade and Balance of Payments

Kenya engages in international trade and at the same time imports goods as illustrated in the table that follows. The table provides information for imports and exports for the years 2007 to 2009.

Table 9: Imports and Exports

PRINCIPAL EXPORTS	**2007**
COMMODITY	**Kenya Shillings (in Millions)**
Horticulture	56,724
Tea	46,754
Articles of Apparel & Clothing	16,165
Coffee, unroasted	10,425
Tobacco and tobacco	8,532
Iron and steel	8,224
Petroleum products	7,720
Soda ash	5,419
Cement	4,612
Medicinal and pharmaceutical	4,436
Essential oils	4,420
Fish and fish preparations	4,11

SUMMARY OF TRADE

TOTAL	IMPORTS	EXPORTS
2007	605.1	274.6
2008	770.7	344.9
2009	788.1	344.9

Note: Figures in Billions- Kenya Shillings (Ksh)

1 USD = 89 Ksh (approximately)

Source: Embassy of the Republic of Kenya, 2012

From the previous table it is evident that import exceeded exports in the period 2007-2009. It is also evident that horticultural crops, which fall under the agriculture sector exports, totaled to 56,724 million Kenya shillings and was the highest export earner in 2007. In the same year the lowest-earning export commodity was fish and fish preparations which amounted to 4,117 million Kenya shillings.

In 2010, domestic exports grew at a rate of 19.2%. The leading export earners were horticulture, tea, coffee and clothing (Government of Kenya, 2011). In terms of imports, crude petroleum oil, industrial machinery and industrial inputs - such as iron and steel - continued to be dominant. This signifies the importance of ‘international price movements’ for the domestic economy. Dependence on industrial imports against primary commodity exports has resulted in high levels of fluctuation in the balance of trade (Government of Kenya, 2002-2008:2).

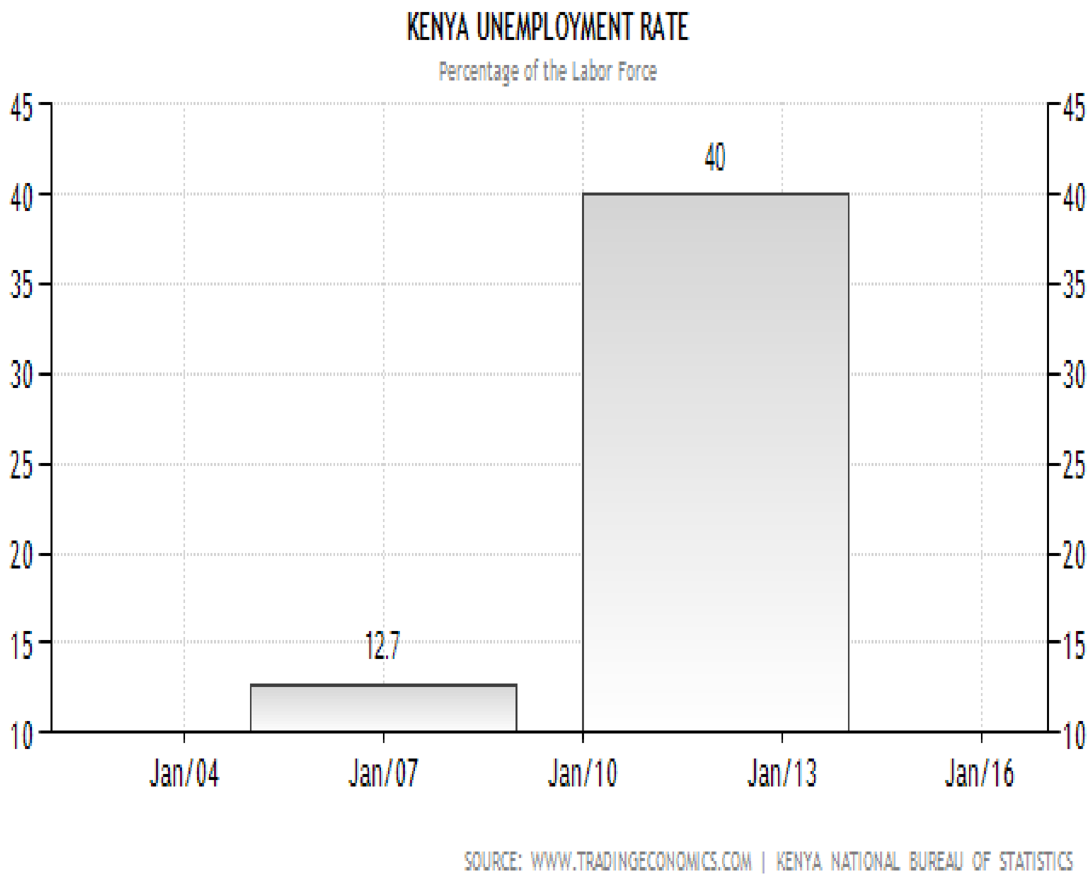
The balance of payments shows Kenya’s net trade in goods and services. It also comprises net earnings from rents and dividends profits. In addition, the balance of payments consists of ‘net transfer payments’, for instance pension funds and transfer of funds to and from the rest of the world during a specific period of time.

8.5 Employment and Unemployment

Kenya, being a transitional nation, has faced overwhelming challenges in trying to reduce poverty in the country. The government has encouraged small-scale entrepreneurship programmes to motivate the public to engage in self-employment. In addition, the government has tried in the past 10 years to improve the infrastructure of the country, in particular, roads and communication facilities which would facilitate business activities. Despite the efforts exerted by the government, poverty has been a major limiting factor in developing rural and urban towns in Kenya. The influx of rural youth to urban areas, where there are limited employment opportunities, has contributed to the problem of urban poverty in Kenya (Ministry of Lands and Housing, 2004:8).

The graph below illustrates unemployment trends in Kenya since 2004.

Graph 1: Kenya Unemployment Rate



Source: Trading Economics, 1999-2014 and Kenya National Bureau of Statistics, 2013

The graph indicates that unemployment recently amounted to 40% which could be attributed to high population growth, rural-urban migration and lack of adequate expansion of enterprises and the emerging of new enterprises that would create jobs for graduates, semi -skilled and the unskilled.

Kenyan citizens and local investors need to address the following two questions: how can we create jobs for fellow Kenyans and at the same time contribute to economic growth? Can outsourcing play a role in increasing economic growth, creating job opportunities and fostering development?

8.6 Current and Future Strategies to Boost the Kenyan Economy

The Kenya Ministry of Trade and Industry is the major authority that oversees the administration of local and international trade and investment in Kenya. The ministry's main functions are researching and developing Kenyan industries, making and implementing trade and industrial development policies, promoting export, attracting foreign investment, handling trade and investment-related issues such as intellectual property rights (IPR) and standards on goods, and issuing trade licenses. The Ministry of Trade consists of the following departments: the Department of External Trade (DET)[19], the Export Promotion Council (EPC), Export Processing Zones (EPZ) Authority, Kenya Bureau of Standards and Regional Divisions of Trade (Kenya Institute for Public Policy Research and Analysis and Overseas Development Institute, 2007).

The first strategy the Government of Kenya has put in place to boost the Kenyan economy is centred on six key sectors of the Kenyan economy - tourism, agriculture, a more inclusive wholesale and retail trade sector, manufacturing for the regional market, Business Process Outsourcing (BPO) and financial services. These sectors have been given priority as key growth drivers in the journey to attaining

[19] According to UNDP (2009) the Department of External Trade is responsible for the supervision of foreign trade policies, the promotion of bilateral and regional trade relations, the promotion of foreign trade and the introduction of foreign investment. The Export Promotion Council is mainly responsible for facilitating the business of exporters or export products, manufacturers, promoting the export of goods and services and co-ordinating all the export-related tasks. The Export Processing Zones Authority mainly provides services for enterprises in the zones and issues the permit to establish an enterprise in the Export Processing Zones as well as the permit to establish an Export Processing Zone. On the other hand, the main functions of the Kenya Bureau of Standards (Kebs) is scientifically formulating the national technical standards and disseminating information relating to standards and technology regulations. The Regional Divisions of Trade are responsible for issuing trade licenses required for import and export purposes. The primary function of the customs service department is to collect tariffs, excise and VAT on imports. Additionally, the department is also responsible for collecting trade statistics and preventing illegal entry and exit of prohibited goods such as harmful drugs and weapons.

economic impact by 2030 (Government of Kenya, 2007; The African Business Journal, 2014 and Manning, 2013)).

Secondly, there are a number of economic measures that have been implemented to improve the country's economy. Specifically, there has been the pursuit of 'structural' and 'macro-economic reforms' as well as greater accountability, transparency and predictability of existing laws that has helped Kenya transform to an 'outward-oriented' economy. Kenya is one of the few countries where a single tariff structure is applied (which is a set percentage of the value of the goods that are being imported). In the year 2004, for instance, the East African Community was founded between Uganda, Tanzania and Kenya in the form of a Customs Union which imposes a Common External Tariff (CET) on goods from countries outside the East African Community and no levies or very low tariff within the East African Community (WTO, 2007).

The third strategy is the formulation of the 'Medium-Term Budget Strategy Paper', 2009/10-2011//12 (MTBSP). Each and every year the MTBSP provides much more detail on the government's 'fiscal framework' for the next three budget years, not only in terms of the distribution and financing of the budget for the various government ministries but, also for the key policy objectives. Additionally, the MTBSP is guided by the need to be strategic on growth prospects to manage the risk of being extremely optimistic and in the occurrence that higher than expected growth rates are obtained, the medium-term macro-economic framework can be improved in line with higher revenues allocated to priority concerns (Ministry of Finance, 2009-2012).

The fourth strategy that has been adopted is in line with education. The government of Kenya through the Ministry of Education has made a lot of progress in the education sector through encouraging free primary school education which was first advocated for by the former head of state Mwai Kibaki. Kenya now prides itself in its large group of professional workers, trained both within the country and overseas. Kenya has the highest number of university and college-educated English speaking professionals in the East African region (Ministry of Education, 2012). Through free primary school education, citizens are encouraged to see the value in education and thus are motivated to proceed with further studies. This places graduates at a better position with regard to employment and self- employment such that each individual is in a position to engage in an economic activity that will improve their living standards and increase economic growth of the country.

The final strategy that has been adopted though not fully is fostering economic growth. There is an urgent need to enhance Kenya's private sector as the main engine to achieve economic growth and to make this growth more inclusive than it has been, through creating jobs for the unemployed. To achieve this, it is essential to stimulate private-sector activity through the formulation of a favourable business environment, improving the skills of Kenya's workforce so as to be able to respond to the demands of the evolving labour market of a changing economy(African Development Bank Group. 2012: v).

For the period 2009 to 2013 the UNDP agreed to work towards achieving two strategies to help boost Kenya's economic growth.

• Private sector development and job creation, supporting trade, investment and public private partnerships.

• Sustainable development, centred on climate change adaptation and mitigation (UNDP, 2009:4).

8.7 Conclusion

Kenyan's economic growth has faced fluctuations over the past years for instance the growth of the Kenyan economy was evident in the year 2010 when the GDP expanded by 5.6% after slow growth of 1.5% and 2.6% in 2008 and 2009 respectively (Government of Kenya, 2011:17). However, GDP was 4.6% in 2012 (PWC, 2013) while in 2013 GDP increased to 5.2% (Kenya National Bureau of Statistics, 2013). This is an indication that the Kenya national economy has the potential to increase its GDP by producing more goods and services.

The Government of Kenya has encouraged small-scale entrepreneurship programmes to motivate the public to become self-employed. Furthermore, the government has in the past ten years worked to improve the infrastructure of the country, in particular, roads and the communication network which will enhance business activities. Despite these efforts, poverty has been a major limiting factor in developing rural and urban towns in Kenya. (Ministry of Lands and Housing, 2004:8). Trading Economics (2013) and Kenya National Bureau of Statistics, (2013) report that the unemployment rate in Kenya from 2010-2013 was 40%, an indication more jobs need to be created in the country. This is an indication that human resources are underutilised in Kenya. There is a possibility that Business Process Outsourcing (BPO) can create some of the much needed job opportunities in Kenya as the BPO industry has been identified as a sector to develop in the vision 2030 initiative to boost economic growth in Kenya.

Savings can facilitate in investment. Savings need to be loaned out to investors in order to increase economic activity. To help promote borrowing interest rates need to be favourable. Savings can be done by ordinary citizens or organisations. To promote savings interest rates should be attractive.

It is necessary for Kenya to promote local production in order to grow its manufacturing industry. This could also result to an increase in the number of exports. The reduction of imports through heavy taxation can facilitate in boosting local production which would result in the growth of the Kenyan economy.

Several strategies have been put in place to boost the Kenyan economy and foster development. However, it is not sufficient just to have good strategies. It is important that the strategies are implemented effectively. Monitoring and evaluation is also essential to ensure transparency and accountability.

The words of Herbet Frankel (1952) are helpful when reflecting on the achievement of development in Kenya:

> ‘Development depends not on the abstract national goals of, and the more or less enforced decisions by, a cadre of planners, but on the piecemeal adaptation of individuals to goals which emerge but slowly and become clearer only as those individuals work with the means at their disposal; and as they themselves become aware, in the process of doing, what can and ought to be done.’

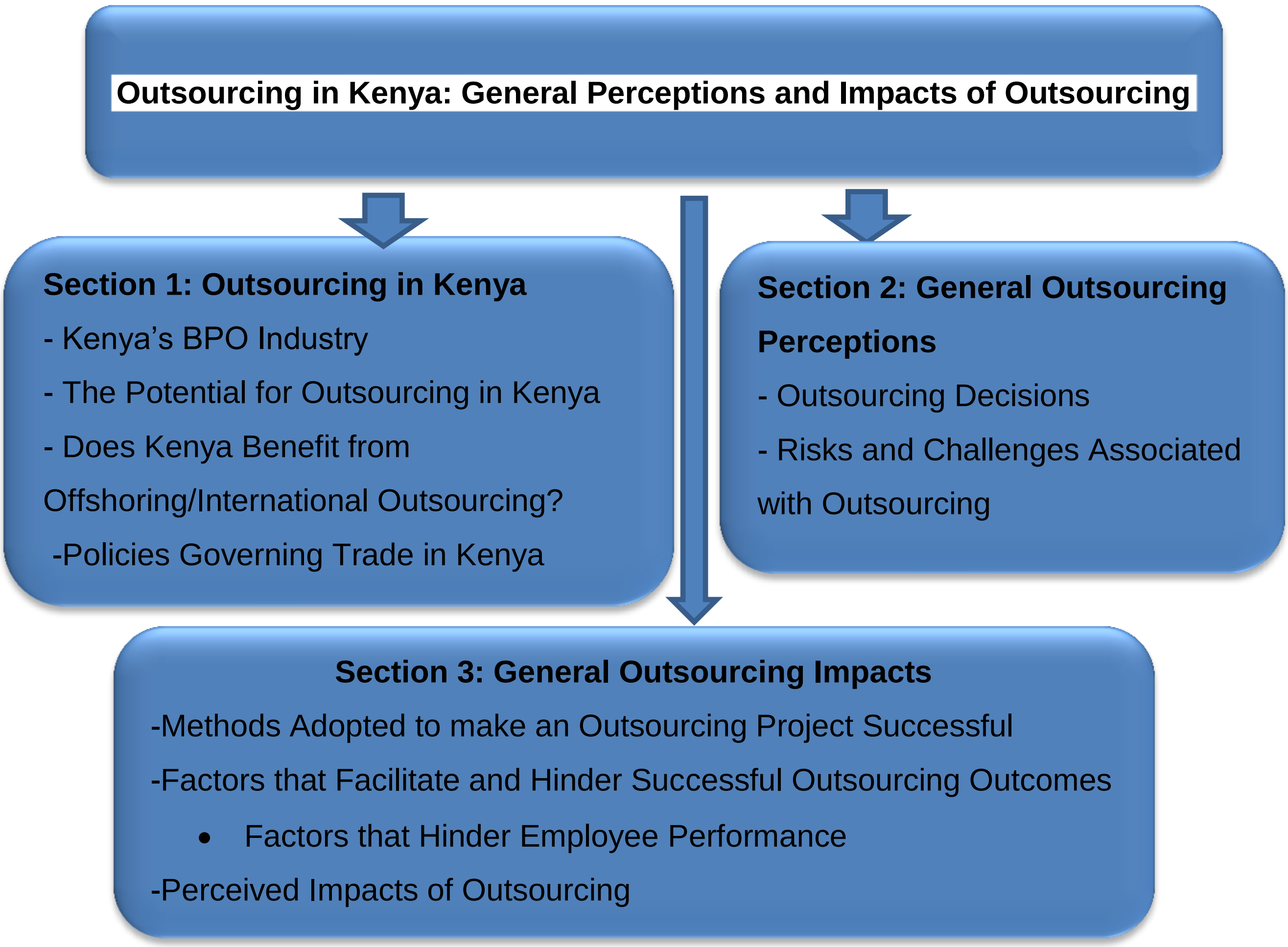
Chapter Nine elaborates on three main sections which are outsourcing in Kenya, general outsourcing impacts and general outsourcing perceptions.

CHAPTER NINE: OUTSOURCING IN KENYA: GENERAL PERCEPTIONS AND IMPACTS OF OUTSOURCING

9.1 Introduction

The Kenyan government of late has continued to make the country a major hub for outsourcing. Many Kenyan companies have taken advantage of the outsourcing market and have established themselves as outsourcing providers of call centres for numerous firms. For the past few years outsourcing has been proven to be greatly beneficial for Kenya with regard to technology and economic returns according to the Africa Business Journal (2014). This chapter has three main sections: outsourcing in Kenya, general perceptions of outsourcing, and general impacts of outsourcing, as illustrated in the diagram below.

Illustration 10: Outsourcing in Kenya: General Perceptions and Impacts of Outsourcing



9.2 Section One: Outsourcing in Kenya

The outsourcing industry in Kenya is considered a young industry with the potential to grow. This section looks at four topics which are Kenya's BPO industry, the potential for outsourcing in Kenya, does Kenya benefit from international outsourcing, and finally, policies governing trade in Kenya.

9.2.1 Kenya's Business Process Outsourcing (BPO) Industry

In the recent past, economic issues have been raised with regard to outsourcing in Kenya. Kenya is currently adopting both long-term and medium-term strategies to manage the high unemployment rate among citizens. One strategy that has be considered is for Kenya to position itself in the global and dynamic Information and Communication Technology (ICT) sector, specifically targeting Kenya to become a regional ICT hub within the East African region. To achieve this goal, the Government of Kenya has embarked on improving ICTs. However, limited ICT access between rural and urban areas has challenged the expansion of Business Process Outsourcing and Information Technology-enabled services (BPO-ITES) in Kenya (Wausi, Mgendi and Ngwenyi, 2013:10).

Kenya has a growing outsourcing sector with over 50 registered outsourcing firms operating. Some of the major organisations that are involved in directing the outsourcing agenda in Kenya include the Kenya Information Communication Technology (ICT) Board, Kenya Business Processing and Contact Centre Society, the Export Processing Zone Authority, the Communications Commission of Kenya and the Ministry of Information and Communications (Kemibaro, 2009).

The Kenyan government has further encouraged entrepreneurs to venture into outsourcing by introducing incentives that make investing in outsourcing businesses a very attractive venture. Furthermore, outsourcing is considered as a recently unveiled vision 2030 initiative, a key milestone and motivator of social and economic enhancement aiming to create employment and wealth for the Kenyan community (Manono, 2012; Government of Kenya, 2007 and Kemibaro, 2009).

According to Manono (2012), an example of an incentive that the government of Kenya has pledged to boost the BPO industry in Kenya is the provision of adequate budgetary allocation specifically for the purpose of establishing a 7,500 seat BPO park in Nairobi. This means that the park can accommodate 7,500 personnel who will be engaging in BPO activities. The BPO Park is meant to attract investments and to enhance the outsourcing industry. Additionally, the park shall provide the necessary infrastructure and support services for businesses such as office space. Furthermore, the park will also facilitate in technology transfer and thus will enhance competitiveness in the BPO industry.

Business Process Outsourcing in Kenya requires relatively little capital to establish, which makes outsourcing a promising business venture for small and medium enterprises so long as telecommunications infrastructure and cheap labour with basic skills are readily available. BPO in Kenya has grown mainly due to the expansion of information communication technology and the introduction of new business models. In addition, Kenya's BPO sector has also grown due to Kenya's ideal geographical positioning in comparison to other African nations which has improved Kenya's competitiveness in the BPO sector. Kenya is considered one of the top three BPO destinations in Africa. If Kenya is to become a well-known location for outsourced services globally, the support of institutions such as the Export Promotion Council (EPC), the Investment Promotion Council (IPC) and e-commerce is necessary. The success of the BPO sector in Kenya can be directed by the private sector, government support and a favourable legal and business environment (Soft Kenya, 2013).

Additionally, local Business Process Outsourcing (BPO) of Kenya received funding worth 75 million Kenya shillings from Digital Divide Data (DDD) which is an international IT firm (which has been operating in South East Asia) that has set up a branch in Nairobi. DDD is meant in the future to offer services such as data entry, electronic publishing and back-office administrative tasks to clients in the East African region as well as to global markets. DDD further aims to create jobs for young adults who have completed high school specifically between the ages of 18 to 24, particularly from the slum regions in Nairobi (Africa News, 2013 and Kenya Engineer, 2011: 24). The Kenyan government also believes that the BPO industry can provide employment for many unemployed graduates in Kenya (The Economist, 2010). This could help in reducing poverty levels in Kenya.

Developments in the East African Community (specifically the launching of the common market protocol), are perceived to open up new BPO opportunities to serve firms within the region as incorporation takes place. It has been argued that the international negative perception of Kenya (because of political risks) has slowed down the growth of the BPO industry (Nyagah, 2010). This can be changed through positive advertising and positive public relations as the last general elections held in Kenya in March 2013 were a success. Thus, there are at present no political risks that could pose a threat to investments in Kenya.

Kenya is seen to have a key advantage when it comes to call centre outsourcing. According to Peres Were, the managing director of Cascade Globalis Kenya, ‘Our biggest selling point is our language. Everywhere we go, people are amazed at how clear our accent is. Developed nations are finding that India is getting saturated and quality is not very good. Thus, developed countries want to give Africa a try’ (Offshoring Times, 2013).

One positive aspect that will strengthen the BPO sector in Kenya is the formulation and implementation of ethics and standards guidelines for outsourcing. Wanjiku (2009) reports that the Kenya Business Process Outsourcing Society is set to introduce a set of standards and ethics guidelines that are to be legislated in Parliament. (Current literature does not indicate whether these guidelines have been enacted by Parliament). In addition, these standards guidelines are meant to be a major marketing instrument for Kenya. Guidelines specifically pertaining to standards have been formulated to cover all areas of the BPO sector and to provide all clients with consistently good experiences. History reveals that some Western corporations have engaged local companies, only to be disappointed with the level of service rendered. Should Parliament authorize the guidelines into law, it will be a step forward towards convincing top corporations to outsource back-office activities to Kenya.

9.2.2 The Full Potential of Outsourcing is yet to be grasped in Kenya

According to Wausi *et al.,* (2013), the BPO industry is commonly referred to as the Business Process Outsourcing - Information Technology Enabled Services (BPO-ITES) sector in Kenya. Furthermore, the infrastructural development and the growth of digital talent in Kenya can contribute significantly to the changeover and viability of digital work in Kenya where the fields that dominate currently are the informal and agricultural industries. This is an indication that the potential of outsourcing in Kenya has not been exploited to the maximum.

Kinyanjui (2011) states that the key services that are outsourced in Kenya today are courier services, security services, office cleaning, and IT support. Maku and Iravo (2013) report that organisations in Kenya today have obtained many benefits of outsourcing such as access to the best technologies and reduced operational costs. On the other hand, outsourcing may also result in a client organisation experiencing some challenges such as loss of control of the outsourced activities and dependency on suppliers.

'The BPO sector has opportunities for economic growth. Outsourcing has the potential to increase productivity in this sector', said Dr Wiebe Boer, Associate Director of Rockefeller Foundation who spoke in the first outsourcing and shared services forum for NGOs and development partners forum. The forum was organised in Nairobi by the AITEC Africa with funding from the Rockefeller Foundation (Aitec Africa, 2009**)**.

There are different types of outsourcing companies in Kenya offering different outsourcing services in Kenya and/or internationally. Kembaro (2009) and Rose India Technologies Limited (2014) indicate that outsourcing services can be classified into two main groups which are Business Process Outsourcing (BPO)[20] and Knowledge Process Outsourcing (KPO)[21]. The table that follows provides examples of services offered by some outsourcing companies in Kenya.

Table 10: Examples of Services Offered by Outsourcing Firms in Kenya

Name of Company	**Location**	**Number of Employees**	**Year Established**	**Services Offered**
Quickturn Solutions	Nairobi and Ruiru	10	2007	Software designing and development, systems

[20]According to Kembero (2009), BPO involves contracting outsourcing providers to perform operations and responsibility for a particular business activity. Some examples of BPO services are information technology systems management, book keeping and financial services, business consulting, computer assisted design, call centres, data entry, desk top publishing, human resource services, internet marketing , legal services, medical billing, editing, software and technology transcription, web design and web development, writing and translations.

[21] KPO refers to outsourcing knowledge related and information related tasks. Some examples of KPO are knowledge processing services, intellectual property research, data research and analysis, pharmaceutical services and data base development services (Kembero, 2009).

International Limited (QSI)				installations and maintenance, consultancy services, project management, business intelligence, capacity building, data entry and management, entrepreneurial and Small and Medium Enterprises (SMEs) trainings.
Type Tech	Nairobi	15	2005	Data conversion, data entry, transcription and web design services.
Davis Felix Associates	Nairobi	9	2005	Book keeping, bank reconciliations preparation of final accounts auditing, staff recruiting, loans and mortgage negotiations, hardware and software maintenance and software development.
Ken Techdata	Nairobi	30	2006	Digitisation scanning, indexing and backups, proof-reading, forms processing, data entry and transcription (all forms of transcription).
Keo Business Process Limited	Nairobi	15	2004	Accounting services, software and web design.
Nimtech	Nairobi	20	2005	Transcription, data entry and web marketing/research.

Source: Knowledgehills, 2011

The previous table shows that the outsourcing companies have recently been established. The companies are not very large and have relatively few employees. It cannot however be ruled out that there is the possibility that outsourcing providers hire staff as need arises. This means that outsourcing firms may contract additional personnel when demand for labour is high.

According to Varanasi (2010), one key element of technical infrastructure that has made the globalisation of services possible is the availability of internet services all over the world. East Africa's first fiber-optic cables have made it possible for Africa to open its boundaries to the world at large. However, the challenge that remains is that of connectivity, which is essential for outsourcing relationships.

In IT-related outsourcing, good or reasonably priced accessible internet is essential and the Kenyan government has prioritised this. Kenya's telecom operators (who offer mostly internet and telephone services) have outsourced their customer services and network management functions in order to increase economic returns (IT News Africa, 2010).

Kenya certainly has the potential to engage in domestic and offshoring/ international outsourcing activities at a larger scale. The challenge lies with outsourcing firms, as they need to penetrate the local and global market to obtain an equitable market share. It is unfortunate that the full potential of outsourcing has not yet been realised in Kenya though there is room for improvement to take place in the future.

Another key issue that needs to be addressed is preparing adequately for outsourcing. Today top management discussions globally focus mainly on outsourcing and Kenya can be working towards convincing companies globally that it can offer satisfactory levels of customer care and telesales expertise. The call centre industry has been identified as one of the milestones of economic growth and it is estimated that it will bring in over $200 million to Kenya's economy in the next six years (Article Base, 2012). For these estimates to be achieved in Kenya, it is important for the Kenya 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.

9.2.3 Does Kenya Engage in and Benefit from Offshoring/International Outsourcing?

Kenya does, indeed, engage in offshoring/international outsourcing. The two pieces of research discussed below, conducted on the agriculture and the banking sectors respectively, show that Kenya engages in offshoring/international outsourcing and that benefits are obtained through the practice. These two case studies have also been mentioned in Chapter Three as examples of empirical studies conducted on outsourcing in Kenya.

9.2.3.1 Case Study 1: Agricultural Sector Investment, Outsourcing and Political Risks: The Case of Kenya's Flower Trade with the European Union

According to Amponsah (2010), recent Kenyan agricultural policies have provided a favourable environment and incentives for European investors to invest in the growing flower industry in Kenya. This has resulted in offshore outsourcing which is one method of gaining from offshoring/international outsourcing. The key question to be evaluated is: How has Kenya benefited from the EU offshoring an aspect of its production (rose farming) to Kenya? The study indicates that new flower farms have been established, while others have expanded and jobs have been created for locals in Kenya. Consequently, economic growth has resulted. Kenya also has benefited through gaining revenue from taxes paid by EU enterprises dealing with flower farming in Kenya. Kenyan farmers and entrepreneurs at large have gained more knowledge and experience in flower farming. This has created an opportunity for citizens to consider venturing into flower farming businesses. In other words offshoring to Kenya has had numerous positive effects to some citizens (who have gained employment) and to the economic growth of the country.

9.2.3.2 Case Study 2: Outsourcing Practices of the Kenyan Banking Sector

The research revealed that small and medium sized banks in Kenya are set to benefit from a card process outsourcing business venture. John Wanyela, the executive director of the Kenya Bankers Association said in 2010 that small and medium sized banks in Kenya are set to benefit from a credit card outsourcing partnership with Universal Payment Services (UPS), which is a leading transaction service provider of payment card services in the Middle East and Africa. This partnership with an international outsourcing provider is anticipated to facilitate in allowing bank personnel to focus on their core business functions such as receiving deposits and providing loans. This will ultimately reduce costs considerably on human capital, hardware and software expenses. The partnership is aimed at small and medium sized banks that would benefit from the economies of scale through international outsourcing and therefore reduces the cost as the small and medium sized banks do not have to buy a retail banking system to manage retail clients. The small and medium sized banks would also be saving upfront capital investment in structure and individuals. To date large banks (such as Barclays, Standard Chartered Bank and CFC Standbic Bank) have already adopted the VISA and Master card credit systems (Murua, 2010).

International outsourcing of credit card operations is a viable business strategy for medium and small banking enterprises in Kenya to consider as larger banks in Kenya are currently benefiting from outsourcing of credit operations

9.2.4 Policies Governing Trade in Kenya

Governments globally are concerned with protecting their political and economic interests locally and internationally and are consequently forced to formulate policies for protection purposes. These policies affect the channel of distribution selected by a firm in international business. Regulations formulated may discourage export in totality and thus would determine production levels overseas if the market is to be catered for effectively (Albaum, Duerr and Strandskov, 2005:257).

The trade policy in Kenya, which also governs outsourcing (as there are no specific policies for outsourcing in Kenya), explains that international trade is now becoming increasingly important to Kenya’s economy. Currently Kenya’s trade era is guided by market-driven principles of liberalisation under the World Trade Organisation (WTO) (WTO came into effect in 1995) together with the increased efforts of the regional economic union that has resulted in the establishment of the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the Inter-Governmental Authority on Development (IGAD) (Ministry of Trade, 2009).

The government of Kenya, through its policies for the promotion of Foreign Direct Investment (FDI)[22], has been contributing in the arrangement of

[22] Foreign Direct Investment (FDI) refers to the direct ownership of facilities in the target country. It further involves the transfer of resources including capital, technology and employees. FDI can be accomplished through the purchase of an existing entity or the establishment of a new company. Direct ownership provides a

conferences and workshops in order to enhance FDI in Kenya. Before 2004 an investor required a total of 21 business licenses and registrations to be able to do business in Kenya. Since the introduction, promotion and execution of the investment bill, the process of registering foreign businesses has been highly improved through reducing all the unnecessary bureaucratic phases in order to make the investment process easier. The Introduction of the Kenya Investment Authority (KIA) has also helped (UNDP, 2009). The basic functions of the KIA are providing service information and assistance to investors, distributing investment certificates or required licenses for investors and promoting foreign investments in Kenya (WTO, 2007).

Trade policies lay the foundation for eventual manufacturing of capital goods (goods that do not wear out easily and are used in the production of goods and services) for both local and international markets. The government has also put in place a range of incentives such as duty and VAT reduction, manufacturing under a bond scheme, export processing zones, and the pursuance of a flexible and rational exchange rate that encourages exportation to promote trade. Kenya's trade policy also deals with self-reliance and the expansion of exports, while another policy issue to consider is export promotion that would lead to more foreign exchange resources and increased employment opportunities and productivity. Kenya's trade policies also encourage investment; through 'price liberalisation' (the removal or reduction of trade practices that hinder the flow of goods from one nation to another). The government of Kenya published the Restrictive Trade Policies, Monopolies and Price Control Act (1988) to protect against exploitation of smaller firms by larger companies (WTO, 20oo).

9.3 Section Two: General Outsourcing Perceptions

This section elaborates on general perceptions of outsourcing. The perceptions discussed in this section are not based on any specific country. The two topics discussed in this section are the outsourcing decision as well as risks and challenges associated with outsourcing.

---

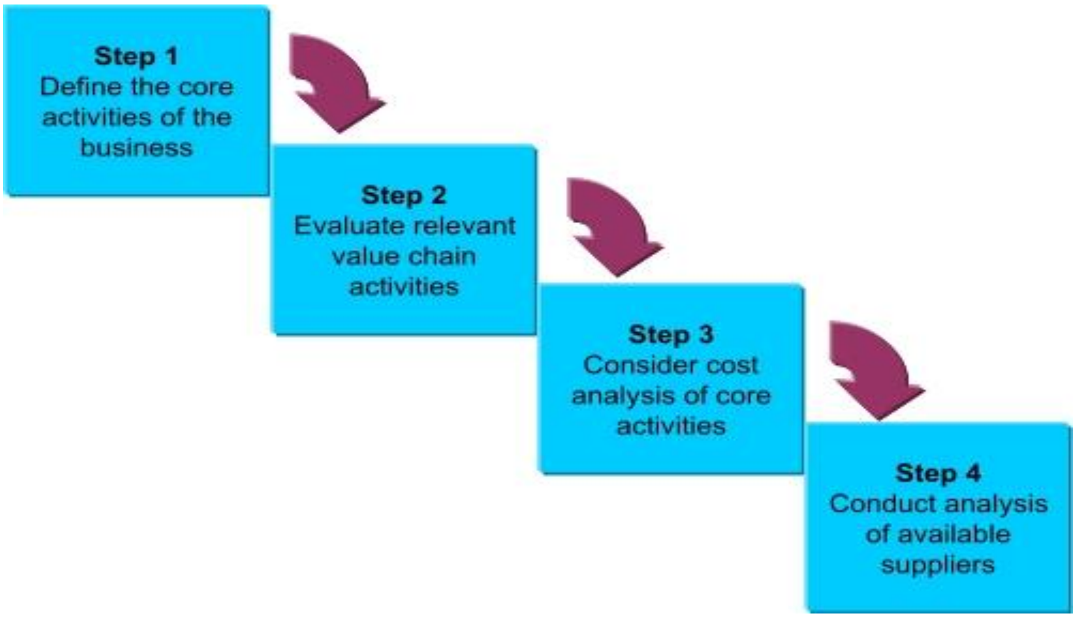
high level of control in the functions and the ability to better know the customers and competitors. It requires a large quantity of capital and a great deal of commitment (Albaum *et al*, 2005:254).

9.3.1 The Outsourcing Decision

Bowersox (1990), Crane (1999) and Quinn (2000) suggest, as many others have, that outsourcing is adopted by firms because of the large impact they expect it to have on the bottom line. Other rationales for engaging in outsourcing are to obtain monetary rewards and competitive advantage.

A proposed sequential structure for analysing the decision as to whether a potential client company should engage in outsourcing or not, is illustrated below - in four main stages.

Diagram 3: A Framework for Evaluating Outsourcing Decisions



Source: McIvor, 2000

According to Mclvor (2000), stage one would be the most important stage. This involves identifying the 'core' and 'none-core' activities of the business. Stage two, involves evaluating relevant value-chain activities[23], which are activities performed to produce a valuable product or service for a market. The idea behind this stage is for a client firm to compare its ability to perform these activities with those of potential external suppliers. Stage three attempts to identify and measure the expenses associated with either accommodating the activity in-house or outsourcing the

[23] Value-chain activities refer to in- and out-bound co-ordination, operations, marketing/sales and services in general such as maintenance (Mclvor, 2000).

activity to an outsourcing provider. However, if the expenses analysis reflects that outsourcing is a cheaper option, it would be favourable for the client firm's management to consider selecting a suitable supplier to perform the particular outsourcing activity.

9.3.1 Risks and Challenges Associated with Outsourcing

There are several key risks associated with outsourcing taken into consideration by client firms and outsourcing vendors. Risks are more significant in offshoring/ international outsourcing than domestic outsourcing as offshoring involves the engagement of a foreign country. The risks are increase in cost, conflicts and law suits, and loss of company competencies (Aubert, Rivard and Patry, 1996 and Bahli and Rivard, 2003). The likelihood of these negative outcomes depends on the level of expertise in outsourcing and IT operations of the client firm as well as the vendor company, the availability of suppliers, asset specificity issues from the vendor and client firm companies, investment in training of vendor or client staff members, uncertainty caused by inaccurate information on market demand and technological advancements, the interdependence of systems and processes that are outsourced, and finally, the measurement of concerns which has to do with differences in interpreting efficiency (Bahli and Rivard, 2003a; Earl, 1996 and Lacity, 1995).

Davison (2003) and Bahli (2003) also highlight additional key risks associated with domestic and offshoring/international outsourcing. The first is data security/protection and the question that needs to be addressed is whether outsourcing vendors can meet the security requirements a client firm has internally. High risk of exposure might deter the client organisation. Culture is another risk that is considered. For instance, even though English is one of the official languages in most countries, pronunciation and accents can differ and this can hinder effective communication between the outsourcing provider and the client firm. The turnover of key outsourcing personnel is also a potential risk. Outsourcing personnel are usually in demand for new, high-profile projects or even at risk of being recruited by other offshore vendors. Lastly, increased costs may occur when moving one's own technology and knowledge to an international vendor. Travel costs, license transfer fees, exchange rates and foreign taxes on products and services have to be considered (Ramarapu, Parzinger and Lado 1997).

According to Goldsmith (2003), in a survey of executives, it was established that the top five challenges faced by companies engaging in offshoring/international outsourcing are:

- Understanding cultural differences.
- Examining contract performance.
- The client firm's ignorance of what the outsourcing provider is doing for it.
- Accountability.
- Travel costs for visiting and assessing the outsourcing provider's firm.

These challenges represent a substantial barrier to growth in offshoring/international outsourcing. Other challenges to be taken into consideration are ineffective organisational communication, cross functional political problems, ambiguous expectations, and lack of flexibility, keeping contracts brief and taking a tactical rather than a strategic approach to outsourcing takes (Laabs, 1998; Mullin, 1996 and Grant, 1996).

9.4 Section Three: General Impacts of Outsourcing

The impact of outsourcing is a challenging subject to discuss as there are factors that would influence the outcome of outsourcing. This section looks at methods adopted to make an outsourcing project successful, factors that facilitate and hinder successful outsourcing outcomes and the perceived impact of outsourcing.

9.4.1 Methods Adopted to make an Outsourcing Project Successful

Ideyatech (2008) suggests that there are four popular methods to make an outsourcing project successful. First it is essential to identify an organisation's goals. Secondly, is to select an outsourcing vendor carefully. Before a client firm engages in signing a contract, checks could be conducted on the outsourcing vendor's financial stability, management team, flexibility, personnel and the methodologies executed in the cycle of the project. Thirdly, it is essential that everyone's support is ensured. Employees from all the levels of management of the client organisation can support the participation of outsourced personnel - or consultants - in the project. The last common way to make an outsourcing project reap successful outcomes is based on the project-management techniques, training and communication plans.

Communication and training plans, execution techniques, distribution channels and facilities are all important for ensuring knowledge transfer.

9.4.2 Factors that Facilitate and Hinder Successful Outsourcing Outcomes

Collaborations such as that between an outsourcing provider and a client firm can be positive or negative. An outsourcing provider and a client firm willing to work together must have shared interests and similarities in addition to benefiting from the collaboration. The list that follows highlights some factors that facilitate and hinder collaborations between a client firm and an outsourcing provider.

Table 11: Factors that Facilitate and Hinder Successful Outsourcing Outcomes

Factors that Facilitate Successful Outsourcing Outcomes	**Factors that Hinder Successful Outsourcing Outcomes**
A receptive political environment. The identification of common benefits. Strong leadership for the collaboration effort. Openness to problem solving. Open communication flow. Team building. Assessments of team effectiveness. Availability of resources. Receptive agency culture.	Professional staff fears. Disagreement among resource providers. Dealing with multiple local governments and many private and public organisations. Lack of ‘domain consensus’. Different expectations from federal, state and local levels. Coordination is a low priority. Costs and benefits are uncertain.

Source: Biscoe, 2013

9.4.2.1 Factors that Hinder Employee Performance

Considering the fact that outsourcing involves employees, it is also essential to explore the factors that hinder employee performance as outsourcing is considered a success if quality is attained. Meilan (2010) suggests that some of the main factors that impede employee performance are:

- Poor leadership.
- Micro-management, where managers are deeply involved in the employees' work instead of providing employees with some freedom to perform their daily duties.
- Low compensation. It is essential for employees to feel that they are receiving the correct remuneration.
- Lack of appreciation shown to employees. Showing appreciation would motivate employees to work better.
- Inadequate training. An employee needs to have the required skills in order to perform a task allocated.

9.4.2 Perceived Impact of Outsourcing

9.4.3.1 Positive Perceptions

Outsourcing has its shortcomings and its benefits. The perceived impact of outsourcing largely depends on the quality of the service being provided by the outsourcing provider. Some client firms reap favourable outcomes while others reap unfavourable outcomes when they engage in outsourcing.

Outsourcing decisions are commonly viewed as a rational decision by management which is motivated by expectations in order to obtain several benefits such as:

- To maximise on the assumed economies of scale and scope offered by the outsourcing providers in order to achieve cost savings (Loh and Venkatraman, 1992a, b; Ang and Cummings, 1997; Ang and Straub, 1998; Casale, 2001).
- To enhance the management's concentration on core-competencies and to obtain access to new technical skills and knowledge base for enhancing the firms' skill and knowledge gap (Lacity and Willcocks, 1998 and Casale, 2001).

- To enhance selected institutional aspects for instance the structure of the company and the technique of management (Loh and Venkatraman, 1992b; Hu, Saunders and Gebelt, 1997 and Ang and Cummings, 1997).
- Balancing of a firm's design (Milgrom and Roberts, 1995).
- To obtain competitive advantage through achieving a unique winning combination of internal capabilities of the outsourcing providers.
- To alleviate technological risk as well as uncertainty (McLellan, Marcolin and Beamish, 1995).
- To enhance the total business performance, to obtain process improvisation and to improve customer service (DiRomualdo and Gurbaxani, 1998; Quinn, 2000 and Christopher, Stephen and Christine, 2004) and for other strategic reasons (Gulla and Gupta, 2009 and Willcocks, 2010).

Other key benefits that the client firm's management anticipates from their outsourcing arrangements are convenience and flexibility in growth, execution and ascent of projects, change management, protection against technical risk and modifications in productivity and service quality (Clark, Zmud, and McCray, 1995 and Chin, 2003).

Incorporating another perspective on the benefits of outsourcing, Quinn (2000) and Koch (2008) highlight that outsourcing helps the client firm to better manage the business and company knowledge and creates enhanced business intelligence, facilitates in the rapid innovation and introduction of new products/services. Successful companies establish clear goals and outcomes for outsourcing functions which are the most helpful and contributing factors to their outsourcing initiatives. Outsourcing must be done carefully with clear objectives and expectations. Rational reasons that can be taken into consideration include both strategic and calculated concerns on a departmental and organisational level (Casale, 1996 and Corbett, 1999).

9.4.3.2 Negative Perceptions

Outsourcing has gained global popularity for its cost effectiveness, among other benefits. However, outsourcing does have its share of shortcomings. This section looks at some pitfalls of outsourcing.

Quality compromise is the first shortcoming of outsourcing. When a client firm outsources work in order to save money, does the quality or performance by the outsourcing provider meet the expectations of a client firm at all times? This is not always the case. However, it needs to be noted that the standards for judging quality vary from country to country (Bucki, 2014; Power, 2005-2014 and Rose India Technologies Limited, 2014).

Worker insecurity is another concern. Jobs are lost in developed contries due to offshore outsourcing. However, developing countries may benefit for a while from the trend of offshore outsourcing in terms of more employment opportunities, higher wages and an increased standard of living. These benefits are not permanent. Critics are of the view that, in the long term, outsourcing will be all about contending workforce of one country against the workforce in another nation through forcing them to offer their services at competitive rates or suffer being left behind (Bucki, 2014 and Power, 2005-2014).

Security has been of concern in outsourcing specifically when companies outsourcing providers to access to sensitive data such as financial data. This could result in fraud (Bucki, 2014 and Rose India Technologies Limited, 2014)

Additional shortcomings of outsourcing are provided by Bucki (2014). Firstly, loss of managerial control is also considered a pitfall of outsourcing. When a company outsources a function a client firm turns the management and control of that function over to an outsourcing provider company. It is possible that the client firm may not be driven by the same standards and mission that drives a client firm. Outsourcing firms are driven to make a profit from the services that they are providing to client firms

Secondly, hidden costs are another shortcoming of outsourcing. Anything not covered in the contract will be covered by the client firm. Furthermore, a client firm needs to cover legal fees to retain a lawyer who is to review the contacts a client firm will engage in when outsourcing.

Thirdly, tied to the financial well-being of another firm should also be considered by client firms. When a client firm engages in an outsourcing contract the client firm turns over part of its operations to an outsourcing firm. This means the client firm will be tied to the financial well-being of the outsourcing firm.

Finally, bad publicity and ill-will should also be taken into consideration. If workers loss jobs because they were offshored ultimately negative publicity of outsourcing will prevail.

9.5 Conclusion

Kenya’s BPO sector has grown due to Kenya’s ideal geographical positioning in comparison to other African nations which has improved Kenya’s competitiveness in the BPO sector. Kenya is considered one of the top three BPO destinations in Africa. The success of the BPO sector in Kenya can be directed by the private sector, government support and a favourable legal and business environment (Soft Kenya, 2013). It has however been argued that the international negative perception of Kenya (political risks) has slowed down the growth of Kenya’s BPO industry (Nyagah, 2010). Kenya is seen to have a key advantage when it comes to call centre outsourcing due to citizens’ English language abilities (Offshoring Times, 2013). The call centre industry in Kenya 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 (Article Base, 2012).

Wanjiku (2008) reports that the Kenya Business Process Outsourcing (BPO) Society is set to introduce a set of standards and ethics guidelines that are to be legislated in Parliament which will boost Kenya’s outsourcing industry.

Key services that are being outsourced in Kenya today are courier services, security services, office cleaning and IT support Kinyanjui (2011). Outsourcing has its shortcomings and its benefits. Maku and Iravo (2013) report that organisations in Kenya today have obtained many benefits of outsourcing such as access to the best technologies and reduced operational costs. On the other hand, outsourcing may also result in a client organisation experiencing challenges such as loss of control of the outsourced activities and dependency on suppliers (Kinyanjui, 2011).

Currently Kenya’s trade era is guided by market-driven principles of ‘liberalisation’ under the World Trade Organisation (WTO) together with the increased efforts of the regional economic union that has resulted in the establishment of the East African Community (EAC), Common Market for Eastern and Southern Africa (COMESA) and the Inter-Governmental Authority on Development (IGAD) (Ministry of Trade, 2009).

Ideyatech (2008) suggests that there are four popular methods to make an outsourcing project successful. First it is essential to identify an organisation’s goals. Secondly, is to select an outsourcing vendor carefully. Thirdly, it is essential that everyone’s support is ensured. Lastly, agreement on the project-management techniques, training and communication plans.

Bowersox (1990), Crane (1999) and Quinn (2000) suggest that outsourcing is adopted by firms in order to have a large impact on the organisation’s bottom line, although more unrelated purposes such as monetary rewards and competitive advantage may have been considered as the rationale for firms engaging in outsourcing.

Davison (2003) and Bahli (2003) highlight key risks associated with domestic and offshoring/international outsourcing which would interfere with successful outcomes of outsourcing. Data security/protection is one of the risks that are considered by a client firm. Culture is another risk that is considered. The turnover of key outsourcing personnel can also be considered as a potential risk of outsourcing. Last but not least, increased costs may occur when moving one’s own technology and knowledge to an international vendor. Additional risks like hidden costs and risks such as travel costs, license transfer fees, exchange rates and foreign taxes on products and services are also considered (Ramarapu *et al.,* 1997). Other challenges of outsourcing identified included: ineffective organisational communication, cross functional political problems, ambiguous expectations, lack of flexibility, keeping contracts brief and taking a tactical rather than a strategic approach to outsourcing (Laabs, 1998; Mullin, 1996 and Grant, 1996).

There are a number of factors that will help and hinder collaborations such as outsourcing. Some factors that facilitate in the successful outcomes of collaborations such as outsourcing include a favoable political environment, availability of resources, the identification of common benefits among others. On the other hand some factors that hinder the successful outcome of collaborations such as outsourcing include: professional staff fears, disagreement among resource providers and dealing with multiple local governments and many private and public organisations (Biscoe, 2013).

Outsourcing decisions are commonly viewed as a rational decision by management which is motivated by expectations in order to obtain several benefits such as balancing of a firm’s design (Milgrom and Roberts, 1995); to alleviate technological risk as well as uncertainty (McLellan *et al.*, 1995); and to maximise on the assumed economies of scale and scope offered by the outsourcing providers (Loh and Venkatraman, 1992a, b; Ang and Cummings, 1997 and Ang and Straub, 1998; Casale, 2001). On other hand, outsourcing does have its share of shortcomings such as job insecurity, loss of managerial control and quality concerns (Bucki, 2014).

Outsourcing results from an increased variety of labour markets as more functions and activities become tradable. It should be pointed out that the labour market operates under the same forces as the goods market, with the underlying assumption that the greater the number of tasks available to be outsourced, the better for efficiency under the benefits of trade. With technological advancements, more functions may be outsourced both domestically and internationally at different phases of the overall corporate process. This contributes to increased productivity which would impact a firm and the economy at large.

Chapter Ten provides a discussion of the research design adopted in this study and includes sample population, data collection tools, type of research adopted and design plan adopted.

PART TWO: METHODOLOGY

CHAPTER TEN: RESEARCH METHODOLOGY

10.1 Introduction

Leedy and Ormrod (2010:2) suggest that research is a step by step process of gathering, analysing, and interpreting information with the aim of enhancing knowledge and understanding of an occurrence or topic in which a researcher is interested. Thus, research is a type of 'logical investigation'.

This chapter on research methodology describes the research design employed to investigate the effects of outsourcing practices conducted by organisations in Nairobi. The type of research being conducted which is descriptive research is also addressed. In addition, the survey and the case study are examined. The methods of data collection and sampling are explained as are those of analysis and presentation.

10.2 Research Design

This section on research design explores the different stages adopted to answer the key research question: what are the impacts of outsourcing practices conducted by organisations in Nairobi? Struwig and Stead (2010:35) state that choosing a suitable research strategy depends on the research question that has been formulated, as data collected can be in the form of numbers or words.

Zikmund (2000) highlights that the research design is formulated after the research problem has been isolated and is considered a guideline that illustrates the techniques and steps for collecting and analysing the data. According to Kumar (2005:84), the research design should enable the researcher to establish responses 'validly', 'objectively', 'accurately' and 'economically'.

The table that follows provides a summary of the research design adopted in this study. There were three main stages: the literature study, planning the research design and the empirical phase.

Table 12: Research Design Plan

Stage	Activity	Description
1	Collection of existing literature on outsourcing.	Secondary method of data collection. Obtained from university library resources and the internet.
2	Train research assistants. Pilot test the questionnaires.	Interpret and evaluate the quantitative findings obtained.
3	Distribution of questionnaires to purposive sample of employees from randomly selected organisations organisations in Nairobi.	Questionnaires delivered physically by research assistants and collected.
4	Develop a framework to illustrate and explain the effects of outsourcing.	Conducted through the interpretation of quantitativeand qualitative data findings.
5	Draw conclusions and formulate recommendations.	Based on interpretation of data analysed.

10.3 Quantitative Research

Monette, Sullivan and DeJong (2005) suggest that research methods can be classified into two main groups: qualitative and quantitative. This research on the effects of outsourcing adopted the quantitative and qualitative method. Quantitative methods involve the use of numbers, graphs and charts while qualitative research methods deal with feelings and other aspects which are not considered quantifiable. According to Nueman (2003:439) the main difference between qualitative and quantitative methods can be summarised as follows:

- Concepts in quantitative research methods are usually expressed in motives and generalisations.
- Quantitative research methods are universal such as formulas for computing correlation, mean and mode.
- Quantitative methods are represented in numerical form and measurements in qualitative research data can be in the form of words and images among other forms.
- Research findings of quantitative form are presented in tables, graphs and pie charts while qualitative findings are presented by only using words.

10.4 Type of Research

The type of research undertaken in this study is descriptive in nature. According to Sekaran and Bougie (2011), a descriptive study is undertaken by a researcher in order to be able to describe the features of the 'variables' that are to be considered in a proposed study topic. Furthermore, Kothari (2011) suggests that descriptive research incorporates surveys and fact-finding enquiries of numerous types. In other words, the term 'descriptive research' considers the type of research question, the research design adopted and the data analysis that is applied to a given topic of research. In addition, 'descriptive statistics' are considered to elaborate on what is, whereas 'inferential statistics' aim at establishing 'cause' and 'effect' in research.

Shields and Rangarajan (2013) say that descriptive research is adopted in research in order to describe features of a given population or occurrence that is being considered for study. Descriptive research specifically does not answer queries pertaining to 'how', 'when' and 'why' particular phenomena have taken place. Descriptive research rather answers the question 'what'. The key research question and sub-questions for this study address the question 'what'.

Jackson (2009) suggests that there are three main types of descriptive research methods that could be adopted by a researcher: observational methods, case-study methods and survey methods. Observation is commonly used in laboratory experimental researches. Case study methodology refers to the study of an individual or a group of persons (such as employees) as one ‘case’ of similar individuals or groups. On the other hand, the survey method involves the use of questionnaires or interview sessions to obtain information for data analysis and involves asking the same questions in the same way of a large number of respondents from the population in which the researcher is interested. This research study adopted the survey and case study methods. Additionally, Borg and Gall (1989) indicate that descriptive studies provide summaries of data gathered in the form of ‘mean’, ‘median’, ‘mode’, ‘percentage’ and the ‘correlation between variables’ being considered in a study. In most situations survey research is often viewed to go beyond the descriptive statistics (Krathwohl, 1993).

10.5 Research Methods

As stated above, this study presents the results of a survey and a case study. To follow survey mentod and case study methods are discussed.

10.5.1 The Survey

This study on the effects of outsourcing in Nairobi was largely a survey of employees in organisations in Nairobi in which questionnaires were distributed to obtain mainly quantitative data for analysis. Surveys are used to determine the ‘incidence’, ‘frequency’, and distribution of certain features in a population and are common in business, sociology, and government research (Leedy and Ormrod, 2010). In addition, a survey uses a set of the same questions for distribution to the sample of the population. This study surveyed employees from a sample of 85 profit making companies in Nairobi.

10.5.2 Case Study Methodology

Thomas (2011) says that case studies comprise the analysis of ‘persons’, ‘events’, ‘decisions’, ‘periods’, ‘projects’, ‘policies’, ‘institutions’, or other ‘systems’ that can be researched that consider some or all aspects in a situation. Yin (1994) mentions that case studies are commonly used when a researcher’s agenda is to establish ‘causal relationships’ rather than actually providing detailed descriptions. The case study methodology is particularly useful when a detailed investigation is required to be conducted (Feagin, Orum and Sjoberg, 1991).

Yin (1993) identified three specific types of case studies: exploratory, explanatory and descriptive. In addition, Stake (1995) included three other types of case studies: intrinsic which refers to when the investigator is interested in a particular case, instrumental which refers to when a particular case is used to make more sense of what is considered to be obvious to the observer, and collective which refers to when a group of cases are considered in a study. Case studies are considered to be ‘multi-perspectival analyses’. This means that the researcher considers several factors such as the voice and perspective of participants as well as the interaction between the participants (Feagin *et al.*, 1991).

In conclusion, this study has adopted case study methodology in the literature and theory section and considers the case of Kenya as a developing country in which outsourcing is being encouraged as a route to economic development. There is also reference in the literature section to particular cases of outsourcing n Kenya.

10.6 Methods of Data Collection

This study adopted secondary and primary methods of data collection. The primary method of data collection was used in the empirical section of the study while the secondary method of data collection was adopted in the literature review section.

10.6.1 Primary Method of Data Collection

Saunders *et al.* (2007) state that primary data is data gathered specifically for the research project being undertaken. Self-administered questionnaires were used in this study to collect data for the empirical chapters. Self-administered questionnaires are questionnaires that are delivered and returned electronically using either email or the internet (online questionnaires) or posted to respondents who return them by post after filling or delivered by hand to each respondent and collected later (delivery and collection of questionnaires). In this study two research assistants delievered questionnaires to the organisations and collected the filled questionnaires at an agreed upon date.

10.6.2 Secondary Method of Data Collection

The theoretical and conceptual chapters of this study were developed from already existing literature. Literature was obtained from text books, journals, Kenyan government publications, internet websites and online libraries, magazines, periodicals and reviews. Daystar University, Kenyatta University, Nairobi University and Nelson Mandela Metropolitan University library resources were used to obtain secondary data.

10.6.2.1 Formulation of Questionnaire - Research Instrument

Kumar (2005:137-138) emphasises that there is no specific procedure a researcher can follow when compiling a research tool but its compilation is crucial because the quality of data obtained will depend on the quality of the questions compiled. Thus, the validity of research findings depends on the quality of questions compiled. According to Joppa (2000) validity determines whether the research being conducted truly measures that which it was intended to measure. Researchers in most cases determine validity by asking a series of questions, and in the research of others individuals.

On the other hand, Leedy and Ormrod (2010) suggest that there are four forms of validity that can be adopted by researchers. Face validity refers to the extent to which a research tool looks as if it is actually measuring a particular feature relevant to the study of interest; content validity refers to when a researcher formulates questions that are related to the area of research study being considered; criterion validity refers to the extent to which the outcome of an assessment instrument relates with another related measure; and construct validity is when a research instrument measures a feature that is not directly observed but is rather assumed to exist based on common patterns of individual behaviour.

This study used closed questions but also provided the opportunity for the respondent to elaborate on the answer selected, and to provide an answer not appearing as one of the choices listed.

This study surveyed employees working for profit-making organisations in Nairobi in an attempt to establish the effects of outsourcing practices in order to identify whether outsourcing is a viable business strategy that would create benefits such as employment, economic growth and development.

Questionnaires were formulated based on the key research question and sub-questions adopted for this study. The key research question and sub-questions were based on the study objectives. The key research question was: What are the impacts of outsourcing practices conducted by organisations in Nairobi? This key research question prompted the following sub-questions:

- What causes sampled organisations in Nairobi to engage in outsourcing?
- What causes sampled organisations in Nairobi not to engage in outsourcing?
- What percentage of the sampled organisations in Nairobi engage in outsourcing?
- What percentage of the sampled organisations in Nairobi fail to engage in outsourcing?
- What benefits do sampled organisations in Nairobi aim to obtain when they engage in outsourcing?
- What are the risks and problems associated with outsourcing?
- What are anticipated to be the future trends in outsourcing in Nairobi?

Choices provided in the questionnaire were based on existing literature and opinions and suggestions provided to researcher by a few professionals in academia and the corporate sector in Kenya in the fields of Development Studies, Media Studies, and Business Administration. There were several reasons that prompted the researcher to use questionnaires:

- Questionnaires enable the researcher to collect bulk data in a short reasonable time frame.
- Questionnaires can be completed by respondents in their own time.
- A wide range of information can be obtained from respondents particularly if the questions are multiple-choice as this provides an opportunity for respondents to express their opinions by selecting one or more options provided.
- Multiple-choice questions enable a researcher to categorise responses easily.

The self-administered questionnaires used in this research consisted of two main sections. Part one provided general information about respondents such as organisation worked for and occupation. Part two of the questionnaire addressed questions pertaining to the key research question and sub-questions for the study as well as general issues pertaining to outsourcing in Nairobi. (Refer to Appendix 1 – the questionnaire.)

Questionnaires were distributed and collected by two research assistants who were trained by the researcher. The training involved the explanation of what outsourcing is, explanation of questions compiled for data gathering, testing the suitability of questionnaires (pilot study) as well as how to compile an individual work schedule and budget.

In addition, data coding and data editing were adopted for the purpose of capturing data which was represented using either charts, graphs or tables. It is argued that research findings obtained can be considered valid for the following reasons:

- The researcher formulated questions that are related to the area of research study. Thus, questions formulated were based on the key research question and sub-questions which were based on study objectives.
- Training was provided to research assistants by the researcher. The training facilitated in ensuring that research assistants were equipped with the relevant knowledge that would help a respondent answer the questionnaire to the best of their ability.
- A pilot study was conducted and shortcomings were identified and dealt with.
- Input on questionnaire development was provided by a number of professionals in academia and the corporate sector in Kenya.

10.6.2.2 Testing of Questionnaire – Pilot Study

It was necessary to test the research instrument in order to establish its suitability. The researcher and two appointed research assistants were involved in this activity. The three parties had the responsibility to distribute ten questionnaires each to different organisations in the heart of the city of Nairobi that were not part of the sample population that was surveyed later.

Research assistants reported merits and shortcomings of the questionnaire that was compiled. Likewise the researcher experienced positive and negative feedback on the research questionnaire used in the pilot study. The key merit of the research questionnaire was that the respondents did not find the questionnaire long. One key shortcoming of the questionnaire was that numerous respondents did not understand the term ‘outsourcing’. It was thus necessary to explain the concept. Respondents were familiar with the terms ‘casualisation’, ‘hiring’, ‘contracting’ and ‘sub-contracting’. With this information the researcher emphasised the need for research assistants to first explain the term outsourcing to the respondent on first encounter when delivering the questionnaires. In addition, research assistants were also to request respondents to read through the questionnaire for any clarifications. Furthermore, respondents were requested to mark questions not understood in order to consult at a later date when questionnaires were to be collected.

10.7 Sample

A sample can be defined as a sub-group or a section of a large population (Saunders *et al.*, 2007:171). A simple random sample of 85 profit-making organisations in Nairobi was drawn from a list list compiled from the yellow pages section of Kenya’s Nairobi Telephone Directory (2008). A convience sample of a total of 165 employees from these organisations was then drawn. Different professionals were involved including marketing personnel, medical staff and public relations personnel. The respondents for this study consisted of two main groups. These groups consisted of the following:

- Employees working in the various departments in various industry sectors in Nairobi.
- Human resources recruitment agency personnel were the second group. This involved the purposive sampling of staff from recruitment organisations who were added to the sample.

The table that follows provides a clear picture of the total sample population for this study.

Table 13: Total Sample

Classification of Sample	**Sampling Technique used**	**Number of Sampled Organisations**	**Number of Respondents per Organisation**	**Total Number of Respondents Per Group**
Group 1 Employees working in the various departments in various industry sectors in Nairobi.	(1) Simple random sample to select oganisations for the study (2) Convenience sample of two management employees from each organisation.	80	2	160
Group 2 Personnel working for human resources recruitment agencies	Convenience sampling	1	1	5
			Total sample population	**165**

10.7.1 Simple Random Sampling

Simple random sampling is when 'subjects in the population are sampled by a random process, using either a random number generator or a random number table, so that each person remaining in the population has the same probability of being selected for the sample' (Frerichs, 2008).

To draw a simple random sample of 80 organisations, six steps were used: defining the population, choosing the sample size, listing the population, assigning numbers to the units, finding random numbers, and selecting the study sample. This process is summarised in Table 14 below.

Table 14: Steps used to draw the sample of organisations for the study

	Description
Step 1 Defining the population	All the profit making organisations listed in Kenya's Nairobi Telephone Directory (2008) yellow pages section consisted of approximately 33,961. That is N = 33,961 (Room for errors is provided for).
Step 2 Choosing the sample size	To calculate the actual sample size the following assumptions were made and the formula below was used. The minium size was estimated to be 116 respndents (this was based on the population researcher wanted to sample in line with limited funds available) and the estimated response rate is 70%. The actual sample was computed as follows: $$\text{Actual Sample size} = \frac{\text{Minimum sample size}}{\text{(Estimated response rate \%) 70}}$$

	$$\frac{116 \times 100}{70} = 165.7$$ **=165 respondents** **Formula adopted from Saunders *et al.*, 2007:177.** Number of organisations sampled using simple random sampling method = 80
Step 3 Listing the population	Refer to the directory.
Step 4 Assigning numbers to the units. (Each of the organisations listed in the Kenya's Nairobi Telephone Directory (2008) yellow pages section is considered a unit.)	Used computer software to establish a consecutive number from 1 to N which means assigning a consecutive number from 1 to 33,961 (i.e., 1 refers to the minimum number of units (companies) while *N* = 33,961 the number of companies appearing in the yellow pages section of Kenya's Nairobi Telephone Directory, 2008.
Step 5 Finding random numbers	Next, the random number was obtained using statistical software which provided a list of numbers that were used. The required information to compute random numbers using statistical software (from a random table) consisted of : How many random numbers? ☐ Minimum value ☐ Maximum value ☐ **Key** • How many random numbers refers to the sample size of

	companies required for the study. • Minimum value refers to the least number of units (companies) which is 1. • The maximum value refers to the total number of companies listed in the yellow pages. Statistical computation was adopted to obtain more accurate figures as opposed to computing manually where huge errors are more likely to occur.
Step 6 Selecting study sample	The researcher listed all numbers in the random table and matched the numbers with companies listed in the Kenya's Nairobi Telephone Directory, 2008 yellow pages section. (Refer to Appendix 2 to see the organisations that made up the sample).

10.7.2 Convenience Sampling

Convenience sampling is a non-probability (in other words representativeness cannot be determined) technique which involves the selection of a sample on the basis of availability of respondents (Struwig and Stead 2001). Convenience sampling was used to select a sample of 160 management employees from the 80 sampled organisations. Two management employees from each organisation were selected with help from the human resources personnel from each organisation.

Convenience sampling was also used to select five human resource recruitment agencies in Nairobi. One respondent from each human resource recruitment agency completed a questionnaire. It was deemed necessary to have this small sample size of five. The reason for adding this sample was because organisations seek the services of recruitment agencies in sourcing for personnel who are employed on either contractual or permanent basis. Therefore, it was assumed that they would have additional insights on outsourcing.

10.8 Data Analysis and Presentation

Data were collected over a period of 25 days by two research assistants. Data collected from questionnaires were converted into percentages and other statistics.

Analysis involves reasoning, understanding and interpretation to help make sense of the data that have been collected. Additionally, analysis involves establishing consistent patterns revealed in an investigation. Suitable analytical techniques for data analysis are determined by information required, the features of the research design and the type of data collected. On the other hand, statistical analysis may range from providing a simple 'frequency' distribution to complex 'multivariate' analysis (Zikmund, 2000). After gathering quantitative data steps for data analysis need to be followed (Kumar 2005:220 and Struwig and Stead 2010:150). For this study the first phase of analysis involved converting raw data from the questionnaires into meaningful information. This involved two activities: data editing to remove any errors and then coding. Coding refers to using labels as codes to quantify data (Saunders *et al.*, 2007). Data analysed for this research were represented using charts, graphs and tables. An illustration of the two coding matrices adopted in this study follows.

Table 15: Coding Matrix for Section A of the Questionnaire

Category	Rarticulars	Number of Respondents and Comments
Age group	(1) 18-30 (2) 31-40 (3) 41-50 (4) 51 and older	(1) = 102 (2) = 56 (3) = 4 (4) = 3

Department	(1) Human Resources (2) Marketing and PR (3) Finance and Accounting (4) Other	1 = 24 2 = 55 3 = 24 4 = Consisted of: • Legal = 13 • Maintenance = 9 • Administratiom= 35 • Catering = 1 • Procuremment = 1 • Pathology = 1 • Medical = 1 • Grounds = 1

Table 16: Matrix for Section B of the Questionnaire

Category	**Particulars**	**Number of Respondents and Comments**
Does company outsource	(1) Engage in outsourcing (2) Do not engage in outsourcing (3) No idea	
Services outsourced	(1) General maintenance of the building (2) Gardening services (3) Lunch services (4) Cleaning services (5) Other	
Purpose of outsourcing	(1) To attain quality results (2) It is economical compared to employing permanent staff	

	(3) For time management purposes (4) Other	
Knowledge of other organisations that engage in outsourcing in Nairobi	(1) Yes (2) No	
Reasons for not enagaing in outsourcing (this refers to sample organisations that do not engage in outsourcing).	(1) Lack of resources (2) Companies employ adequate staff with the required skills (3) Lack of knowledge on how to conduct outsourcing (4) Bureaucracy (5)Other	
Advertising done to promote outsourcing	(1) Yes (2) No (3)To a great extent	
Most effective technique of advertising	(1) Newspapers (2)Television (3) Radio (4) Bill boards	

Level of awareness of outsourcing based on advertising done	(1) 0-20% (2) 21-40% (3) 41-60% (4) 61-80% (5) 81-100%	
Percentage of organisations that engage in outsourcing	(1) 0-20% (2) 21-40% (3) 41-60% (4) 61-80% (5) 81-100%	
Commonly outsourced services	(1)Training (2) Cleaning services (3) Security services (4)Catering services (5) Other	
Benefit from engaging in outsourcing	(1) Yes (2) No (3) To some extent (4) No idea	
Are there risks associated with outsourcing?	(1) Yes (2) No (3) To some extent	

Type of risks	(1) Risks with increased cost (2) Risks with quality (3) Risk with introduction of superior technology not suitable for a Third World country (4) Other	
Problems and challenges associated with outsourcing	(1) Finding reputable outsourcing consultants (2) Employee cooperation with outsourced staff (3) Maintenance of quality results (4) Outsourcing consultants adhering to contract deadlines (5) Other	
Improvements for outsourcing	(1) Structured policies on how outsourcing should be conducted (2) Price guidelines set out by the government to regulate quotation standards (3) Commitment and discipline to meet set deadlines (4) Other	
Initiatives that have promoted organisations to engage in outsoaring	(1) Seminars and conferences (2) Publications (3) Advertising (4) Other	
Future of	(1) Yes	

outsourcing promising	(2) No (3) Not really	
The future of outsourcing will be promising if	(1) Adaptation of offshoring/international outsourcing practices (2) More commitment by outsourcing consultants in attaining quality control (3) Standardisation of charges for outsourcing contracts (4) Technological advancements on how to conduct outsourcing (5) Other	
Encourage organisations to engage in outsourcing	(1) Yes (2) No (3) Maybe	
Reasons for encouraging organisation to engage in outsourcing	(1) For quality results (2) Cost reduction as fewer permanent staff are employed (3) To gain knowledge (4) Other	
Reasons that would discourage organisation not do engage in outsourcing	(1) Ignorance (2) Outsourcing creates a wider scope of unemployment (3) Rapid technological advancements (4) Other	
Budget for outsourcing	(1) 0-1% of company budget (2) 2-3% of company budget	

	(3) 4-6% of company budget (4) 7-8% of company budget (5) Other	
Additional information		

Source: Questionnaire

10.9 Conclusion

A combination of research methods were adopted in this study. In particular, case study methodology and survey-based method were used. This research on the effects of outsourcing further adopted the quantitative approach which involves the use of numbers, graphs and charts (Monette *et al.*, 2005) as well as the qualitative approach. The type of research undertaken in this study is descriptive in nature. Descriptive research, is adopted in research in order to describe features of a given population or occurrence that is being considered for study. Descriptive researches answer the question 'what' (Shields and Rangarajan, 2013). The research questions for this study address the question 'what'.

This study surveyed 85 profit-making organisations in Nairobi with a total sample population of 165. Simple random sampling was used to select sample organisations from Kenya's Telephone Directory (2008) yellow pages section. However, convenience sampling was adopted to establish a sample of 160 management employees of various organisations in Nairobi and a sample population of 5 employees from 5 human resource agencies in Nairobi.

Self-administered questionnaires were used for the study. The questionnaires were formulated based on the key research question and sub–questions which were based on study objectives. Choices provided in the questionnaire were based on existing literature and opinions and suggestions provided to researcher by a few professionals in academia and in the corporate sector in Kenya. Closed questionnaires were used because of numerous reasons some of which are questionnaires make the data analysis task easier to conduct as compared to narrative data obtained mainly from interviews and closed questionnaires allow a researcher to formulate a lengthy questionnaires which can help in providing bulky information. The self-administered questionnaires used in this research consisted of two main sections. Part one provided general information of respondents while part two of the questionnaire addressed questions pertaining to the key research questions and sub-questions for the study as well as general issues pertaining to outsourcing in Nairobi.

Questionnaires were distributed and collected by two research assistants who were trained by the researcher. A pilot study was conducted and it was established that numerous respondents did not understand the term outsourcing.

Data coding and data editing were adopted for the purpose of capturing data which was represented using charts, graphs or tables. A coding matrix was used in particular to capture data. Research findings obtained can be considered valid due to several reasons such as input on the content of the questionnaire used for this study were provided by a few professionals in academia and the corporate sector in Kenya; and training was provided to research assistants by researcher on what outsourcing is and what each question formulated in the questionnaire meant and required.

Data on the impact of outsourcing were obtained from questionnaires distributed. This data ultimately provided insights as to the relationship between outsourcing and development.

The next chapter expounds on research findings on general issues related to outsourcing in Nairobi. The data was obtained from questionnaires distributed to the sample population.

PART THREE: DATA ANALYSIS

CHAPTER ELEVEN: ISSUES PERTAINING TO OUTSOURCING IN NAIROBI

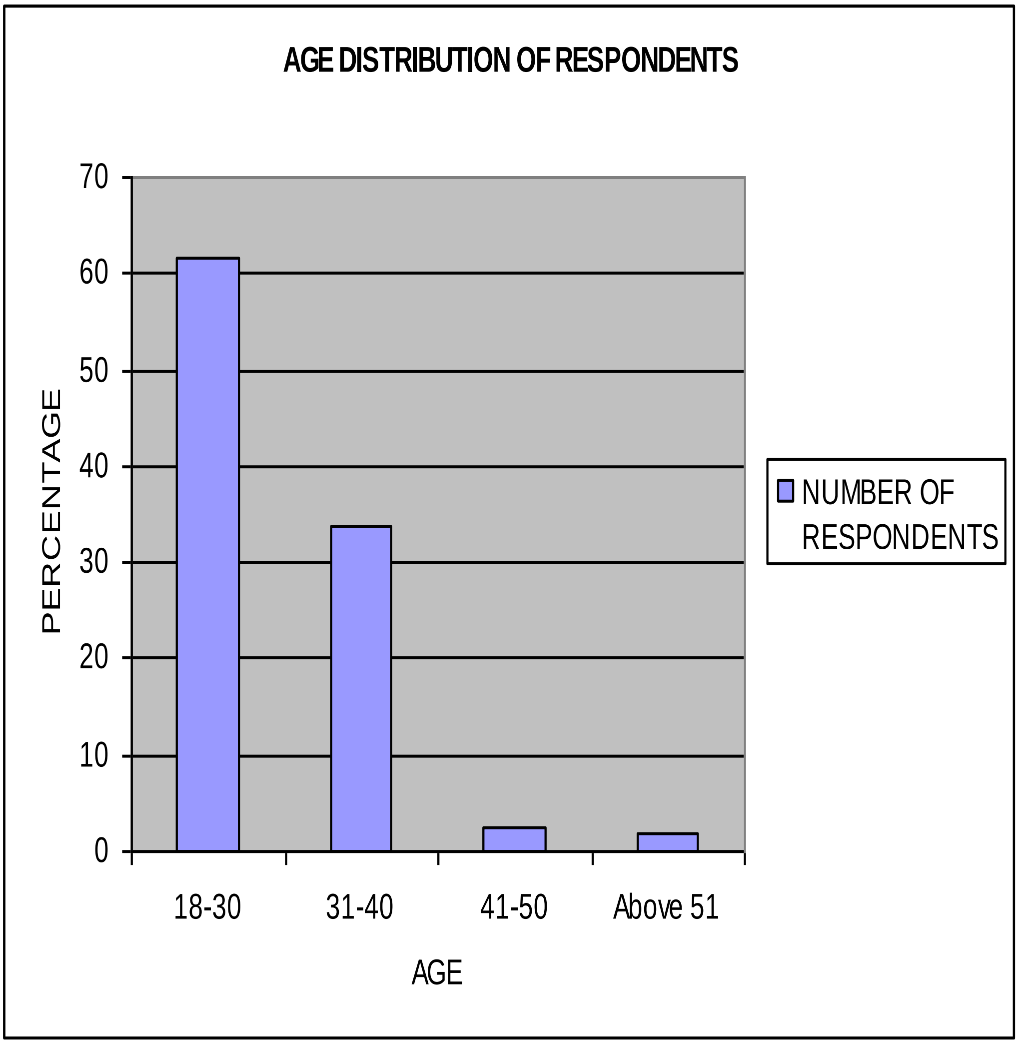
11.1 Introduction

This chapter provides an overview of issues pertaining to outsourcing in Nairobi. Information was obtained from questionnaires distributed to the respondents selected for this study who consisted of 165 employees of 85 different organisations in Nairobi. The overview specifically provides insights on age representation or sample population, promoting knowledge on outsourcing, views on advertising conducted by outsourcing firms, and the awareness level of outsourcing amongst organisational personnel in Nairobi. Additionally, initiatives practiced that promote outsourcing are evaluated. Outsourcing budgets is another aspect that is examined in this chapter. The aim here was to establish the percentage of funds allocated by client firms for outsourcing purposes. Finally, a conclusion which summarises the main findings in this section is provided.

11.2 Age Distribution of Respondents who participated in this Study

Results revealed that the sample comprised of respondents of various ages. The graph that follows shows that the majority of the respondents were from 18 to 30 years of age. This age group represented a percentage of 61.8%. This means that the working professionals who consisted of the sample population comprise of mostly the youth. This is an indication that sample employees currently working in the different industry sectors in Nairobi were below the age of 40 years, on average. Those from 31 to 40 made up 33.9% of the respondents. Respondents between the age of 41 to 50 consited of 2.4% of the sample population and finally, respondents above 51 years of age consisted of 1.8% of the respondents. It is possible that those over 41 are involved in their own businesses or are retired. The bar graph that follows shows the age distribution of the respondents who participated in this research.

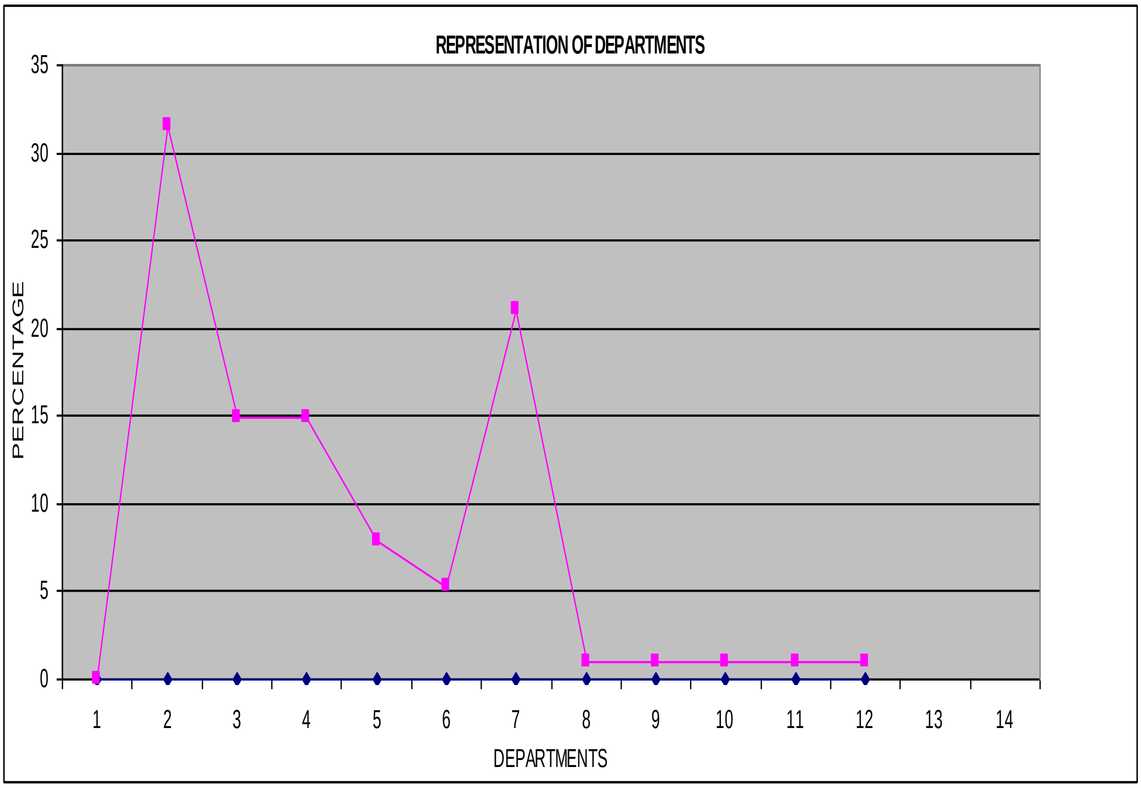
Graph 2



Source: Questionnaires

Different departmental personnel of various organisations in Nairobi constituted the sample population for this study. In addition, perceptions and views of outsourcing could vary depending on a respondent's professional and educational background. The largest proportion of the respondents were marketing and public relations personnel (31.6%). Procurement, catering, pathology, medical and grounds staff were the smallest groups at 1% each. The graph that follows shows the organisational departments in which the respondents worked.

Graph 3



Source: Questionnaires

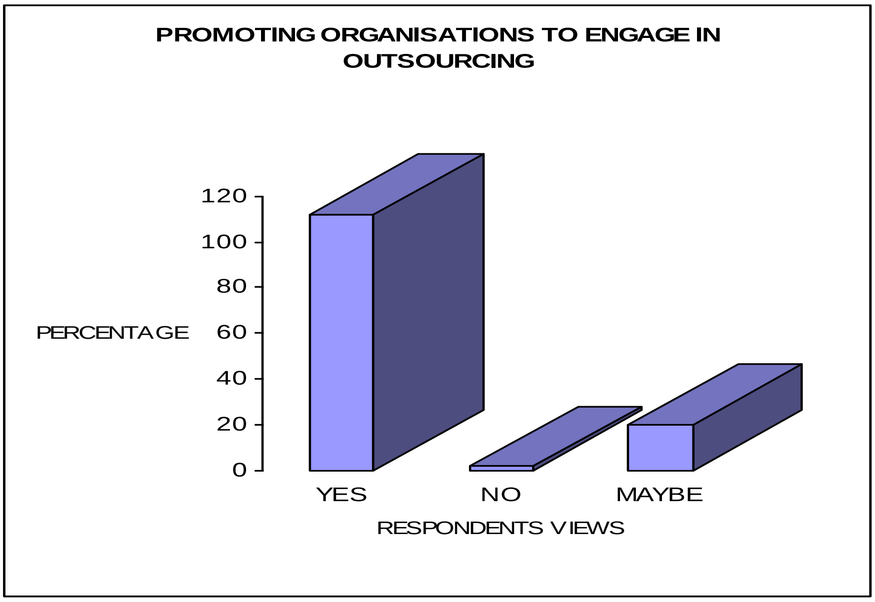
Key

2. Marketing and Public Relations	33%
3. Accounting and Finance	14.5%
4. Human Resources	14.5%
5. Legal	7.9%
6. Maintenance	5%
7. Administration	21%
8. Procurement	1%
9. Catering	1%
10. Pathology	1%
11. Medical	1%
12. Grounds	1%

11.3 Promoting Knowledge on Outsourcing

Research findings revealed that employees had varied exposure to and knowledge about outsourcing. Approximately 83% of the respondents said that they would encourage organisations that do not engage in outsourcing to engage in the practice while 14.8% said that they would perhaps encourage organisations that do not engage in outsourcing to do so which indicates that they have doubts about the impact outsourcing would have on client organisations. A mere 2.2% of the respondents said that they would not encourage organisations that do not engage in outsourcing to do so. This response could have been triggered due to lack of adequate knowledge on outsourcing or previous negative encounters with outsourcing vendor/s or simply these employees had never found the need for their organisations to actually engage in outsourcing. The bar graph that follows provides these results on views on promoting outsourcing.

Graph 4



Source: Questionnaires

There were three reasons that respondents gave that could be used to encourage employees in Nairobi to engage in the practice of outsourcing. They comprised of: to emphasise the benefits of outsourcing; to provide examples of organisations that actually engage in outsourcing and are flourishing; to mention risks that may hinder the successful outcome of outsourcing.

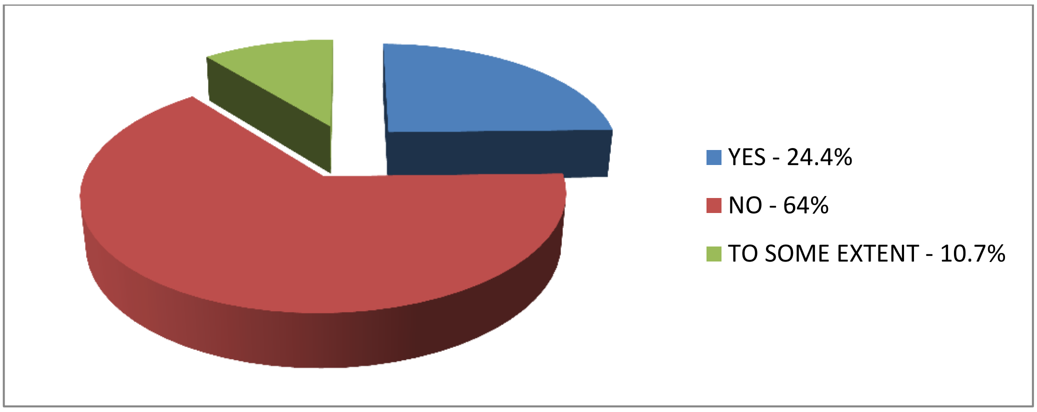
Respondents gave several reasons as to why organisations may not be motivated to engage in outsourcing. One reason is the difficulty of maintaining quality control and management. Another is that some employees and employers are ignorant about outsourcing - due to a lack of initiative to pursue current business trends which could be obtained through engaging in research. Unethical behaviour by a previously contracted outsourcing vendor was deemed another reason why employees may be hesitant to promote the practice of outsourcing. Lastly, lack of interest by a company's personnel was also viewed as a reason why some organisations may not be motivated in promoting the practice of outsourcing to organisations that do not engage in outsourcing.

11.4 Advertising Outsourcing in Nairobi

This section looks at two key aspects namely promotional techniques that could be used to promote outsourcing activities and the respondents' perceptions of what the level of awareness about outsourcing is in Nairobi. The use of promotional techniques is a means of disseminating outsourcing information. The pie chart below illustrates respondents' views on whether adequate advertising is done by outsourcing firms in Nairobi.

Pie chart 1

RESPONDENTS' VIEW ON ADVERTISING DONE BY OUTSOURCING FIRMS



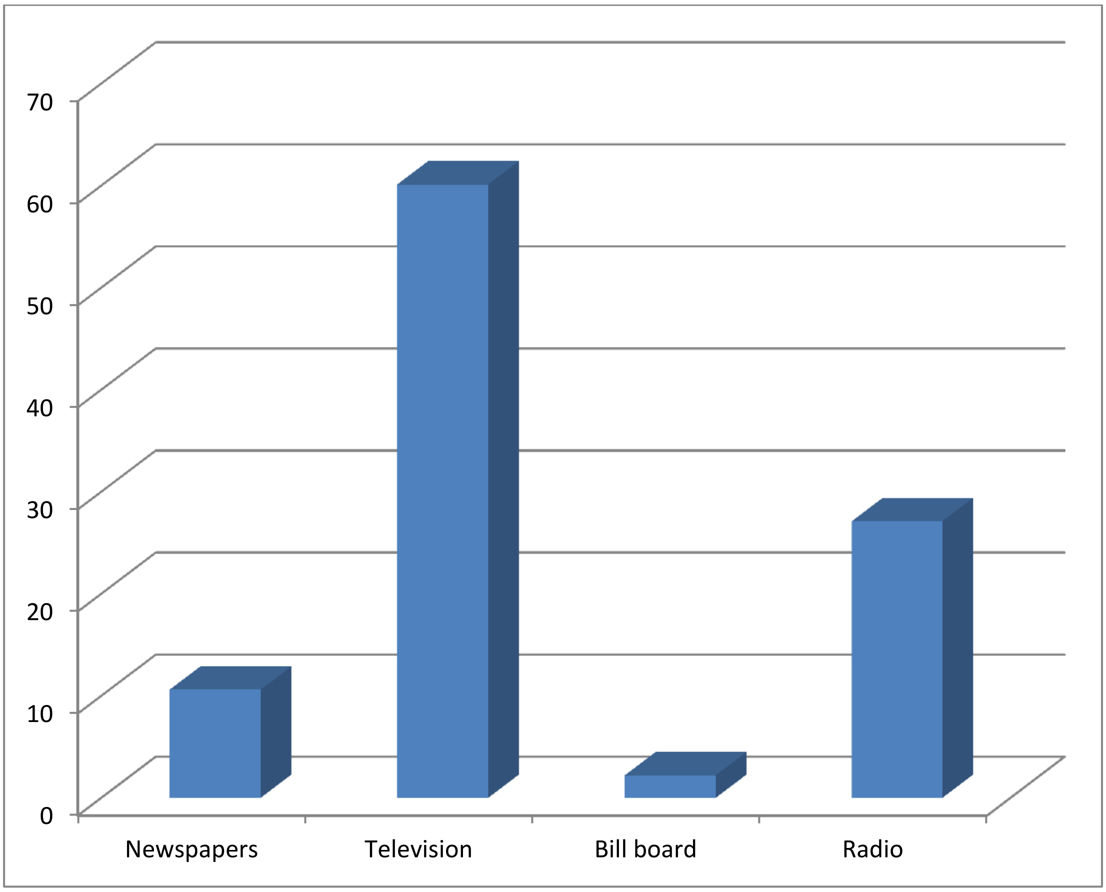
Source: Questionnaires

Pie chart 1 illustrates that 24.4% of the total sample population were of the view that there is adequate advertising done by most outsourcing companies. On the other hand, 64% of the respondents said that there is inadequate advertising done when it comes to promoting outsourcing activities. Ten point seven percent of employees said that to some extent the advertising done is adequate. One respondent was of the opinion that advertising costs are relatively high and therefore advertising is not adequately done by most outsourcing firms.

Respondents suggested the following techniques as suitable to promote the practice of outsourcing amongst organisations in Nairobi: newspapers, television, bill boards and radio. The graph below shows the percentages of respondents that favoured each of these media for advertising.

Graph 5

ADVERTISING METHODS



Source: Questionnaires

Key

X axis represents advertising methods

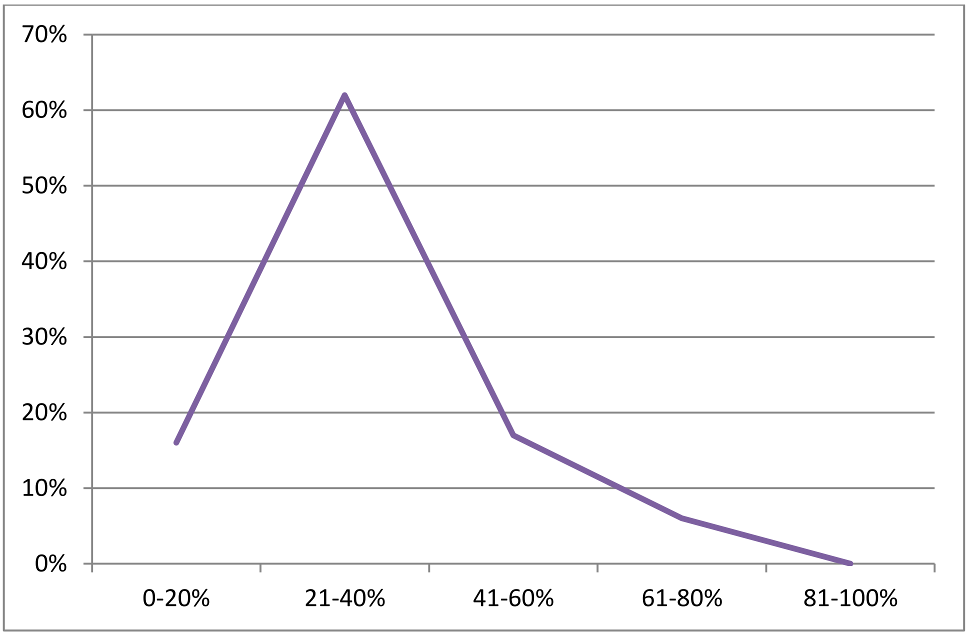
Y axis represents the percentage of respondents

The graph shows that 60.1% favoured television as the best method to promote outsourcing, while 21.1% favourede radio and 10.6% newspapers. Only 2% thought that bill boards would be the most appropriate technique to promote outsourcing.

Of the respondents, 15% of the employees estimated that from 0 to 20% of employees in their organisation are aware of outsourcing activities conducted by outsourcing firms in Nairobi. However, 62% estimated that awareness level on outsourcing practices ranges from 21 to 40% of employees while 17% thought that it was 41 to 60% and 6% thought it was 61 to 80%. The line graph that follows illustrates what respondents believed to be the level of awareness of outsourcing amongst organisations.

Graph 6

PERCEIVED AWARENESS OF OUTSOURCING



Source: Questionnaires

Key

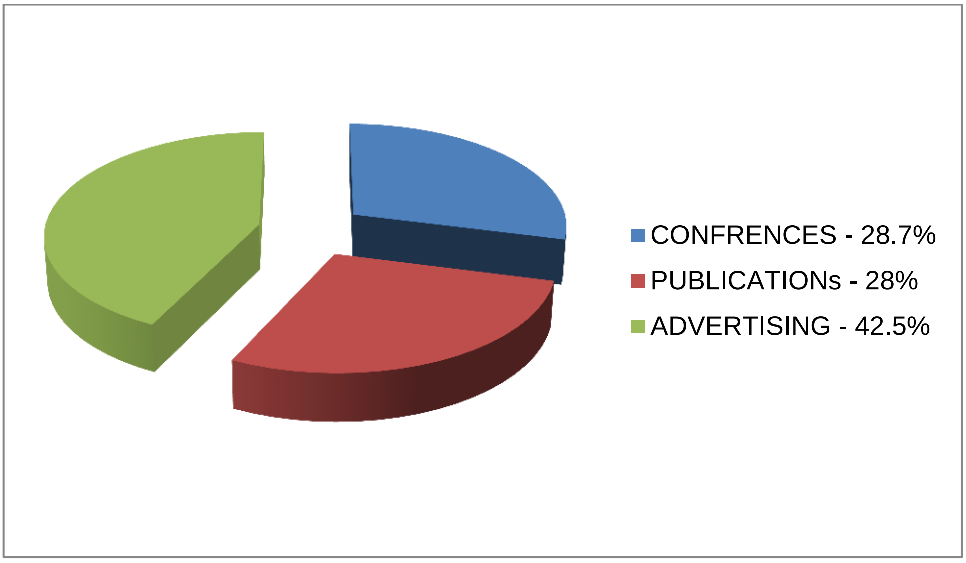
X axis represents estimated awareness percentage ranges.

Y axis represents the percentage of respondents.

There are other means to create awareness of outsourcing apart from advertising as illustrated in the pie chart below.

Pie chart 2

INITIATIVES USED TO PROMOTE THE PRACTICE OF OUTSOURCING



Source: Questionnaires

According to the respondents, there are initiatives used to promote the practice of outsourcing in Nairobi. The pie chart above shows that 28.7% of the respondents were of the view that seminars and conferences constitute the initiative that has driven organisations to engage in outsourcing in Nairobi. However, 28% of the respondents viewed publications (research) as the initiative that has driven the practice of outsourcing. However, the largest percentage of 42.5 % believed that advertising has driven the initiative of outsourcing in Nairobi. Although the findings show that advertising seems to be the primary source of awareness of outsourcing, it is evident that awareness level of outsourcing practices is not necessarily determined by advertising alone.

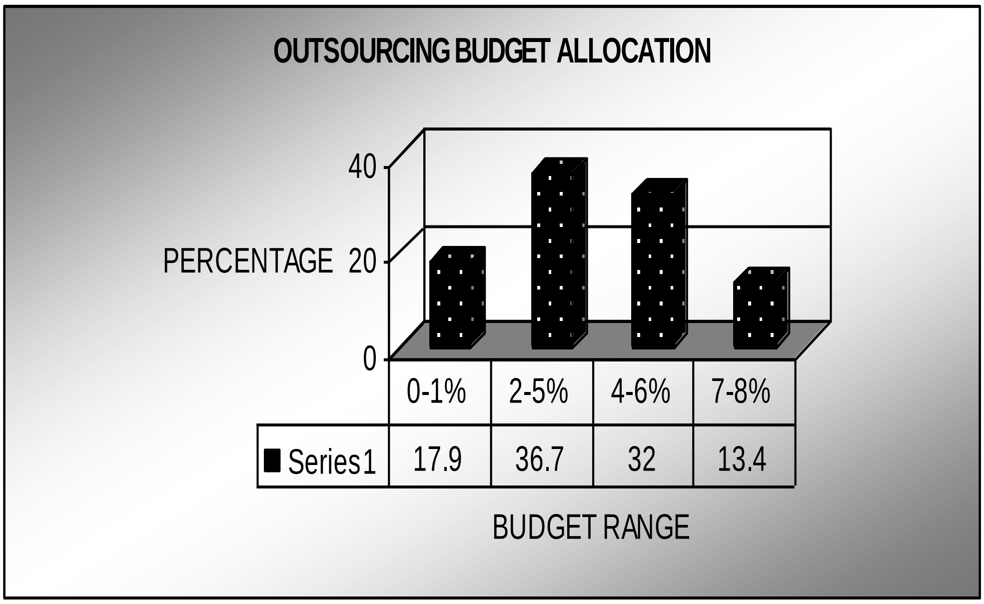
11.5 Outsourcing and Budgeting

This section reports on findings related to funds allocated by organisational management for outsourcing purposes. Respondents whose companies engage in outsourcing have three criteria on the basis of which funds for outsourcing are allocated:

- Capital available
- Anticipated profits
- Function/s to be outsourced

The bar graph below provides a breakdown of funds actually allocated for outsourcing purposes by top management of sample organisations.

Graph 7:



Source: Questionnaires

Key

Series 1 Illustrates actual percentage figures of budget funds allocated for outsourcing.

The previous graph illustrates that 17.9% of the respondents whose companies engage in outsourcing and those that do not engage in outsourcing claimed that as little as 0-1% of their yearly budget is allocated for outsourcing while 36.7% said that 2-3% of the budget allocation is provided for outsourcing purposes. About 32% of the respondents claimed that 4-6% of their total budget is allocated for outsourcing purposes. Finally, 13.4% of the respondents claimed they allocate 7-8% of company funds for outsourcing purposes. It can be concluded that some organisations in Nairobi attach considerable value to outsourcing, as funds are allocated for outsourcing services specifically.

It can be concluded that outsourcing in Nairobi is not done on a large scale as estimated funds allocated for outsourcing are minimal based on the percentages provided.

11.6 Conclusion

The majority of the respondents (61.6%) were from 18 to 30 years of age. Different departmental personnel of various organisations in Nairobi constituted the sample for this study. Most respondents (31.6%) were employed in marketing and public relations

Respondents gave three reasons that can be used to encourage employees to engage in outsourcing. They were to emphasise the benefits of outsourcing; to provide examples of organisations that actually engage in outsourcing and are flourishing and to mention the risks that may hinder the successful outcome of outsourcing.

Reasons given by respondents why management might not want to outsource are that it is difficult to maintain quality control, that some employees and employers are ignorant about outsourcing due to a lack of initiative to investigate current business trends through research, unethical behaviour by a previously contracted outsourcing vendor, and lack of interest by a company’s personnel.

About 24.4% of the total sample was of the view that there is adequate advertising done by most outsourcing companies while 64% thought that there is inadequate advertising done when it comes to promoting outsourcing activities. Television was considered the best medium to promote outsourcing by 60.1% of respondents, while 21.1% thought that advertising on radio was best and 10.6% selected newspapers. Only 2.2% thought that bill boards would be the most appropriate medium.

From data obtained it was estimated that 28.7% of the respondents were of the view that seminars and conferences constitute the initiative that has driven organisations to engage in outsourcing in Nairobi. However, 28% of the respondents viewed publications (research) as the initiative that has driven the practice of outsourcing. Of the respondents, 42.5 % were of the opinion that advertising has driven the initiative of outsourcing in Nairobi.

It was further revealed that the majority of the sample population (36.7%) allocate 2-3% of their budget funds for outsourcing purposes. Some organisations attach great value to outsourcing as they allocate funds for outsourcing purposes. There is still room to create more awareness of outsourcing practices and opportunities in Nairobi through the use of promotional initiatives.

When a client orgaisation gains from outsourcing, this promotes capital inflow and infrastructure which contribute to the development of a country through increased productivity. Increases in productivity levels have traditionally been seen as the most important source of economic growth. This is because increased productivity lowers the cost of goods and services. Economic growth is thus attributed to the accumulation of both human and physical capital as well as increased productivity arising from technological innovation. Profit-making firms today encounter a growing range of factors influencing outsourcing and it is critical that management personnel understand the implications of outsourcing so that they may readily change and adapt to a rapidly changing global economy.

In the long term, effects of outsourcing on developing and transitional countries could generate opportunities such as increased paraity in a globalized world which would contribute to equal distribution of income; new jobs would continue to be created in developing and transitional countries and these nations will be able to manage and penetrate markets that were previously dominated only by industrialised nations.

The chapter that follows looks at part two of the data analysis. In particular, the chapter reports on the impacts of outsourcing practices conducted by organisations in Nairobi.

CHAPTER TWELVE: THE IMPACT OF OUTSOURCING IN ORGANISATIONS IN NAIROBI

12.1 Introduction

Chapter 12 provides additional information on findings obtained from the questionnaires distributed to management of sample organisations in Nairobi from various industry sectors. In particular, the research findings reported in this chapter address the research questions for this study. This chapter provides an overview of the impacts of outsourcing practices amongst sample organisations in Nairobi according to respondents. The overview specifically provides insights concerning the services commonly outsourced by sample organisations in Nairobi. It also examines the benefits of outsourcing, the number of sample organisations that outsource and those that do not, and the reasons why. The chapter further evaluates the risks, challenges and problems associated with outsourcing. The future of outsourcing is also explored, in order to provide a guide as to whether it is promising or not. Two additional aspects of the chapter are a summary of employees' perceptions of outsourcing and a framework illustrating the effects of outsourcing. Finally, a summary of key findings and concluding remarks are provided.

12.2 Percentage of Organisations that Engage in Outsourcing and those that do not

This section reports the findings of two research questions;

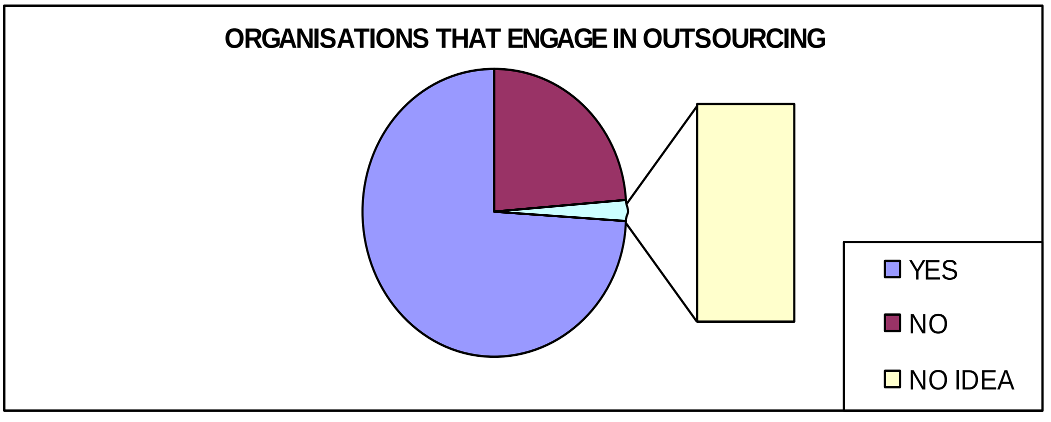
- What percentage of the sample organisations in Nairobi engage in outsourcing?
- What percentage of the sample organisations in Nairobi fail to engage in outsourcing?

This section further addresses the services commonly outsourced by organisations in Nairobi. Results revealed that 74.3% of the respondents confirmed that, in fact, the organisations they work for already outsource. This percentage of organisations that engage in outsourcing is large which may imply that organisations in Nairobi yield satisfactory economic returns when they adopt outsourcing as a business strategy. This could further imply that these companies are gaining other benefits through contracting outsourcing provider/s probably because a client firm does not need to employ additional personnel, no additional office space is required and materials and equipment used by outsourcing provider has been purchased by the outsourcing company. These results are also influenced by the outsourcing provider selected by the respective organisations represented in this study. An indication that suitable and committed outsourcing providers have been selected is evident.

On the other hand, 23.5% of sample employees confirmed that their organisations do not incorporate the practice of outsourcing. This could be as a result of previous bad experience with an outsourcing provider who contributed to company losses, unfavourable business environment, lack of adequate knowledge of outsourcing, lack of interest, and/or lack of resources required when engaging in outsourcing - as the initial cost to engage in outsourcing may require a lump sum of capital.

Two point two percent (2.2%) of the respondents did not know whether their organisation outsources or not. This may be as a result of ignorance or a lack of interest in the activities conducted by the organisation. It could also indicate that employees are not motivated and are only interested in their salary. The pie chart below provides a representation of sample organisations that incorporated outsourcing, those that do not engage in outsourcing and finally, the respondents who have no idea as to whether their organisations engage in outsourcing or not.

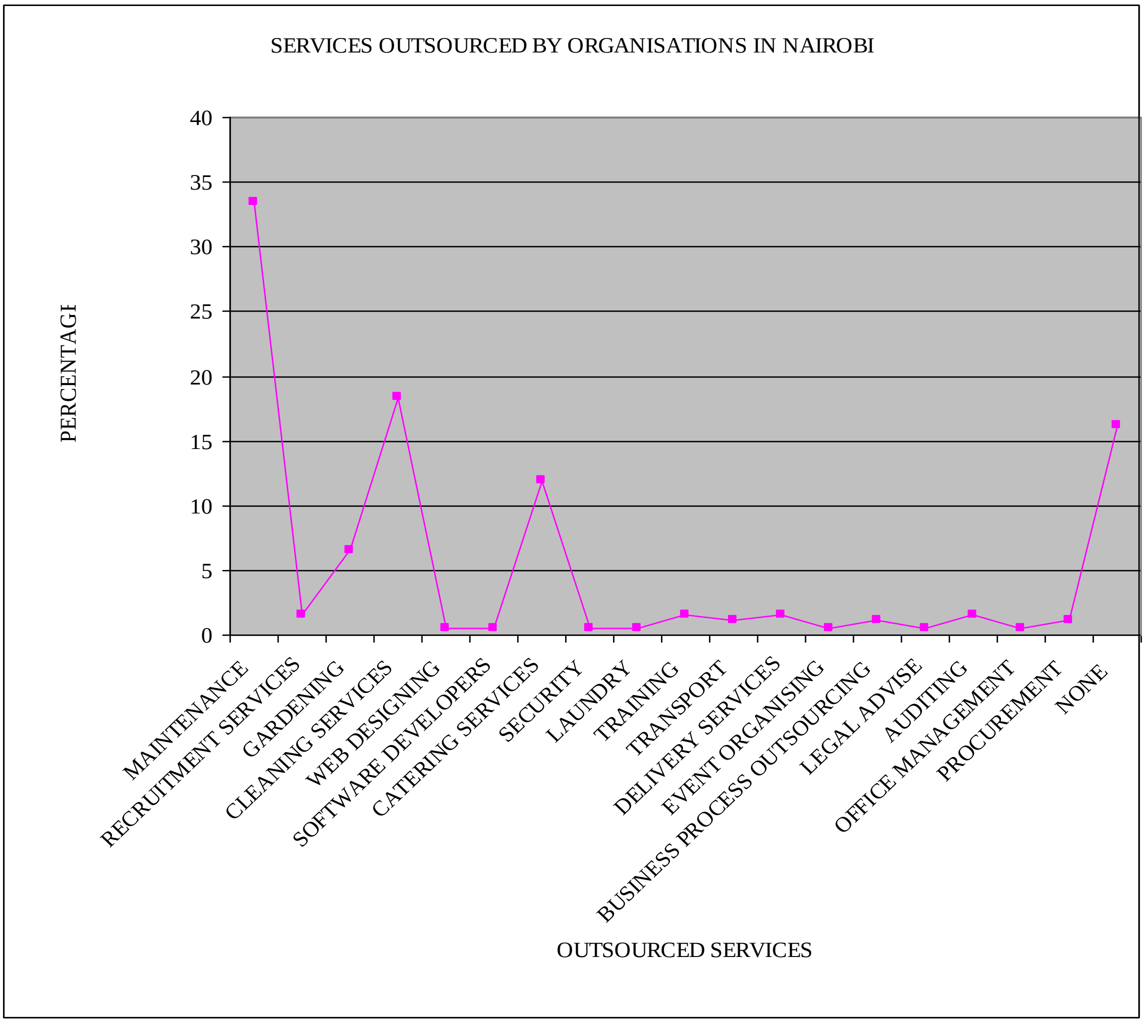
Pie Chart 3



Source: Questionnaires

Research findings further indicated that services outsourced by client firms range from maintenance to cleaning, catering, gardening and grounds. Not all respondents provided information about the services outsourced by their organisations. This was either because they did not know whether their organisation outsourced or because their organisation did not outsource any function. However, all respondents whose organisations did outsource responded to this question. The graph below illustrates the services outsourced by these firms in Nairobi.

Graph 8



Source: Questionnaires

The above graph illustrates that the most common services outsourced according to employees who made up the sample is the maintenance of buildings and equipment which represents 33.5%. This is a non-core function for an organisation. This finding could be an indication that most employers do not want to be responsible for remunerating personnel who perform non–core activities within an organisation. The reasons for this may be numerous.

Firstly, maintenance may not be done on a daily basis and it would be unnecessarily costly to employ maintenance staff on a permanent basis. In addition, salaries and benefits will have to be included in the company budget. Secondly, there may be inadequate office space and storage space for maintenance equipment and materials. Renting or constructing extra office and storage space is an additional cost. Thirdly, it is expensive to employ maintenance staff as the company will have to purchase the relevant materials and equipment required for maintenance services.
Finally, if maintenance staff are employed on a permanent basis an additional cost will emerge which is occasional training expense.

By contrast, a number of services are reported by the respondents as rarely outsourced by their firms. These are software development, catering, laundry, transport, and training, delivery of products, event organising, office administration, legal advice, auditing and procurement. All these services, on average, according to employees who made up the sample are outsourced at a mere 2% each. This could signify that these services may be rarely required or not required at all or that the majority of sample firms have the resources in-house to provide these services.
From the above information there is an indication that some sample organisations in Nairobi outsource more than one function to outsourcing providers. This suggests that some organisational employees have the confidence that there are outsourcing providers who deliver quality services.

12.3 Benefits and Shortcomings of Outsourcing

This section addresses the research questions;

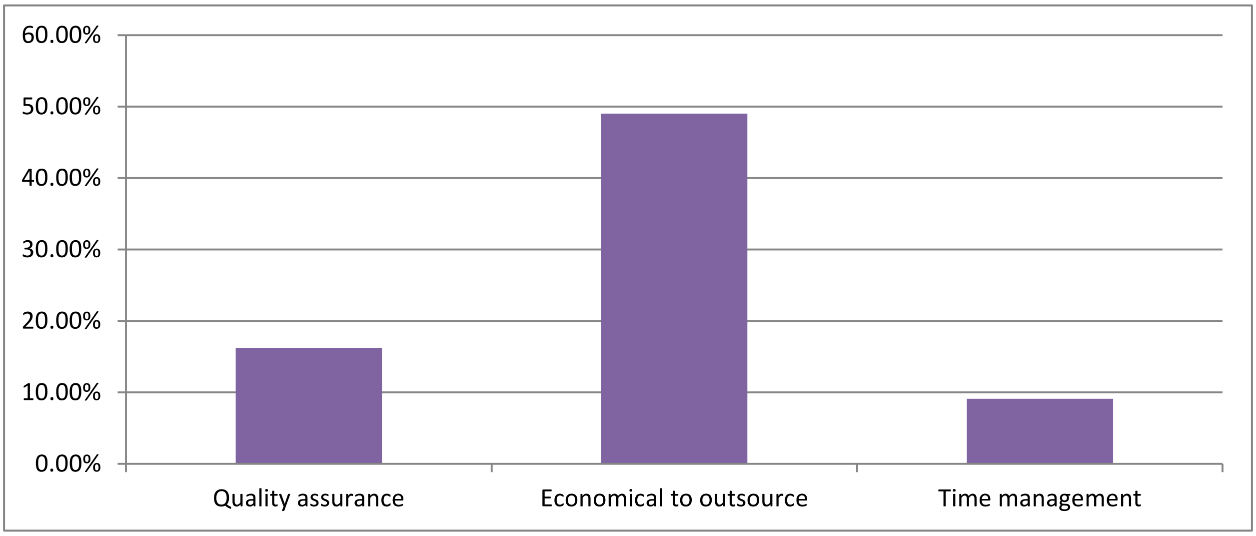
- What benefits do sample organisations in Nairobi aim to obtain when they engage in outsourcing?
- What causes sample organisations in Nairobi to engage in outsourcing?
- What causes sample organisations in Nairobi not to engage in outsourcing?

Furthermore, this section also looks at organisational employees' knowledge about organisations that engage in outsourcing in Nairobi. This information can serve as proof that organisations engage in outsourcing to reap certain gains otherwise organisational management would not engage in the practice. In addition, sample organisations that gain from outsourcing and those that do not gain from outsourcing is also reported.

With regard to the research questions ‘What benefits do sample organisations in Nairobi aim to obtain when they engage in outsourcing?’ and ‘What causes sample organisations in Nairobi to engage in outsourcing?’ respondents had a number of views about why their organisations engage in outsourcing which reflect the perceived benefits of outsourcing. One is to attain quality results which will foster productivity and efficiency. Some respondents expressed the opinion that it is economical to outsource rather than employing permanent staff. Permanent employees receive additional benefits, such as medical aid, housing allowance, transport allowance, meals and pensions. These are additional expenses to any organisation. Finally, some respondents said that their organisations outsource for time-management purposes. The firm’s employees are able to concentrate on core business activities and, therefore, personnel can perfect their core-function systems to enhance productivity and increase profitability on an ongoing basis. The graph below illustrates the benefits of outsourcing according to the 74.3% of respondents who confirmed that the organisation they work for engages in outsourcing.

GRAPH 9

BENEFITS OF OUTSOURCING ACCORDING TO RESPONDENTS



Source: Questionnaires

Key
X axis represents benefits of outsourcing

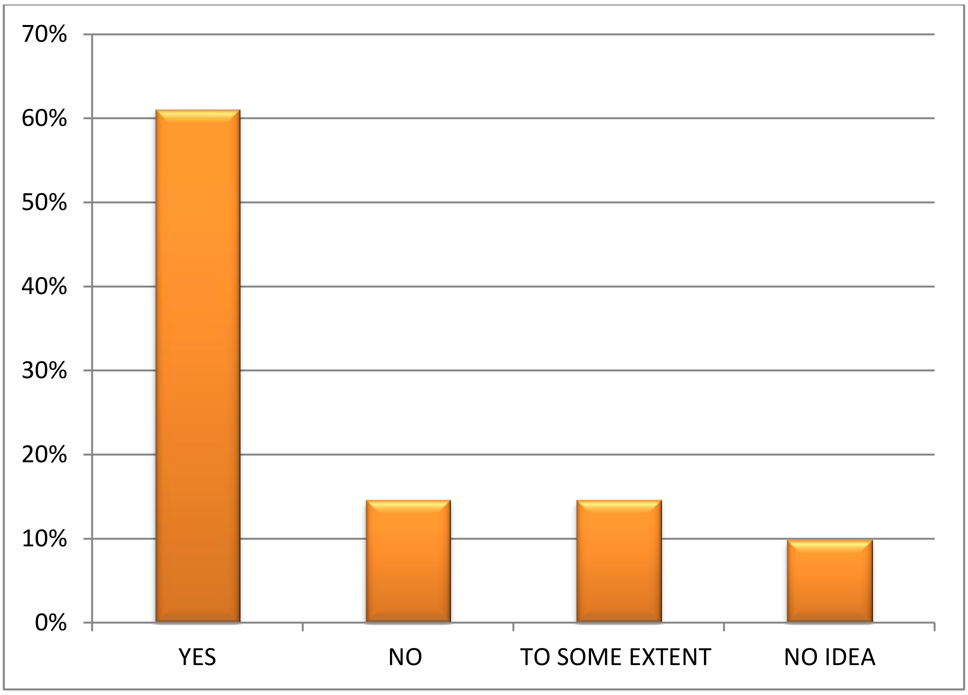
Y axis represents the percentage of the sample population

The previous graph shows that the largest percentage of respondents (49%) believed that it is economical to outsource one or some of a company's functions. Quality assurance was the second most cited benefit of outsourcing according to respondents (16.2%) while 9.1% of the respondents believed that outsourcing helps with time management. One employee argued that, as much as outsourcing helps in reducing costs for organisations and helps in achieving time management, it leads to job losses as much as it creates jobs.

The graph below shows the views of respondents on the percentage of sample organisations in Nairobi that gain from outsourcing, those that do not gain from outsourcing, those that gain to some extent from outsourcing and those who have no idea as to whether their organisation gains from outsourcing or not.

GRAPH 10

PERCENTAGE OF ORGANISATIONS THAT GAIN FROM OUTSOURCING



Source: Questionnaires

Key

X axis represents respondents' views on whether their organisations gain from outsourcing.

Y axis represents the percentage of respondents.

The previous graph illustrates that 61% of the sample population said that their organisations do gain from outsourcing. Fourteen point six percent of the respondents said that their organisations do not gain from outsourcing. Furthermore, 14.6% of the respondents were of the opinion that, to some extent, their organisations do gain by engaging in outsourcing, while 9.8% of the respondents had no idea as to the impact of engaging in outsourcing.

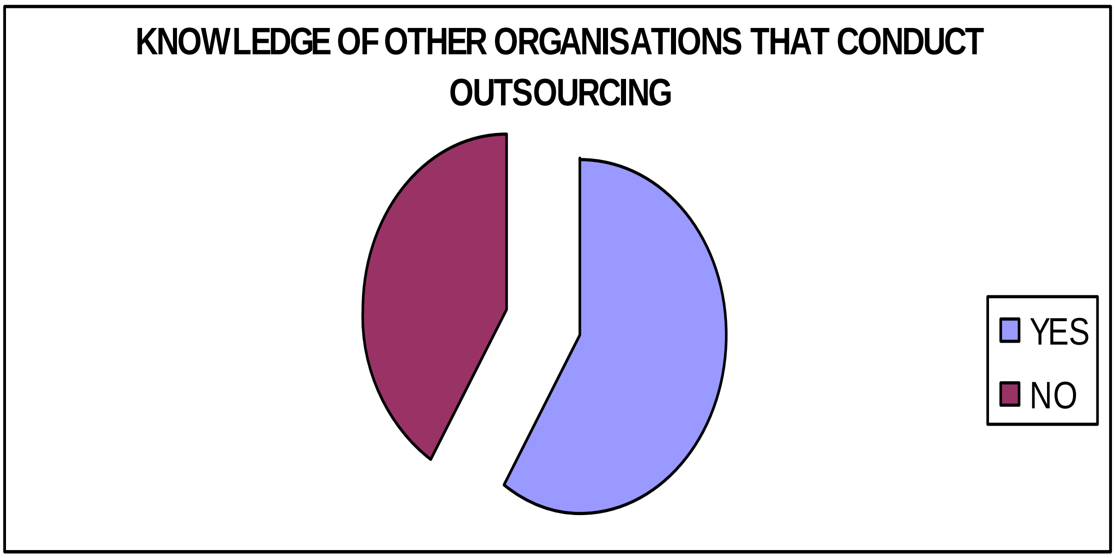
Out of the 61% of respondents who stated that their organisations gain from outsourcing, a few highlighted one actual significant gain that their specific organisations obtained from outsourcing. These were quality results, cost savings, skill transfer and technology transfer.

The 14.6% who said that to some extent their organisations gain from outsourcing gave the following reasons for their misgivings: commitment of the outsourcing vendor, the business environment, competence of the outsourcing vendor, the function or task being outsourced, and company policy.

The respondents who said that the organisations they work for do not gain from outsourcing and those that said that they had no idea as to whether the organisations they work for engages in outsourcing may have said so because their organisations either do not engage in outsourcing or because respondents did not know whether their organisation engages in outsourcing or not.

It was established that some of the respondents were aware of other organisations that outsource in Nairobi. However, a number of respondents were not aware of other organisations that engage in outsourcing in Nairobi. The pie chart that follows provides a clear representation of respondents' knowledge of those organisations that engage in outsourcing.

Pie Chart 4



Source: Questionnaires

About 58.6% of the respondents were aware of some organisations that outsource while 41.4% of the respondents were not aware of other organisation in Nairobi that outsource. The organisations that they referred to were;

- Lugeno Advocates (a law firm)
- Airtel (telecommunications company)
- Dinesh Contractors
- Safaricom (telecommunications company)
- Apollo Tours
- Pollman Tours
- Kenya Airways
- Barclays Bank
- World Bank
- UAP Insurance
- Nairobi University
- Kenya Data Network (KDN)
- United Nations Agencies
- Proctor and Gamble
- Ovidan Advertising
- Budget Furniture Limited
- Equity Bank
- Eco Bank
- Nation Media Group
- Orange Telecommunications
- Metach Contractors
- Sound Entertainment
- 680 Hotel
- Hilton Hotel
- Cradle
- National Bank
- Bakers Inn
- Wimpy

- Standard Group (media company)
- Kenya Pipeline Company
- Standard Chartered Bank
- Post Bank
- Kenya Power and Lighting Company
- DHL
- American Embassy
- Wells Fargo Security Group
- Old Mutual Insurance
- Pan African Insurance
- Aga Khan Hospital
- Safari Park Hotel
- One-Way Cleaning Services
- Mash Auto
- Antonio's Grill
- Institue of Personnel Management (IPM)

From the list it appears that the banking and hospitality industries are the most active outsourcers in Nairobi.

The 23.5% of respondents whose firms do not engage in outsourcing gave a number of reasons for this. This addresses the research question 'What causes sample organisations in Nairobi not to engage in outsourcing? One is insufficient capital. Initial funds required to make the first outsourcing payment may be difficult to accumulate.

The second reason is that companies already employ adequate permanent staff with the required skills and management feels that there is no need to outsource. In most circumstances the company management is simply not compelled to incorporate outsourcing in their business operations.

A third reason is that there is inadequate knowledge about how to conduct outsourcing. This explains why some organisations do not engage in outsourcing.

Bureaucracy was another reason given for not outsourcing. Many organisations in Nairobi are considered bureaucratic and take a long time to make decisions. This may result in staff giving up on the whole idea of outsourcing because of the frustration they experience.

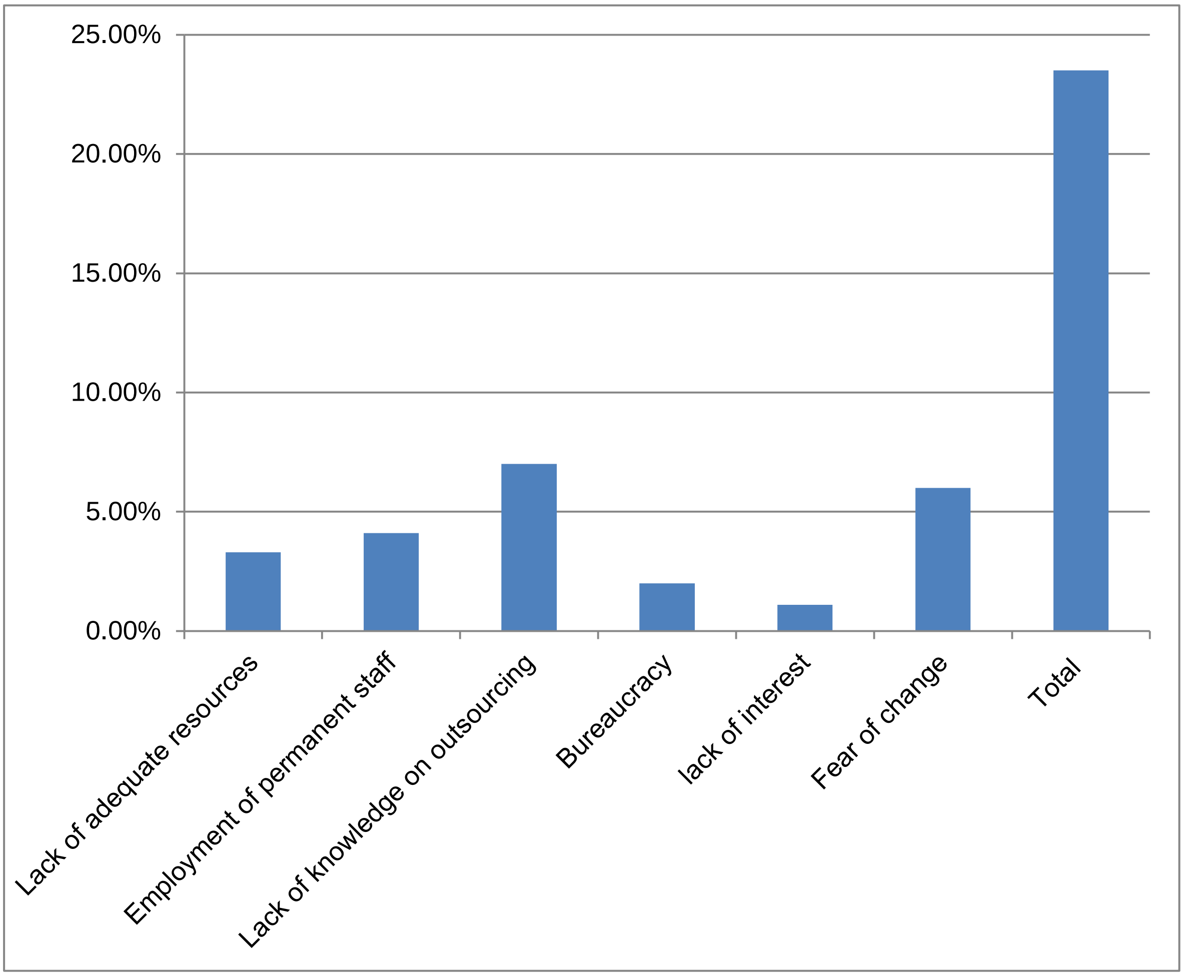
Lack of interest was another reason given by respondents. It is possible that top management may not have time to research on how outsourcing may be useful to their firm.

Another issue that could result in organisations not pursuing outsourcing is management 'fearing' to try out new strategies of engaging in business.

The graph that follows shows the reasons given by respondents as to why their organisations do not outsource.

Graph 11

REASONS WHY ORGANISATIONS DO NOT OUTSOURCE



Source: Questionnaires

Key

X axis represents reasons why organisations fail to engage in outsourcing

Y axis represents the number of respondents in percentages

The reasons given by respondents why organisations do not outsource are as follows.

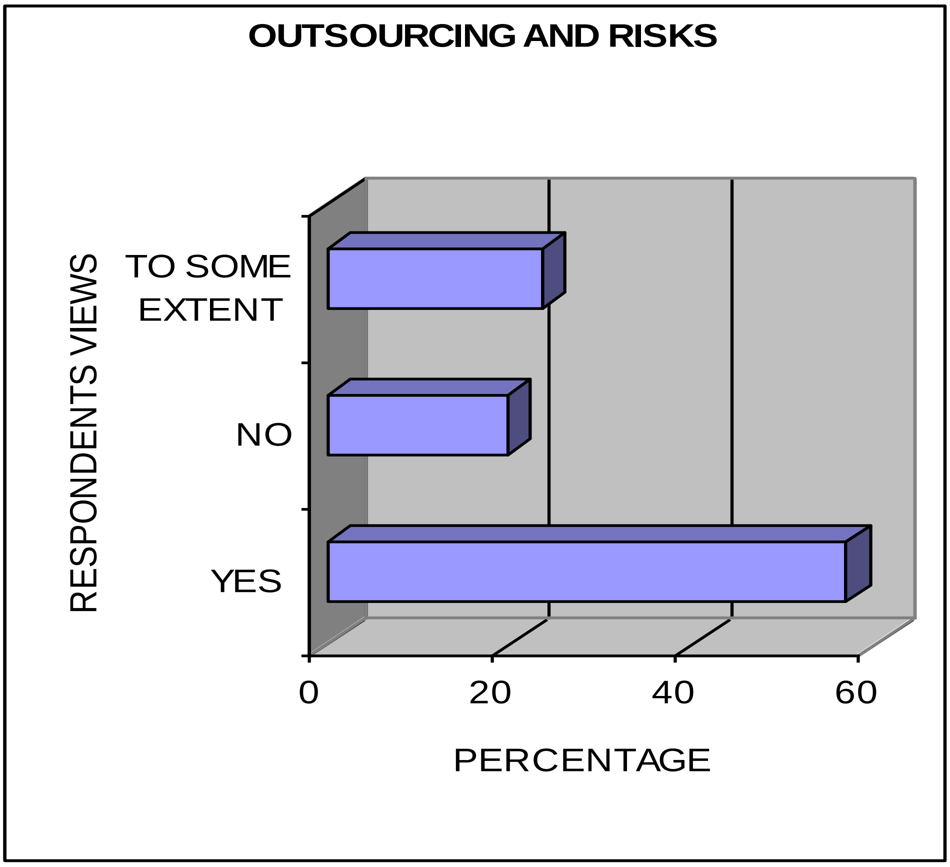
- Lack of adequate resources 3.3%
- Employment of permanent staff 4.1%
- Lack of knowledge on outsourcing 7%

➢ Bureaucracy 2%
➢ Lack of interest 1.1%
➢ Fear of change 6%
➢ Lack of knowledge constituted of the largest percentage of 7%

12.4 Risks, Challenges and Problems Associated with Outsourcing

This section reports research findings on the research question ‘What are the risks and problems associated with outsourcing?’ Results revealed that there are several risks, problems and challenges associated with outsourcing according to the respondents. The graph below summarises views on whether or not companies in Nairobi that outsource encounter risks.

Graph 12



Source: Questionnaires

As many as 57% of the respondents believe that there are risks associated with outsourcing, while 19.7% said that there are no risks associated with outsourcing and 23.6% said that, to some extent, there are risks associated with outsourcing.

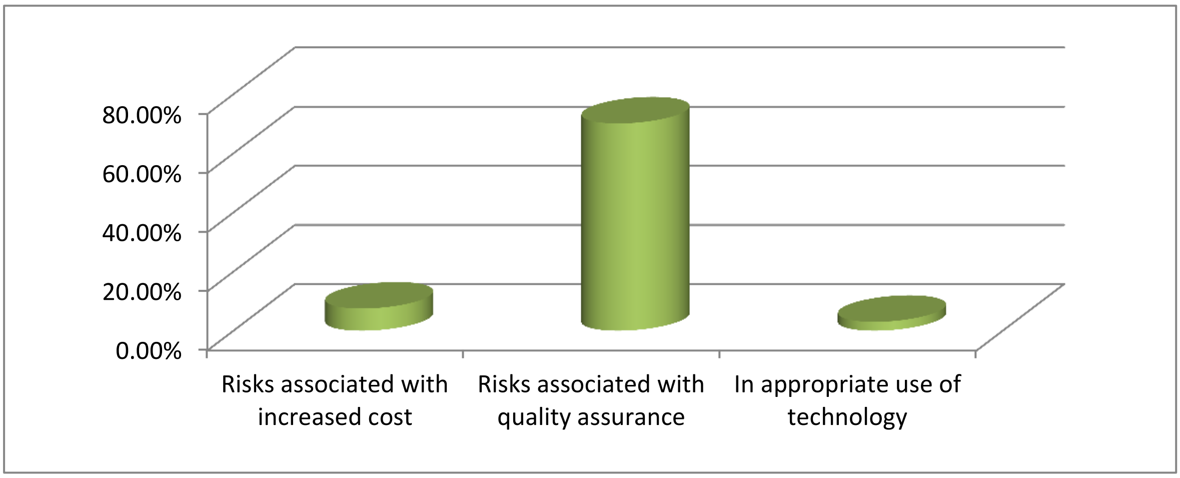
Three main risks of outsourcing were expressed by respondents. One is the risk of increased cost which may arise in particular if the outsourcing vendor is rendering sub-standard services. A client firm will have to either contract an alternative outsourcing vendor or demand that the same outsourcing provider repeats a service rendered. Repeating a service that has been rendered is time consuming and it also affects productivity and efficiency.

Another risk is that of poor quality. When a vendor becomes very familiar with a client firm, it is common to find that the vendor relaxes and in some situations will not always maintain the required quality.

There is also the risk of adopting superior technology not suitable for a transitional country like Kenya.

The graph below illustrates the different risks associated with outsourcing according to respondents. Employees who responded this question includes those who said that there were risks associated with outsourcing (57%) and those who said that to some extent there were risks (23.6%). However, 19.4% of the respondents did not answer this question as they were of the view that there are no risks associated with outsourcing.

Graph 13 RISKS ASSOCIATED WITH OUTSOURCING



Source: Questionnaires

Key

X axis represents risks associated with outsourcing

Y axis represents the percentage of the sample population

The graph shows that the risk of poor quality was by far the most commonly cited (by 70.1% of respondents). The risk of increased cost was cited by 7.5% and of inappropriate use of technology by 3%.

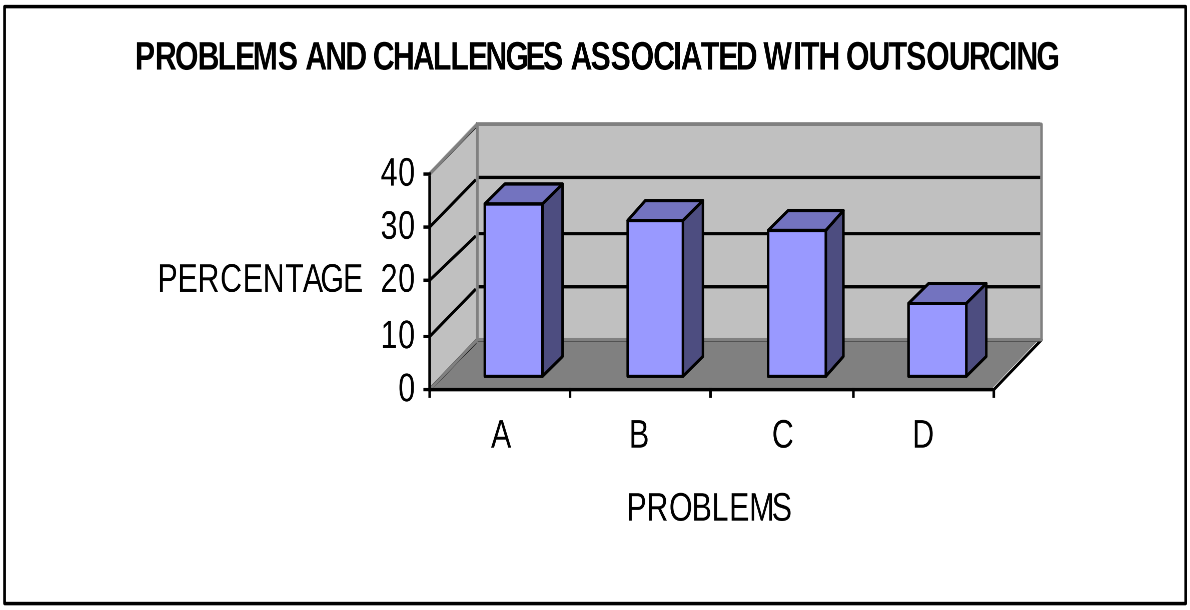
Four additional risks were provided by individual respondents. Confidentiality breech of client firm information by the outsourcing firm employees was one. Theft of equipment and materials was another. Another concern was that a client firm may have to rely on people who may not have the permanent staff's level of commitment and consequently deadlines may not be met and productivity not achieved. Lastly, a company may receive poor quality workmanship from an outsourcing vendor and this poses as a risk to the client firm.

These findings on the perceived risks associated with outsourcing suggest that risks can manipulate the outcome of outsourcing to be negative. The impact of outsourcing is also influenced on whether or not an outsourcing vendor and a client firm accurately anticipate and manage risk accordingly.

With regard to the problems and challenges of outsourcing, 28.6% of the respondents said that co-operation between the client firm's employees and the outsourcing staff was hard to achieve. This is probably due to a lack of trust by the respective employees and this creates an environment of tension. Maintaining quality standards (which could be viewed as a risk as well as a challenge when outsourcing) was of concern to 28% of the employees and 13.2% of the respondents were of the view that meeting deadlines is a problem for a number of outsourcing firms. Time management may be lacking in many organisations and lack of planning consequently results in delays.

The graph that follows illustrates the respondents' views on the various problems and challenges associated with outsourcing.

Graph 14



Source: Questionnaires

Key

A. Finding reputable outsourcing consultants

B Employee co-operation with outsourcing staff

C Maintenance of quality results

D Outsourcing firms adhering to contract deadlines set by the client company requiring outsourcing services

Respondents suggested several improvements that they would like to see in outsourcing in Nairobi. There were three highlighted areas. One was the formulation of standard policies on how outsourcing should be conducted by outsourcing vendors. This means that the policies that govern outsourcing should be formulated. This would prevent outsourcing firms from exploiting client firms.

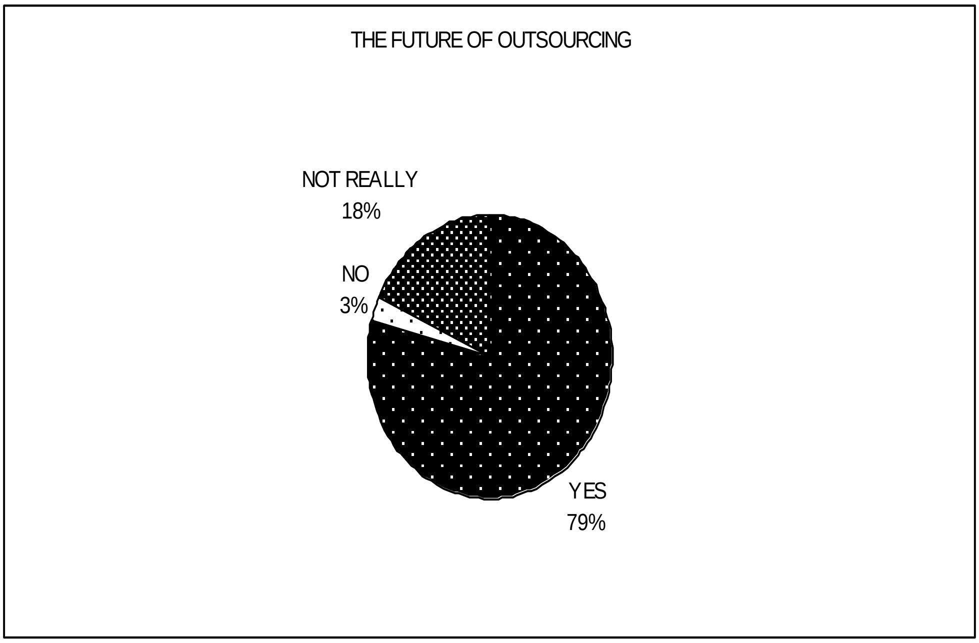
Secondly, price regulations can be set in order to avoid the exploitation of client companies by outsourcing vendors. Prices can be determined in liaison with the rules and regulations formulated for outsourcing.

Lastly, emphasis was placed on the importance of commitment of outsourcing vendors in adhering to set contract deadlines. Time is equated to money and when delays occur, there are always monetary implications.

12.5 The Future of Outsourcing

This section addresses findings related to the research question ‘What are anticipated to be the future trends in outsourcing in Nairobi?’ It is essential to explore the future of outsourcing, as outsourcing is a business venture that will likely foster economic growth, help reduce poverty levels in Kenya and help the development of Kenya as a nation. The pie chart that follows illustrates the respondents’ views on the future of outsourcing. These views are based on past experiences of respondents.

Pie chart 5



Source: Questionnaires

Seventy nine percent of the respondents believe that the future for outsourcing in Nairobi is promising. This indicates that they view outsourcing as a viable business strategy for organisations to engage in. About 18% of the respondents had doubts about whether outsourcing is really a promising business strategy. However, only 3% of the respondents said that the future for outsourcing is not promising at all. From the above findings it can be concluded that the majority of employees who participated in this study believe that outsourcing is a good business practice.

According to some of the respondents, the future of outsourcing will be determined firstly by the economic climate of the country. If the economic growth of Kenya increases, then there is a possibility that the future for outsourcing is bright. The political climate of the country is another factor that was mentioned. A stable political environment that fosters economic activity is essential. Attitude towards outsourcing was a third factor mentioned. The awareness level of outsourcing is yet another issue that may affect the future of outsourcing negatively or positively.

Additionally, the areas in which the respondents thought that vendor organisations would gain from in the future with regard to outsourcing were the following. First the adoption of international outsourcing practices. This refers to outsourcing firms targeting international markets as possible clients. This could be achieved through encouraging companies in Nairobi to partner with firms overseas or encouraging foreign investors to offshore jobs to Kenya.

More commitment by outsourcing consultants in attaining control can also be looked into. Control measures help the client firm and the vendor to attain their goals.

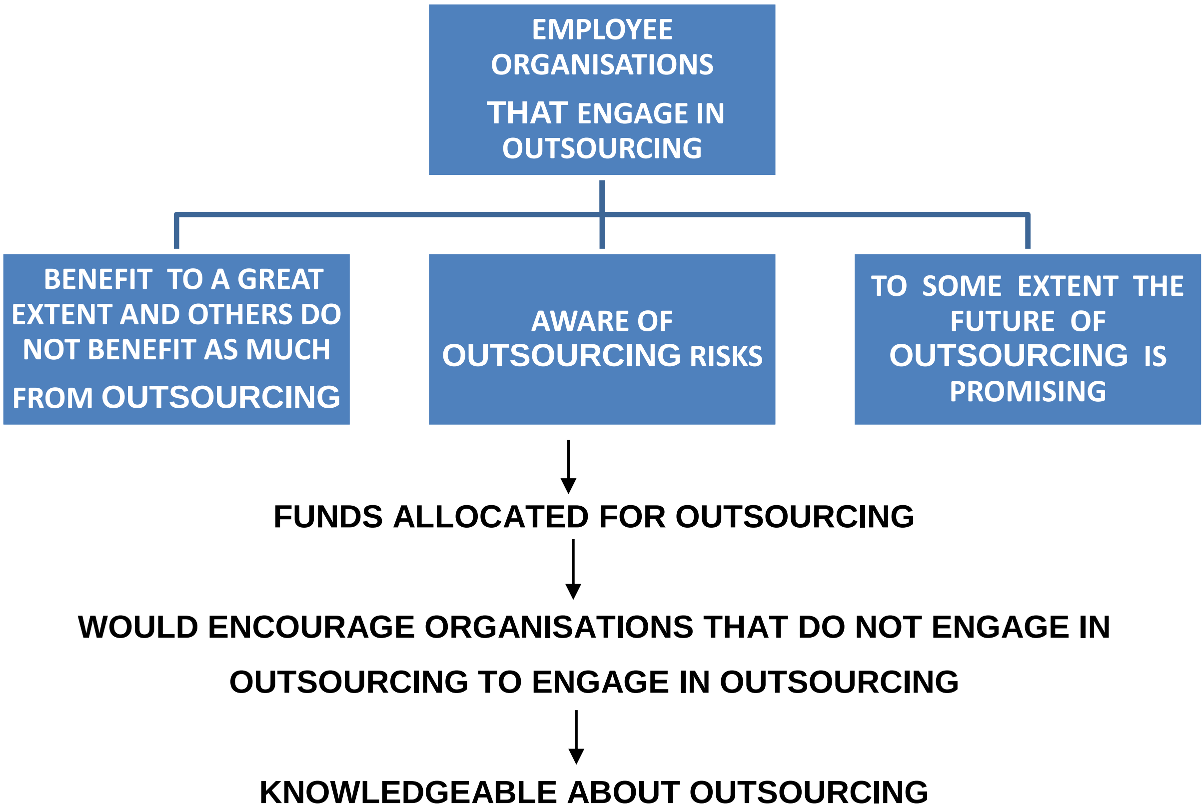
The standardisation of charges for outsourcing contracts is another issue that was highlighted by respondents. If there are no pricing guidelines for outsourcing, then there is the likelihood that outsourcing vendors will set prices the way they choose to. Thus, price fluctuations will result. This is unethical business behaviour.

Technological advancements on how to better conduct outsourcing practices was a fourth suggestion. Better and more efficient ways of conducting outsourcing practices can be established, as this would be considered beneficial to a client organisation.

12.6 Respondents' Perceptions of Outsourcing

This section distinguishes between the perceptions of respondents whose organisations engage in outsourcing and those who do not. Research findings showed that respondents from organisations that do outsource believed that they benefit or at least benefit to some extent from outsourcing. Respondents from these organisations were also aware of risks associated with outsourcing which could hinder the attainment of productivity and efficiency. Furthermore, the organisations that contract vendors have funds available for outsourcing purposes. These respondents were of the view that the future of outsourcing to some extent is promising as their respective organisations engage in outsourcing and benefit from it. Employees of organisations that engage in outsourcing would encourage organisations that do not engage in outsourcing to engage in the practice as they are knowledgeable of what outsourcing can do for an organisation. The chart that follows illustrates a summary of the above findings obtained from employees whose organisations engage in outsourcing.

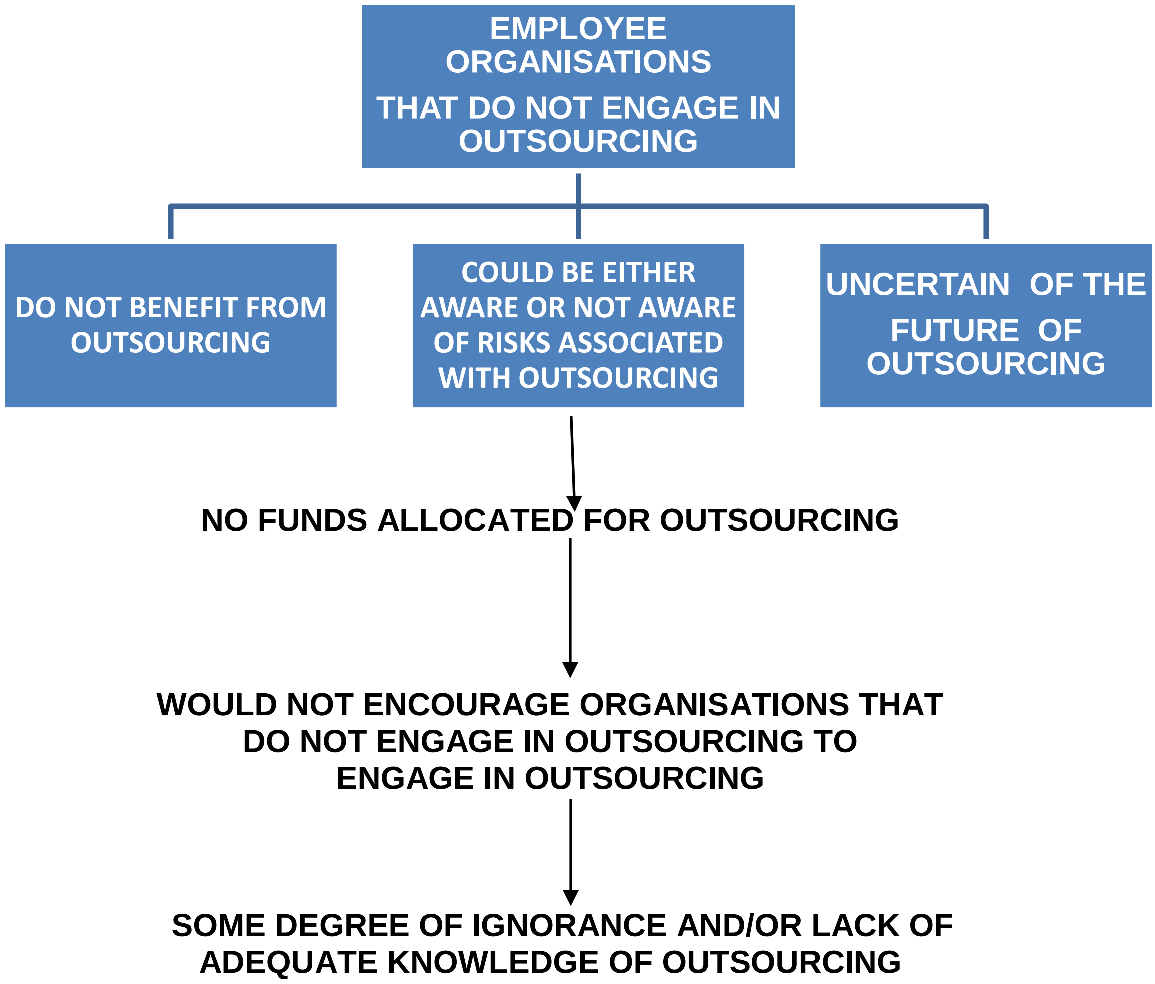
Chart 1: Employees' Views of Outsourcing 1



Source: Questionnaires

Employees whose organisations do not engage in outsourcing may have never engaged in outsourcing previously or have ceased from engaging in outsourcing due to unfavourable outcomes. Employees can either be aware or not aware of risks associated with outsourcing and are uncertain of the future of outsourcing. No funds are allocated for outsourcing activities. Employees who do not engage in outsourcing would not encourage organisations that do not engage in outsourcing to engage in the practice. Employees do not have adequate knowledge on outsourcing. Chart 2 below gives a summary of key findings obtained from respondents whose firms do not engage in outsourcing.

Chart 2: Employees' views of Outsourcing 2

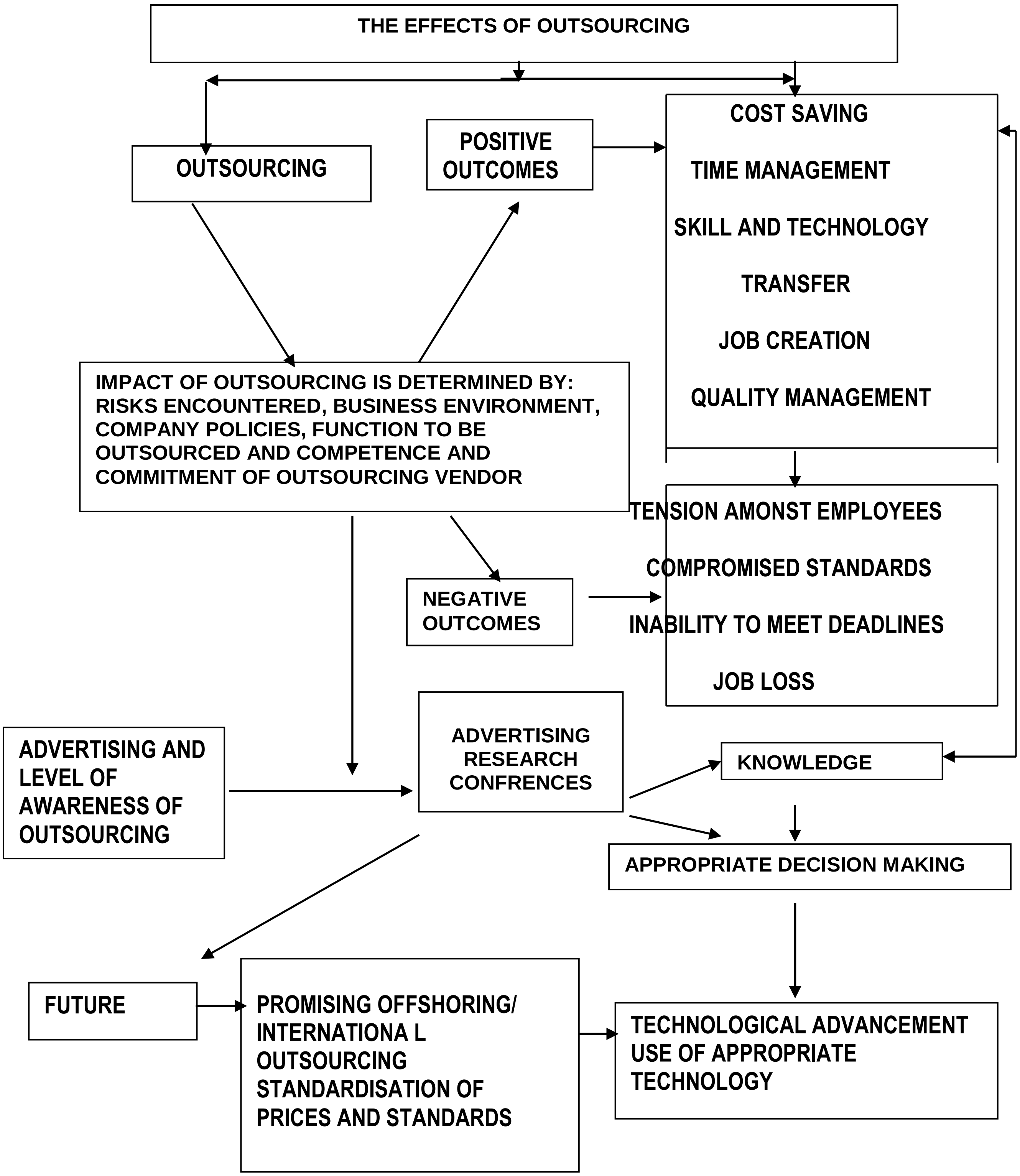


Source: Questionnaires

12.7 A Framework of the Effects of Outsourcing

Based on data analysed it is possible to summarise the effects of outsourcing as illustrated in the chart that follows.

Chart 3: The Impacts of Outsourcing amongst Sample Organisations in Nairobi.



This chart illustrates that the effects of outsourcing can yield positive and/or negative outcomes depending on risks encountered, the business environment, company policy, competence and commitment of the outsourcing vendor. The positive impacts of outsourcing would be quality management, cost savings, job creation, time management, and skill and technology transfer. On the other hand, the negative impacts of outsourcing would be job loss, tension among employees, compromised standards, and inability to meet deadlines.

The chart further shows that awareness level of outsourcing is obtained through advertising, conferences and conducting research. Furthermore, the future of outsourcing is promising based on technology adopted and enlargement of the market share for outsourcing through tapping into offshoring/international outsourcing and the standardisation of prices and standards for outsourcing.

12.8 Conclusion

Data analysis revealed that 74.3% of the respondents confirmed that the organisations they work for already engage in outsourcing while 23.5% confirmed that they do not incorporate the practice of outsourcing. Two point two percent of the respondents were not aware whether the organisation they work for engages in outsourcing or not. The most commonly outsourced service according to respondents is the non-core function of maintenance of buildings and equipment (33.5%). Results also indicated that more than one function can be outsourced by client organisations. Outsourcing is not a new practice and as such has been used by numerous organisations in Nairobi to promote productivity and efficiency.

Forty nine percent of respondents were of the opinion that it is economical to outsource one or some of a company’s functions. Quality assurance was considered the most favoured benefit of outsourcing by16.2% of respondents while 9.1% of the respondents were of the opinion that time management is the key benefit of outsourcing. Furthermore, additional benefits proposed by respondents were job creation and skill and technology transfer. Through encompassing outsourcing as a business strategy, presents the opportunity for company employees to engage in new product development and the modification of existing products or services.

Data anlaysed revealed that 61% of the respondents believed that their organisations do gain from outsourcing. Fourteen point six percent of the respondents were of the view that their organisations do not gain from outsourcing while the same percentage (14.6 %) said that, to some extent, their organisations gain by engaging in outsourcing. Nine point eight percent of the respondents had no idea as to the impact of engaging in outsourcing.

Insights were provided as to why some organisations have doubts that outsourcing will yield significant gains. Reasons provided by some of the employees were: commitment of the outsourcing vendor; the business environment; competence of the outsourcing vendor; the function or task being outsourced and company policy.

Fifty eight point six percent of employees were aware of several organisations that engage in outsourcing. However, 41.4% of the respondents were not aware of any organisation in Nairobi that engages in outsourcing.

The respondents whose organisations do not outsource (23.5%) had varied views about why their organisations do not outsource. They are lack of adequate resources (3.3%), employment of permanent staff (4.1%), lack of knowledge on outsourcing (7%), bureaucracy (2%), and lack of interest (1.1%), fear of change (6%) and lack of knowledge constituted of the largest percentage of 7%.

The negative impacts of outsourcing identified in this study were job loss, tension among employees, compromised standards and inability to meet deadlines. These negative outcomes of outsourcing are influenced by risks encountered some of which are breach of confidentiality about client firm information by the vendor employees, theft of equipment and materials, a client firm having to rely on people who may not have the same level of commitment and deadlines consequently not being met, the risks associated with increased cost, the risks associated with quality, and inappropriate use of technology.

There were several perceived problems associated with outsourcing in Nairobi. Twenty eight point six percent of respondents were of the opinion that there is a problem with the client firm's employees co-operating with the outsourced staff. Maintaining quality standards was of concern to 28% of the employees. Lastly, 13.2 % of the respondents were of the view that meeting deadlines is a problem for a number of outsourcing providers.

Seventy nine per cent of the respondents believed that the future for outsourcing in Nairobi is promising. This suggests that the respondents view outsourcing as a viable business strategy for organisations to engage in.

Furthermore, 18% of the respondents had doubts, as to whether the future of outsourcing is promising and they were of the view that the future for outsourcing is not really a promising business strategy. Only 3% of the respondents were of the opinion that the future for outsourcing is not promising at all. Some of the respondents believed that the future of outsourcing will be determined by the following factors: the economic climate of the country, the political climate of the country, attitude towards outsourcing, and level of awareness of outsourcing.

An important contribution of this study is that client firms can gain more from outsourcing if they engage in offshoring/international outsourcing and if stansadisation of prices and standardisation of outsourcing standards is enforced through policies. Offshoring/international outsourcing will create larger market share while standardisation of prices and outsourcing standards will promote ethical outsourcing practices.

Outsourcing can be viewed to be both beneficial as well as harmful to firms and society depending on risks encountered and other underlying factors such as commitment and competence of the outsourcing vendor, the business environment, the function/s to be outsourced and company policy. These factors need to be monitored. Therefore, careful planning and execution of outsourcing initiatives is essential in order to ensure favourable outsourcing outcomes.

Domestic and international outsourcing can improve the economy primarily by employing a large number of individuals even though some permanent employees may be retrenched. Outsourcing also facilitates in the building and maintenance of infrastructure. It is because of the outsourced projects that people at large find opportunities and work in multinational corporations which contribute to economic growth and development as a result of engaging in production of goods and delivery of services locally and internationally.

Economic growth requires change. Governance assists social and economic structures to adapt to the ever-changing environment which is meant to facilitate growth and a stable transformation to new economic structures, until these have to adapt yet again to a changing environment. In developing and transitional countries policies that reflect the global complexity of outsourcing are a systematic response to the ongoing movement towards ‘open markets’ and ‘trade liberalisation’. When outsourcing is accepted as a trade reality, and complements trade liberalisation strategies and techniques, not only by encouraging technological spillover and capital inflows, but also by outweighing the increasing levels of unemployment which occur from opening up local markets, then it will be viewed as a strategy that can be adopted by client firms in Nairobi.

The chapter that follows provides a summary, conclusion and implications of outsourcing as well as recommendations for future study.

CHAPTER THIRTEEN: SUMMARY, CONCLUSION AND RECOMMENDATIONS

13.1 Introduction

Quinn (2000) suggests that strategic management of outsourcing is probably the most useful tool in management. In the past, outsourcing has be used to save costs but today the benefits associated with it are productivity, flexibility, speed, and innovation in developing business processes and access to new technologies and skills (Greer *et al*., 1999 and Bacon, 1999). Sixty one percent of the respondents in this study believed that oganisations in Nairobi do gain from outsourcing. It was also found that 74.3% of the respondents said that their organisations already engage in outsourcing. Outsourcing was thus considered a favourable business strategy by the majority of employees who participated in this research.

Development theories and policies can be divided into two categories: those that evaluate 'underdevelopment' and 'development' and those that concentrate on the evaluation of problems and opportunities. International division of labour has led to a trend known as the 'global industrial shift', in which manufacturing procedures are shifted from First World nations (such as the USA, Europe and Japan) to transitional and developing parts of the world such as Asia (Krempel and Pluemper, 1997).

The study of the evolution of outsourcing provides an understanding of how outsourcing exists in direct correlation and/or in opposition to established social science theory. Several theories are particularly relevant to outsourcing practices and decision strategies: Transaction Costs Analysis (TCA) Theory, Agency Outsourcing Theory, Resource-Based Theory (RBT), Relational Exchange Theory (RET), Network Theory (NT), Expectation Confirmation Theory (ECT), General Systems Theory (GST), Social Exchange Theory (SET)**,** Expectation Confirmation Theory (ECT), and Kudos Theory. SET (Blau, 1964), RET (Kern and Willcocks*.,* 2000), GST (Walonick, 1993), and NT (Bolumole *et al.*, 2007:41-42) emphasise the importance of relationships between the outsourcing vendors and the client firms. Research findings for this study on the effects of outsourcing suggest that one factor that determines the impact of outsourcing is the commitment of the outsourcing vendor which is based mainly on the relationship built between the client firm employees and the outsourcing vendor employees.

ECT theory highlights the importance of an outsourcing provider conforming to quality management principles (Oliver, 1977 and Oliver, 1980). This was confirmed by the findings of this research project as quality assurance was the second most favoured benefit of outsourcing according to respondents (16.2%). The application of TCA theory brings out the cost savings aspect of outsourcing (Coase, 1937). Forty nine per cent of respondents were of the opinion that it is economical to outsource one or some of a company's functions. Agency outsourcing theory, which centres on client firms outsourcing agents to achieve productivity levels required (Laudon and Laudon, 2004:83), results in job creation. Data findings indicated that outsourcing results in job loss as much as it creates jobs, according to respondents. Job loss occurs when permanent staff are retrenched and replaced by outsourced personnel. An example is that of Kenya Airways where permanent staff were retrenched and outsourced personnel hired to conduct non-core functions (Reuters, 2012). In such a situation job loss occurs and at the same time jobs are created with unattractive remuneration packages characterised by minimal or no benefits. However, in the case where a client firm retains its personnel but hires agents to meet its productivity level as explained by Agency theory, job creation results as the outsourcing firm will have to employ more personnel to cater for client demands.

RBT considers firms to have a collection of resources and capabilities necessary to execute outsourcing successfully (Bolumole *et al.*, 2007: 40). Thus, RBT factors in the importance of competence and commitment of outsourcing vendors, as highlighted in data findings.

A TQM structure is based on the ideology that as quality improves costs will reduce as a result of lower failure rates and reduced wastage of resources. TQM seeks to accomplish the removal of waste, so that quality outcomes can be achieved faster and cheaper (Appleby, 1994: 330-331). Sharks (1998) is of the opinion that a successful TQM environment requires committed and adequately-trained manpower that takes part fully in quality improvement initiatives. Research findings indicted that maintaining quality standards was one issue that was of concern to the respondents (28%). Thus, the application of the five principles of TQM addressed by McNamara (2011) may be considered by outsourcing vendors: (1) Quality can and must be managed. (2) Processes, not persons, constitute the problem. (3) Do not treat symptoms but look for the cure. (4) Quality must be measureable. (5) TQM is the quality of a long-term investment. In addition, professional formal education on outsourcing could be considered by outsourcing provider companies in order to achieve quality standards expected. For example, Kenya Methodist University (KEMU) launched a Businesses Process Outsourcing (BPO) training program at the International Centre for Outsourcing Studies (ICOS). Students who graduate are to obtain certification from the BPO Certification Institute (BCI) (Kamau and Lucheli, 2011:36).

According to Mol *et al.* (2005) it is a challenge to obtain accurate figures on the scale of outsourcing done in developing countries. However, there is adequate evidence to suggest that outsourcing is gaining in its importance in developing countries. There are several challenges that have hindered the progress of outsourcing in developing countries at large. According to Michaels (2011) there are two key challenges encountered by outsourcing companies in developing countries. One challenge is competition. The second challenge is 'concentration risk'. Wanjiku's (2009) established additional challenges faced by outsourcing vendors in Kenya. They were: that legal and institutional framework is weak, the lack of effective and focused marketing of Kenya as a suitable BPO destination, there are no data protection laws or a BPO sector policy, inadequate investment in the BPO industry, and the lack of skilled workforce.

This research found the following with regard to challenges encountered by firms in Nairobi. Twenty eight point six per cent of the respondents said that there is a problem with cooperation between the client firm's employees and the outsourcing staff. This is linked to the challenge of managing outsourcing relationships. Outsourcing vendors maintaining quality standards was another issue, which was of concern to 28% of the employees. This could be the result of poor contract formulation strategies. Lastly, 13.2 % of the respondents were of the view that meeting deadlines is a problem for a number of outsourcing firms. This again would point to contract formulation strategies. Kinyanjui (2011) suggests outsourcing may also result in a client organisation experiencing some challenges such as loss of control of the outsourced activities and the dependency on suppliers.

Offshore outsourcing has been identified as a multi-billion dollar sector (NASSCOM 2012) involving many nations (Gartner News, 2008). South Africa remains a key player in offshore outsourcing in Africa (Bargent, 2012) while North African nations are struggling to retain their former popularity because of business uncertainty brought about by recent political activity (The Africa Report, 2012).

Asia dominates in offshore outsourcing compared to African countries. Ghana and South Africa are the leading African countries as far as outsourcing destinations in Africa are concerned (Sourcing Line, 2014).

Outsourcing companies in Kenya focus for instance on Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) (Knowledgehills, 2011). Data findings show that the most common service outsourced in Nairobi is the maintenance of buildings and equipment (according to 33.5% of respondents) which is a non-core function of an organisation. By contrast, several services are rarely outsourced by firms in Nairobi: software development, catering, laundry, transport and training, delivery of products, event organising, office administration, legal advice, auditing and procurement. On average 2% of respondents mentioned these services are outsourced. Data findings also indicated that more than one function can be outsourced by client organisations. Thus, outsourcing can provide companies with greater capacity for flexibility.

Several strategies have been put in place to boost the Kenyan economy. One key strategy is that six key sectors of the Kenyan economy (tourism, agriculture, a more inclusive wholesale and retail trade sector, manufacturing for the regional market, Business Process Outsourcing (BPO) and financial services) have been given priority in acting as key growth drivers in the journey to attaining economic impact by 2030 (Government of Kenya, 2007 and Manning, 2013)).

Kenya's BPO sector has grown due to Kenya's ideal geographical positioning in comparison to other African nations, which has improved Kenya's competitiveness in the BPO sector. The success of the BPO sector in Kenya can be directed by the private sector, government support and a favourable legal and business environment (Soft Kenya, 2013).

Wanjiku (2008) reported that the Kenya Business Process Outsourcing (BPO) Society is set to introduce a set of standards and ethics guidelines that are to be legislated in Parliament which will boost Kenya's outsourcing industry. This is in line with the findings of this research which showed that there are three improvements that the respondents would like to see in outsourcing in Nairobi. The first was standard policies on how outsourcing can be conducted by outsourcing firms. The second issue was that price regulations be set in order to avoid the exploitation of client companies by outsourcing vendors. The third was the importance of commitment of outsourcing firms in adhering to set contract deadlines. All these suggestions are in line with favourable formulation of outsourcing policies.

The process of evaluating whether outsourcing would be taken up by a client firm has been considered by McIvor (2000). McIvor (2000) suggests that stage one would be the most important stage. This involves identifying the 'core' activities of the business and what activities might be considered as 'non-core'. Stage two involves evaluating relevant value-chain activities. Stage three attempts to identify and measure the expenses associated with either accommodating the activity in-house or outsourcing the activity to an outsourcing provider. The final stage is to conduct analysis of the available suppliers. Respondents also suggested three ways that can be used to motivate employees in Nairobi to encourage organisations that do not engage in outsourcing to engage in outsourcing. They were to emphasise the benefits of outsourcing, to provide examples of organisations that are actually engaging in outsourcing and are flourishing, and to mention the risks that may hinder the successful outcome of outsourcing. However, the respondents whose companies do not engage in outsourcing (23.5%) had varied views as to why they do not engage in outsourcing. One was lack of adequate resources and specifically capital. A second was that some companies are employing adequate permanent staff with the required skills and that therefore management feels there is no need to outsource. Thirdly, there is a lack of knowledge on how to conduct outsourcing. Bureaucracy was viewed as another reason why organisations do not engage in outsourcing. Lack of interest is another aspect to consider. It is possible that top management may not have time to research how outsourcing may be useful to their firm. Another issue that could result in organisations not pursuing outsourcing is management 'fearing' to try out new strategies of engaging in business.

Bowersox (1990), Crane (1999) and Quinn (2000) suggest that outsourcing is adopted by firms in order to have a large impact on the organisation's bottom line, although more unrelated purposes such as strategy, monetary rewards and competitive advantage may have been considered as the rationale for firms engaging in outsourcing. Maku and Iravo (2013) report that organisations in Kenya today have obtained many benefits of outsourcing such as access to the best technologies and reduced operational costs.

Almost half (49%) of respondents said that it is economical to outsource one or some of a company's functions. Quality assurance was the second favoured benefit of outsourcing by respondents (16.2%) while 9.1% of the respondents were of the opinion that outsourcing facilitates in time management.

Davison (2003) and Bahli and Rivard (2003) highlight key risks associated with domestic and international outsourcing which would interfere with successful outcomes of outsourcing. Data security/protection is one of the risks that are considered by a client firm. Culture is another risk that is considered. The turnover of key outsourcing personnel can also be considered as a potential risk of outsourcing. Lastly, increased costs may occur when moving a firm's own technology and knowledge to an international vendor. Additional risks like hidden costs and risks such as travel costs, license transfer fees, exchange rates and foreign taxes on products and services are also considered (Ramarapu, *et al*., 1997). Based on research findings outsourcing risks encountered by firms in Nairobi were: risks associated with increased cost (7.5% of respondents), risks associated with quality assurance (70.1%) and inappropriate use of technology (3%).

Four additional risks were provided by respondents. Confidentiality breech of client firm information by the outsourcing firm employees was one. Theft of equipment and materials was another. Theft can be committed by either the outsourcing firm personnel or the client firm employees. Another concern was that a client firm may have to rely on people who may not have a client firm's level of commitment and consequently, deadlines may not be met. Lastly, a company may receive poor quality workmanship from an outsourcing vendor and this poses as a risk to the client firm. These findings on perceived risks of outsourcing suggest that risks can manipulate the outcome of outsourcing to be negative.

There are a number of factors that will help and hinder collaborations such as outsourcing. There are some factors that facilitate in the successful outcomes of collaborations. Examples include: a favourable political environment, recognition of a common client, the identification of common benefits among others. On the other hand, some factors that hinder the successful outcome of collaborations. Examples include: professional staff fears, disagreement among resource providers and multiple local governments (Biscoe, 2013). Research findings indicated that company policy, function/s to be outsourced, risks encountered, commitment and competence of outsourcing provider and the business environment influence the outcome of outsourcing either to be positive or negative.

The World Bank Report of 2007 argues that, today, a wealth of natural capital (natural assets such as minerals) is not the most essential criterion for achieving development. High-income countries such as the Republic of Korea and Japan have limited natural capital yet are flourishing. Development, today, is also approached and measured in terms of non-monetary dimensions in human-centred development, a sustainable livelihoods approach and the capability approach among others. Some practical approaches for African countries to achieve development through economic growth suggested by Leke *et al*. (2010) include: manufacturing higher-value products (this has already happened in, for example, South Africa's and Morocco's automotive industry), continuing to capitalise on comparative advantages such as proximity to Europe, and familiarity with European languages for future employment and development. To ensure human development takes place, training of outsourcing personnel is crucial as this will determine whether eficency and quality standards are achieved when outsourcing takes place. Thus, outsourcing can boost economic and social development but only when done strategically with adequate investment and support.

13.2 Conclusion

Outsourcing can impact on a firm and the economy positively and/or negatively. The key to ensure favourable outsourcing outcomes lies mainly with the outsourcing provider and the client firm as the two parties have key roles to play in outsourcing. Both the outsourcing vendor and client firm need to monitor the business environment as well as outsourcing risks. In addition, client firms need to be made aware of how outsourcing can benefit their organisations.

For Kenya to succeed in outsourcing practices, entrepreneurs and citizens also need to be good stewards of the vast resources available in the country. These resources can be distributed appropriately to ensure their availability for future generations. With regard to whether outsourcing advantages outweigh the disadvantages, it can be concluded that what determines whether an outsourcing venture will be successful or not is how the following factors will play out when outsourcing takes place. These factors are the business environment; commitment and competence of an outsourcing vendor; risks encountered; the function or task being outsourced and company policy. Outsourcing in Nairobi is not done on a large scale and thus there is room for client firms to contract outsourcing vendors on a larger scale. Hence, outsourcing can be viewed as a partial solution to increasing economic activity that would foster development in Kenya in the long term. This means that the government can also come up with other means of creating economic opportunities, since outsourcing alone cannot foster sufficient economic growth that would greatly impact development in Kenya in totality.

The decision to outsource should be made very carefully, with deliberate consideration of all the factors and implications. Thus, the decision on whether or not an organisation should outsource one or more functions to an outsourcing provider is a complicated and complex and hence cannot be taken lightly.

Outsourcing is now considered one of the best management strategies by the vast majority of companies globally. It is no longer sensible for companies to keep to the traditional forms of expansion such as hiring more employees or constructing or renting more facilities when they can simply contract the services of outsourcing providers at a much reduced price to minimise operational costs. Technical knowledge is considered when planning an outsourcing strategy, particularly if the function of the business to be outsourced already exists within an organisation and valuable organisational knowledge could be lost. The transfer of technical knowledge can have a significant effect on quality and overall strategic business value. Cultural and language barriers add challenges to the already difficult processes of transferring technical knowledge are of particular concern in cases of international outsourcing.

A key negative perception of outsourcing stems from the belief that outsourcing is causing the loss of jobs in more developed countries like the US and UK where the majority of contracting companies are located. Some take this as a threat to First World economies. Many have failed to see the larger effects of outsourcing jobs; that the first to benefit from outsourcing is the contracting company which indicates that their nation's economy benefits as well. Furthermore, the reduced cost of production encountered by the client company is transferred to its consumers. This allows increased purchasing by customers.

When jobs are outsourced (commonly referred to as offshoring) they are transferred, not lost. Offshoring also facilitates in fostering development in the developing nation as well through taxes paid by foreign companies. It is vital to consider that competition between external service providers also puts pressure on outsourcing vendors to provide quality service to client firms though client firm management need to continuously monitor and evaluate the performance of outsourcing providers. Outsourcing vendors have to continually improve themselves and prove their value, just as any other organisation would. It is however essential that employment opportunities be created for citizens in developed countries. This could be done through providing some jobs opportunities in multinational companies that choose to establish branches in developing countries and transitional countries. This will create a win/win environment for both developing countries and developed countries.

The effect of outsourcing is an issue that is difficult to determine. There appears to be cause for concern with increasing reliance on professional staff in varied fields. This represents the difficult decision managers must make in the face of limited resources and increasing demands for quality services by consumers. There are clear instances in which outsourcing has led to unfavourable outcomes. In other words, outsourcing badly done can also result in losses.

Outsourcing may be a good strategy for client firms to adopt. This is because it can facilitate in improving efficiency, reducing costs and speeding up the process of product development, and also it allows client firms to focus on their core competencies. For some client firms, outsourcing has made the difference between staying in business and closing down. However, every business strategy such as outsourcing has its own implications that if not taken into consideration can make outsourcing a bad strategy for business.

Outsourcing can be easily duplicated by the competition. It can lead to displacement and fragmentation of the supply chain, consequently, inviting new competitors into the outsourcing sector. Outsourcing can further mould ‘corporate complacency’; and it can also frustrate a client firms’s relations with its workforce, customers and local communities.

Because outsourcing is easy to duplicate, it may not be considered a form of sustainable competitive advantage. However, outsourcing can provide certain competitive advantages to client firms that adopt the strategy early before other firms. This could imply that outsourcing may only work so long as some industry sectors members are yet to adapt the practice. Should all organisations adopt outsourcing, it may no longer be considered a source of competitive advantage.

Outsourcing can lead to the displacement of the supply chain, thus inviting new competitors into the outsourcing industry, which could result in eroding ‘pricing power’ and increased monetary rewards. Outsourcing of manufacturing, for example, may be possible only if it can be separated from other supply chain functions such as product development and modification, branding, marketing, distribution, and after sales services. With time however this may result to the easy emergence of new competitors to the industry which would result to stiff competition, 'shortening product cycles', and 'squeezing return on invested capital'.

Outsourcing 'to the extreme', in which most functions are outsourced, may lead to the negative effects discussed above. However, if client firms only outsource non-core functions, it is possible that outsourcing will facilitate in reducing costs and improving quality. However, this could result in nurturing 'corporate complacency'. When a firm focuses on its core ativities, managers may think that their product is what their clients want even tomorrow. This means that product development is lacking which could result in companies failing to establish new customer needs in the market.

Another issue is that of job loss. If company engineers and marketers for example who develop new product ideas can sense that they will lose their jobs eventually why should they be loyal to their employers? Loyalty becomes an issue.

Another concern may be that consumers may feel betrayed when jobs are transferred overseas (offshored). This is because the local community wonders why business cannot be done within their local community. This could result in communities refusing to buy the products produced overseas which are brought back to the country and sold. This would result in reduced purchasing which would impact on profits. This means that not every trendy business strategy is always a good strategy in particular if it is carried out to the extreme as this can result in turning companies into 'opportunistic institutions' without a direction, resulting to conflict with the workforce, customers, and the community.

13.3 Recommendations

Several recommendations can be considered based on research findings.

Fourteen point six percent of the respondents were of the view that organisations do not gain from outsourcing while 14.6 % of the respondents were of the opinion that, to some extent, organisations do gain by engaging in outsourcing, while 9.8% of the respondents had no idea as to the impact of engaging in outsourcing. From these findings two recommendations can be made. Firstly, the Kenyan government together with outsourcing provider firms needs to continue creating awareness of outsourcing amongst organisations. This could be achieved through conducting seminars/conferences and advertising which would inform and create awareness of outsourcing and how it can benefit an organisation if strategically executed. It can be further recommended that the government of Kenya can provide tax waivers and training on outsourcing and set up incentives for a specific time period to allow the outsourcing industry to grow in Kenya.

Data findings revealed that outsourcing could facilitate in yielding job creation and at the same time job loss. It can be recommended that policies may be set and implemented by the government on remuneration of outsourced personnel. The remuneration package can include fair pay and additional benefits such as partial medical aid, transport allowance and pension for the period an employee is contracted. The policy may also provide a minimum duration of which outsourced personnel can be contracted for example a minimum of two years. This means if an outsourcing company is to contract personnel, they can only contract personnel for a minimum of two years. Thus, compilation of favourable remuneration and retrenchment policies can be considered and implemented.

Respondents highlighted that there are three improvements that they would like to witness with regard to outsourcing in Nairobi: standard policies on how outsourcing can be conducted by outsourcing firms, price regulations, and commitment of outsourcing firms in adhering to set contract deadlines.

In order to address the problem of lack of standards amongst outsourcing providers, it is recommended that the government may develop outsourcing standards, benchmarked to international standards and ensure all outsourcing firms adopt these standards. With regard to pricing, price controls should be set up by the government to avoid outsourcing vendor companies exploiting client firms. Establishing standards and price controls could be achieved through favourable policy formulation and regular monitoring and evaluation. This will ensure more commitment by the outsourcing providers.

The key type of risks associated with outsourcing mentioned by the majority of respondents were: risks associated with increased cost, risks associated with quality and the risk of adopting superior technology not suitable for a transitional country like Kenya. The problem of managing risks may not be conclusively dealt with as there are both internal and external factors that would contribute to risks occurring. However, regular monitoring and evaluation could be recommended in order to better anticipate risks that may occur.

Respondents were of the view that the future of outsourcing will be determined by the economic climate of the country, the political climate of the country, attitude towards outsourcing, and the awareness level of outsourcing. The areas in which the respondents thought that outsourcing organisations would gain from in the future with regards to outsourcing were the adoption of offshoring/international outsourcing practices, more commitment by outsourcing consultants in attaining control, the standardisation of charges for outsourcing contracts, and technological advancements on how to better conduct outsourcing practices.

Rural development programmes can also be increased and the Kenyan government can try its best to reduce rural-to-urban migration, in order to avoid an influx of people migrating into Nairobi in such of employment opportunities. This would call for industries to in co-operate outsourcing and create branches in the rural areas. This in turn, would foster balanced development in the whole of Kenya, as infrastructure and communication networks would be improved in the rural areas as well. This could be facilitated by the counties recently formed in Kenya which are meant to bring development to the eight provinces of Kenya. The government aims to distribute funds for each county, based on how poor a county is. The poorer a county, the more funds it will receive. If this is to be implemented in totality as planned, Kenya would be closer to attaining the vision 2030 which is to make Kenya a middle-income country by 2030. Outsourcing as a business strategy could be incorporated by organisations. This can be achieved if the government steers its energies in boosting economic activity.

This research indicates that outsourcing is a viable option in conducting business in Nairobi for the purpose of attaining increased economic growth and development.

It is recommended that the above be accomplished. The government of Kenya needs to develop and implement a suitable marketing, branding and positioning strategy for Kenya’s domestic and international outsourcing industry.

In conclusion, having conducted this research on the effects of outsourcing practices conducted by organisations in Nairobi, the researcher suggests that the following additional studies could be conducted in the future.

- Guidelines for policy formulation for outsourcing in Kenya.
- An exploratory study on the extent to which offshore outsourcing has been adopted in Nairobi.

- Strategies that can be adapted to incorporate outsourcing practices in the rural areas of Kenya. For example, a case study of Thika, a rural area close to Nairobi could be done.
- The extent to which outsourcing has been adopted in rural towns. Kiambu, a rural town not far from Nairobi would be a good choice for a case study.
- A comparison study of outsourcing practices of organisations in the Common Markets of East and Southern Africa (COMESA) region.
- An exploratory study of conflict between outsourcing organisations and labour unions in Nairobi.

It is recommended that the above research be conducted on a sample of various industry sectors as opposed to one industry sector.

BIBLIOGRAPHY

Abbott, P. 2013. ‘How can African countries advance outsourcing industries: An overview of possible approaches?’ *The African Journal of Information Systems,* volume 5, no. 1, article 2, ISSN 1936-0282.

Aboka, A. 2012. *Challenges faced by Bharti Airtel Kenya in outsourcing of its services (MBA).* Nairobi: University of Nairobi.

Accenture, T. V. 2012. *Global offshoring and outsourcing market dynamics*. [Online] Available:*http://www.softec.sk/files/Softecon/.../4-softecon_2012_volek.pf.* [Accessed 11 December, 2012].

Acemoglu, D., Johnson, S. and Robinson, J. 2001. ‘The colonial origins of comparative development: An Empirical investigation.’ *American Economic Review,* volume 91, no.5, pp.120-153.

Ackerman, R. S. 1978. *Corruption: A study in political economy.* New York: Academic Press.

Adam, C. S. 1992. ‘Recent developments in econometric methods: An application to the demand for money.’ *Kenya Special Paper* no. 15, African Economic Research.

Aczel, A. 1996. *Complete business statistics*. New York: Richard Irwin.

Adeleye, B.C., Annasingh, F. and Nunes, M. B. 2004. ‘Risk management practices in IS outsourcing: an investigation into commercial banks in Nigeria.’ *International Journal of Information Management*, volume 24, no. 2, pp. 167-80 .

African Business Journal. 2013. *Kenya’s push to become an outsourcing hub*. [Online] Available:http://www.tabj.co.za/eastern_africa/outsourcing_and_kenya.html. [Accessed 7 August, 2013].

African Development Bank Group. 2012. *Kenya country strategy paper 2014-2018.* [Online] Available: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/2014-2018_-_Kenya_Country_Strategy_Paper.pdf. [Accessed 18 September, 2012].

Africa Focus. 2011. *Africa: Economic Outlook*. [Online] Available: http://www.africafocus.org/docs11/wb1101.php. [Accessed 20 May, 2014].

Africa News .2013. *New Kenya: Business process outsourcing, destination Nairobi.* [Online] Available : http://www.kenya-today.com/technology/ew-kenya-business-process-outsourcing-destination-nairobi. [Accessed 22 October, 2013].

Agarwalae, S. and Singh, P. (eds.). 1990. *The economics of under development*. London: Oxford University Press .

Agrawal, M., Hariharan, G., Kishore, R. and Rao, H. R. 2005. 'Matching intermediaries for information goods in the presence ofdirect search: An examination of switching costs and obsolescence of information.' *Decision Support Systems,* volume 41, no. 1, pp. 20–36.

Albrow, M. and King, E. (eds.) 1990. *Globalisation, knowledge and society.* London: SAGE

Ahamed, A. 2005. *Science and society in Cuba in the context of techno-economic globalisation.* [Online] Available: http://www.businesschemistry.org/article/?article=83. [Accessed 22 September, 2010].

Albaum, G., Duerr, E. and Strandskov, J. 2005. *International marketing and export management.* 5thedition. USA: Prentice Hall.

Ali, D.S. 2012. *Factors influencing outsourcing of services in banks; a case study of first community bank Garissa branch, Kenya (MA)*. Nairobi: University of Nairobi.

Aitec Africa. 2009. *Outsourcing and shared services for NGOs and development partners: Summary of presentation highlights.* [Online] Available: http://aitecafrica.com/news/view/81. [Accessed 28 October, 2012].

Ajam, T. and Aron, J. 2007. 'Fiscal renaissance in a democratic South Africa.' *Journal of African Economies*, volume 16, no.5, pp. 745-781.

Akinbola, O. A. 2013. 'Enterprise outsourcing strategies and marketing performance of fast food industry in Lagos state, Nigeria.' *Global Journal of Business Management and Accounting*, volume 3, no.1, pp. 24-35.

Albert, B. A., Rivard, S. and Patry, M. 2004. 'A transaction cost model of outsourcing'. *Information and management.'* volume 41, no.7, pp.921-932.

Aldler, P. S. 2003. 'Marketing the HR outsourcing decision.' *MIT Sloan Management Review,* volume 55, pp. 53-60.

Aldridge, S., Halpern, D and Fitzpatrick, S. 2002. *Social capital: A discussion paper*. England: Performance and Innovation Unit.

African Agenda. 2000. 'Africa: The facts.' *African Agenda*, volume 3, no. 4.

Alesina, A. F. 2007. 'Political economy.' *NBER Reporter*, pp. 1-5.

Alexander, A. V. 1983. *Human capital Approach to economic development* NewDeli: Metropolitan.

Alfredo, S. and Johnston, D. 2005. *Neoliberalism – A critical reader.* London: Pluto Press.
Allen, P. 2009. *The future of offshoring following the global recession. Presentation at the shared services outsourcing network conference.*[Online] Available: http://www.ssonetwork.com/interviews.aspx?id=4322&fid=224. [Accessed 5 September, 2012].
Allen, T. and Thomas, A. 2000. *Poverty and development into the 21st century. London:* Oxford University Press.
Alyson, C. 2006. 'On the choice of in-house production versus outsourcing by multinationals.' *Journal of International Trade and Economic Development*, volume 15, no. 2. pp. 231-254
Aman, A. Hamzah, N. Amiruddin, R. and Maelah, R. 2012. 'Transaction costs in finance and accounting offshore outsourcing: a case of Malaysia.' *Strategic Outsourcing,* volume 5, no. 1, pp.72 – 88.
Amadeo, k. 2014. *GDP Per Capita*. [Online] Available: http://useconomy.about.com/od/glossary/g/Gdp-Per-Capita.htm. [Accessed 26 June, 2014].
American Rights at Work. 2012. *Advancing democracy in the American workplace. Tell Xerox to stop union busting and shipping jobs overseas.* [Online] Available: http://act.americanrightsatwork.org/p/dia/action/public/?action_KEY=576. [Accessed 12 December, 2012].
Amponsah, W. A. 2010. *Agricultural sector investment, outsourcing and political risks: The case of Kenya's flower trade with the EU*. Georgia: Georgia Southern University.
Amin, S. 1976. *Unequal development: An essay on the social formations of peripheral capitalism.* New York: Monthly Review Press.
Amin, S. 1994. *Re-reading the postwar period: an intellectual itinerary*. New York: Monthly Review Press.
Anderson, C. L.; Locker, L. and Nugent, R. 2002. 'Micro credit social capital and common pool resources.' *World Development,* volume 30, no. 1, pp.95-105.
Anderson, E., 2010. 'Justifying the capabilities approach to justice', in Brighouse and Robeyns (eds.), pp. 81–100.
Andersson, D.; Dreyer, H.C.; Halldo´rsson, A.; Jahre, M.; Ojala, L., Skjoett-Larsen; T. and Virum, H. 2003. *Third party logistics – A nordic research approach.* Kirjapaino

Grafia Oy: Turku.

Anderson, J. C. and Narus, J. A.1984. ‘A model of the distributor’s perspective of distributor manufacturer working relationships.’ *Journal of Marketing*, volume 48, no. 4, pp. 62-74.

Andrews University. 1998-2005. *Applied statistics: Correlation coefficients.*[Online] Avaialble: http://www.andrews.edu/~calkins/math/edrm611/edrm05.htm/[Accessed 10 October, 2013].

Ang, S. and Cummings, L. L. 1997. ‘Strategic response of institutional influences on information systems outsourcing.’ *Organization Science,* volume 8, no. 3, pp. 235-56.

Ang, S. and Straub, D. 1998. ‘Production and transaction economies and IS outsourcing: a study of US banking industry.’ *MIS Quarterly*, volume 22, no. 4, pp. 535-52.

Anthony, J. T. 2009. ‘Durkheim, deviance and development: Opportunities lost and regained.’ *Social Forces,* volume 59, no.4, pp. 1009-024.

Appadurai, A. 1996. *Modernity at large: Cultural dimensions of globalization*. Minneapolis University of Minnesta Press.

Appleby, R. C. 1994. *Business administration*. 6th edition. London: Prentice Hall.

Apte, U. 1990. ‘Global outsourcing of information systems and processing services.’ *Information Society,* volume 7, no. 4, pp 287-303.

Apte, U. M.; Sobol, M. G.; Hanaoka, S.; Shimada, T., Saarinen, T.; Salmela, T., and Vepsalainen, A. P. 1997. ‘Outsourcing practices in the USA, Japan and Finland: A comparative study.’ *Journal of Information Technology*, volume12, no.4, pp. 289-304.

Aqil Burney, S. M. 2008. *Inductive and deductive research approach.* Uniiversiitty of Karachii

Armstrong. M. 2006. *A handbook of human resource management practice.* 10th edition. United Kingdom: Kogan Page Publication.

Arndt, S. W. 1997. ‘Globalisation and the open economy, North American.’ *Journal of Economics and Finance, volume* 8, pp.71-79.

Arnold, J. M.; Javorcik, B.; Lipscomb, M. and Mattoo, A. 2012. *Services reform and manufacturing performance: evidence from India.* The World Bank Policy Research Working Papers No. 5948, World Bank.

Arnold, J.M.; Javorcik,B. and A. Mattoo, A .2011. ‘Does services liberalisation benefit manufacturing firms: evidence from the Czech Republic.’ *Journal of International*

Economics, volume 85, no.1, pp.136-146.
Arora, A. and Gambardella, A. 2005. *From underdogs to tigers the rise and growth of the software industry in Brazil, China, India, Ireland, and Israel*, Oxford; New York: Oxford University Press.
Arora, V. 2011. *Fixed cost outsourcing.* [Online] Available: http://ezinearticles.com/?Fixed-Cost-Outsourcing&id=6258691.[Accessed 16 June, 2014].
Arrow, K. 1962. 'The economic implication of learning-by-doing.' *Review ofEconomic Studies*, volume 29, no. 3, pp. 155-73.
Arrow, K. J.; Dasgupta, P.; Goulder, L.; Daily, G.; Ehrlich, P. R.; Heal, G. M.; Levin, S. and Maler, K.G. 2004. 'Are we consuming too much?' *Journal of Economic Perspectives, volume*18, no. 3, pp. 147–172.
Arroyo, P.; Gaytan, J. and Boer, L. 2006. 'A survey of third party logistics in Mexico and a comparison with reports on Europe and USA.' *International Journal of Operations & Production Management,* volume 26, no. 6, pp.639 – 667.
Article base. 2012. *Kenya: Prepare for Outsourcing.* [Online] Available: http://www.articlesbase.com/outsourcing-articles/kenya-prepare-for-outsourcing-358100.html. [Accessed 18 September, 2012].
Article Base. 2005-2012. *Information technology outsourcing models.* [Online] Available:http://www.articlesbase.com/human-resources-articles/information-technology-outsourcing-models-809875.html. [Accessed 5 September, 2012].
Ash, T. 2008. *Why marketing is important to your business.* [Online] Available: http://ezinearticles.com/?Why-Marketing-Is-Important-To-Your-Business&id=1167409 [Accessed 7 June, 2013].
Asheim, G. 1999. *Economic analysis of sustainability. In Lafferty, W. M.; Langhalle, O. towards sustainable development*. New York: St. Martins Press.
Asia Pacific Business Review. 2006. *Trade union responses to outsourcing in a neo-liberal environment: A case study analysis of the Australian public sector. [*Online] Available:http://www.tandfonline.com/doi/abs/10.1080/13602380500532396. [Accessed 11 March, 2013].
Aspromourgos, T. 1986. 'On the origins of the term neoclassical.' *Cambridge Journal of Economics*, volume 10, no.3, pp.265 -270.
Athman, F.2010. *Business process offshoring in Kenya: effects of national culture on organizational capabilities (MBA).* Nairobi: University of Nairobi.

Atuma, B. C. 2011. *Five factors of production.* [Online] Available: http://ezinearticles.com/?5-Factors-of-Production&id=6609394 [Accessed 7 May, 2013].
Aubert, B. A., Rivard, S. and Patry, M. 1996. 'A transaction cost approach to outsourcing behavior: Some empirical evidence.' *Information and Management,* volume *30,* no.2, 51–64.
Avalos, G. 2005. *Outsourcing adds a new economic dimension.* [Online] Availalble:http://heather.cs.ucdavis.edu/Archive/HPJobs.txt.[Accessed 10 October, 2012].
Ayong Le Kama, A. D. 2001. 'Sustainable growth renewable resources and pollution'. *Journal of Economic Dynamics and Control,* volume 25, no. 12, pp. 1911–1918.
Babu, M. 2010. *Offshore outsourcing models. [*Online] Available: http://www.sourcingmag.com/content/c060913a.asp. [Accessed 8 August, 2010].
Babu, M. 2003-2014. *Offshore outsourcing models.* [Online] Available: http://www.sourcingmag.com/content/c060913a.asp [Accessed 16 June, 2014].
Bacon, C. 1999. *Guiding principles for managing outsourcing relationships*. AURISA/ 1999 Conference *Proceedings*, refereed papers, Dunedin, New Zealand. 1-7.
Bahli, B. and Rivard, S. 2003. 'The information technology outsourcing risk: A transaction cost and agency theory-based perspective.' *Journal of Information Technology,* volume 18, 211–221.
Baker, W. 1990. 'Market networks and corporate behaviour.' *American Journal of Sociology*, volume 96, pp.589-625.
Baldini, A. and Ribeiro, M. P. 2008. *Fiscal and monetary policy anchors for price stability: Evidence from Sub-Saharan Africa. IMF working paper, WP/08/121.*
Baldo, A. 2004. *Outsourcing essentials.* [Online] Available: http://www.outsourcing.com/content.asp?page=01b/other/oe/q204/selective.html&nonav=true. [Accesses 22 October, 2011].
Baldwin, L. H. Camm, F. and Moore, N. Y. 2000. *Strategic sourcing: measuring and managing performance.* Santa Monica: CA Rand.
Balen vision. 2007. *Outsourcing and the unions*. [Online] Available: http://www.globalenvision.org/library/3/1712. [Accessed 4 December, 2012].
Ballou, R. H. 2003. *Business logistics/supply chain management*. 5th edition. Upper Saddle River, New Jersey: Pearson Prentice Hall.
Banks, G. 1983. 'The economics and politics of counter- trade.' *The World Economy*,

volume 6, no. 2, pp. 159-182.
Barako, D. G. 2008. ‘Outsourcing practices of the Kenyan banking sector.’ *African Journal of Accounting, Economics, Finance and Banking Research,* volume 2, no. 2.
Barac, K. and Motubatse, K. N. 2009.‘Internal audit outsourcing practices in South Africa.’ *African Journal of Business Management,* volume 3, no. 13, pp. 969-979.
Barbier, E. 1987. ‘The concept of sustainable economic development.’ *Environmental Conservation, volume* 14, no. 2, pp. 101–110.
Barbier, E. 2007. *Natural resources and economic development*. Cambridge: Cambridge University Press.
Bardhan, A. and Kroll, C. 2003. *The new wave of outsourcing, a research report.* Fisher Center for Real Estate and Urban Economics, University of California, Berkeley.
Bargent, J. 2012. *South Africa bursts on the global outsourcing scene with lessons for Latin America.* [Online] Available: http://www.nearshoreamericas.com/south-africa-outsourcing/. [Accessed 15 March, 2014].

Barro, R. 1991. ‘Economic growth in a cross section of countries.’ *Quarterly Journal of Economics,* volume 106, no. 2, pp. 407-43.
Barry, T. 2010. *Optimising outsourcing relationships for today's market realities. Changes in outsourcing services, terms and delivery models have given manufacturers new tools for dealing with new market conditions*. [Online] Available: http://www.industryweek.com/articles/optimising_outsourcing_relationships_for_todays_market_realities_21320.aspx. [Accessed 17 August, 2010].
Bartelmus, P. 2008.*Indicators for and of sustainable development*. [Online] Available: http://www.eoearth.org/profile/Peter.bartelmus. [Accessed 5 September, 2012].
Basle Committee. 2004. *Outsourcing in financial services. Bank for international settlements, Basel committee on banking supervision*. [Online] Available: http://www.bis.org/publ/joint12.htm. [Accessed 19 September, 2009].
Bates, R. H. 1983. *Essays on the political economy of rural Africa.* Berkeley: University of California Press.
Batty, C. 2011. *Should you sue your offshore outsourcing provider?* [Online] Available:http://www.considerthesourceblog.com/consider_the_source/managing_outsourcing_relationships/. [Accessed 22 October, 2011].
Batty, C. 2011. *Creating a value plan to drive positive outsourcing relationship*

change.[Online]Available:http://www.considerthesourceblog.com/consider_the_source/managing_outsourcing_relationships/. [Accessed 22 October, 2011].
Batty, C. 2011. *Managing outsourcing relationships*. [Online] Available: http://www.considerthesourceblog.com/consider_the_source/managing_outsourcing_relationships/ .[Accessed, 22 October, 2011].
Beasley, M.; Bradford, M. and Pagach, D. 2004. 'Outsourcing at your own risk.' *Strategic Finance,* volume 86, no. 1, pp. 22-29.
Beaumont, N. 2006. 'Service level agreements: An essential aspect of outsourcing'. *The Service Industries Journal,* volume 26, no 4, pp.381-395.
Beck, U. 1992. *Risk society*. London: Sage.
Beck, U. 1999. *What is globalization?* Cambridge: Polity Press.
Beck, U. 2001. *Living your life in a runaway world: individualization, globalization and politics. On the edge. Living with global capitalism*. London: Vintage.
Becker, G. S. 1996. *Accounting for tastes*. *Part I: Personal capital; Part II: Social capital*. Cambridge: Harvard University Press.
Becker, G. S. and Murphy, K. 1992. 'The division of labor, coordination costs and knowledge.' *Quarterly Journal of Economics*, volume 107, pp. 1137—1160.
Becker, G. S. 1976. *The economic approach to human behaviour.* Chicago: The University of Chicago Press.
Bender, P. 1999. 'Cashing in on competition'. *Outsourcing Journal*. [Online] Available: http://www.outsourcingjournal.com/issues. [Accessed 8 November, 2013].
Bennett, k. 1999-2014. *Pros and cons of outsourcing HR*. [Online] Available: http://www.ehow.com/about_7244939_pros-cons-outsourcing-hr.html. [Accessed 20 November, 2014].
Bennet. R, and Blythe, J. 2002. *International marketing*. 3rd edition. Britain: Kogan Page Limited.
Bergman, B. and Kiefsjo, B. 2005. *Quality from customer needs to customer satisfaction.* Student literature: Lund
Bhagwati, J. 2001. *Economic and political weekly March*.
Bhatnagar, R. 2008. *Outsourcing: Where does China stand today? NOA publication*.
Biebei, C. C. 2011. Factors influencing the level of outsourcing of non-core services as a cost reduction strategy in public universities in Kenya. [Online] Available: http://ir-library.ku.ac.ke/handle/123456789/1027. [Accessed 10 October, 2012].

Bierce, B. 1999. *International outsourcing: The legal view of what's different.* [Online] Available:http://www.outsourcing-center.com/1999-05-international-outsourcing-the-legal-view-of-whats-different-article-38690.html. [Accessed 14 April, 2013].

Birdsall, N. and de la Torre, A. 2001. *Washington contentious: Economic policies for social equity in Latin America*. Washington: Carnegie endowment for international peace and inter-American dialogue.

Biscoe, B. 2013 Factors *that help and hinder collaborations.* Ph.D., College of Continuing Education, University of Oklahoma: Norman. [Online] Available: http://www.mc3edsupport.org/community/knowledgebases/factors-that-help-and-hinder-collaboration-545.html. [Accessed 10 Novemebr, 2013].

Biz- Development. 2012. *Supply chain management: Historical development.* [Online] Available:http://www.bizdevelopment.com/SupplyChain/6.20.2.supply-chain-management-historical-development.htm. [Accessed 9 October, 2012].

Bizinfo Network.org .2005. *Total quality management principles*. [Online] Available: http://bizinfonetwork.org/content.php?id=370&siteName=Starting%20a%20Business. [Accessed 20 May, 2010].

Blair, T. 2007. *Ideology and ethics of Tony Blair*. [Online] Available**:** http://web.inter.nl.net/users/Paul.Treanor/blair.html. [Accessed 26 October, 2012].

Blau, P. 1964. *Exchange and power in social life.* New York: Wiley.

Bliss, C. 1987. 'Distribution theories, neoclassical.' *The New Palgrave: A Dictionary of Economics*, volume 1, pp. 883-886.

Bloggerkhan. 2012. *Disadvantages of outsourcing.* *Business strategy and methods*. [Online]Available:http://bloggerkhan.com/disadvantages-of-outsourcing/771. [Accessed 20 September, 2012].

Blumenstyk, G. 1994. 'Colleges struggle to develop formal strategies to pay for computing'. *Chronicle of Higher Education.*

Blutling*, R.* 2011*.Why and how to have a healthy relationship with your service provider(s).* [Online] Available: http://www.considerthesourceblog.com/consider_the_source/managing_outsourcing_relationships/. [Accessed 22 October, 2011].

Bodley. J. Sengupta, S. 2011. 'An exploratory study on job and demographic attributes affecting employee satisfaction in the Indian BPO industry.' *Strategic Outsourcing*, volume 4, no. 3, pp.248 – 273.

Bodley, H. J. 2008. *Victims of Progress*. 5th edition. AltaMira Press.

Bojanc, R. and Jerman-Blazic, B. 2008. ‘An economic modelling approach to information security risk management.’ *International Journal of Information Management,* volume 28, no. 5, pp. 413-22.

Bolumole, Y. A.; Frankel, R. and Naslund, D. 2007. ‘Developing a theoretical framework for Logistics outsourcing.’ *Transportation Journal,* volume 46, no. 2, pp. 35-54.

Bonasia, J. 2010. ‘Offshoring, for good or ill, comes of age putting India on the map competitive world markets demand outsourcing but it does drain domestic jobs’. Investors Business Daily, A04.

Booth, D. 1993. *Development Research: From impassse to new agenda*. In F. Schuurman (ed.). *Beyond the Impasse: New Directions in Development Theory*. London: Zed Books.

Bora, R. S. 2011. *Attaining comprehensive development.* [Online] Available: http://theindiaeconomyreview.org/Article.aspx?aid=44&mid=3. [Accessed 26 October, 2012].

Borchert, I.; Batshur, G. and Aaditya, M. 2012. *Policy barriers to international trade in services: Evidence from a new database.* World Bank Policy Research Working Paper 6109.

Borg, W. R., and Gall, M. D. 1989. *Educational Research: An Introduction.* 5th edition. New York: Longman.

Bornschier, V. 1996. *Western society in transition*. New Jersey: Transaction Publishers. Bornschier, V. and Chase – Dunn, C. 1985. *Transnational corporations and underdevelopment.* New York: Praeger.

Bose, N. 2010. *Corruption and economic growth. The new Palgrave dictionary of economics*. 2nd edition.

Bosire, R. M; Nyaoga, R. B.; Ombati, T. O and Kongere, T.O. 2011. ‘The impact of outsourcing on lead-time and customer service in supermarkets in Nairobi-Kenya.’

European Journal of Business and Management, volume 5, number 8, pp.149-156.

Boulanger, P. 2008. *Sustainable development indicators: a scientific challenge, a democratic issue.* [Online] Available: http://sapiens.revues.org/index166.html. [Accessed 29 October, 2012].

Bounfour, A. 1999. ‘Is outsourcing of intangibles a real source of competitive advantage?’ *International Journal of Applied Quality Management*, volume 2, no. 2,

pp. 127-51.
Bowers, D. J. 1990. 'The stragegic benefit of logistics alliances'. *Harvard Business Review,* volume 68, no. 4, pp: 6-45.
Bowles, S. and Gintis. S. 2002. 'Capital and community governance.' *The Economic Journal*, volume 112, pp. 419-436.
Boyd, H. 2000. *Social exclusion, social capital and indigenous Australians: Measuring the social costs of unemployment.* Canberra: Centre for Aboriginal Economic Policy Research, ANU.
Bradshaw, G. 2008. *Conflict management for South African students. Theory and application.* Port Elizabeth: Peacemakers Conflict Management Services.
Braithwaite, T. 2008. 'Tesco's sales growth beats forecast'. *Financial Times*. [Online] Available:http://www.ft.com/cms/s/o/oalfc8aa-codc-lldd-boa8-000077bo7658.html. [Accessed 10 June, 2010].
Braithwaite,T. 2008. 'VAT fails to lift sales in shops'. *Financial Times*. [Online] Available: http://www.ft.com/cms/s/0/d65f71e4-c321-11dd a5000077b07658.html. [Accessed 10 June, 2010].
Bradley, P. 1995. 'Third parties gain slow, cautious buyer support'. *Purchasing,* 18 May, pp. 51-2.
Brautigam, D. 1994. 'What can Africa learn from Taiwan.' *Journal of Modern African Studies*, volume 32, pp. 111-36.
Braun Consulting News. 2004. *News on personnel, labour relations and benefits.* [Online]Available:http://www.braunconsulting.com/bcg/newsletters/summer2004/summer2004.html. [Accessed 30 September, 2012].
Brimmer, A. F and Sinai, A. 1986. 'The monetary-fiscal policy mix: implications for the short-run.' *American Economic Review*, volume 76, no.2, pp. 203- 208.
Britannica Encyclopædia (Academic edition). 2014. *Gross National Product*.. [Online] Available:http://www.britannica.com/EBchecked/topic/246663/gross-national-product-GNP.[Accessed 26 June, 2014).
Britannica Encyclopædia (Academic edition). 2014. *Gross domestic product* (GDP). [Online] Available: http://global.britannica.com/EBchecked/topic/246647/gross-domestic-product-GDP. [Accessed 26 June, 2014].
Broadberry, S. and Gardner, L. 2013. *Africa's growth prospects in a European mirror: A historical perspective. The CAGE-Chatham House Series, No. 5, February.* [Online]Available:http://www.chathamhouse.org/sites/files/chathamhouse/public/Res

earch/International%20Economics/0213bp_africagrowth.pdf . [Accessed October, 2013].
Brooke, J. 2001. ‘Accelerating decline in Japan evokes ‘rust belt’ comparisons’. *New York Times.* [Online] Available: http://www.nytimes.com/2001/08/31/business/31YEN.html. [Accessed 10 August, 2010].
Bromley, D. W. 1995. ‘Development reconsidered: The African challenge.’ *Food Policy*, volume 20, no.5, pp. 425-438.
Brough, A. T. and Curtin, T. R. C. 1981. *Growth and stability: an account of fiscal and monetary policy. Papers on the Kenyan economy performance, problems and policies*. Nairobi: Heinemann Educational Books Ltd,
Bryman, A. 1989. *Research methods and organisation studies*. London: Unwin. Hyman.Buckeye interactive. 2010. *Pricing models*. [Online] Available: http://www.buckeyeinteractive.com/2010/09/pricing-models-time-materials-vs-fixed-price/. [Accessed 28 October, 2011].
Bucki, J. 2012. *Contract negotiation strategies*. [Online] Available: http://operationstech.about.com/od/vendorselection/a/VendorSelect-ContractNegotiation.htm.[Accessed 5 March, 2012].
Bucki, J. 2014. *Top 6 outsourcing disadvantages*. [Onlne] Available: http://operationstech.about.com/od/outsourcing/tp/OutSrcDisadv.htm [Accessed 30 October,2014].
Bucki, J. 2011. *Top 6 outsourcing disadvantages*. [Online] Available: http://operations tech.about.com/od/outsourcing/tp/OutSrcDisadv.htm. [Accessed 20 October, 2011].
Bucki, J. 2011. *Top 7 outsourcing advantages*. [Online] Available: http://operationstech.about.com/od/officestaffingandmanagem/a/OutSrcAdvantg.htm. [20 October, 2011].
Burney, A. 2008. *Inductive and deductive research approach.* Department of Computer Science. Uniiversiitty of Karachii.
Business Dictionery. 2013. *Development.* [Online] Available: http://www.businessdictionary.com/definition/development.html.[Accessed 5 November, 2013].
Business Dictionary. 2014. *Tradeoff defination.* [Online] Available: http://www.businessdictionary.com/definition/tradeoff.html. [Accessed 22 August,

2014].
Business Dictionary. 2013. *Impact.* [Online] Available: http://www.businessdictionary.com/definition/impact.html. [Accessed 5 October, 2013]. Business Dictionary. 2013. *Transnational company (TNC)*. [Online] Available: http://www.businessdictionary.com/definition/transnational-company.html. [Accessed 7 November 2013].
Business dictionary 2014. *Commoditisation.* [online] Available: http://www.businessdictionary.com/definition/commoditization.html. [Accessed 12 September, 2014].
Business Resources Article. 2011. *Outsourcing your human resources department*. [Online] Available: http://www.dynastyeducation.com/human-resource-outsourcing.html?type=article. [Accessed 22 May, 2011].
Business Review. 2012. *Trade policy in Kenya*. [Online] Available: http://businessreviewkenya.com/kenya-business-reviewtrade-policy-in-kenya/#disqus_thread. [Accessed 17 October, 2012].
Caffentzis, G. 1995. *Fundamental implications of the debt crisis for social reproduction in Africa. Paying the price: women and the politics of international economic strategy.* London: Zed Books.
Caffentzis, G. 1999. *On the notion of a crisis of social reproduction. Women, development and the labour of reproduction.* New Jersey: Africa World Press.
Canzoneri, M. B, Cumby, R. E, and Diba, B. T. 2001. 'Is the price level determined by the needs of fiscal solvency?' *American Economic Review*, volume 91, no. 5, pp. 1221-38.
Cardoso, F. H. and Faletto, E. 1973. *Dependencia y desarrollo en América Latina*. Ciudad de México: Siglo XXI Editores.
Cardoso, F. H. and Faletto, E. 1979. *Dependency and development in Latin América.* California: University of California Press.
Carmel, E. and Abb ott, P. 2007. 'Why nearshore means that distance matters.' *Communications of the ACM,* volume 50, no.10.
Carlson, B. 1989. 'Flexibility and theory of the firm.' *International Journal of Industrial Organisation,* volume 7, no.4, pp179-203.
Carmel, E. and Agarwal, R. 2002. 'The maturation of offshore sourcing of Information technology work.' *MIS Quarterly Executive*, volume 1, no. 2, pp. 65-78.

Carayannis, E. G. 1999. ‘Knowledge transfer through technological hyperlearning in five industries.’ *Technovation*, volume 19, pp.141-61.

Carmel, E. and Abbott, P., 2007. Why ‘nearshore’ means that distance matters. *Commun. ACM*, volume 50, no. 10, pp.40–46.

Casale, F. 2001. *IT Index 2001.* The Outsourcing Institute/Sunguard Sourcing Report, 15 April.

Casale, F.J. 1996. *Introduction to outsourcing.* The Outsourcing Institute 1.

Caslione, J. A. and Thomas, A. R. 2002. *Global manifest destiny*. Chicago: Dearborn Trade Publishing

Castells, M. 1996. *The rise of the networked society*. Oxford: Blackwell.

Castells, M. 2001. *Information technology and global capitalism. On the edge. Living with global capitalism.* London: Vintage.

Cateora, R. 1994. *International marketing*. 8th edition. Hollywood: Irwin.

Cavinato, J. L. 1992. ‘A Total cost/value model for supply chain competitiveness.’ *Journal of Business Logistics,* volume 13, no.2, pp.285-301.

Cayamanda, K. 2011. *Offshoring - Pros and cons.* [Online] Available: http://ezinearticl es.com/?Offshoring---Pros-andCons&id=5899540.[Accessed 5 September, 2012]. Central Bank of Kenya. 2005. *Risk management survey, November 2005, Central Bank of Kenya, Nairobi.* [Online] Available: http://www.centralbank.go.ke. [Accessed 10 May, 2009].

Central Bank of Kenya. 2005. *Bank supervision annual report Nairobi*. [Online] Available: http://www.centralbank.go.ke. [Accessed 10 May, 2009].

Central Bank of Kenya. 1986. *Central Bank of Kenya: its evolution, responsibilities and organisation*. Nairobi: Central Bank of Kenya.

Central Bank of Kenya.1981. *IMF: Financial Policy Workshops: the case of Kenya*. Nairobi: Central Bank of Kenya.

Central Breau of statistics and Ministry of Planning and National Developmnet. 2006. *Statistical abstract – Republic of Kenya*. Nairobi: Government Printers.

CFK. 2012. *Carolina for Kibera*. [Online] Available: http://cfk.unc.edu/aboutus/. [Accessed 9 October, 2012].

Chaffey, D. 2002. *E-business and e-commerce management*. England: Prentice Hall.

Chambers, R. 2004. *Ideas for development: reflecting forwards* (IDS Working Paper No. 238). Sussex: Institute for Development Studies.

Chambers, R. and Conway, G. 1992. *Sustainable rural livelihoods: Practical Concepts for the 21st Century.* Brighton: IDS.

Chang, A.J.-T. and Yeh, Q.-J. 2006. 'On security preparations against possible IS threats across Industries.' *Information Management and Computer Security,* volume 14, no. 4, pp. 343-60.

Chanzu, S. M. 2002. *A survey of business outsourcing practices amongst private manufacturing companies in Nairobi (MBA).* Nairobi: university of Nairobi.

Charles, S. and Gareth, R. 1998. *Economic development.* 2ndedition. Basingstoke: Macmillan.

Chase, B. R.; Aquilano, N. J. and Jacobs, F. R. 2004. *Operations management for competitive advantage.* 10th edition. Boston: Irwin/ McGraw-Hill.

Chase, B. R., Aquilano, N. J. and Jacobs, F. R. 2002. *Production operations management manufacturing and management.* 8th edition. New Delhi: Tata McGraw-Hill.

Chen, Q.; Tu, Q. and Lin, B. 2002. 'Global it/is outsourcing: Expectations, considerations and implications.' *Advances in Competitiveness Research,* volume10, no.1, pp.100–111.

Cheon, M. J.; Grover, V. and Teng, J. T.C. 2005. 'Theoretical perspectives on the outsourcing of information systems.' *Journal of Information Technology*, volume 10, no. 4, pp. 209-219.

Cheon, M. J.; Grover, V., and Teng, J.T.C. 1995. 'Theoretical perspectives on the outsourcing of information systems.' *Journal of Information Technology*, volume 10, no. 4, pp. 209-219.

Chesbrough, H. W. 2003. *Open innovation: The new imperative for creating and profiting from technology.* Boston: Harvard Business School Press.

Chikati, J. 2009. *The Community development hand book. How to build community capacity.* Nairobi: Regional Partnership for Resource Development.

Chikuse L. J.; Katsvanga C. A. T.; Jimu L. and Mujuru L, 2011. *Impacts of outsourcing forestry operations in the hyperinflationary economic environment of Zimbabwe.* Department of Environmental Science, Forestry Unit, Bindura: Bindura University of Science.

Chin, C. C. 2003. 'My bit-outsourcing-driving business value.' *The Edge Malaysia,* 12 May, 2003.

Chomsky, N. 1999. *Profit over People – neoliberalism and global order.* New York:

Seven stories Press.
Chossudovsky, M. 1997. *The globalization of poverty. Impacts of the IMF and World Bank reforms*. London: Zed Books.
Chorafos, D. N. 2003. *Outsourcing – insourcing and it for enterprise management.* Great Britain: Mc Millan.
Christopher, O. O.; Stephen, D. and Christine, E. 2004. *Outsourcing in the UK financial services industry: The Asian offshore market, Discussion Paper Series 2004-I, Financial Services Research Forum,* Nottingham University Business School, Center For Risk and Insurance Studies (CRIS). [Online] Available: http://www.nottingham.ac.uk/business/cris/papers/2004-1.pdf. [Accessed 30 November,2013].
Christopher, M. 1997. *Marketing logistics.* Oxford: Butterworth-Heinemann.
Christiano, L. J and Fitzgerald, T, J. 2000. 'Understanding the fiscal theory of the price level.' *Federal Reserve Bank of Cleveland Economic Review*, volume 36, no.2, pp. 1-38.
Clark, B. 1998. *Principles of political economy: A comparative approach*. Connecticut: Praeger.
Clark, T. D.; Zmud, R. W. and McCray, G. E. 1995. 'The outsourcing of information services: transforming the nature of business in the information industry.' *Journal of Information Technology,* volume 10, no. 4, pp. 221-37.
Claros. L.; Porter, E.; Martin, I.; Schwab, K. 2006. *The global competitiveness report.* USA: Palgrave publishers Macmillan.
Claude, A. 2009. 'Modernization and political instability: A theoretical exploration.' *World Politics, volume* 26, no.4, pp. 576-91.
Cleaver, F. 1999. *Paradoxes of participation: A critique of participatory approaches to development*. In B. Cooke and U. Kothari (Eds.). *Participation: The New Tyranny?* London: Zed Books.
Coase, R. H. 1937. 'The nature of the firm.' *Economica* volume 4, no.16, pp. 386-405.
Coase, R. 1998. 'The new institutional economics.' *American Economic Review,* volume 88, no.2, pp.72-74.
Cobb, D. 2005. *Choosing the right outsourcing model*. [Online] Available: http://www.cioupdate.com/trends/article.php/3511936/choosing-the-right-outsourcing-model.htm. [Accessed 6 August, 2010].

Cohen, B. J. 2007. ‘The transatlantic divide: Why are American and British IPE so different?’ *Review of International Political Economy*, volume 14, no. 2.
Cohen, J. N. 2007. *The impact of neo-liberalism, political institutions and financial autonomy on economic development, 1980—2003 dissertation.*
Cohen, B. and Winn, M. I. 2007. ‘Market imperfections, opportunity and sustainable entrepreneurship.’ *Journal of Business Venturing,* volume 22, no. 1, pp. 29–49.
Colander, D. 2000.‘The death of neoclassical economics.’ *Journal of the History of Economic Thought,* volume 22, no. 02, pp 127-143.
Coleman, J. 1987. *Norms as social capital. The Economic Method Applied Outside the Field of Economics.* New York: Paragon House Publishers.
Coleman, J. 1988. ‘Social capital in the creation of human capital.’ *American Journal of Sociology,* volume 94, pp. S95-S120
Coleman, J. 1990. *Foundations of Social Theory.* Cambridge, MA: Harvard University Press.
Coleman, J. 1994. *A rational choice perspective on economic sociology. The Handbook of Economic Sociology.* Princeton, New Jersey: Princeton University Press.
Coleman, J. S. and Hoffer, T. 1987. *Public and private schools: The impact of communities.* New York: Basic Books.
Collier, P. and Dollar, D. 2002. *Globalization, growth, and poverty: Building an inclusive world economy*. (n.p.): World Bank.
Computer User Group, Fairfield University. 1993. *A plan for the strategic implementation, use and development of a university-wide computing environment*. Fairfield: Fairfield University.
Comim, F.; M. Qizilbash and Alkire, S. (eds.). 2008. *The capability approach. Concepts, measures and applications*, Cambridge: Cambridge University Press.
Congressional Documents and Publications. 2012. *‘Bring jobs home act’ aim at encouraging business to bring jobs back to the U.S. USA: 2012 Federal Information and News Dispatch.*
Cook, K. S. 1977. ‘Exchange and power in networks of interorganizational relations.’ *The Sociological Quarterly,* volume 18, pp. 62-82.
Cooney, M. 2004. *Assessing the offshore outsourcing security risk*. [Online] Available: http://www.nwfusion.com. [Accessed12 August, 2004].
Cooper, M. C.; Lambert, D. M. and Pagh, J. 1997. ‘Supply chain management: More

than a new name for logistics.' *The International Journal of Management*, Volume 8, no. 1, pp. 1–14.
Contractor, F. J., and Lourange, P. 2012. *Competition vs cooperation. A benefit/cost framework for choosing between fully- owned investments and cooperative investments and cooperative relationships in international strategic management report*.
Contractor, F. J.; Kumar, V.; Kundu, S. K. and Pedersen, T. 2010. 'Reconceptualizing the firm in a world of outsourcing and offshoring: the organizational and geographical relocation of high-value company functions'. *Journal of Management Studies,* volume 47, no. 8, pp. 1417-1433.
Corbridge, S. 1995. *Development Studies: A Reader*. London: Arnold.
Corio. 2012. *Risks related to in-sourcing (re) development activities.* [Online] Available:http://www.corio-eu.com/risks-related-to-in-sourcing-re-development-activities.html.[17 March, 2013].
Corbett, M. F. 1999. *Multiple factors spur outsourcing growth*.[Online] Available: http://www.Outsourcing-Journal.com/issues/jan.1-6. [Acessed 10 Novemebr, 2013].
Cornia, G.; Jolly. R, and Stewart, F. 1987.*Adjustment with a human face*. Oxford: Clarendon Press.
Craig, T. 2003. *Outsourcing supply chain management-8 issues*. [Online] Available: http://www.ltdmgmt.com/050203.asp. [Accessed 13 February, 2010].
Crane, D. 1999. *Renewed focus on financial performance*. [Online] Available: http://www.Outsourcing-Journal.com/issues/jan. [Accessed 8 Novemebr, 2013].
Creswell, J. W.; Ebersohn, L. Eloff, I.; Ferreira, R., Ivankova, N. V.; Jonsen, J. D. Nieuwenhuis, J.; Pietersen, J.; PlanoClank, V .L. and van der Westhuizen, C. 2007. *First steps in research*. Pretoria: Van Schaik.
Crocker, D. A. and Robeyns, I. 2009. 'Capability and agency', in: Christopher Morris (ed.), *The philosophy of Amartya Sen*, Cambridge University Press, 2009, pp. 60–90.
Crocker, D. A. and Robeyns, I. 2009. 'Capability and agency', in: Christopher Morris (ed.), *The philosophy of Amartya Sen*, Cambridge University Press, 2009, pp. 60–90.
Croghan, L. 2004. 'Firms: Benedict Arnold move sending jobs overseas.' *Daily News*.
Croom, S. R.2000. 'The impact of web-based procurement on the management of operating resources supply.' *The Journal of Supply Chain Management* , volume 36, no. 1, pp. 4-13.

Crowley, D. 1999. ‘Taming the ferocious outsourcing beast.’ *PC Week,* February 15, p. 85.
Cullen, S. and Willcooks, L. 2003. *Intelligent IT outsourcing*. London: Butterworth-Heineman.
Currie, W. 2000. ‘The supply-side of IT outsourcing: the trend towards mergers, acquisitions and joint ventures.’ *International Journal of Physical Distribution and Logistics Management,* volume 30, no. 3/4, pp. 238-254.
CWCC Web Admin.*2010. Negotiating outsourcing contracts*. [Online] Available: http://www.pmi.bc.ca/pmi-cwcc-events/20100915-negotiating-outsourcing-contracts.html. [Accessed 20 October, 2011].
Cypher, J. and Dietz, J. 2004. *The process of economic development*. London: Routledge.
Czinkota, M. and Ronkainen, I. 2001. *International marketing*. 6th edition. USA: Harcourt College Publisher.
Dale, B. G. 1999. *Managing quality*. 3rd edition. Massachusetts : Blackwell.
Daly, H. E. 1973. *Towards a steady state economy.* Washington, D.C.: Island Press.
Dapice, D. 2004. *Outsourcing debate - Part III. The losers in globalization must be helped.* [Online] Available: http://yaleglobal.yale.edu/content/outsourcing-debate-part-iii. [Accessed 18 September, 2012].
Daniel, H. 2013. *Factors that hinder development in Africa.* [Online] Available: http://www.hope-project.org/africa/factors-that-hinder-development-in-africa/.[Accessed 10 November, 2013].
Danziger, J. 1985. ‘Social science and the social impacts of computer technology.’ *Social Science Quarterly,* volume 66, no.1.
Dasgupta, P. 2007. ‘The idea of sustainable development.’ *Sustainability Science,* volume 2, no.1, pp. 5–11.
Daugherty, B. and Dickins, D. 2009. ‘Offshoring the independent audit function.’ *CPA Journal*, volume 79, no. 1, pp. 60-65.
Daven, M. D. 2011. *Process outsourcing company - Challenges outsource companies in the developing world.* [Online] Available: http://goarticles.com/article/Process-outsourcing-company-Challenges-outsource-companies-in-the-developing-world-face/4106106/. [Accessed 5 June, 2012].
David, P. E. 2009. ‘The social costs of modernization: Ecological problems in the USSR.’ *World Politics, volume* 23, no.4, pp. 618-34.

Davidson, C. and Matusz, S., 2004. *International trade and labor markets.* Kalamazoo, Michigan: WE Upjohn Institute of Employment Research.
Davis, D. 1998. ‘Does European unemployment prop up American wages? National labour markets and global trade.’ *American Economic Review,* volume, 88, pp.478-94.
Davis, E. 2006. *European business process outsourcing opening forecast*. [Online]Available:http://www.forrester.com/rb/Research/european_business_process_outsourcing_spending_forecast_2006/q/id/39836/. [Accessed 15 May, 2010].
Davison, D. 2003. *Top 10 risks of offshore outsourcing.* [Online] Avaialable: http://www.zdnet.com/news/top-10-risks-of-offshore-outsourcing/299274. [Accessed 10 June, 2013].
Dawson. J. M. 2010.*The advantage of having multiple drop-ship suppliers*. [Online] Available: http://ezinearticles.com/?The-Advantage-Of-Having-Multiple-Drop-Ship-Suppliers&id=5171194. [Accessed 15 October, 2012].
Deavers, K. 1997. ‘Outsourcing: a corporate competitiveness strategy not a search for low wages’. *Journal of Labour Research*, volume 18, no.4, pp 503-519.
Deckelman, B.1998. *Strategic outsourcing: the contractual perspective*. [Online] Available: http://www.outsourcingjournal.com/issues/may1998/legal.html. [Accessed 5 November, 2013].
Dedicated Virtual Assistants. 2009. *Process outsourcing company – Challenges outsource companies in the developing world face.* [Online] Available: http://www.123employee.com/articles/process-outsourcing-company-challenges-outsource-companies-in-the-developing-world-face.html. [Accessed 5 August, 2013].
De George, R. 1993. *Competing with integrity in international business*. New York: Oxford University Press.
De Palma, A. 1991. ‘As a deficit looms, 26 threaten to quit key Columbia posts’. *New York Times,* 141(48797), A1.
De Simone, L. and Popoff, F. 1997. *Eco-efficiency: The business link to sustainable development*. Cambridge: MIT Press
De Soto, H. 2000. *The mystery of capital: Why capitalism triumphs in the west and fails everywhere else.* New York: BasicBooks.
Deneulin, S. (ed.), 2009. *The human development and capabilities approach*, London: Earthscan.
Deitch, K. 1994. ‘A price war for higher education.’ *Change,* volume *26*, no.3, pp. 53-

54. DeLoughry, T., Wilson, D. 1994. ‘Is new technology worth it?’ *Chronicle of Higher Education, volume 40,* no.42, pp.19-21.
Deneulin, S. (ed.). 2009. *The human development and capabilities approach*, London: Earthscan.
Denzin, N. 1984. *The research act*. Englewood Cliffs, NJ: Prentice Hall.
Dent, S. M. 2006. *Managing outsourcing relationships*. [Online] Available: http://www.partneringintelligence.com/documents/Dent%20article%20in%20Outsourcing%20Venture%20Q3%2006.pdf. [22 October, 2011].
Dep web. 2001. *What is sustainable development?* [Online] Available: http://www.worldbank.org/depweb/english/sd.html. [Accessed 20 February, 2012].
Desouza, K. C.; Awazu, Y. and Jasimuddin, S. 2005. ‘Utilizing external sources of knowledge.’ *KM Review*, volume 8, pp. 16-19.
Dettmer , B. 2012. ‘Business services outsourcing and economic growth: Evidence from a dynamic panel data approach. Working paper’. *The Jena Economic Research Papers.* ISSN 1864-7057.
Develop into the Future. 2013. *To outsource or to insource?* [Online] Available: http://www.sbp-romania.com/Articles/to-outsource-or-to-insource.aspx. [17 March, 2013].
Development in action. 2012. *The Kenya terrorism threat is not just for tourists.* [Online] Available:http://developmentinaction.wordpress.com/2012/02/04/the-kenya-terrorism-threat-is-not-just-for-tourists/.[Accessed 4 November, 2012].
Devott Service. 2012. *The typical types of outsourcing that people should know: BPO & KPO.* [Online] Available: http://www.devottservice.com/article/?i=3410. [Accessed 4 December, 2012].
Dicken, P. 2003. *Global shift*. 4th edition. London: Paul Chapman Publishing.
Diehl, M. 1999. *The Impact of International Outsourcing on the skill Structure of Employment: Empirical Evidence from German Manufacturing Industries - Kiel Working Paper No. 946.*
Di Romualdo, A. and Gurbaxani, V. 1998. ‘Strategic intent for IT outsourcing.’ *Sloan Management Review*, volume 39, no. 4, pp. 67-80.
Discover weighs the risk. 2004. ‘Outsourcing.’ *Intelligence Bulletin FSO Magazine,* volume 4, no. 7.
Dodgson, M. 1991. *The management of technological learning: Lessons from a biotechnology Company*. Berlin, New York: Walter de Gruyter.

Dominguez, R. L. 2005. *The manger's step by step guide to outsourcing*. New York: McGraw-Hill.
Domberger, S. 1998.*The contracting organisations a strategic guide tooutsourcing.* Oxford: Oxford University Press.
Donada, C. and Nogatchewsky, G. 2009. 'Emotions in outsourcing. An empirical study in the hotel industry.' *International Journal of Hospitality Management,* volume 28, pp. 367-373.
Downirg, C. K; Field, J. M. and Ritzman, L. P. 2003. 'The value of outsourcing: A field study.' *Information Systems Management,* volume 20, no. 4, pp. 86-91.
Drazen, A. 2008. *Political business cyclesthe new palgrave dictionary of economics*. 2nd edition. USA: Palgrave Macmillian.
Drezner, D. W. 2005. *Offshore outsourcing: Perceptions and misperceptions.* [Online]Available:http://www.pbs.org/wnet/wideangle/episodes/1-800-india/essay-offshore-outsourcing-perceptions-and-misperceptions/71/[Accessed 25 May, 2014].
Drtina, R. E. 1994. 'The Outsourcing Decision.' *Management Accounting,* volume 75, no. 9, pp. 56-62.
Drucker, P. F. 1998. *Management's new paradigms.* [Online] Available: http://www.forbes.com/forbes/1998/1005/6207152a.html. [Accessed 10 October,2012].
Dubois, S. 2012. *The importance of hypothesis testing*. [Online] Available: http://www.ehow.com/info_12094529_importance-hypothesis-testing.html. [Accessed 27 March, 2012].
Du Plessis, N. 2012. *The maasai community: Living in the past*. [Online] Available:http://www.helium.com/items/713314-the-maasai-community-living-in-the-past. [Accessed 24 February, 2012].
Duranton, G. and Jayet, H. 2005. *Is the division of labour limited by the extent of the market? Evidence from French cities. CEPR Discussion Paper No. 5087.*
Durkheim, E.1997. *The Division of Labor in Society.* New York: Free Press.
Dushnitsky,*G. 2012. Con: Companies must take advantage of outside talent.* [Online] Available:http://www.economist.com/node/15777592?story_id=15777592. [Accessed 18 September, 2012].
Dwyer, F. R. 1980. 'Channel-member satisfaction: Laboratory insights.' *Journal of Retailing,* volume 56, no. 2, pp. 45-65.

Dwyer, F. R.; Schurr, P.H., and Oh, S. 1987. 'Developing buyer-seller relationships.'*The Journal of Marketing*, volume 5, no. 2, pp: 11-27.
Dyllick, T. and Hockerts, K. 2002. 'Beyond the business case for corporate sustainability.' *Business Strategy and the Environment*, volume 11, no.2, pp. 130–141.
Earl, M. J. 1996. 'The risks of outsourcing it.' *Sloan Management Review,* volume 37, no.3, 26–32.
Eason, V. J. and McCall, J. H. 2010. *Statistics glossary*.[Online] Available: http://www.stats.gla.ac.uk/steps/glossary/index.html. [Accessed 5 March, 2012].
Easterly, W. 2001. *The elusive quest for growth: Economists' adventures and misadventures in the tropics*. Cambridge: Mass MIT Press.
Easterly, W. 2006. *The white man's burden: Why the west's efforts to aid the rest have done so much Ill and so little good.* NewYork: Penguin Press.
Easterly, W. 2003. *IMF and World Bank structural adjustment programs and poverty*. [Online] Available: http://www.nber.org/chapters/c9656.pdf. [Accessed 12 October, 2012}.
Easterly, W. 1993. 'Good policy or good luck? Country growth performance and temporary shocks.' *Journal of Monetary Economics,* volume 32; pp. 549-483.
Easterly, W. 2001. 'The lost decades: developing countries. Stagnation in spite of policy reform 1980-1998.' *Journal of Growth*, volume 6, pp. 135-57.
Economics. 2012. *Balance of payments*. [Online] Available: http://economics.about.com/cs/economicsglossary/g/balance.htm.[Accessed 17 March, 2012].
Economics. 2012. *Current account deficit*. [Online] Available: http://useconomy.about.com/od/glossary/g/Current_Account.htm.[Accessed17 March, 2012].
Economics Times. 2010. *International division of labour.* [Online] Available: http://economicstimes.blogspot.com/2010/01/international-division-of-labor.html. [Accessed 26 October, 2012].
Eisenstadt, S. N. 1966. *Modernization: protest and change.* New Jersey: Prentice-Hall/Englewood Cliff.
Elango, B. 2008. 'Using outsourcing for strategic competitiveness in small and medium-sized firms.' *Competitiveness Review: An International Business Journal incorporating Journal of Global Competitiveness,* volume 18, no. 4, pp. 322-32.

ELC International. 2001. *Europe's 15,000 largest companies.* 27th edition. Oxford: ELC international.
Ellisor, M. E. 2013. *Outsourcing - The benefits*. [Online] Available: http://ezinearticles.com/?Outsourcing---The-Benefits&id=2274332. [Accessed 20 June, 2013].
Ellram, L.M.; Tate, W.L. and Billington, C. 2008. 'Offshore outsourcing of professional services: a transaction cost economics perspective.' *Journal of Operations Management,* volume 26, no. 2, pp. 148-63.
Elmuti, D. 2003. 'The perceived impact of outsourcing on organizational performance.' *Mid-American Journal of Business,* volume 18, no. 2, pp. 33-7.
Elmuti, D. and Kathawala, Y. 2000. 'The Effects of global outsourcing strategies on participants'attitudes and organizational effectiveness.' *International Journal of Manpower,* volume 21, no. 2, pp. 112-128.
Elwell, C. K. 2003. *Foreign outsourcing economic implications and policy responses.*[Online] Available: http://www.hcs.harvard.edu/~hapr/winter07_gov/rajan2.pdf. [Accessed 7 July, 2010].
Embassy of the Republic of Kenya. 2012. *Trade and investment.* [Online] Available: http://www.kenyaembassy.com/economycommerce.html. [Accessed 18 September, 2012].
Endress, L.; Roumasset, J. and Zhou, T. 2005. 'Sustainable growth with environmental spillovers.' *Journal of Economic Behavior and Organization*, volume 58, no. 4, pp. 527–547.
Engholm, C. and Rowland, D. 1996. *International excellence.* New York: Kodansha International.
Escobar, A. 1999. *The invention of development in current history,* November 1999, volime 98, 631; Academic Research Library, p. 382.
Escobar, A. 1995. *Encountering development: The making and unmaking of the third world*, Princeton: Princeton University Press.
Eisenhardt, K. M. 1999. Strategy as strategic decision making'. *Sloan Management Review,* volume 40, no. 3, pp. 65-72.
Ericsson, D., Martensson, A. and Rundqvist, K. (2004), *'Inko¨p & Logistik'* (in Swedish), mo. 1, pp. 50-4.
Embleton, P.R. and Wright, P.C. 1998. 'A practical guide to successful outsourcing.'

Empowerment in Organizations, volume 6, no. 3, pp. 94-106.
EMENAC News. 2012. *East Africa debates on the conditions of outsourcing business in the region.* [Online] Available: http://news.emenac.com/east-africa-debates-on-the-conditions-of-outsourcing-business-in-the-region/. [Accessed 30 October, 2014].
Esman, M. and Uphoff, N. 1984. *Local Organizations: Intermediaries in Rural Development* Ithaca. New York: Cornell University Pres.
Ethier, W. J. 1982. 'National and international returns to scale in the modern theory of international trade'. *American Economic Review*, volume 72, pp. 389-405.
European Supply Chain Management. 2012. *Channel manufacturing*. [Online] Available:http://www.europeansupplychainmanagement.co.uk/article-page.php?contentid=13487&issueid=409. [Accessed 15 October, 2012].
Evangelauf, J. 1992. 'At public colleges more double digit tuition growth'. *Chronicle of Higher Education, volume 38, no.* 27, pp. 29-32.
Evans, B. 2004. *Multitasking with multiple suppliers*. [Online] Available: http://www.mddionline.com/article/multitasking-multiple-suppliers.[Accessed 15 October, 2012].
Evaristo, R.; Nicolas, J.; Prikladnicki, R., and Avritchir, J. 2005. *Wholly owned offshore subsidiaries for it development: A program of research*. Paper presented at the Proceedings of the 38th Hawaii International Conference of System Sciences (HICSS), January 3–6, Hawaii.
Executive Brief. 2010. *Five outsourcing models: What are they?* [Online] Available: http://www.softwareceo.com/files/white_papers/5_Outsourcing_ModelsWhat_are_They.pdf. [Accessed 7 July, 2010].
Experiment Resources. 2012*. Descriptive research design*. [Online] Available: http://www.experiment-resources.com/descriptive-research-design.htmldelofDevelopme nt with Examples vs. self- sufficiency. [Accessed 11 February, 2012].
Everett, B. 2010. *Tips for interactive engagement to achieve optimal sourcing solutions*.[Online]Available:http://www.considerthesourceblog.com/consider_the_source/managing_outsourcing_relationships/. [Accessed 22 October, 2011].
Fairfield University Controller. 1995. *Analysis of revenue and expenditures from fiscal year 1989 - 1995*. Fairfield, CT: Fairfield University.
Faisal, M.N., Banwet, D.K. and Shankar, R. 2006. 'Mapping supply chains on risk

and customer sensitivity dimensions.’ *Industrial Management and Data Systems,* volume 106, no. 6, pp. 878-95.
Farlex. 2014. *Contract.* [Online] Available: http://www.thefreedictionary.com/contract. [Accessed 25 June, 2014].
Federici, A. *Thousand flowers: Social struggles against structural adjustment in African universities*. New Jersey: Africa World Press.
Feagin, J.; Orum, A. and Sjoberg, G. (eds.). 1991. *A case for case study*. Chapel Hill, NC: University of North Carolina Press.
Feder, G. 1982. ‘On exports and economic growth.’ *Journal of Development Economics*, volume 12, no. 1/2. pp. 59-73.
Feenstra, R. C. and Hanson, G. H. 2003. *Global production sharing and rising inequality: A survey of trade and wages. Handbook of international trade.* Oxford: Blackwell.
Fei, J. C. H.; Gustav, R. and Shirley W. Y. K. 1979. *Growth with equity.* Cambridge: Oxford University Press.
Felbermayr, G.; Prat, J. and Schmerer, H. 2011. ‘Globalization and labor market outcomes: Wage bargaining, search frictions, and firm heterogeneity.’ *Journal of Economic Theory,* volume 146, no. 1, pp. 39-73.
Ferragina, E. 2010. ‘Social capital and equality: Tocqueville's legacy.’ *The Toqueville Review*, volume XXXI, pp. 73-98.
Fields, G. S. 1975. ‘Rural-urban migration, urban unemployment and underemployment and job search activity in LDCs.’ *Journal of Development Economics,* volume 2, no. 2, pp. 165-88.
FitzGerald, E. V. K. 1990. ‘Kalecki on financing development: An approach to the macroeconomics of the semi-industrialised economy.’ *Cambridge Journal of Economics*, volume 14, no. 2, pp. 183-203.
Fine, B. 1999. ‘The developmental state is dead-long live social capital?’ *Development Change,* volume 30, pp. 1-19.
Financial Crises Report, 2011. *Financial crises - beware of the IMF.*[Online] Available**:**http://briard.typepad.com/get_the_picture/2011/09/financial-crisies-and-the-role-of-the-imf.html. [Accessed 30 October, 2012].
Fine, B. 2006. *The new Development Economics: After the Washington Consensus.* (n.p.).
Fiscal policy. 2012. *US Economy*. [Online] Available:

http://useconomy.about.com/od/glossary/g/Fiscal_Policy.htm [Accessed 17 March, 2012].
Flash Application Development. 2014. *Fixed cost outsourcing model.* [Online] Available:http://www.flashapplicationdevelopment.com/fixed-cost-outsourcing-model.html. [Accessed 16 June, 2014].
Flatworld solutions. 2012. *The advantages and disadvantages of outsourcing.* [Online]Available:http://www.flatworldsolutions.com/articles/advantages-disadvantages-outsourcing.php. [Accessed 30 September, 2012].
Flat World Solutions. 2013. *The benefits of outsourcing* [Online] Available: http://www.flatworldsolutions.com/articles/benefits-of-outsourcing.php. [Accessed 10 June, 2013].
Fleurbaey, M. 2002. 'Development, capabilities and freedom, *Studies in Comparative International Development'*, volume 37, pp. 71–7.
Focus. 2013. *Turnkey solution*. [Online] Available: http://www.focuscorporation.com/services/turnkey-solution. [Accessed 16 June, 2014].
Forrester Research.2004. 'Europe to offshore 1.2 million jobs to India by 2015'. *Outsourcing Intelligence Bulletin FSO Magazine,* volume 11, no. 1.
Foster, T.A. 1999. 'Lessons learned.' *Logistics Management and Distribution Journal* (Apr.), volume 38 no.4, pp.67-69.
Foucaut, M. 1980. *Power/knowledge: Selected interviews and other writings 1972-1977.* Londoon: Panthean.
Fox, J. 2001. *Chomsky and globalization*. London: Icon Books.
Francois, J. F. and J. Woerz. 2008. Producer services, manufacturing linkages, and trade, *Journal of Industry, Competition and Trade*, volume 8, no.3/4, pp.199-229.
Frank, Y. W. 2009. 'Durkheim and development theory.' *Sociological Theory,* volume 12, no.1, pp. 73-82.
Frankel, H. 1952. 'United Nations primer for development.' *Quarterly Journal of Economics, v*olume 66, no. 3, pp. 301-326.
Frankel, J. A. and Romer, D.1999. 'Does trade cause growth'. *The American Economic Review*, volume 89, no.3.
Freeman, D. 2001. 'Survivor reactions to organisational downsising: Does time ease the pain?' *Journal of Occupational and Organisational Psychology*, volume 74, no. 2, pp. 145-164.
Freeman, S., 2006, Book review—Frontiers of justice: 'The capabilities approach

versus contractarianism'. *Texas Law Review,* volume 85, no.2, pp. 385–430.
Frerichs, R. R. 2008**.** *Simple random sampling.* [Online] Available:
http://www.ph.ucla.edu/epi/rapidsurveys/RScourse/RSbook_ch3.pdf.[Accessed18 September, 201o].
Friedman, M. 1962. *Capitalism and freedom.* Chicago: University of Chicago Press.
Friedman, M. 1980. *Free to Choose.* New York: Harcourt Brace Jovanovich.
Friedman, T. 2005. *The World is Flat: A Brief History of the Twenty-First Century*, London: Allen Lane.
Friedman, M. and Anna J. S. 1963. *A monetary history of the United States 1867-1960.* Princeton, New Jersey: Princeton University Press.
Friedman, T. 2006. *The world is flat: The globalised world in the twenty-first century.* London: Penguin.
FSO Magazine. 2004. *Outsourcing intelligence bulletin*. [Online] Available :
http://www.scribd.com/doc/7361688/Outsourcing-Management-Information-Systems. [Accessed 15 May, 2010].
Fukuda-Parr, S. 2003. 'The human development paradigm: operationalizing Sen's ideas on development.' *Feminist Economics,* volume 9, no.2/3, pp. 301–317.
Fukuda-Parr, S. and Kumar, S. (eds.). 2009. *Handbook of human development: Concepts, measures and policies*, Delhi: Oxford University Press.
Fukuda, S.; Lopes, C. and Malik, K. (eds). 2002. *Capacity for development. New solutions to old problems*. London: Earth Scan Publishers Limited.
Fukuyama, F. 1995. *Trust: The social virtues and the creation of prosperity.* New York: Free Press.
Gallivan, M. J. and Oh, W. 1999. *Analyzing IT outsourcing relationships as alliances among multiple clients and vendors, proceedings of the 32nd annual international conference on system sciences, Hawaii*.
Galor, O. 2005. 'From stagnation to growth: Unified growth theory'. *Handbook of economic growth,* volume 1, pp. 171–293.
Ganesh, S. 2007. 'Outsourcing as symptomatic: Class and ethnic scapegoating in the IT Sector.' *Journal of Communication Management, volume 11*, no. 1, pp.71-83.
Gasper, D. 2004. *The ethics of development. From economism to human development*. Edinburgh University Press.
Gatere, P. K. 2008. 'Central Bank of Kenya.' *African Journal of Accounting, Economics, Finance and Banking Research,* volume 2, no. 2.

Gartner Inc. 2010. *Negotiating vendor contracts*. [Online] Available: http://www.gartner.com/it/initiatives/pdf/KeyInitiativeOverview_NegotiatingVendorContracts.pdf. [Accessed 22 October, 2011].

Gartner News. 2008. *Gartner identifies top 30 countries for offshore services in 2008.* [Online] Available: http://www.gartner.com/newsroom/id/835718 [Accessed 15 March, 2014].

Gather News. 2009. *Strategic document outsourcing has surged as companies look for ways to cut expenses.* [Online] Available: http://www.gartner.com/it/page.jsp?id=950712. [Accessed 3 February, 2011].

Gannon, M. 1993. 'Towards a composite theory of entry mode choice: the role of marketing strategy variables'. *Journal of Strategic Marketing*, volume 1, pp. 41-54.

Gatway Group of Companies. 2009. *Minimizing risks through world-class testing services*. [Online] Available: http://www.offshoretestingservices.com/testmodels.html. [Accessed 5 September, 2012].

Geel, F. C. 2007. *Scientific assignment and report writing.* Port Elizabeth: Lecturn Publishing.

Gee, J. P., Hull, L. and Lankshear, C. 1996. *The new work order. Behind the language of the new capitalism*. Aus.: Allen and Unwin.

Geoff Lancaster, G. 2012. *Micro and macro environments.* {Online] Available: http://www.dagroup.co.uk/index.php?option=com_content&view=article&id=31%3Amicro-and-macro-environments&catid=2%3Amarketing-lectures&Itemid=3. [Accessed 25 March, 2012].

Geopgraphy and Environment. 2009. *The new international division of labour.* [Online]Available:http://www2.lse.ac.uk/geographyAndEnvironment/research/newidol.aspx. [Accessed 5 March, 2013].

George, S. and Fabrizio, S. 1994. *Faith and credit: The World Bank's secular empire.* London: Penguin.

Gewald, H. and Dibbern, J. 2009. 'Risk and benefits of business process outsourcing: a study of transaction services in the German banking industry.' *Information and Management,* volume 46, no. 4, pp. 249-57.

Gewald, H. and Dibbern, J. 2005. *The influential role of perceived risks versus perceived benefits in the acceptance of business process outsourcing: Empirical evidence from the German banking industry. E-finance lab, working Paper No. 2005-9.* [Online] Available:http://www.efinancelab.de/team/personaldetails.php?pernr=365

. [Accessed 10 May, 2009].
Ghikas, N. N.2012.*Implementation of the business process outsourcing strategy in Standard Chartered bank Kenya Limited (MBA).* Nairobi: University of Nairobi.
Ghimie. 2006. *Outsourcing: The Debate in the US*. [Online] Available: http://suite101.com/article/OutsourcingDebate-a213.[Accessed 4 December, 2012].
Ghobadian, A and Callear, D. 1996. 'Total quality management in SMES, OMEGA.' *International Journal Management Science*, volume 24, no. 1, pp. 83-106.
Gichuru, M. M. 2012. *Critical success factors in business process outsourcing of logistics companies in Kenya (MBA).* Nairobi: University of Nairobi.
Giddens, A. 1990. *The consequences of modernity*. Stanford: Stanford University Press Giddens, A. 2000. *The third way and its critics*. Cambridge: Polity Press.
Giddens, A. 1991. *The consequences of modernity*. California: Stanford University Press.
Giddens, A. 1998. *The third way. The renewal of social democracy*. Cambridge: Polity Press.
Giddens, A. 1999. *The consequences of modernity*. Oxford: Polity Press.
Giddens, A. 1999*. Modernity and self-identity; self and society in the late modern age.* Cambridge: Polity Press.
Giddens, A. 1990. *The consequences of modernity*. Cambridge: Polity Press.
Gilley, K. 2004. 'Human resource outsourcing and organisational performance in manufacturing firm.' *Journal of Business Research,* volume 57, no.3, p. 232.
Gilley, K. M. and Greer C. R. 2004. 'Human resource outsourcing and organizational performance in manufacturing firms.' *Journal of Business Research,* volume 57, no. 3, pp. 232–240.
Gillin, P. 2011. *Six tips for managing outsourcing relationships*. [Online] Available: http://searchoracle.techtarget.com/tip/Six-tips-for-managing-outsourcing-relationships. [22 October, 2011].
Glencoe, I. 1998. 'The free precessions from experience.' *MIS Quarterly*, volume 22, pp.363-408.
Global Finance. 2012. *The poorest countries in the world.* [Online] Available: http://www.gfmag.com/tools/global-database/economic-data/10502-the-poorestcountries-in-the-world.html#axzz2CZtLgvak. [Accessed 18 November, 2012].
Global Services. 2010. *Global outsourcing slows down to re-adjust*. [Online]

Available: http://www.globalservicesmedia.com/BPO/Market-Dynamics/2010-Global-Outsourcing-Slows-Down-to-Re-adjust-Course/23/28/111. [Accessed 12 May, 2011].
Global Sherpa. 2012 *Development and developing countries.* [Online] Available: http://www.globalsherpa.org/development-developing-countries-developed. [Accessed 14 May, 2014].
Goel, D. 2009*. Theory of competitive advantage.* [Online] Available: http://www.esourcingforum.com/archives/2009/08/25/theory-of-competitive-advantage/. [Accessed 5 September, 2012].
Goldsmith, N. M. 2003. *Outsourcing management information systems*. [Online] Available: http://www.scribd.com/doc/7361688/Outsourcing-Management-Information-Systems. [Accessed 10 March, 2011].
Goles, T. 2001. *The impact of the client-vendor relationship on information systems outsourcing success*. Houston: University of Houston.
Goles, T, and Chin, W.W. 2002. 'Relational exchange theory and IS outsourcing: developing a scale to measure relationship factors information systems outsourcing.' *Springer*, pp. 221-250.
Gonzalez, R.; Gasco, J. and Llopis, J. 2006. 'Information systems offshore outsourcing: a descriptive analysis.' *Industrial Management and Data Systems,* volume 106, no. 9,
pp. 1233-48.
Gonzalez, R; Llopis, J. and Gasco, J. 2013. 'Outsourcing and strategy in Spanish town halls: a field study.' *Management Decision,* volume 51, no. 1, pp. 97-119.
Good, P. 2000. *Permutation tests: A practical guide to resampling methods for testing hypotheses,* 2nd edition. New York: Springer-Verlag.
Gopal, A.; Mukhopadhyay, T. and Krishnan, M. S. 2002. 'The role of software processes and communication in offshore software development.' *Communications of the ACM*, volume 45, no. 4, pp. 193-200.
Gore, C. 2000. 'The Rise and fall of the Washington Consensus as a paradigm for developing countries'. *World Development*, volume 28, no. 5. pp.789-804.
Gonick, L. and Smith, W. 1993. *The guide to statistics.* New York: Harper Perennial.
Gottlieb, M. and Healy, W. J. 1998. *12 principles of negotiation*. [Online] Available: http://www.comproj.com/twelve.htm [Accessed 7 February, 2012].
Graf, M. and Mudambi, S. M. 2005. 'The outsourcing of IT-enabled business processes: a conceptual model of the location decision.' *Journal of International*

Management, volume 11, no. 2, pp. 253-68.
Grant, R. 1996. 'Toward a knowledge-based theory of the firm.' *Strategic Management Journal,* volume 17, pp. 109-122.
Grant, R. 2005. *Off shoring jobs: US and Australian debates, Research Brief. no.12. Development of parliamentary services, parliament of AustralasiaParliamentary Library*. [Available] Online**:** http://www.freepatentsonline.com/article/EuropeanJournalManagement/182924509.htm. [Accessed 20 May, 2010].
Grantham, G. 1999. 'Contra Ricardo: On the macroeconomics of pre-Industrial economies.' *European Review of Economic History, volume* 3, pp. 199–232.
Greer, C. R.; Youngblood, S. A and Gary, D. A. 1999. 'Human resource management outsourcing: The make or buy decision.' *Academy of Management Executive,* volume13, no.3, pp: 85-96.
Greaver, M. F. 1999. *Strategic outsourcing*. New York: AMACOM.
Green, M. 2002. *Social development: issues and approaches.* In U. Kothari and M. Minogue (Eds.). *Development theory and practice, critical perspectives*. London: Palgrave.
Greene, J. and, D. Villanueva. 1991. 'Private investment in developing countries: An empirical analysis.' *IMF Staff Papers,* volume 38, no. 1, pp. 33-58.
Greer, C. R.; S. A. Youngblood and Gary, D. A. 1999. 'Human resource management outsourcing: The make or buy decision.' *Academy of Management Executive,* volume 13, volume 3, pp. 85-96.

Greenwald, B. and Stiglitz, J. 2006. 'Helping infant economies grow: Foundations of trade policies for developing countries.' *American Economic Review*, volume 96, no.2, pp.141-146.
Gregorio, D. D.; Musteen, M. and Thomas, E.D. 2009. 'Offshore outsourcing as a source of international competitiveness for SMEs.' *Journal of International Business Studies,* volume 40, no. 6, pp. 969-988.
Gregory, D. 1998. *Power, knowledge and geography. Exploration critical human geography.* Heidelberg: Department of Geography.
Greig, A.; Hulme, D. and Turner, M. 2007. *Challenging global inequality. Development theory and practice in the 21st century.* New York: Palgrave Macmillan.
Grevear, M. F. 1999. *Strategic outsourcing*. New York: American Management

Association.
Griffins, D. 1998. *The theory and practice of outsourcing*. [Online] Available: http://www.inkoopportal.com/inkoopportal/download/common/html/theory_and_pacticeof_outsourcing.pdf.html. [Accessed 8 May, 2010].
Grogan, J. 2007. *Collective labour law*. Cape Town: Juta.
Grover, S. 2012. *Negative effects of social capital.* [Online] Available: http://www.ehow.com/info_8557551_negative-effects-social-capital.html. [Accessed 26 October, 2012].
Guest, R. 2004. *The shackled continent: power, corruption, and African lives* Washington: Smithsonian Books.
Gulla, U. and Gupta, M. P. 2009. 'Deciding information system (IS) outsourcing: a multi-criteria hierarchical approach.' *Vikalpa,* volume 34, no. 2, pp. 25-40.
Gupta, S. K. 2008. *Current trends in outsourcing*. [Online] Available: http://ezinearticles.com/?Current-Trends-in-Outsourcing&id=1403205. [Accessed 4 October, 2012].
Guterl, F. 1996. 'How to manage your outsourcer.' *Datamation* (Mar. 1), pp. 79-83.
Haines, R. and Hurst, A. 2011. 'New trends in development theory in the 21st century.' *Africanus,* volume 4, no.3, pp. 8-27.
Haines, R. and Claeyé, F. 2014. *Course outline for advanced development theory.*
Hakim, C. 2000. *Research design: Successful designs for social and economic research.* London: Routledge.
Hakim, C. 1982. *Secondary analysis in social research*. London: Allen & Unwin.
Hakman, J. R., Wageman, R. 1995. 'Total quality management empirical, conceptual and practiced issues.' *Administrative Science Quarterly*, volume 40, pp.308-342.
Hale, J. 2006. *Outsourcing, training and development. Factors for success*. San Francisco: Pfeiffer.
Hall, M. 2004. 'Outsourcing deals fail half the time.' *Computerworld,* volume 37, p 44.
Hamilton, K. and Clemens, M. 1999. 'Genuine savings rates in developing countries.' *World Bank Econ Review,* volume13, no. 2, pp. 333–356 .
Hamlett, C. 2013. *Why is advertising so important to business?* [Online]Available: http://smallbusiness.chron.com/advertising-important-business-3606.html. [Accessed 3 June, 2013].
Handfield, R. 2006*. A brief history of outsourcing*. [Online] Available: http://scm.ncsu.edu/scm-articles/article/a-brief-history-of-outsourcing. [Accessed 15

October, 2012].
Hanifan, L. J. 1916. ‘The Rural School Community Center.’ *Annals of the American Academy of Political and Social Science,* volume67, pp.130-138.
Hansen, M. W.; Müller,H. S. and Pottenger, E. 2008. ‘Towards a developing country firm perspective on outsourcing.’ *Strategic Outsourcing*, volume 1, no. 3, pp.210 – 229.
Harland, C.; Knight, L.; Lamming, R and Walker, H. 2005. ‘Outsourcing: assessing the risks and benefits for organisations, sectors and nations.’ *International Journal of Operations and Production Management*, volume 25, no.9, pp. 831-850.
Harland, C. M. 1996. *Supply chain management, purchasing and supply management, logistics, vertical integration, materials management and supply chain dynamics.* Unided Kingdom: Blackwell.
Harris, L. 2012. *South Africa carves its outsourcing niche amid flurry of acquisitions.* [Online] Available:http://www.zdnet.com/south-africa-carves-its-outsourcing-niche-amid-flurry-of-acquisitions-7000004554/ .[Accessed 25 February , 2014].
Harrison, D. 1988. *The sociology modernisation and development*. London: Unwin Hyman Limited.
Hart, M. 2008. ‘Outsourcing: Here to stay’. *Health Service Executive*, volume 2, no.3, pp. 61.
Hansen, M. W.; Schaumburg-Müller, H. and Pottenger, E. 2008. ‘Towards a developing country firm perspective on outsourcing.’ *Strategic Outsourcing*, volume 1, no. 3, pp.210 – 229.
Hanson, G. H. 2012. *The globalization of production*. [Online] Available: http://www.nber.org/reporter/spring01/hanson.html[.Accessed 26 October, 2012].
Hasna, A. M. 2007. ‘Dimensions of sustainability’. *Journal of Engineering for Sustainable Development: Energy, Environment and Health,* volume 2, no. 1, pp. 47–57.
Haugen, S. and Roger Selin, J. 1999. ‘Identifying and controlling computer crime and employee fraud.’ *Industrial Management and Data Systems,* volume 99, no. 8, pp. 340-4.
Hayatt, C. 2006. *Eight principles of good outsourcing governance, Computer world,* 15 November, 2006.
Hayek, F. A. 1979. *Law, legislation and liberty: A new statement of the liberal principles and political economy. Volume III: The political order of a free people.*

London: Routledge.
Hayek, F. A. 1973. *Law, legislation and liberty: A new statement of the liberal principles and political economy. Volume I: Rules and Order.* London.
Hayes, I. S. 2004. *Outsourcing, insourcing and saving money*. [Online] Available: http://www.clarityconsulting.com/outsourcing_insourcing_and_saving_money.htm. [Accessed 27 December, 2010].
Hayes, P. and Soskice, D. (eds.) 2001. *Varieties of capitalism: The institutional advantages of competitive advantage.* Oxford: Oxford University Press.
Heal, G. 2009. Climate economics: 'A meta-review and some suggestions for future research.' *Review of Environmental Economics and Policy,* volume 3, no.1, pp. 4–21.
Heeks, R. B. 1999. 'Software strategies in developing countries.' *Communications of the ACM*, volume 42, no.6, pp.15–20.
Held, D.; McGrew, A.; Goldblatt, D. and Perraton, J. 1999. *Global transformations - politics, economics and culture*. Cambridge: Polity Press.
Hellriegel, D.; Slocum, J. W. and Jackson. S. E. 2002. *Management: A competency-based approach.* USA: Cengage South Western.
Helpman, E. and Oleg, I. 2010. 'Labor market rigidities, trade and unemployment.' Review of Economic Studies, volume 77, no. 3.
Heppner, P. P., Kivlighan, D. M., Jr., and Wampold, B. E. 1999. *Research design in counseling*. 2nd edition. New York: Brooks/Cole.
Henning, E.; Rensburg, W. and Smit, B. 2005. *Finding your way in qualitative research.* Pretoria: Van Schaik.
Hertz, S. and Alfredsson, M. 2003. 'Strategic development of third party logistics providers.' *Industrial Marketing Management,* volume 32 no. 2, pp. 139-49.
Hoxter, C. J. 'Outsourcing: the latest target of protectionist forces'. *Caribbean Business,* volume 32, no. 6, p. 10.
Hesse-Biber, S. N. and Leavy, P. 2011. *The practice of qualitative research.* 2nd edition. USA: SAGE Publications, Inc.
Hicks, J. R. 1965. *Capital and growth*. Oxford: Clarendon Press.
Hildyard, N.; Hegde, P.; Wolverkamp, P. and Reddy, S. 1998. *Same platform, different train: The politics of participation* [Online]. Available: http://www.thecornerhouse.org.uk/item.shtml?x=52211.[Accessed 20 April, 2014].

Hill, M. and Jones, L. 2001. *Strategic management an integrated approach*. 5th edition. New York: Houghton Mifflin.

Hilletofth, P. and Hilmola, O. P. 2010. 'Role of logistics outsourcing on supply chain strategy and management : Survey findings from Northern Europe.' *Strategic Outsourcing,* volume 3, no. 1, pp.46-61.

Hirschman, A. O. 1958. *The strategy of economic development*. New Haven: Yale University Press.

Hirschheim, R. and Lacity .M. 2000. 'Information technology insourcing: Myths and realities.' *Communications of the ACM*, volume 43, no.2, pp. 99-107.

Hirschhorn, L. Gilmore, T. 1992. 'The new boundaries of the boundaryless company.' Harvard Business Review, volume 70, no. 3), pp. 104–115,

Hitt, M. A.; Ireland, R. D. and Lee, H. 2000. 'Technological learning, knowledge management, firm growth and performance: an introductory essay.' *Journal of Engineering and Technology Management*, volume 17, pp. 231-46.

Hlatshwayo, Z. 2012. *Time to improve state participation in Africa's extractive industries.* [Online] Available: http://africanarguments.org/2012/10/12/time-to-improve-state-participation-in-africa%e2%80%99s-extractive-industries-%e2%80%93-by-zanele-hlatshwayo. [Accessed 16 October, 2012].

Hoel, P. G., Port, S. C. and Stone, C. J. *Testing hypotheses*. New York: Hoton Mifflin.

Homans, G. 1961. *Social Behavior: Its Elementary Forms.* New York: Harcourt, Brace and World.

Homans, G. C. 1958. 'Social behaviour as exchange.' *American Journal of Sociology*, volume 63, no. 6, pp. 597-606.

Honig, G. 2011. *Equity and debt capital - what's the difference?* [Online] Available: http://www.lendio.com/blog/capital-equity-debt/. [Accessed 10 October, 2011].

Houben, S. 2010. *The new supply chain portal.* [Online] Avaialble: http://blogs.exact.com/products/2010/12/the-new-supply-chain-portal/ .[Accesed 10 October, 2010].

Hoxter, C. J. 'Outsourcing: the latest target of protectionist forces.' *Caribbean Business,* volume 32, no. 6, p. 10.

Hsin-I. H; Kemp, R.G.M.; van der Vorst, J, G.A.J.; (Onno) Omta, S.W.F. 2011. 'Logistics outsourcing by Taiwanese and Dutch food processing industries.' *British*

Food Journal, volume 113, no. 4, pp.550 – 576
Hu, Q.; Saunders, C. and Gebelt, M. 1997. ‘Research report: diffusion of information technology outsourcing: a reevaluation of influence sources.’ *Information Systems Research*, volume 8, no. 3, pp. 288-301.
Hunt, D. 1989. *Economic theories of development: An analysis of competing paradigms.* London: Harvester Wheat sheaf.
Hussey, J. and Hussey, R. 1997. *Business research: A practical guide for undergraduate and post graduate students.* Basingstoke: Macmillan Business
IBM. 2010. *Supply chain management outsourcing optimise your supply operations for efficiency, value and flexibility.* [Online] Available: http://www-935.ibm.com/services/us/index.wss/offerfamily/igs/a1028089.[Accessed 8 June, 2011].
Hust, A. 2011. *Complexity as a methodological paradigm for Development Studies. Afeicanus,* volume 41, no.3, pp.59-72.
Ideyatech. 2008. *Success factors in outsourcing.* [Online] Available: http://www.ideyatech.com/2008/08/success-factors-in-outsourcing/. [Accessed 17 August, 2010].

IFAD. 2015. *The sustainable livelihoods approach.* [Online] Available: http://www.ifad.org/sla/index.htm. [Accessed 10 January, 2015].

Ifediora, J. 2005. ‘The effects of bureaucratic corruption on economic development: The case of Sub-Saharan Africa. Economic indicators.’ *NESG*, volume 11, no.2, pp.8-20.
Imara Africa Securities Team. 2011. *Why outsourcing could be Africa’s next big opportunity. How We Made IT in Africa*. [Online] Available: http://www.howwemadeitinafrica.com/why-outsourcing-could-be-africas-next-bigopportunity/9793/. [Accessed 28 February, 2013].
Independence Day. 2012. *Economy of Kenya.* [Online] Available: http://www.123independenceday.com/kenya/economy.html. [Accessed 15 October, 2012].
India Reports. 2010.*The top ten reasons for outsourcing*. [Online] Available: http://india-reports.com/articles/top-reasons-outsourcing.aspx. [Accessed 19 November, 2012].
Infotech, L. and Infotech, T. 2012. *Delivery model.* [Online] Available:

http://www.lntinfotech.com/services/application_development/global_delivery_model.aspx. [Accessed 5 September, 2012].
Inglehart, R. 1997. *Modernization and post-modernization: Cultural, economic, and political change in 43 Societies.* New Jersey: Princeton University Press.
Inkpen, A. C. 2001. 'Why do some strategic alliances persist beyond their useful life?' *California Management Review,* volume 44, no. 1, pp. 132-49.
Insight into Business in Africa. 2012. *How we made it in Africa*. [Online] Available: http://www.howwemadeitinafrica.com/tag/kenya/. [Accessed 20 September, 2012].

Insinga, R.C. and Werle, M.J. 2000. 'Linking outsourcing to business strategy.' *Academy of Management Executive*, volume 14 no. 4, pp. 58-70.
International Association of Outsourcing Professionals. 2010. *Multinational enterprises (MNEs).* [Online] Available: http://www.marketwire.com/press-release/International-Association-Outsourcing-Professionals-2011-Trends-Forecast-Shows-Industry-1373552.htm. [Accessed 9 October, 2012].
International Business Times. 2012. *Al-Shabab threatens terrorist attack against Nairobi skyscrapers*. [Online] Available:http://www.ibtimes.com/al-shabab-threatens-terrorist-attack-against-nairobi-skyscrapers-700967. [Accessed 4 November, 2012].
International Outsourcing Forum (IOF). 2012. *International outsourcing.* [Online] Available:http://www.arena-international.com/internationaloutsourcingforum. [Accessed 21 October, 2012].
International Institute for Sustainable Development (IISD) .1999. *Empowering communities for sustainable livelihoods.* [Online] Available: http://www.iisd.org/casl/. [Accessed 20 April, 2014].
International Monetary Fund. 2000. *Globalization: threat or opportunity*, *International Monetary Fund*. [Online] Available: http://www.imf.org/external/np/exr/ib/2000/041200.htm#II.[Accessed 28 October, 2012].
Invernizzi, G. Molteni, M. 1992. *Analysis of the strategic balance. Instruments to assess the competitive position, vulnerability, intangible assists*. Milan: Etas Libri SPA.
Isham, J. 1999. *The effect of social capital on technology adoption: Evidence from rural Tanzania.* Paper presented at the annual meeting of the American Economic Association, New York City.

Isham, J. and Kaufmann. D. 1999. ‘The forgotten rationale for policy reform: The Productivity of investment projects.’ *Quarterly Journal of Economics,* volume 114, no. 1, pp. 149-84.
Ison, S. 2000. *Economics.* London: Prentice Hall.
IT News Africa. 2010. *Kenyan operators turn to outsourcing to stay in the game*.[Online[Available: http://www.itnewsafrica.com/?p=6900.[Accessed 7 May, 2010].
IT Services and outsourcing. 2005. *Nine principles that are the cornerstone of successful outsourcing relationships*. [Online] Available: http://www.computerweekly.com/Articles/2005/10/26/212632/nine-principles-that-are-the-cornerstone-of-successful-outsourcing.htm. [Accessed 10 May, 2009] .
Itagaki, Y. 1963. Critism of Rostow’s stage approach: The concept of stage approach: The concepts of stage, system and type. *The Developing Economies, volume* 1 no. 1. pp 1-17.
Iyanaga, S. and Kawada, Y. (eds.). 1980. *Statistical estimation and statistical hypothesis testing.* Cambridge, MIT Press.
Jackson, S.L. 2009. *Research methods and statistics: A critical thinking approach. 3*rd edition*.* Belmont, CA: Wadsworth.
Jackson, C. 2013. *The advantages of exploratory research design.* [Online] Available:http://www.ehow.com/info_8525088_advantages-exploratory-research-design.html [Accessed 18 September, 2013].
Jacobs, J. 1961. *The Life and Death of Great American Cities* New York: Random House.
Ja¨ger, K., Hilletofth, P. and Ujvari, S. 2009. ‘From standard 3PL provider to service developer: a case study from the Swedish furniture industry.’ *World Review of Intermodal Transportation Research,* volume. 2, no. 4, pp. 376-90.
Jagersma, P.K. and Gorp, D.M.V. 2007. ‘Redefining the paradigm of global competition: offshoring of service firms.’ *Business Strategy Series*, volume 8, no. 1, pp. 35-42.
James, D. 2003. *The outsourcing advantage*. Business Review Weekly. [Online] Available:http://www.businessweek.com/stories/2003-01-29/the-future-of-outsourcing. [Accessed 30 June, 2011].
James. E. and Shepsle, K. (eds). 1990. *Perspectives on positive political economy*. New York: Cambridge University Press.

James, H. S. and Weidenbaum, M. 1993. *When businesses cross international borders.* Westport: CT Praeger.

Javalgi, R. G., Dixit, A. and Scherer, R. F., 2009. 'Outsourcing to emerging markets: Theoretical perspectives and policy implications.' *Journal of International Management*, volume15, no. 2, pp.156–168.

Jeffries, R. 1993. 'The state, structural adjustment and good governance in Africa'. *Journal of Commonwealth and Comparative Politics*, volume 31, pp. 20-35.

Jensen, P.O. and Pedersen, T. 2007. *The antecedents of offshoring advanced tasks, SMG/CBDS working paper.* Copenhagen: Copenhagen Business School.

Jenster, P. Pedersen, H. S.; Plackett, P., and Hussey, D. 2005. *Outsourcing – insourcing. Can venders make money from the new relationship opportunities?* England: John Wiley & Sons, Limited.

Jones, W. 2004. 'Offshore outsourcing: Trends, pitfalls, and practices.' *Sourcing and Vendor relationships,* volume 4, no: 4.

Jones, W. 1997. 'Outsourcing basics.' *Information Systems Management* (Winter), volume 14, pp. 66-69.

Joppe, M. 2000. *The research process.* [Online] Available: http://www.ryerson.ca/~mjoppe/rp.htm**.**[Accessed 10 march 2012].

Joshi, K. and Mudigonda, S. 2008. 'An analysis of India's future attractiveness as an offshore destination for IT and ITenabled services.' *Journal of Information Technology*, volume 23, no.4, pp.215–227.

Kakabadse, N., and Kakabadse, A. 2003. 'Outsourcing best practice: transactional and transformational considerations.' *Knowledge and Process Management*, volume 10, no.1, pp. 60-71.

Kamau, P. 2010. *A Study of events management outsourcing in Kenya(MBA.)* Nairobi: Strathmore University.

Kamau, M. and Lucheli, I. 2011. 'Kemu pioneers in BPO programme.' *Standard Newspaper*, 20 June, 2011, p 36.

Kang, M.; Wu, X. and Hong, P. 2009. 'Strategic outsourcing practices of multi-national corporations (MNCs) in China.' *Strategic Outsourcing*, volume 2, no. 3, pp. 240 – 256.

Karl, P. 2000.*The great transformation: The political and economic origins of our time*. [Online] Available: http://eh.net/book_reviews/great-transformation-political-and-economic-origins-our-time. [Accessed 28 October, 2012].

Kathawala, Y. and Elmuti, D. 2000. 'The effects of global outsourcing strategies on organisational effectiveness and participants' attitudes.' *International Journal of Manpower*, volume 21, no. 2, pp.112-128.
Kearney, A. T. 2009. *The shifting Geography of offshoring.* [Online] Available: http://www.atkearney.com/gbpc/global-services-location-index/past-report/-/asset_publisher/CH1tFgUp6N46/content/2009-a-t-%C2%A0kearney-global-services-location-index/10192. [Accessed 24 May, 2014].
Keck, M. and Kathryn, S. 1998. *Activists beyond borders: Advocacy networks in international politics.* New York: Cornell University Press.
Kellner, D. 1997. *Globalization and the postmodern turn, UCLA*. [Online] Available: http://www.gseis.ucla.edu/courses/ed253a/dk/GLOBPM.htm. [Accessed 28 October, 2012].
Kelly, E., 2010. 'Equal opportunity, unequal capability', in Brighouse and Robeyns (eds.), pp. 61–80.
Kelsey, J. 2009. *Reinvigorating debate on neo-liberalism*. [Online] Available: http://www.law.auckland.ac.nz/uoa/home/news/template/news_item.jsp?cid=209747. [Accessed 26 October, 2012].
Kemibaro, M. 2009. *Outsourcing boom coming to Kenya.* [Online] Available: http://www.moseskemibaro.com/2009/04/11/outsourcing-boom-coming-to-kenya/. [Accessed 15 October, 2012].
Ken Invest. 2008. *Investment opportunities*. [Online] Available: http://www.investmentkenya.com. [Accessed 20 March, 2009].
Kennedy, G. and Clark, D. 2006. 'Outsourcing to China – risks and benefit.' *Computer Law and Security Report,* volume 22, no. 3, pp. 250-3.
Kent state University. 2012. *Savings and investment.* [Online] Available: http://www.personal.kent.edu/~cupton/bbamacro/ma05.htm.[Accessed 18 September,2012].
Kenya Engineer. '2011. BPO firm pumps sh 75 million into Kenya.' *Kenya Engineer Journal of the Institute of Engineers of Kenya,* volume 32, no.1, p. 24.
Kenya Institute for Public Policy Research and Analysis and Overseas Development Institute. 2007. *Trade Policy-Making Process in Kenya: The Institutional Arrangements and Interaction of Actors.*[online] Available: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/1808.pdf. [Accessed 12 May, 2013].

Kenya National Bureau of Statistics. 2011. *Economic survey*. Nairobi: Government Press.
Kenya National Bureau of Statistics. 2012. *Kenya unemployment rate*. [Online] Available: http://www.tradingeconomics.com/kenya/unemployment-rate [Accessed 21 October, 2012].
Kenya National Bureau of Statistics. 2013. *Kenya GDP growth rate*. [Online] Available: http://www.knbs.or.ke/. [Accessed 12 June, 2014].
Kern, T., and Willcocks, L. 2000. 'Exploring information technology outsourcing relationships: theoryand practice.' *The Journal of Strategic Information Systems,* volume 9, no. 4: pp. 321-350.
Kern, T., and Willcocks, L. P. 2001. *The relationship advantage: information technologies, sourcing, and management.* Oxford: Oxford University Press.
Kervin, J. B. 1999. *Methods of business research*. 2nd edition. Newyork: Harper Collins. Kessler, I. and Shapiro, J. 2002. 'Contingent and non-contingent working in local government.' *Public Administration,* volume 80, pp. 77-101.
Keynes, J. M. 1936. *The general theory of employment, interest, and money.* London: Macmillan.
Khan, S. 2012. *Definition of a monetary policy*. [Online] Available: http://www.ehow.com/about_6619233_definition-monetary-policy.html [Accessed 17 March, 2012].
Kibera, F. N. (ed.). *Introduction to business a Kenyan perspective*. Nairobi: Kenya literature Bureau.
King, W. R. 2005. 'Innovation in responding to the threat of IT offshoring.' *Information Systems Management*, volume 22, no.4, pp.80-1.
Koch, S. 2008. 'Sourcing decisions in the finance sector: current state and focus on economies of scale and knowledge management.' *International Journal of Services, Economics and Management,* volume 1, no. 2, pp. 163-82.
Koech, W. K. 2007. A study on factors affecting IT services outsourcing in multinational manufacturing firms in Kenya: A case of British American Tobacco Kenya Limited (MBA). Nairobi: University of Nairobi.
Kiiru, J. W. 2011. *The effectiveness of business process outsourcing in Safaricom Limited-Kenya* (MBA).Nairobi: University of Nairobi.
Killick, T. 1998. Aid and political economy of policy change. London: Routledge
Kilpatrick, S.; Johns, S. and Mulford B. 2010. 'Social capital, educational institutions

and leadership.' *The International Encyclopedia of Education*, 3rd edition, Elsevier Science.

Kim, G. M. and Won, H. J. 2007. 'HR BPO service models for small and medium enterprises.' *Business Process Management Journal,* volume 13, no. 5, pp. 694-706.

Kinai, W. 2000. *An investigation of the impact of corporate restructuring on the shareholder value: a case study of companies quoted on the Nairobi Stock Exchange.* Thika: MBA Kenyatta University.

Kindleberger, C. P. 1967. *Europe's postwar growth: The role of labor supply* Cambridge: Harvard University Press.

King, J., and Kraemer, K. 1985. *The dynamics of computing*. New York: Columbia University Press.

Kinyanjui, N. 2011. *6 Secrets to Nairobi Outsourcing. [*Online] Available: http://likechapaa.com/2011/08/6-secrets-to-nairobi-outsourcing/. [Accessed 20 May, 2012].

Kipsang, N. 2003. *A survey of outsourcing information technology services by commercial bank in Kenya (MBA). Nairobi:* University of Nairobi.

Kiringai, J. 2001. *Debt and the PRSP conditionality: The Kenya case, preliminary draft*. Nairobi: Kenya Institute of Public Policy Research and Analysis (KIPPRA)

Kirui, S. 2001. *Competitive advantage through outsourcing of non core logistics activities within the supply chain of British American Tobacco Kenya (MBA).* Nairobi: University of Nairobi.

Klein, P. and Luu, H. 2003. 'Politics and productivity.' *Economic Inquiry*, volume 41, pp. 433-47.

Klepper, R. 1995. 'The management of partnering development in IS outsourcing.' *Journal of Information Technology, volume* 10, no. 4, pp. 249-258.

Klepps, R. and W. Jones. 1999. *Effectively managing the outsourcing relationships.* [Online] Available: http://www.Outsourcing.com/articles/itserve. [Accessed 9 November, 2013].

Knack, S. and Keefer.P. 1997. 'Does social capital have an economic pay off? A cross-country investigation.' *Quarterly Journal of Economics,* volume 112, pp. 1251-88.

Knudson, M. P. and Servais, P. 2005. *International outsourcing theoretical classification and future prospects, proceedings of the 18th Scandinavian of Academy of Management meeting, Aartus, August.*

Köhler, G. and Tausch, A. 2002. *Global keynesianism: Unequal exchange and global exploitation.* New York: Nova Science

Kohler, W. 2004. 'International outsourcing and factor prices with multistage production.' *Economic Journal*, volume 114, pp. 166-185.

Korten, D. C. 1991. *People centered development: Alternative for a world in crisis*. Manilla: PCD Forum.

Kothari, C. R. 2011. *Research methodology methods and techniques*. 2nd edition. New Delhi: New Age International (P) Limited, Publishers.

Kotler, P. and Armstrong, G. *Principles of marketing*. 11th edition. New Jersey: Pearson Prentice Hall.

Knowledge Base. 2006. *Deduction and induction*. [Online] Available: http://www.socialresearchmethods.net/kb/dedind.php. [Accessed 18 September, 2013].

Knowledgehills. 2011. *Kenya - BPO, data entry, call centre outsourcing, KPO, ITeS companies list.* [Online]. Available: http://bpo.knowledgehills.com/BPO/Companies/Kenya. [Accessed 20 November, 2013].

Krathwohl, D. R. 1993. *Methods of educational and social science research: An integrated approach*. New York: Longman.

Krempel, L. and Pluemper, T. 1997. *International division of labor and global economic processes: An analysis of the international trade of cars with world trade data.* [Online] Available: http://www.mpi-fg-koeln.mpg.de/~lk/netvis/globale/.[Accessed 26 October, 2012].

Krempel, L. and Pluemper, T. 1999*. International division of labor and global economic processes: An analysis of the international trade of cars with world trade data.* [Online] Available: http://www.mpi-fg-koeln.mpg.de/~lk/netvis/globale/. [Accessed 26 October, 2012].

Krueger, A. O. 1974. 'The political economy of the rent-seeking society.' *American Economic Review*, volume 64, no.3, pp. 291–303.

Krugman, P. and Taylor, L.1978. 'Contractionary effects of devaluation.' *Journal of Development Economics*, volume14, pp. 445-56.

Kshetri, N. 2007. 'Institutional factors affecting offshore business process and information technology outsourcing.' *Journal of International Management*, volume 13, pp. 38-56.

Kuehn, L.1999. *Responding to globalization of education in the Americas -- strategies to support public education*. *Civil Society Network for Public Education in the Americas – CSNPEA*. [Online] Available: http://www.vcn.bc.ca/idea/kuehn.htm. [Accessed 28 October, 2012].

Kuklys, W., 2005, *Amartya Sen's capability approach: Theoretical insights and empirical applications*. Berlin: Springer.

Kumar, N., 2005. *Indian software industry development: National and international perspectives. ICTs and Indian Economic Development: Economy, Work, Regulation*. New Delhi: SAGE Publications.

Kumar, R. 2005. *Research methodology: a step-by-step guide for beginners*. 2nd edition London: Sage Publications.

Kumar, K.; Van Fenema, P. and Von Glinow, M. 2009. 'Offshoring and the global distribution of work: implications for task interdependence theory and practice.' *Journal of International Business Studies,* volume 40, no. 4, pp. 642-667.

Kumar,S.; Medina,J. and Nelson, M. T. 2009. 'Is the offshore outsourcing landscape for US manufacturers migrating away from China?' *Supply Chain Management*, volume, 14, no. 5, pp.342 – 348.

Kurtus, R. 2001. *Basic principles of total quality management (TQM)*. [Online] Available: http://www.school-for-champions.com/tqm/principles.htm /. [Accessed 17 March, 2012]. Kuttner, R. 2002. *Globalization and poverty*, *the American prospect.* [Online] Available: http://www.prospect.org/print/V13/1/global-intro.html. [Accessed 28 October, 2012].

Kuznets, S. 1955. 'Economic growth and income inequality.' *American Economic Review,* volume. 45, no. 1, pp. 1-28.

Kuznets, S. 1971. *Modern economic growth: Rate, structure and spread.* New Haven: Yale University Press.

Laabs, J. 1998. 'The dark side of outsourcing.' *Workforce* (Sept. issues), volume 77, no. 9, pp: 42-46.

Lacity, M. 1995. 'It outsourcing: Maximize flexibility and control.' *Harvard Business Review* (May-June), volume 84–93.

Lacity, M.; Rottman, J. and Khan, S. 2010. 'Field of dreams: building IT capabilities in rural America.' *Strategic Outsourcing,* volume 3, no. 3, pp. 169-91.

Lacity, M. C.; Stan, S.; Aisha, Y. and Willcocks, W. 2001. 'Business process outsourcing studies: A critical review and research directions.' *Journal of information*

technology, volume 26, no. 4, pp. 221-258.
Lacity, M.C., Wilcoks, L. P. and Feeny, D.F. 1995. 'IT outsourcing: maximize flexibility and control.' *Harvard Business Review,* volume 73, no. 3, pp. 86-7.
Lacity, M. and Willcocks, L. 1998. 'An empirical investigation of information technology sourcing practices.' *Management Information System Quarterly,* volume 22, issue 3, pp. 363-408.
Lacity, M., Hirschheim, R. and L. Willcocks. 1994. 'Realizing outsourcing expectations: Incredible expectations, credible outcomes.' *Information Systems Management,* volume11, no.4, pp.7-18.
Lackow, H. M. 2001. *IT outsourcing trends*. New York: The Conference Board.
Lal, D. 2000. *The poverty of development economics*. 2nd review. Cambridge.: MIT Press.
Lal, D. 2007. 'Review of biography of a subject: An evolution of development economics by Gerald M. Meier.' *Journal of Economic Literature, volume* 45, pp. 459–63.
Landes, D.1998. *The wealth and poverty of nations: Why some are so rich and some so poor.* New York: W.W. Norton.
Langat, J. 2007. *Factors influencing outsourcing of human resource services as a means to achieve effective organizational performance: a case study of Kenya Post Office Savings Bank.* Kenya (MSc). Juja: Jomo Kenyatta University of Agriculture and Technology.
Lankford, W. and Parsa, F. 1999. 'Outsourcing: a primer.' *Management Decision,* volume 37, no.4, pp. 310-316.
Larsen, M. Manning, S. and Pedersen, T. 2012. Uncovering the hidden costs of offshoring: the interplay of complexity, organizational design, and experience *Strategic Management Journal*, volume 34, Issue 5,pp. 533-552.
Latouche, S. 1993: *In the wake of the affluent society: An exploration of post-development*. London: Zed Books.
Lau, K.H. and Zhang, J. 2006. 'Drivers and obstacles of outsourcing practices in China.' *International Journal of Physical Distribution and Logistics Management,* volume 36, no.10, pp. 776-92.
Laudon, k.C. and Laudon, J.P. 2004. *Management information system.* 8th edition. NewJersey: Prentice Hall.
Laurie, L. 2012. *Benefits that can be derived from outsourcing companies.* [Online]

Available:http://ezinearticles.com/?Benefits-That-Can-Be-Derived-From-Outsourcing-Companies&id=6825009. [Accessed 8 November, 2013].
Lee, S. 2010. *Outsourcing - Five tips on working with international companies.* [Online] Available: http://ezinearticles.com/?Outsourcing---Five-Tips-on-Working-With-International-Companies&id=3886598. [Accessed 10 October, 2012].
Lee, J. N.; Huynh, M.Q. and Chi-wai, K. R. 2000. *The evolution of outsourcing research: IEEE computer society, proceedings of the 33rd Hawaii international conference on system sciences,volume 7.*
Lee, J. N. and Kim, Y. G. 1999. 'Effect of partnership quality on IS outsourcing success: Conceptual framework and empirical validation.' *Journal of Management Information Systems,* volume 15, no. 4, pp: 29-61.
Lee, J. N.; Huynh, M.Q. and Kwok, R. C. W. 2003. 'IT outsourcing evolution--past, present, andfuture.' *Communications of the ACM,* volume 46, no. 5, pp. 84-89.
Lee, J. N.; Huynh, M. Q.; Chi-wai, K. R. and Pi, S. P. 2000. *The evolution of outsourcing research: what is the next issue?* Proceedings of the 33rd Hawaii International Conference on System Sciences (HICSS-33), 4-7 January, Maui, HI, IEEE Computer Society, Washington, DC.
Leedy, P. D. and Ormrod, J. E. 2010. *Practical research: planning and design*. 9th edition. New Jersey: Pearson Education, Inc.
Leke, A.; Lund, S; Roxburgh, C. and Wamelen, A. V. 2010. *What's driving Africa's growth?* [Online] Available: http://www.mckinsey.com/insights/economic_studies/whats_driving_africas_growth. [Accessed 14 May, 2014].
Lepak, D. P. and Snell, S, A. 1998. 'Virtual HR: Strategic human resource management in the 21st century.' *Human Resource Management Review* , volume 8, no. 3, pp. 215–234.
Levine, S. and White, P. 1961. 'Exchange as a conceptual framework for the study of interorganizational relationships.' *Administrative Science Quarterly,* volume 5, no. 4, pp. 583-601.
Legan, J. P. 1961. *Extension teaching methods in extension education in community development, directorate of extension.* New Delhi: GOI.
Lewin, A. Y. and Peeters, C. 2006a. 'Offshoring work: business hype or the onset of fundamental transformation?' *Long Range Planning*, volume 39, no.3, pp.221-39.
Lewin, A. Y. and Peeters, C. 2006b. 'The top-line allure of off-shoring.' *Harvard*

Business Review, volume 84, no.3, pp.22-4.
Lewis, A. 2011. *Outsourcing is not the answer pro for business operations, there's no place like home.* [Online] Available: http://www.businessweek.com/debateroom/archives/2011/06/outsourcing_is_not_the_answer.html. [Accessed 18 September, 2012].
Lewis, D.; Rodger, D. and Woolcock, M. 2005. 'The fiction of development: knowledge, authority and representation.' *Working Paper Series, London School of Economics and Political Science*, no. 5-61, pp. 1-8.
Lewis, W. A. 1954. 'Economic development with unlimited supplies of labor.' *Manchester School of Economic and Social Studies,* volume. 22, pp. 139-91.
Lewis, W. A. 1955. *The theory of economic growth.* Homewood: Richard D. Irwin.
Lewis, W. A. 1969. *Aspects of tropical trade 1883-1965.* Stockholm: Almquist and Wicksell.
Lewis, W. A. 1977. *The evolution of the international economic order.* Princeton: Princeton University.
Levy, S. 1988. *Information technologies in universities: An institutional case study*. Unpublished doctoral dissertation, Northern Arizona University, Flagstaff.
Lewis, W. A. 1968. *Economic development with unlimited supplies of labour* . [Online] Available: http://www.globelicsacademy.net/2008/2008_lectures/lewis%20...[Accessed 5 April, 2012].
Lieb, R.C., Miller, R.A. and Wassenhove, L.N.V. 1993. 'Third party logistics services: a comparison of experienced American and European manufacturers.' *International Journal of Physical Distribution and Logistics Management,* volume. 23, no. 6, pp. 35-44.
Lindsey, B. 2004. *Job losses and trade: A reality check. Trade Briefing Paper no. 19, Gato Institue.* [Online] Available: http://www.cato.org/publications/trade-briefing-paper/job-losses-trade-reality-check. [Accessed 12 Novemebr, 2014].
Linder, J. C. 2004a. 'Transformational outsourcing.' *Supply Chain Management Review,* volume 8, no. 4, pp. 54-61.
Linder, J. C. 2004b. 'Transformational outsourcing.' *MIT Sloan Management Review,* volume 45, no. 2, p. 58.
Linder, J. C. 2004c. *Outsourcing for radical change: A bold approach to enterprise transformation.* New York: AMACOM.

Littler, C. and Benson, J. 2002. 'Outsourcing and workforce reductions: An empirical study of Australian organisations.' *Asia Pacific Business Review*, volume 8, no.3, pp.16-30.

LLerner, D. 1995. *The passing of traditional society: Modernizing the Middle East*. [Online] Available : http://www.amazon.com/The-Passing-Traditional-Society-Modernizing/dp/0029185807. [Accessed 20 May, 2012].

Loehlin, J. 1992. *Latent variable models*. Hillsdale, NJ: Lawrence Erlbaum Associates. Logan, M. S. 2000. 'Using agency theory to design successful outsourcing relationships.' *International Journal of Logistics Management*, volume11, no. 2, pp. 21-32.

Logan, M. S.; Faught, K. and Ganster, D.C. 2004. 'Outsourcing a satisfied and committed workforce: a trucking industry case study.' *International Journal of Human Resource Management,* volume15, no. 1, pp.147-162.

Loh, L. and Venkatraman, N. 1992a. 'Determinants of information technology outsourcing: a cross sectional analysis.' *Journal of Management Information Systems*, volume 9, no. 1, pp. 7-24.

Loh, L. and Venkatraman, N. 1992b. 'Diffusion of information technology outsourcing: influence sources and the Kodak effect'. *Information Systems Research,* volume 3, no. 4, pp. 334-78.

Loosely coupled, 2010. *Service level agreement.* [Online] Available: http://looselycoupled.com/glossary/SLA. [Accessed 20 October 2012]

Lucas, R. E. 2002. *Lectures on economic growth.* Cambridge: Harvard University Press. Lucey, T. 2003*. Management accounting*. 5th edition. Padstow, Cornwall: TJ international

Macneil, I. R. 1980*. The new social contract: An inquiry into modern contractual relation.* New Haven: Yale University Press.

Macronimous Web Solutions. 2009. *Seven tips for successful outsourcing relationship.* [Online] Available: http://www.macronimous.com/resources/outsourcing_best_practices.htm. [Accessed 20 October, 2011].

Maelah, R.; Aman, A.; Amirruddin,R. Auzair, S. M. and Hamzah, N. 2012. 'Accounting outsourcing practices in Malaysia.' *Journal of Asia Business Studies,* volume 6, no. 1, pp.60 – 78.

Magical, M. 2010. *How Outsourcing is developing in Kenya*. [Online] Available: http://www.insidebusiness360.com/index.php/how-outsourcing-is-developing-in-kenya-9568/. [Accessed 7 August, 2013].

Maku, J. K. and Iravo, M. A. 2013. 'Effects of outsourcing on organizational perfomance at Delmonte Kenya Limited'. *International Journal of Social Sciences and Entrepreneurship,* volume1, no. 5, pp. 104-117.

Makwana, R. 2006 *Neoliberalism and economic globalization.*[Online] Available: http://www.stwr.org/globalization/neoliberalism-and-economiglobalization.html. [Accessed 7 August, 2014].

Malik, A. R. 2007. *Effects of outsourcing IT positions to low cost countries.* [Online] Available:http://groundreport.com/effects-of-outsourcing-it-positions-to-low-cost-countries/. [Accessed 20 May, 2012].

Man-chong, W. and Kin-fan, A. 2007. 'Central and Eastern European countries and North Africa: The emerging clothing supplying countries to the EU.' *Journal of Fashion Marketing and Management,* volume 11, no. 1, pp.56 – 68.

Manning, S. 2013. *Can Africa Become a Global Outsourcing Hub? Some Food for Thought.* University of Massachusetts Boston [Online] Available: http://blog.myc4.com/2013/07/15/can-africa-become-a-global-outsourcing-hub-some-food-for-thought/. [Accessed 14 March, 2014].

Manning, S.; Boons, F.; Von Hagen, O. and Reinecke, J. 2011. *National contexts matter: The co-evolution of sustainability standards in global value chains. Ecological Economics, Forthcoming.* [Online] Available: http://www.academia.edu/1121280/National_Contexts_Matter_The_Co-evolution_of_Sustainability_Standards_in_Global_Value_Chains. [Accessed 5 April, 2012].

Manning, S.; Massini, S. and Lewin, A.Y. 2008. 'A dynamic perspective on next-generation offshoring: the global sourcing of science and engineering talent.' *Academy of Management Perspectives,* volume 22, no. 3, pp. 35-54.

Manono , G. 2012. *New Kenya: Business Process Outsourcing (BPO), destination Nairobi.* [Online] Available: http://www.kenya-today.com/technology/ew-kenya-business-process-outsourcing-destination-nairobi. [Accessed 23 October, 2013].

Mao, J.; Lee, J. and Deng, C. 2008. 'Vendors' perspectives on trust and control in offshore information systems outsourcing.' *Information and Management*, volume 45,

no. 7, pp. 482-4.
Marasco, A. 2008. 'Third-party logistics: a literature review.' *International Journal of Production Economics,* volume 113, no. 1, pp. 127-47.
Marcus, I. 2010. 'Agile supply chain: strategy for competitive advantage', *Journal of Global Strategic Management,* volume 7, pp. 5-17.
Marquis, A. and Media, D. 2014*. The difference between outsourcing and insourcing.* [Online] Available:http://smallbusiness.chron.com/difference-between-outsourcing-insourcing-32400.html. [Accessed 24 May, 2014].
Martes, R. 2013. *Inductive versus deductive reasoning.* [Online] Available: http://www.ehow.com/facts_5171103_inductive-versus-deductive-reasoning.html.. [Accessed 18 September, 2013].
Martin, J. and Samels, J. E. 2010. *International Outsourcing Forum (IOF).Outsourcing, insourcing and everything in between.* [Online] Available: http://www.universitybusiness.com/article/outsourcing-insourcing-and-everything-between. [Accessed 21 October, 2012].
Matin, K. M and Wasow, B.1992. *Adjustment and private investment in Kenya.* Washington: World Bank.
Martinez, E. and García, A. 2011. *What is neo-liberalism?* [Online] Available: http://www.globalexchange.org/resources/econ101/neoliberalismdefined. [Accessed 20 February, 2012].
Martinez, P*.* 2010. *Introduction to international economics handbook*.
Martinussen, J. 1997. *Society, state and market: A guide to competing theories of development.* Pretoria: HSRC., pp. 34-45.
Mauro, P.1995. 'Corruption and growth'. *The Quarterly Journal of Economics*, volume I, pp.682-712.
Mayer, C. S. 1987. *In search of stability: Explorations in historical political economy.* Cambridge: Cambridge University Press.
Mayhew, R. 2014. *Why use HR outsourcing functions?* [Online] Availab http://www.ehow.com/info_7753350_use-hr-outsourcing-functions.htmlle:[Accesed 10 October, 2014].
McCarthy, E. 1996. 'To outsource or not to outsource – what's right for you?' *Pension Management,* volume 32, no.4, pp.12-17.
McFarlan, F. W. and Nolan, R. L. 1995. 'How to manage an IT outsourcing alliance.' *Sloan Management Review,* volume 36, no.2 (Winter), pp. 9–23.

McGriff, M. 2012. *What is the meaning of theoretical framework?’* [Online] Available: http://www.ehow.com/about_6382450_meaning-theoretical-framework_.html. [Accessed 9 September, 2012].
McLellan, K. L.; Marcolin, B. L. and Beamish, P.W. 1995. ‘Financial and strategic motivations behind IS outsourcing.’ *Journal of Information Technology,* volume 10, no. 4, pp. 299-321.
McIvor, R. 2000. ‘A practical framework for understanding the outsourcing process.’ *SupplyChain Management: an International Journal,* volume 5, no. 1, pp. 22-36.
McQuail, D. 2000. *McQuail’s mass communication theory.* 4th edition. New Delhi: Sage Publications.
McNamara, C. 2011. *7 important principles of total quality management*. [Online] Available:http://managementhelp.org/blogs/quality/2011/03/31/7-important-principles-of-total-quality-management/. [Accessed 17 March, 2012].
Meadows, D. H.; Meadows, D.L.; Randers, J. and Behrens III, W. W. 1972. *The limits to growth.* New York. Publishing company.
Meissler, A. 2004. ‘Think globally act rationally.’ *Workforce Management*, volume 83, no.1, pp. 40-45.
Meilan, S. 2010. *Factors that hinder employee performance.* [Online] Available: http://www.insidebusiness360.com/index.php/factors-that-hinder-employee-performance-employee-performance-good-performance-9725/.[Accessed 10 November, 2013].
Mentzer, J. T.; DeWitt, W.; Keebler, J. S.; Min, S.; Nix, N.W.; Smith, C. D. and Zacharia, Z. G. 2001. ‘Defining supply chain management.’ *Journal of Business Logistics,* volume 22, no. 2, pp. 1-25.
Metters, R. 2008. ‘A typology of offshoring and outsourcing in electronically transmitted Services.’ *Journal of Operations Management,* volume 26, no. 2, pp. 198-211.
Metters, R. 2008. ‘A case study of national culture and off-shoring services.’ *International Journal of Operations & Production Management,* volume 28, no. 8, pp. 727-747.
Metz, C. ‘Tech support coming home?’ *PC Magazine*, volume 23, no. 3.
Meyer, J., and W. Scott 1983. *Organizational Environments: Ritual and Rationality*. Beverly Hills: Sage.
Meyerson, J. 2009. *The most common sourcing request for proposal mistakes*.

[Online] Available: http://www.projectsmart.co.uk/the-most-common-sourcing-rfp-mistakes.html. [Accessed 5 March, 2012].
Meyrowitz, J. and J. Maguire .1993. 'Media, place and multiculturalism. *Society*, volume 30, no. 5, pp. 41-48.
Mezak, S. 2011. *A handbook on software outsourcing on-site vendor checklist*. Redwood City: Accelerance, Inc.
Miah, M .2004. *Outsourcing and the unions.* [Online] Available: http://www.solidarity-us.org/site/node/411.. [28 June, 2012].
Michaels, D.2011. *Process outsourcing companies- Challenges outsource companies in the developing world phase.* [Online] Available: http://www.123employee.com/articles/process-outsourcing-company-challenges-outsource-companies-in-the-developing-world-face.html. [Accessed 10 October, 2013].
Michael, C. C. and Stanfield, J. R. 2003. 'Social capital, Karl Polanyi, and American social and institutional economics.' *Journal of Economic,* volume 37, pp. 397-404.
Michèle, E. M. S.; Ding, O.; Qian. W, 2011. 'What motivates manufacturing SMEs to outsource offshore in China? : Comparing the perspectives of SME manufacturers and their suppliers.' *Strategic Outsourcing,* volume 4, no. 1, pp. 67 – 88.
Microsourcing. 2012 *Outsourcign models.*[Online] Available: http://www.microsourcing.com/info/outsourcing-models.asp.2012. [Accessed 17 September, 2012].
Migdal, J. 1988. *Strong societies and weak States.* New Jersey: Princeton University Press.
Miles, M. and Huberman, M. 1984. *Qualitative data analysis: A source book for new methods*. Beverly Hills, CA: Sage Publications.
Milgrom, P. R. and Roberts, J. 1995. 'Complementarities and fit: strategy, structure, and organizational change in manufacturing.' *Journal of Accounting and Economics,* volume 19, nos. 2/3, pp. 179-208.
Minami, R. 1973. *The turning point in economic development: Japan's experience,* Tokyo: Kinokuniya.
Mindrum, C.; Hindle, J., Lacity, M.; Simonson, E.; Sutherland, C. and Willcocks, L. 2012. *Achieving high performance in BPO: Research report.* [Online] Available: http://www.accenture.com/Microsites/highperfbpo/Pages/home.aspx. [Accessed 14 May, 2014].

Minevich, M. and Richter, F. 2005. *Global outsourcing report*. New York.: Horasis and Going Global Ventures Inc.
Ministry of Education. 2012. *The success of Free Primary Education in Kenya*. [Online] Available: http://www.education.go.ke/ShowPage.aspx?department=1&id=295. [Accessed 17 October, 2012].
Ministry of Housing. 2011. *Kenya slum upgrading programme.* [Online] Available: http://www.housing.go.ke/?cat=18. [Accessed 17 October, 2012].
Minoli, D. 1995. *Analysing outsourcing*. New York: Mc Graw Hill Inc.
Minow, M. and Freeman, J. 2009.*Minow and Freeman look at the issues raised by outsourcing.* [Online] Available: http://www.law.harvard.edu/news/spotlight/faculty-research/minow-and-freeman.html. [Accessed 18 September, 2012].
Mintzberg, M. 1979. *The structuring of organisations*. New York. Prentice Hall,
Mises, L. 1962. *The free and prosperous commonwealth: An exposition of the ideas of classical liberalism.* New Jersey: Van Nostrand
Mittelman, J. H. 1997. *Globalisation: critical reflections.* London: Lynne Rienner Publishers.
Mkandawire, T. 2001. 'Thinking about the developmental state in Africa.' *Cambridge Journal of Economics,* volume 25, pp. 289–313.
Mkandawire, T. (ed). 2004. *Social policy in a development context.* Basingstoke: Palgrave-Macmillan/ UNRISD.
Mobi Web Technologies, 2014. *Business model*. [Online] Avalable: http://www.mobiwebtech.com/index.php/business-model. [Accessed 16 June, 2014].
Mohamed, H. 2006. *A survey of outsourcing of training services by commercial banks in Kenya (MBA)*. Nairobi University of Nairobi.
Mohammad, O. F, 1988. 'Basic needs approach, appropriate technology, and institutionalism.' *Journal of Economic Issues,* volume 22, no. 2, pp. 363-370.
Mol, M.; van Tulder, R. and Beije, P. 2005. 'Antecedents and performance consequences of international outsourcing.' *International Business Review,* volume 14, no. 5, pp. 599-617.
Monbiot, G. 2004. *The flight to India*. The Guardian, 21 October 2004. [Online] Available: http://www.theguardian.com/world/2003/oct/21/india.politics. [Accessed 12 November, 2014].
Monczka, R.M.; Carter, J.R.; Markham, W.J. and Blascovich, J. and Slaight, T. 2005.

Outsourcing strategically for sustainable competitive advantage. Binghamton, NY: CASP/AT Kearney.
Monette, D. R, Sullivan, T. J. and DeJong, C. R. 2005. *Applied social research: A tool for human services*. 6th edition. USA: Harcourt College Publishers.
Moore, M. and Ranjan, P. 2005. ‘Globalization vs skill biased technical change: Implications for unemployment and wage inequality.’ *Economic Journal*, volume 115 no.503, pp.391-422.
Morgan, J. P. 2000. ‘Morgan takes on workers as IBM outsourcing deal ends: Four thousand Employees providing tech services to return to wall St. Firm.’ *Outsourcing Intelligence Bulletin FSO Magazine*, volume 4, no. 7.
Morgan, S. J. 2007. *Employee engagement in outsourcing. Outsourcing and HRM an international Survey.* Abingdon: Routledge.
Morgan, S. L. and Sorensen, A. B. 1999. ‘Parental networks, social closure, and mathematics learning: A test of Coleman's social capital explanation of school effects.’ *America Sociological Review,* volume 64, no. 5, pp.661-668.
Morrow, V. 1999. ‘Conceptualising social capital in relation to the well-being of children and young people: a critical review.’ *The Editorial Board of* the *Sociological Review*, pp. 744-765.
Moser, C. 1996. *Confronting crisis: A comparative study of household responses to poverty and vulnerability in pour poor urban communities.* Washington, DC: The World Bank.
Mosse, D. 1997. *The Ideology and Politics of Community Participation*. In D. Grillo and R. Stirrat. *Discourses of Development: Anthropological Perspectives*. Oxford: Berg.
Motari, F. M. 2002. *Outsourcing of logistics: the practices of medium and large Kenyan manufacturing firms MBA).* Nairobi*:* University of Nairobi.
Movahedi. B.; Lavassani. K. and Kumar, V. 2009. ‘Transition to B2 logistics B e-marketplace enabled supply chain: Readiness assessment and success factors.’ *The International Journal of Technology, Knowledge and Society,* volume 5, no. 3, pp. 75–88.
Moz, T. *2010.11 Most critical success factors in outsourcing.* [Online] Available: http://ezinearticles.com/?11-Most-Critical-Success-Factors-in-Outsourcing&id=3881186. [Accessed 20 September, 2012].

Mucai, J. and Wanjohi, A. M. 2010. *Benefits and risks of outsourcing security services: A case study of Kenya Tea Development Authority* (BA Commerce). Nairobi: The Catholic University of Eastern Africa.
Mulgan, G. 1998. *Convexity: responsibility, freedom, business and power in the new century*. London: Viking.
Mukiri, J. C. W. 2008. *To find out factors influencing outsourcing of services in selected state corporations in Kenya (MBA).* Nairobi: Kenyatta University.
Mullin, R. 1996. 'Managing the outsourced enterprise.' *Journal of Business Strategy*, volume 17, no.4, pp: 28-38.
Mullins, L. J. 2005. *Management and organisational behaviour.* 7th edition. Spain: Prentice Hall.
Mullins, R.1989. 'Managing the outsourced enterprise.' *Journal of Business Strategy,* volume 17, no. 4, pp.28-36.
Murua, J. 2010. *Kenyan banks set to benefit from card process outsourcing deal.* [Online] Available: http://www.nairobiliving.com/component/content/article/15-presscentre/704-kenyan-bank-set-to-benefit-from-card-process-outsourcing-deal.html?directory=1. [Accessed 22 October, 2012].
Mutizwa-Mangiza, S. P. 2006. *Good governance and national development: A review of the implementation of the African peer review mechanism in Kenya.*
Mutebi, F. G. 2003. 'Devolution and outsourcing of municipal services in Kampala city, Uganda: an early assessment†.' *Public Administration and Development*, volume 23, no. 5, pp. 405-418.
Mwangi, B. 2010. *Outsourcing business processes to Africa.* [Online] Available: http://www.evancarmichael.com/African-Accounts/1344/Preciss-SpeaksChampion-a-Nation-Through-Outsource.html. [Accessed 10 May, 2010].
Nam, K.; Rajagopalan, S.; Rao, H. R. and Chaudaury, A. 1996. 'A two-level investigation of information systems outsourcing.' *Communications of the ACM*, volume 39, no. 7, pp. 36-44.
Narayan, D. and Nyamwaya, D. 1996. *Learning from the poor: A participatory poverty assessment in Kenya.* Washington, DC: The World Bank.
NASSCOM. 2012. *Global Sourcing*. [Online] Available: http://www.nasscom.org/global-sourcing [Accessed 14 March, 2014].
Natovich, J. 2003. 'Vender related risks in IT development. A chronology of an

outsourcing project failure.' *Technology Analysis and Strategic Management*, volume 15, no. 4, pp. 409-440.

National Intelligence Council (NIC). 2000-2002. *Global trends 2015: A dialogue about the future with nongovernment experts*. [Online] Available: http://www.fas.org/irp/cia/product/globaltrends2015/index.html. [Accessed 14 May, 2014].

Natukunda, C. M.; Pitt, M.; Nabil, A. 2013. 'Understanding the outsourcing of facilities management services in Uganda.' *Journal of Corporate Real Estate,* volume 15, no: 2, pp.150 -158.

Ndungu, N. and Durevall, D. 1997. *A dynamic inflation model for Kenya, IMF Working Paper*.

Nembhard, H. B.; Shi, L. and M. Aktan. 2003. 'A real options design for product outsourcing.' *Eng. Economist*, volume 48, no. 3, pp. 199–217.

Needham, M. T. 2011. 'A psychological approach to a thriving resilient community.' *International Journal of Business, Humanities and Technology*, volume. 1, no. 3.

Neuman, W. L. 2003. *Social research methods. Qualitative and quanitiative approaches.* USA: Allyn and Bacon Publishers.

Newcastle University. 2012. *Correlation analysis*. [Online] Available: http://www.ncl.ac.uk/iss/statistics/docs/correlationanalysis.php. [Accessed 24 March, 2012].

New Economia. 2012. *History of development economics.* [Online] Available: http://www.neweconomia.com/economic%20development/edstructuralism.html. [Accessed 29 October, 2012].

New York University. 2013. *What is research design? The context of Design.* [Online] Available: http://www.nyu.edu/classes/bkg/methods/005847ch1.pdf. [Accessed 18 September, 2013].

Ng'etict, P. Vision 2030 on schedule despite inflation. *Daily Nation Newspaper,* 14 February, 2012.

Nicholas, B. 2012. *Outsourcing and the developing countries.* [Online] Available: http://EzineArticles.com/?expert=Brian_Nicholas. [Accessed 17 March, 2014].

Nicholson, B., Jones, J. and Espenlaub, S. 2006. 'Transaction costs and control of outsourced accounting: case evidence from India.' *Management Accounting Research,* volume 17, no. 3, pp. 238-58.

Nicholas *, B. 2009. Outsourcing and the developing countries [Online] Available:*

http://ezinearticles.com/?Outsourcing-And-The-Developing-Countries&id=1858306. *[Accessed 2 March, 2013].*

Nieman, G. and Bennett, A. (ed.) 2002. *Business management. A value chain approach.* Pretoria: Van Schaickk.

Nixon, M. O. and Athman, F. 2013. 'National culture and organizational capabilities of IT offshoring services in Kenya'. *African Journal of Business Management*, volume 7, no.20, pp. 1983-2000.

Norberg, J .2001. *Till världskapitalismens försvar.* Stockholm: Timbro.

North, D. C. 1981. *Structure and Change in Economic History.* New York,

North, D.1990. *Institutions, institutional change, and economic performance.* Cambridge: Cambridge University Press.

North, D. C. and Thomas, R. P. 1970. 'An economic theory of the growth of the western world.' *Economic History Review,* volume 23, pp.1–17.

Norton.Njuguna, N. 2010. 'Outsourcing expo comes to Nairobi.' *Digital age Journal*

Nordhaus, D.1989. 'Alternative approaches to the political business cycle.' *Brookings Papers on Economic Activity*, pp. 1-68.

Nozick, R. 1974. *Anarchy, state and utopia.* Oxford: Blackwell.

Nussbaum, M. 1988. 'Nature, functioning and capability: Aristotle on Political Distribution.' *Oxford Studies in Ancient Philosophy*, 6, suppl. vol.: 145–84.

Nussbaum, M. 1992, 'Human functioning and social justice. In defense of Aristotelian essentialism.' *Political Theory*, volume 20, no.2, pp. 202–246.

Nyaga, A. K. 2010. *An investigation of effects of human resource outsourcing on performance of selected parastatals in Kenya (MBA).* Nairobi: Kenyatta University.

Nyagah, N. 2010*. Kenya's BPO sector shifts strategy to capture foreign business.* [Online] Available: http://www.tradeinvestafrica.com/feature_articles/630438.htm. [Accessed 17 September, 2012].

O'Brien, J. A. 2004. *Management information systems. Managing information technology in the business enterprise*. 6th edition. New Delhi: Tata McGraw-Hill.

Obikezie, D. S. 2003. *Academic leadership.* A paper presented at the Faculty of Social Science strategic planning workshop and retreat held at the Maseru sun Cabanas. Lesotho on June 21-22.

Ocampo, J. 2005. 'Beyond the Washington Consensus: What Do We Mean?' *Journal of Post Keynesian Economics*, volume 27, volume 2, pp. 293–314.

Odero, A. O. and Reeves, W. 2014. *Kenya: Economic Outlook.* [Online] Available:

http://www.africaneconomicoutlook.org/en/countries/east-africa/kenya/ [25 May, 2014

O'Donoghue, C. 2009. *India: still an outsourcing haven?* [Online] Available:

http://m.reedsmith.com/files/Publication/ceece887-6c2f-43d2-b164 322a82bde995/Presentation/PublicationAttachment/8bf819eb-df21-4ca3-a72fd60e29ab84d3/Legal_Week_O%27Donoghe_5_Feb_09.pdf. [Accessed 14 March, 2014].

Odhiambo, O. 2006. *Enhancing the productive capacity of rural youth in agriculture, environment and natural resource management towards employment creation in Kenya: Experiences from Kenya Rural Youth Livelihood Strategies Programme (KERYLIP) pilot project in Nyando District-Nyanza Province of Kenya.* Nairobi: Youth Employment Summit-Nairobi (YES).

Offshore Outsourcing, 2013. *Legal issues: offshore outsourcing* [Online] Available: http://www.offshoreoutsourcing.org/legal-issues-offshore-outsourcing.asp. [15 March, 2013].

Offshoring Times. 2013. *BPO calling Africa.* [Online] Available: http://www.offshoringtimes.com/Pages/2007/BPO_news1682.html.[Accessed 20 May, 2013].

Ogachi, F . 2002. *Strategic outsourcing: the experience of companies listed in the Nairobi Stock Exchange (MBA).* Nairobi: University of Nairobi.

Ohmae, K. 1982. *The mind of the strategist: The art of Japanese business.* New York: McGraw-Hill.

Ohkawa, K. 1972. *Differential structure and agriculture: Essays on dualistic growth.* Tokyo: Kinokuniya.

Oke, A; Maltz,A. and Christiansen, P. E .2009. 'Criteria for sourcing from developing countries.' *Strategic Outsourcing*, volume 2, no. 2, pp.145 – 164.

Okongo, F. 2012. *Business Process Outsourcing in Africa: Business Process Outsourcing in Kenya*. [Online] Available: http://africatopminds.com/Knowledge1/article/business-process-outsourcing-africa. [Accessed 26 February, 2014].

Okumu, B. T. 2011. *Empowerment of outsourced employees among the mobile telephone service providers customer care centres in Kisumu (MBA).* Nairobi: University of Nairobi.

Oliver, C. 1990. 'Determinants of interorganizational relationships: Integration and

future directions.' *Academy of Management Review*, volume 15, no. 2, pp. 241-265.
Oliver, R. L. 1977. 'Effect of expectation and disconfirmation on post exposure product evaluationsan alternative interpretation.' *Journal of Applied Psychology,* volume 62, no.4, p.480.
Oliver, R. L. 1980. 'A cognitive model of the antecedents and consequences of satisfaction decisions.' *Journal of Marketing Research,* volume 17, no. 4, pp. 460-469.
Olsen, K. B. 2006. *Productivity impacts of offshoring and outsourcing: a review. STI Working Paper 2006/1.* Paris: OECD Directorate for Science, Technology and Industry.
Orsborne, E. 2004. 'Measuring bad governance.' The Cato Journal, volume 23, no.3, pp. 403-22.
Orutus. Inc. 2010. *Global outsourcing benefits*. [Online] Available: http://ortusinc.com/index.php?option=com_content&view=article&id=10&Itemid=11. [Accessed 10 June, 2013].
Oshri, I., Kotlarsky, J. and Willcocks, L. 2008. *Global sourcing: Services, knowledge and innovation.* United Kingdom: Palgrave, Houdmills.
Oshri, I.; Kotlarsky, J. and Willcocks, L.P. 2011. *The handbook of global outsourcing and offshoring.* United Kingdom: Palgrave Macmillan, Houndmills
Oshri, I. and Ravishankar, M.N. 2014. 'Attractiveness of the UK for outsourcing services.' *Strategic Outsourcing*, volume 7, no.1, pp.18-46.
Ouattara, B. 2004. *Modelling the long run determinants of private investment in Senegal. Working paper No. 04/05*, University of Nottingham.
Ouma, A. 2010. *An exploratory study of outsourcing in the Kenyan manufacturing industry (MBA).* Nairobi: Strathmore University.
Outsource Portfolio. 2008. *Top five elements to include in a BPO contract*. [Online] Available:http://outsourceportfolio.com/top-five-elements-to-include-in-a-bpo-contract/. [Accessed 1 November, 2011].
Outsource to India. 2011. *Advantages and disadvantages of outsourcing*. [Online] Available:http://www.outsource2india.com/why_outsource/articles/advantages-disadvantages-outsourcing.asp. [20 October, 2011].
Outsource to India, 2002- 2014. *Outsourcing vs insourcing*. [Online] Available: http://www.outsource2india.com/why_india/articles/outsourcing-versus-insourcing.asp.[Accessed 24 May, 2014].

Outsource to Intia 2013. *Benefits of outsourcing.* [Online] Available: http://www.outsource2india.com/why_outsource/articles/benefit_outsourcing.asp. [Accessed 3 June, 2013].

Outsourced Way. 2011. *Tips for outsourcing.* [Online] Available: http://outsourcedway.com/tips-for-outsourcing.aspx. [Accessed 11 June, 2013].

Outsourcing Autopilot. 2011. *The positive and negative effects of outsourcing.* [Online] Available:http://outsourcingautopilot.wordpress.com/2011/05/05/the-positive-and-negative-effects-of-outsourcing/. [Accessed 4 June, 2013].

Outsourcing Centre. 2012. *International outsourcing the-legal view*. [Online] Available: http://www.outsourcing-center.com/1999-05-international-outsourcing-the-legal-view-of-whats-different-article-38690.html. [Accessed 21 October, 2012].

Outsourcing Defined. 2012. *Outsourcing statistics*. [Online] Available: http://outsourcingdefined.com/outsourcing-statistics/. [Accessed 30 September, 2012].

Outsourcing Intelligence Bullein. 2004. ‘Infuses to follow. Modular global sourcing strategy: The future for outsourcing.’ *FSO Magazine*, volume 4, no. 7, pp. 23-30.

Outsourcing Intelligence Bulletin. 2004. ‘IT outsourcing likely to grow.’ *FSO Magazine,* volume 4, no. 7.

Outsourcing Intelligence Bulletin. 2004 ‘Dubai has Business Process Outsourcing (BPO) growth potential.’ *FSO Magazine,* volume 4, no. 7.

Outsourcing Intelligence Bulletin. 2004. ‘Eighty percent of financial firms to outsource operations by 2005.’ *FSO Magazine*, volume 4, no. 7.

Outsourcing Intelligence Bulletin. 2004. ‘Indian companies outsourcing to U.S.’ *FSO Magazine*, volume, 4, no. 7.

Outsourcing Intelligence Bulletin. 2004. ‘India is the leading outsourcing destination among competitors.’ *FSO Magazine*, volume 4, no. 7.

Outsourcing Intelligence Bulletin. *2004.* ‘Indian outsourcing industry struggling with employee shortage.’ *FSO Magazine,* volume 14, no. 8.

Outsourcing Intelligence Bulletin. 2004. ‘English language skills become China’s national priority due to outsourcing.’ *FSO Magazine,* volume 4, no. 7.

Outsourcing Intelligence Bulletin.2004. ‘Forcing companies in UK to outsource.’ *FSO Magazine*, volume 4, no. 7.

Outsourcing Intelligence Bulletin. *2004.* ‘Joint forum helps enable financial sector with outsourcing guidance.’ *FSO Magazine,* volume 4, no. 7.

Outsourcing Law Global. 2012. *Joint venture model.* [Online] Available: http://www.outsourcing-law.com/joint-venture-model/. [Accessed 5 September, 2012]. Outsource to India, 2012*. Global outsourcing. [Online] Available:* http://www.outsource2india.com/why_outsource/articles/global-outsourcing.asp. [Accessed 22 January, 2012].

Outsourcing management services. 2010. *360 Degree Vendor Management - Best Practices in Outsourcing.* [Online] Available: http://360vendormanagement.com/ [Accessed 10 May, 2010].

Outsourcing solutions, 2012. *Outsourcing vs insourcing.* [Online] Available: http://www.outsource2india.com/why_india/articles/outsourcing-versus-insourcing.asp. [Accessed 22 October, 2012].

Overby, S. 2008. *Offshore outsourcing: Kenya shows promise*. [Online] Available: http://www.itworld.com/business/57289/offshore-outsourcing-kenya-shows-promise. [Accessed 10 May, 2010].

Overby, S. 2012. *CIO: Outsourcing definition and solutions.* [Online] Available: http://www.cio.com/article/40380/Outsourcing_Definition_and_Solutions. [Accessed 22 October, 2012].

Paché, G. 1998. 'Logistics outsourcing in grocery distribution: a European perspective.' *Logistics Information Management,* volume 11, no. 5, pp.301 - 308.

Pacific Lutheran University. 2010 . *Outsourcing theory assumptions*. [Online] Available:http://www.plu.edu/~econ331/#pro.[Accessed 10 May, 2010].

Pacific Lutheran University. 2011. *Perspectives on outsourcing*. [Online] Available: http://www.plu.edu/~econ331/#pro. [Accessed 17 October, 2011].

Pai, A. K. and Basu, S. 2007. 'Offshore technology outsourcing: overview of management and legal issues.' *Business Process Management Journal*, volume 13, no. 1, pp. 21-46.

Palley, T. I. 2005. *From Keynesianism to neo-liberalism: Shifting paradigms in Alfredo Saad-Filho and Deborah Johnston: Neoliberalism – A Critical Reader.* London: Pluto Press.

Palley. T. I. 2006. *The economics of outsourcing: How should policy respond*? [Online] Available: http://www.fpif.org/articles/the_economics_of_outsourcing_how_should_policy_respond. [Accessed 17 September, 2012].

Parente, z. 2014. *Unemployment rate and life expectancy in Kenya.* [Online]

Available:http://www.ehow.com/facts_5484195_unemployment-rate-life-expectancy-kenya.html. [Accessed 12 July, 2014].
Parente, S. L. and Prescott, E. C. 2000. *Barriers to riches.* Cambridge: MIT Press.
Parker, D.W. and Russell, K.A. 2004. 'Outsourcing and inter/intra supply chain dynamics: strategic management issues.' *Journal of Supply Chain Management,* volume 40, no. 4, pp. 56-68.
Pasinetti, L. L. 1977. *Lectures on the theory of production*. London: Macmillan.
Pearce, D.; Markandya, A.; and Barbier, E. 1989. *Blueprint for a green economy*. London: Earthscan.
Pearce, D. W. (ed.) 1983. *The dictionary of modern economics*. Revised edition. London: Macmillan.
Peavier, R. 2014. *Fixed and variable costs: The types of expenses you incur when you start a small business.* [Online] Available: http://bizfinance.about.com/od/pricingyourproduct/qt/Fixed_Variable_Costs.htm. [Accessed 10 November, 2014].
Pezzey, J. 1989. *Economic analysis of sustainable growth and sustainable development. Environmental department Working Paper No. 15 (World Bank).*
Pezzey, J. 1997. 'Sustainability constraints versus optimality versus inter-temporal concern, and axioms versus data.' *Land Economics* (University of Wisconsin Press) volume 73, no.4, pp. 448–466.
Pflanz. M. 2009. *Kenya joins outsourcing fast track*. [Online] Available: http://www.telegraph.co.uk/finance/newsbysector/mediatechnologyandtelecoms/5604182/Kenya-joins-outsourcing-fast-track.html [Accessed 20 February. 2012]/
Phillips, S. and Edwards, R. 2000. 'Development, impact assessment and the praise of culture'. *Critique of Antropology*, volume 20, no. 1, pp. 47-66.
Pieterse. J. N. 2000. 'After post-development.' *Third World Quarterly*, volume 21, no.2, pp. 175-191.
Pianta, M. 1998. *Unemployment, structural change and globalisation. Unemployment and aggregate demand.* [Online] Available: http://actrav.itcilo.org/actrav-english/telearn/global/ilo/art/7.htm. [Accessed 30 May, 2009].
Pieterse, N. 2001. *Development theory: deconstructions/reconstructions.* London: Sage Publications.
Platteau, J. 1994. 'Behind the market stage where real societies exist [Parts I and II].'

Journal of Development Studies, volume30, pp. 533-577 and 753-817.
Platz, L.A. and Temponi, C. 2007. 'Defining the most desirable outsourcing contract between customer and vendor.' *Management Decision,* volume 45 no. 10, pp. 1656-66.
Plehwe, D.; Bernard. W. and Gisela, N. (eds). 2006. *Neoliberal hegemony – A global critique*. London: Routledge.
Plessis, P. 2012*. Definitions of instructional design 1996 adapted from training and instructional design, applied research laboratory*. [Online] Available: http://www.umich.edu/~ed626/define.html.[Accessed 22 February, 2010].
Pogge, T., 2002, 'Can the capability approach be justified?' *Philosophical Topics*, volume 30, no. 2, pp. 167–228.
Porter. E. 2004. *International business; Outsourcing is becoming a harder sell in the U.S.* The New York Times. [Online] Available: http://www.nytimes.com/2004/03/06/business/international-business-outsourcing-is-becoming-a-harder-sell-in-the-us.html. [Accessed 16 December, 2013].
Porter, M. 1990. 'The competitive advantage of nations.' *Harvard Business Review*, volime 68, no.2, pp.73–93
Potter, R. B.; Binns, T.; Elliott, J. and Smith, D.1999. *Development.* London: Longman. Powell, R. 1994. *Neorealism and neoliberalism: The contemporary debate. International organization.* [Online] Available: http://www.accessmylibrary.com/article-1G1-15864545/neorealism-and-neoliberalism-contemporary.html /. [Accessed 26 October, 2012].
Power, D. 2005-2014. *Outsourcing: The advantages and disadvantages ofoutsourcing*. [Online] Available: http://www.articlesbase.com/management-articles/outsourcing-the-advantages-and-disadvantages-of-outsourcing-536182.html. [Accessed 30 October, 2014].

Power, M. 2003. *Rethinking development geographies*. London: Routledge.
Power, M. J., Desouza, K. C. and Bonifaz, C. 2005. 'Ten outsourcing traps to avoid.' *Jornal of Business Strategy,* volume 25, no.2, pp. 37-42.
Power, M. J., Desouza, K. C. and Bonifaz, C. 2007. *The outsourcing handbook. How to implement a sucessful outsourcing process.* London: Gopsons Paper Limited.
Pragmatic Outsourcing. 2011. *Tips, tricks and traps of IT offshore outsourcing.* http://pragmaticoutsourcing.com/2008/09/19/offshore-vendor-selection-criteria/.

[Accessed 23 October, 2011].
Prebisch, R. 1963. *Hacia una dinámica del desarrollo latinoamericano*. Ciudad de México: Fondo de Cultura Económica.
Precision Software. 2010. *Supply chain portal*. [Online] Available: http://www.precisionsoftware.com/integrated-solutions/supply-chain-portal [Accessed 27 December, 2010].
Preston, P. W. 1996. *Development theory: An introduction to the analysis of complex change*. Wiley: Blackwell.
Preston, P. W. 1988. *Re-thinking development*. London: Routledge and Kegan Paul Books Ltd.
Peet. R. and Hartwick, E. 1999. *Theories of development*. New York: The Guilford Press.
Pogge, T. 2002. 'Can the capability approach be justified?' *Philosophical Topics*, volume 30, no. 2, pp.167–228.
Pretzlik, C. 2003. 'Finance companies plan shift to low cost countries'. *Financial Times,* 9 April, p.14.
Project Outsourcing. 2010. *Outsourcing procurement and total quality management report.* [Online] Available : http://www.managementparadise.com/forums/miscellaneous-project-reports/235476-what-outsourcing-procurement.html. [Accessed 14 April, 2012].
Putnam, R. 1993. *The prosperous community: Social capital and public life.* [Online] Available:http://academic.research.microsoft.com/Publication/2069573/the-prosperous-community-social-capital-and-public-life. [Accessed 10 July, 2012].
Putnam, R. 1995. *Tuning in, tuning out: The strange disappearance of social capital inAmerica.* [Online] Available: http://www.uvm.edu/~dguber/POLS293/articles/putnam1.pdf. [Accessed 5 May 2011].
PWC. 2013. *Time to transform the economy. Stability not prosperity.*[Online] Available:http://www.pwc.com/ke/en/pdf/pwc_budget_2013_economic__analysis.pdf. [Accessed 24 May, 2014].
Q Area. 2001-2014. *Time and material model*. [Online] Available: http://www.qarea.com/business-models/time-and-material. [Accessed 16 June, 2014]. Q Finance, 2012. *Productivity measurement*. [Online] Available: http://www.qfinance.com/dictionary/productivity-measurement. [Accessed 7 May,

2013].
Qizilbash, M. 2008. 'Amartya Sen's capability view: insightful sketch or distorted picture?' In: Comim, Robeyns, I. 2005. 'The Capability Approach: A Theoretical Survey'. *Journal of Human Development*, volume 6, no.1, pp. 93–114.
Qu, Z. and Brocklehurst, M. 2003. 'What will it take for China to become a competitive force in offshore outsourcing? An analysis of the role of transaction costs in supplier selection.' *Journal of Information Technology*, volume18, no.1, pp. 53-67.
Quinn, J. 1992. *Intelligent enterprise: a knowledge and service based paradigm for industry.* Free Press, New York.
Quinn, J. B. 1999. 'Strategic outsourcing: leveraging knowledge capabilities.' *Sloan Management Review,* volume 40, p. 4.
Quinn, B. J. 2000. 'Outsourcing innovation: The new engine of growth.' *Sloan Management Review,* volume 41, no.14, pp.13-23 .
Quinn. J. 1999. 'Strategic outsourcing: Leveraging knowledge capabilities.' *Sloan Management Review*, volume 10, no.1, pp. 9-22.
Rabinovich, E., Windle, R., Dresner, M. and Corci, T. 1999, 'Outsourcing of integrated logistics functions.' *International Journal of Physical Distribution and Logistics Management,* volume 29, no. 6, pp. 353-73.
Racing, D. *Why outsource*? [Online] Available: http://vat.taxback.com/our-service/why-outsource.html. [Accessed 5 February, 2010].
Rahnema, M. and Bawtree, V. (eds). 1997.*The post-development reader,* London: Zed Books.
Rajab, R. 'Sunny optimism for Kenya's BPO market'. *The Standard Newspaper*, 12 April, 2010.
Rajan, R. S. and Srivastwa, S. 2007. *Global Outsourcing of services: issues and implications*.[Online]Available:http://www.hcs.harvard.edu/~hapr/winter07_gov/rajan.pdf. [Accessed 12 April, 2013].
Rajshekhar, G.; Javalgi, W.; Benoy, J.; Elad G. and Gross, A. C. 2013. 'Strategies for sustaining the edge in offshore outsourcing of services: the case of India.' *Journal of Business and Industrial Marketin*g, volume 28, no. 6, pp.475 – 486.
Ramarapu, N.; Parzinger, M. and Lado, A. 1997. 'Issues in foreign outsourcing.' *Information Systems Management* (Spring) pp.7-31.

Ramos, J. L. 2010. *A guide to different types of outsourcing solutions for business.*[Online]Available:http://www.helium.com/items/1975519-a-guide-to-different-types-of-outsourcing-solutions-for-business. [Accessed 4 December, 2012].
Ranis, G. and Frances, S. 1999. ‘V-Goods and the role of the urban informal sector in development.’ *Economic Development and Cultural Change,* volume. 47, no. 2, pp. 259-88.
Rao, S. K. 2004. *Poverty, democracy and development*. London: Britian by Formara Limited.
Rapley. J. 2004. ‘Development studies and post-development critique.’ *Progress in Development Studies,* volume 4, pp. 350.
Rapley, J. 2007. *Understanding development.* London: Lynne Rienner Publishers
Rapley, J. 1997. *Understanding development: Theory and practice in the third world.* London: UCL.
Razzaque, M.A. and Sheng, C.C. 1998. ‘Outsourcing of logistics functions: a literature survey.’ *International Journal of Physical Distribution and Logistics Management,* volume 28, no. 2, pp. 89-107.
Rebernik, M. and Bradac, B. 2006. ‘Cooperation and opportunistic behaviour in transformational outsourcing.’ *Kybernetes*, volume 35, nos 7/8, pp. 1005-13.
Reconnect Africa. 2012. *Outsourcing to Africa: Dream or Realistic Aspiration?* [Online]Available:http://www.reconnectafrica.com/economicandsocialdevelopment/outsourcing-to-africa-dream-or-realistiaspiration-3.html.[Accessed 5 March, 2013].
Reim, K. 2007. *Outsourcing trends and concerns.* [Online] Available; http://www.strathmore.edu/pdf/ict07/outsourcing-trends.pdf. [Accessed 24 May, 2014]. Reisinger, Y. 2009. *International tourism cultures and behaviour*. Oxford: Elsevier.
Report buyer. 2008. *Human resources outsourcing*. [Online] Available: http://www.reportbuyer.com/business_government/outsourcing_bpo/human_resource_outsourcing.html. [Accessed 28 December, 2010].
Reinecke, J.; Manning, S.; Von Hagen, O. 2012. *The emergence of a standard market: Multiplicity of sustainability standards in the global coffee industry.Organization Studies, Forthcoming.* [Online] Available: http://www.umb.edu/academics/cm/faculty_staff/faculty/stephan_d._manning. [Accessed 10 June, 2011].
Reuters. 2012. *Kenya Airways plans to shed staff to cut costs.*[Online] Available:

http://www.reuters.com/article/2012/08/03/kenya-airways idUSL6E8J34TI20120803. [Accessed 17 September, 2012]

Reynolds, A. 2001. ‘The fiscal-monetary policy mix’. *Cato Journal*, volume 21, no.2, pp. 263-275.

Reynolds, J. 2012. *Types of primary data*. [Online] Available: http://www.ehow.com/info_8308648_types-primary-data.html [Accessed 27 March, 2012].

Richardson, H. L. 1992. ‘Outsourcing: the power worksource’. *Transportation and Distribution,* volume. 33, no. 7, pp. 22-4.

Richardson, H. L. 1995. ‘Logistics help for the challenged.’ *Transportation and Distribution,* volume 36, no. 1, pp. 60-4.

Richardson, H. S. 2006, ‘Rawlsian social contract and the severely disabled.’ *Journal of Ethics*, volume 10, pp. 419–62.

Rigby, E. M. 2007. ‘Land deals and Supply chains face scrutiny date’. *Financial Times* [Online]. Available: http//:www.ft.com/cms/s/olof3bolao-ab4f-11db-0000779e2340.html. [Accessed 10 May, 2010].

Ringen, S. 1987. *The possibility of politics: a studying the political economy of the welfare state.* Oxford: Clarendon Press

Rist, G. 2003. *The History of Development: From Western Origins to Global Faith*, Expanded Edition, London: Zed Books.

River, J. 2009. *Contract negotiation*. [Online] Available: http://www.jamesriverllc.com/contracts-negotiation.html. [Accessed 20 October, 2011].

Robeyns, I. 2009. ‘Justice as fairness and the capability approach’, in: Kaushik Basu and Ravi Kanbur (eds.), *Arguments for a Better World. Essays for Amartya Sen's 75th Birthday*, Oxford University Press, pp. 397–413.

Robeyns, I. 2006. ‘The capability approach in practice.’ *Journal of Political Philosophy*, volume 14, no. 3, pp. 351–76.

Robeyns, I. 2005, ‘The capability approach: A theoretical survey.’ *Journal of Human Development*, volume 6, no.1, pp. 93–114.

Rodolfo, C. 2005. *Sustaining Philippines advantage in BPO*. Discussion Paper no. 2005-28, Philippines Institute of Development Studies.

Rogers, E. R. 1962. *The diffusion of innovations*. Glencoe: The Free Press.

Romer, P. M. 1986. ‘Increasing returns and long-run growth.’ *Journal of Political*

Economy, volume 94, no. 5, pp.1002-37.
Romer, P. M. 1990. ‘Endogenous technological change’. *Journal of Political Economy, volume* 98, no. 5, pp. 71-102.
Rose India Technologies Limited. 2014. *Outsourcing- Criticisms.* [Online] Available: http://www.roseindia.net/services/outsourcing/criticisms.shtm.[Accessed 30 October, 2014].
Rose India Technologies Limited. 2014. *Different types of outsourcing.* [Online] Available:http://www.roseindia.net/services/outsourcing/different-types-of-outsourcing.shtml [Accessed 18 September 2014].
Rosenthal, R. and Rosnow, R. L. 1991. *Essentials of behavioral research: Methods and data analysis*. 2nd edition. New York: McGraw-Hill, Inc.
Ross, M. 2010. *Ethics of legal outsourcing white paper.* [Online] Available: http://www.llrx.com/features/ethicsoutsourcing.htm. [Accessed 16 May, 2013]
Rostow, W. 1960. *The Stages of Economic Growth: A Non Communist Manifesto*. Cambridge, MA: Cambridge University Press.
Rostow, W.W. 1959. ‘The stages of economic growth.’ *The Economic History Review*, volume 12, pp. 1–16.
Rothbard, M. [1962/1970] 2004. *Man, economy, and state: A treatise on economic principles—power and market: government and the economy.* Alabama: The Ludwig von Mises Institute.
Rotich, M.C.2005. *Food Procession: Scope and definitions: “Agro industries: Policy and strategies to encourage food value addition in an industrial setting.*
[Online]Available:
http://www.epzakenya.com/UserFiles/File/Presentation%20by%20MTI%20-%20Mrs%20Rotich.pdf. [Accessed 30 May, 2009].
Rouse, M. 2007. *Offshore outsourcing*. [Online] Available: http://searchcio.techtarget.com/definition/offshore-outsourcing. [Accessed 5 September, 2012].
Rouse, A. and Corbitt, B. 2004. ‘IT-supported business process outsourcing (BPO): the good, the bad and the ugly.’ Paper presented at Pacific Asia Conference on Information Systems (PACIS), Shanghai, Posted at AIS. [Online] Available: http://aisel.aisnet.org/pacis2004/126. [Accessed 12 November, 2013].
Rousseau, D. 1995. *Psychological contracts in organizations: Understanding written and unwritten agreements*. California: Sage Publications Inc.

Routledge, P. 1992. *Putting politics in its place. India as a terran of crises. Political Geography.*

RTTS Corporate. 2010. *Statistics related to offshore outsourcing*. [Online] Available: http://www.rttsweb.com/outsourcing/statistics.[Accessed 8 June, 2011].

Russell, R. S., and Taylor, B. W. 2003. *Operations management.* Upper sadle river: Prentice- Hall.

Sachs, J. and Warner, A.1997. 'Sources of slow growth in African economies.' *Journal of African Economies,* volume 6, pp. 335-76.

Sachs, W. (ed). 1992. *The development reader. A guide to knowledge and power*, London: Zed Books.

Sahay, B. S. and Mohan, R. 2006. '3PL practices: an Indian perspective.' *International Journal of Physical Distribution and Logistics Management,* volume 36, no. 9, pp. 666-89.

Sahay, B. S. and Mohan, R. 2006. '3PL practices: an Indian perspective.' *International Journal of Physical Distribution and Logistics Management,* volume 36, no. 9, pp. 666-89.

Sako, M. 2010. *Outsourcing and off shoring: implications for productivity of business services.Saïd business school, Oxford.* [Online]. Available: http://oxrep.oxfordjournals.org/cgi/content/abstract/22/4/499. [Accessed 7 July, 2010].

Salat, D. A.2011. *Factors influencing outsourcing of services in banks; a case study of first community bank Garissa branch, Kenya.* (MBA) Nairobi: University of Nairobi.

Saleem, N. A. 1998. *Quantitative Techniques Simplified*. Nairobi: Saleemi Publisher.

Samsudin, N. M.; Hashim, R. and Mohd Fuzi, S. F. S. 2013. 'Electronic government outsourcing issues in Malaysia.' *Journal of Outsourcing and Organizational Information Management,* volume 2013, Article ID 619305, DOI: 10.5171/2013.619305 [Online] Available*:* http://www.ibimapublishing.com/journals/JOOIM/jooim.html [Accessed 15 March, 2014].

Sandbrook, R. 1985. *The politics of Africa's economic stagnation.* New York: Cambridge University Press.

Sanders, N. R.; Locke, A., Moore, C.B. and Autry, C.W. 2007. 'A multidimensional framework for understanding outsourcing arrangements.' *The Journal of Supply Chain Management,* volume 3, pp. 15.

Sang, J. K. 2010. 'Outsourcing in Kenyan universities: An examination of challenges and opportunities.' *The International Journal of Business and Social Science,* volume 1, no.2.
Saunders, M., Lewis, P., Thornhill, A. 2007. *Research methods for business students*. 3rd edition. South Asia: DorlingKindersley Pvt Limited.
Schönteich, M. 2004. *Outsourcing: risks and benefits.* In (eds Schonteich, MMinnaar, A. Mistry, D. and Goyer, K. C.) Pretoria: Institute for Security Studies.
Schware, R. 1992. 'Software industry entry strategies for developing countries: a 'walking on two legs' proposition.' *World Development*, volume 20, no. 2, pp.143–164.
Schware, R. 1992. 'Software industry entry strategies for developing countries: a 'walking on two legs' proposition.' *World Development*, volume 20, no. 2, pp.143–164.
Scerri, A. and James, P. 2010. 'Accounting for sustainability: Combining qualitative and quantitative research in developing indicators of Sustainability.' *International Journal of Social Research Methodology*, volume. 13, no. 1, pp. 41–53.
Schafft, K. 1998. *Grassroots development and the reconfiguration of local political institutions: Local minority self-governance as a political and economic resource for hungary's Roma population. Paper presented at the graduate student Conference on international affairs, George Washington University.*
Schaltegger, S. and Sturm, A. 1998. *Eco-efficiency by eco-controlling*. Zürich: vdf.
Schmaiense, R. Willig, R. 'Hand book of industrial organizations'. *Elsevier,* volume 1, pp. 136-181.
Schneller, E. S. and Smeltzer, L. R. 2006. *Strategic management of the health care supply chain.* San Francisco, CA: Jossey-Bass.
Schneller, E. S. and Smeltzer, L. R. 2006. *Strategic management of the health care supply chain.* San Francisco, CA: Jossey-Bass.
Schniederjans, M. J., Schniederjans, M. A. and Schniederjans, D. G. 2006. *Outsourcing and insourcing in an international context.* NewDeli: Prentice-Hall of India Private Limited.
Schniederjans, M. J. and Zuckweiler, K. M. 2004. 'A quantitative approach to the outsourcing-insourcing decision in an international context.' *Management Decision,* volume 42, no. 8, pp. 974-86).

Schramm, W. 1964. *Mass media and national development, the role of information in developing countries.*Urbana: University of Illinois Press
Scott , R. E. 2004. *Insourcing myths: Jobs and insourcing, Economic Policy institute snapshot.* [Online] Available: http://www.epi.org/publication/webfeatures_snapshots_04062004/. [Accessed 10 November, 2014].
Searchcio.techtarget.com. 2003. *Offshore outsourcing*. [Online] Available: http://searchcio.techtarget.com/definition/offshore-outsourcing. [Accessed 10 October, 2011].
Secretary General Report, 1999. *Development of Africa: Implementation of the recommendations of the secretary-general's report to the security council, specifically the implementation and coordinated follow-up by the United Nations system of initiatives on Africa.* [Online] Available: http://www.un.org/esa/documents/ecosoc/docs/1999/e1999-afr.htm. [Accesed 20 October, 2012].
Seeley, J. R.; Alexander, R. S. and Loosley, E. W. 1956. *Crestwood Heights: A Study of the Culture of Suburban Life.* New York: Basic Books.
Sekarah, U. and Bougie, R. 2011. *Research methods for business. A skill building approach.* 5th edition. Delhi: Aggarwal Printing press.
Selviaridis, K. and Spring, M. 2007. 'Third party logistics: a literature review and research agenda.' *International Journal of Logistics Management,* volume 18 no. 1, pp. 125-50.
Semerdjian, S. 2010. *Six biggest mistakes in outsourcing contracts*. [Online]Available: http://bx.businessweek.com/globaloutsourcing/view?url=http%3A%2F%2Fwww.nearshoreamericas.com%2Foutsourcing-contract-mistakes%2F4879%2F. [Accessed 11 August, 2010].
Sen, A. 1993. 'Capability and Well-being', in Nussbaum and Sen (eds.), *The Quality of life,* Oxford: Clarendon Press, pp. 30–53
Sen, A. 1999. *Development as freedom,* New York: Knopf.
Sen, A. 1992. *Inequality re-examined,* Oxford: Clarendon Press.
Sen, A. 1981. *Poverty and famines: An essay on entitlement and deprivation.* Oxford: Clarendon Press.

Sen, A, K. 1966. ‘Peasants and dualism with and without surplus labor.’ *Journalof Political Economy,* volume 74, pp. 425-50.
Sengupta, S. 2011. ‘An exploratory study on job and demographic attributes affecting employee satisfaction in the Indian BPO industry.’ *Strategic Outsourcing*, volume 4, no. 3, pp.248 – 273.
September, G. D., and Goodwin, B. 2000. ‘Determinants of private investment: A cross-regional empirical investigation.’ *Applied Economics,* no. 32, pp. 1819-1829.
Serem, S. 2003. *A survey of the outsourcing of human resource services by banks in Nairobi (MBA).* Nairobi: University of Nairobi
Serote, P., Mager, A. and Budlender, D. (2001). *Gender and development in South Africa in the 1990s*. In J. Coetzee, J. Graaff, F. Hendricks and G. Wood (Eds.). *Development Theory, Policy, and Practice,* pp. 155-174. Oxford: Oxford University Press.
Shaffer, J. P. 1995. *Multiple hypothesis testing.* [Online] Available: http://www.dm.uba.ar/materias/optativas/aspectos_estadisticoshtml. [Accessed 5 May, 2011].
Shannen, L*. S. 2010. Outsourcing - five tips on working with international companies*. [Online] Available:http://ezinearticles.com/?Outsourcing---Five-Tips-on-Working-With-International-Companies&id=3886598. [Accessed 21 October, 2012].
Shao, B. B. M. and David, J.S., 2007. ‘The impact of offshore outsourcing on IT workers in developed countries.’ *Commun. ACM*, volume 50, no.2, pp.89–94.
Sharda, K. and Chatterjee, L. 2011. ‘Configurations of outsourcing firms and organizational performance: A study of outsourcing industry in India.’ *Strategic Outsourcing,* volume 4, no. 2, pp.152 – 178.
Sharks, J. 1998. *A few words about TQM*. [Online] Available: http://www.johnstark.com/fwtqm.html. [Accessed 26 June, 2000].
Shaughnessy, J.; Zechmeister, E.; Jeanne, Z. 2011. *Research methods in psychology*. 9th edition. New York, NY: McGraw Hill.
Shields, P. M. and Rangarajan, N. 2013. *A Playbook for research methods: Integrating conceptual frameworks and project management*. Stillwater, OK: New Forums Press.
Shirley, M. M. 2005. *Institutions and development. Handbook of new institutions of economics.*

Shore, C. and Wright, S. 1997. *Policy: A New Field of Anthropology.* Shore and S. Wright (eds.). *Anthropology of Policy: Critical Perspectives on Governance and Power*, London: Routledge: 3-39, (EASA Series)

Shukla, S.2006. *Outsourcing: Offshore or near shore.* [Online] Available: rhttp://www.frost.com/prod/servlet/market-insight-top.pag?docid=88875033.[Accessed 22 January, 2012].

Skiffington, H.; Akoorie, M. E. M.; Sinha, P. and Jones, G.2013. Strategic Outsourcing, volume 1, no.6, p.2.

Sklair, L. 1994. *Capitalism and development.* London: Routledge.

Skjoett-Larsen, T. 2002. 'Third party logistics – from an inter-organizational point of view.' *International Journal of Physical Distribution and Logistics Management,* volume 30, no. 2, pp. 112-27.

Silverman, D. 2006. *Interpreting qualitative data: methods for analyzing talk, text and interaction*. 3rd edition. London: Sage Publications.

Singh, A. 2011. *Managing the risks when outsourcing offshore*. [Online] Available: http://www.sourcingmag.com/content/c070514a.asp. [Accessed 5 February, 2011].

Sinderman, M. 1995. 'Outsourcing gains speed in corporate world.' *National Real Estate Investor* (Aug.), volume 37, pp. 42-50.

Sink, H. L. and Langley, C. J. 1997. 'A managerial framework for the acquisition of third-party logistics services.' *Journal of Business Logistics,* vol. 19, no. 1, pp. 121-36.

Sirmon, D. G. Hitt, M. A Ireland, D. R. and Gilbert, B. A. 2007. 'Managing firm resources in dynamic environments to create value.' *Academy of Management Review*, volume 32, no. 1, pp. 273–292.

Sister Mary Edward Healy, E. M. 1947. 'Le Play's Contribution to Sociology: His Method.' *The American Catholic Sociological Review,* volume 8, no. 2, pp. 97–110.

Sjoberg, G.; Williams, N.; Vaughan, T. and Sjoberg, A. 1999. *The case study approach in social research.*

Skaksen, J. R. 2004. 'International outsourcing when labour markets are unionized.' *Canadian Journal of Economics,* volume 37, no. 1, 78-94.

Slepniov and Waehrens. 2008. 'Offshore outsourcing of production: An exploratory study of process and effects in Danish companies.' *Strategic Outsourcing*, volume 1, no. 1, pp.64 – 76.

Small, M. L. 2002. ‘Culture, cohorts, and social organisation theory: Understanding local participation in a Latino housing project.’ *The American Journal of Sociology,* volume 108, pp. 1-54.
Smalley. R. 2013. *Plantations, contract farming and commercial farming areas in Africa: A comparative review* [Online] Available: http://www.plaas.org.za/sites/default/files/publications-pdf/FAC_Working_Paper_055.pdf. [Accessed 20 Novemeber,2011].
Smart Church Management. 2012. *Advantages and disadvantages of outsourcing*. [Online] Available: http://smartchurchmanagement.com/advantages-and-disadvantages-of-outsourcing/. [Accessed 30 September, 2012].
Smith, B. C. 2003. *Understanding third world politics: Theories of political change and development.* New York: Macmillan.
Smith, H. A. and McKeen, J. D. 2004. ‘Developments in practice XIV: IT outsourcing – how far can you go?’ *Communications of the AIS*, no.13, pp.508-20.
Smith, M. A., Mitra, S., and Narasimhan, S. 1996. ‘Offshore outsourcing of software development and maintenance: A framework for issues.’ *Information and Management,* volume 31, no. 3, pp. 165-175.
Smith, S. 2007. *Modernization theory of development*. [Online] Available: http://www.a1articles.com/article_245816_15.html. [Accessed 22 September, 2010].
Sobol, M. G. and Apte, U. 1996. ‘Domestic and global outsourcing practices of America's most effective IS users.’ *Journal of Information Technology,* volume 10, no. 4, pp 269-280.
Social Science Statistics. 2014. *Pearson Correlation Coefficient.* (Online] Available: http://www.socscistatistics.com/tests/pearson/Default2.aspx. [Accessed 4 November, 2014].
Social Science Research Network .2009. *Outsourcing in the healthcare industry: information technology, intellectual property, and allied aspects*. [Online] Available: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1325885. [Accessed 10May, 2009].
Soft Kenya. 2013. *Business Process Outsourcing in Kenya*. [Online] Available: http://softkenya.com/business-process-outsourcing-bpo/{19. [15 March, 2013].

Softera. 2011. *Relationship and pricing models*. [Online] Available: http://www.softerra.com/partnership_pricing-models.htm. [Accessed 28 October, 2011].

Solheim, S. 2004. *Lawmakers introduce anti-outsourcing bill.* eWeek 5 March. [Online] Available: http://www.eweek.com/c/a/IT-Infrastructure/Lawmakers-Introduce-AntiOutsourcing-Bill/. [Accessed 12 November, 2014].

Sourcing Line. 2014. *Top outsourcing countries.* [Online] Available: https://www.sourcingline.com/outsourcing-location/sri-lanka [Accessed 2 May, 2014].

Sourcingmag.com. *Practical advice for IT and business process outsourcing*. [Online] Available: http://www.sourcingmag.com/content/what_is_outsourcing.asp. [Accessed 8 May, 2009].

Sparrow, E. 2005. *Nine principles that are the cornerstone of successful otsourcing relationships.*[Online]Available:http://www.computerweekly.com/Articles/2005/10/26/212632/Nine-principles-that-are-the-cornerstone-of-successful-outsourcing.htm. [Accessed 10 May, 2009].

Stack, M. and Downing, R. 2005. 'Another look at offshoring.' *Business Horizons,* volume 48, no. 6, pp. 513-23.

Stake, R. 1995. *The art of case research*. Newbury Park, CA: Sage Publications.

Stator.2010. *Correlation analysis*. [Online] Available: http://www.statorafm.com/correlation-analysis.html. [Accessed 24 March, 2012].

Stavins, R.; Wagner, A. and Wagner, G. 'Interpreting sustainability in economic terms: Dynamic efficiency plus intergenerational equity.' *Economic Letters*, volume79, no. 3, pp. 339–343.

Stewart, J. 1992. *Guidelines for public service management: lessons not to be learnt from the private sector. Changing Social Work and Welfare*. Buckingham: Open University Press.

Stevens.O. 2010.*Rostow's stages of growth model*. [Online] Available: http://www.articlebiz.com/article/501024-1-rostows-stages-of-growth-model-for-college-students/. [Accessed 8 February, 2012].

Stiglitz, J. 2002. *El malestar en la globalización.* Madrid: Taurus.

Stglitz, J.E. 1998. *Towards a new paradigm for development: Strategies policies and processes*. Geneva: United Nations Conference on Trade and Development.

Stiglitz, J. 1998. *More instruments and broader goals: Moving towards the post Washington Consensus. Wider Annual Lecture*. Helsinki: United Nations University.

Stigler, G. J. 1994. *Production and distribution theories*. New York: Macmillan.
Stiglitz, J. E; Cimoli, M. and Dosi, G. (eds). 2009. *Industrial policy and development: The political economy of capabilities accumulation (Initiative for policy dialogue).* Oxford: OUP.
Stöhr, W. and Taylor, F. 1981. *Development from Above or Below?* Chichester: John Wiley & Sons.
Stringfellow, A.; Teagarden, M.B. and Nie, W. 2008. 'Invisible costs in offshoring services work.' *Journal of Operations Management,* volume 26, no. 2, pp. 164-79.
Strauss, J. E., Ansary, A. and Frost, R. 2006. *E- Marketing*. New Jersey: Prentice Hall. Struwig, F.W. and Stead, G.B. 2010. *Planning, designing and reporting research*. Cape Town: Pearson Education.
Struwig, F. W. and Stead, G. B. 2001. *Planning, designing and reporting research*. Cape Town: Pearson Education.
Sull, D. N. 1999. 'Why good companies go bad.' *Harvard Business Review,* volume 77, pp. 42-52.
Sumari, G. A.; Mori, G. and Alfred, C .2013. 'Outsourcing in Cooperatives in Tanzania: Assessing the Contribution of Outsourcing on Organisational Performance.' *European Journal of Business Management,* volume 5, no.15, ISSN 2222-1905 (Paper) ISSN 2222-2839.
Supply Chain Management Consulting. 2002. *Outsourcing international logistics*. [Online] Available: http://www.ltdmgmt.com/may2002.asp. [Accessed 21 October, 2012].
Susarla, A.; Barua, A. and Whinston, A. B. 2003. 'Understanding the service component ofapplication service provision: An empirical analysis of satisfaction with ASP services.' *MIS Quarterly*, volume 27, no. 1, p: 91.
Szreter, S. 2000. *Social capital, the economy, and education in historical perspective in social capital: Critical perspectives.* Oxford: Oxford University Press.
Takahiro, F.2007. *Has low productivity constrained competitiveness of African firms? : Comparison of the Firm Performances with Asian Firms.* [Online] Available: http://www.ide.go.jp/English/Publish/Download/Dp/pdf/129.pdf. [Accessed 26 June, 2009].
Tan, K. C., Kannan, V. R. and Handfield. R. B. 1998. 'Supply Chain Management (SCM): Supplier performance and firm performance.' *International Journal of Purchasing and Materials Management,* volume 34, no. 3, pp. 2–9.

Tarlochan, K. *A. 2001. A survey of the outsourcing of human resource management services among manufacturing firms in Nairobi (MBA).* Nairobi: University of Nairobi.
Tausch, A. 1993. *Towards a socio - liberal theory of world development.* New York: Macmillan/St. Martin's Press.
Tausch, A. and Herrmann, P. 2002. *Globalisation and European integration.* New York: Nova Science.
Tausch, A. 2003*. '*Social cohesion, sustainable development and Turkey's accession to the European Union: Implications from a global model*, alternatives*.' *Turkish Journal of International Relations, volume 2, no.1.*
Taylor, D. and Mackenzie, F. 1992. *Development from within: Survival in Rural Africa*. London: Routledge.
Telcom Internet and Broadcast in Africa. 2012. *Kenya urged to move from EPZs to ICT parks for economic growth. Issue no 294.* [Online] Available: http://www.balancingact-africa.com/news/en/issue-no-294/computing/kenya-urged-to-move/en. [Accessed 18 September, 2012].
The African Business Journal. 2013. *Kenya's push to become an outsourcing hub.* http://www.tabj.co.za/eastern_africa/outsourcing_and_kenya.html..[Accessed March, 2013].
The Africa Report. 2012. *Outsourcing: The Indian connection and Africa*. [Online] Available:http://www.theafricareport.com/north-africa/outsourcing-the-indian-connection-and-africa.html [Accessed 15 March, 2014].
The Association for Educational communications and technology .2001.*What is descriptive research?* [Online] Available:http://www.aect.org/edtech/ed1/41/41-01.html 11.2. [Accessed 11 February, 2012].
The Economist. 2011. *The trouble with outsourcing. Outsourcing is sometimes more hassle than it is worth.* [Online] Available: http://www.economist.com/node/21524822?zid=292&ah=165a5788fdb0726c01b1374d8e1ea285. [Accessed 18 September, 2012].
The Economist. 2004. *The great hollowing-out myth, February 19, 2004. [Online]* Available:http://www.economist.com/node/2454530 [Accessed 10 October, 2014].
The Economist. 2012. *Outsourcing take this job and ship it.*[Online] Available: http://www.economist.com/blogs/freeexchange/2012/07/outsourcing?zid=292&ah=165a5788fdb0726c01b1374d8e1ea285. [Accessed 18 September, 2012].
The Economist. 2010. *Outsourcing to Africa: Will improved communications attract*

call centers to Africa? [Online] Available: http://www.economist.com/node/15777592?zid=292&ah=165a5788fdb0726c01b1374d8e1ea285 [26 February, 2013].

The Economist. 2013.*What Africa can learn from medieval Europe* [Online] Available:http://www.economist.com/blogs/freeexchange/2013/09/development [Accessed 14 May, 2014].

The Finacial Express .2008. *Overcentralised development policy blamed for extreme poverty.* [Online] Available: http://www.thefinancialexpressbd.com/2008/04/14/30708.html.[Accessed 5 June, 2013].

The Guardian. 2000. *Labour conference.* [Online] Available: http://www.guardian.co.uk/politics/2000/sep/26/labourconference.labour9. [Accessed 26 October, 2012].

The International Association of Machinists and Aerospace Workers (IAM) and The United Automobile, Aerospace and Agricultural Implement Workers (UAW). 2001. *Collective bargaining in the face of instability: A resource for workers and employers in the U.S. aerospace industry a product of MIT's labor aerospace research agenda with support from the manufacturing technology initiative of the U.S. Air Force (ManTech).*

Template Factory. 2012. *Negative aspects of outsourcing.* [Online] Available: http://www.templatesfactory.net/articles/the-negative-aspect-of-outsourcing.html. [Accessed 12 June, 2013].

Tellis. W. 1997.*Application of a case study methodology.* [Online] Available: http://www.nova.edu/ssss/QR/QR3-3/tellis2.html. [Accessed 17 March, 2012].

Terry, R. L. 2004. *Answers on outsourcing* (CNN).[Online] Available: http://money.cnn.com/2004/03/11/commentary/dobbs/dobbs/ [Accessed 12 November, 2014].

Thomas, G. 2011. *How to do your Case Study*. California : Thousand Oaks Sage

Tellis. W. 1997.*Application of a case study methodology.* [Online] Available: http://www.nova.edu/ssss/QR/QR3-3/tellis2.html. [Accessed 17 March, 2012].

Thomas, M. 2010. *Outsourcing facts and statistics - Why they matter. [Online] Available:*http://ezinearticles.com/?Outsourcing-Facts-and-Statistics---Why-They-Matter&id=2616681. [Accessed 8 June, 2011].

Tian, K. 2008. ‘A study of R&D outsourcing: A framework on the theory of principle’. *Journal of Hunan University of Science &Technology*.
Timimi, K. 2010. *Political economy development*. [Online] Available: http://www.economywatch.com/political-economy/political-economy-development.html. [Accessed 26 October, 2012].
Todaro, M. P. 2000. *Economic development*. 7th edition. New York: Addison Wesley Longman inc.
Tourette, J. E. L. 1964. ‘Technological change and equilibrium growth in the Harrod-Domar model.’ *Kyklos*, volume 17, no. 2, pp. 207-226.
Trading Economics. 1999-2014. *Kenya unemployment rate.*[Online] Avaialble: http://www.tradingeconomics.com/kenya/unemployment-rate[Accessed September, 2014].
Translate Management Library. 2009. *Total Quality Management.* [Online] Available: http://managementhelp.org/quality/tqm/tqm.htm. [Accessed 26 June, 2009].
Tucci, L. 2010. *Picking an outsourcing service provider?* Avoid these four mistakes. [Online] Available: http://searchcio.techtarget.com/news/2240025309/Picking-an-outsourcing-service-provider-Avoid-these-four-mistakes. [Accessed 5 March, 2012].
Tull, D. S.and Hawkins, D. I. 1990. *Marketing research – Measurement and method*. 5th edition. New York: Macmillan Publishing Company.
Tuser, C. 2010. *Rostow model of development with examples vs. self- sufficiency*. [Online] Available: http://www.lewishistoricalsociety.com/wiki/tikiread_article.php?articleId=72#. [Accessed 8 February, 2012].
Twing , D. 2006. *Components of an outsourcing contract, part 2. What should be in an outsourcing contract?* [Online] Available: http://www.networkworld.com/newsletters/asp/2006/0313out1.html?fsrc=rssoutsourcing. [Accessed 17 March, 2012].
Tyrer, M. 2008. *The future of modernization in the United States*. [Online] Available:http://www.helium.com/items/867742-the-future-of-modernization-in-the-united-states. [Accessed 20 February, 2012].
UE Union. 2013. *Protecting Jobs, Union Wages and Benefits.* [Online] Available: http://www.ueunion.org/stwd_subc.html 1997-2013.[Accessed 8 March, 2013].

United Cites and Local Governments. 2011. *Culture: Fourth pillar of sustainable development.* [Online] Available: http://www.susdiv.org/. [Accessed 29 October, 2012].
United Nations. 2002. *Millennium development goals, data, and trends.* New York: United Nations.
United Nations.1972. *Declaration of the United Nations Conference on the human environment* [Online]. Available: http://www.unep.org/Documents.multilingual/Default.asp?DocumentID=97&ArticleID=1503&l=en. [Accessed 20 April, 2014].
United Nations. 2007. *Economic report on African 2007: Accelerating Africa's development through diversification*. Addis Ababa: Economic Commission for Africa.
United Nations. 1987. *Report of the world commission on environment and development. General Assembly Resolution* 42/187, 11 December.
United Nations. 2005. *Causes of poverty in Kenya.* Nairobi: United Nations.
United Nations Conference on Trade. 2012. *The least developed countries report.* [Online] Available: http://unctad.org/en/PublicationsLibrary/ldc2012_en.pdf.[Accessed 14 May, 2014].
UNCTAD. 2004. World investment report 2004: The shift towards services. New York: United Nations.
UNCTAD XI . 2004b. UNCTAD publishes development and globalization: facts and figures. [Online] Available: http://www.unctadxi.org/templates/Press791.aspx. [Accessed 5 November, 2013].
UNCTAD XI. 2004a. Building productive capacities. [Online] Available: http://www.unctadxi.org/templates/Page506.aspx. [Accessed 5 November, 2013].
United Nations Development Program.1999. *The human development report*. New York: Oxford University Press.
United Nations Development Programme. 2009. *Road to 2015:Driving the mellenium development goals (Kenya)*. [Online] Available: http://www.undp.org/content/dam/undp/library/MDG/english/MDG%20Country%20Reports/Kenya/2009%20undp_annual_report.pdf.[Accessed 10 September, 2012].
United Nations Development Programme. 1998. *Rethinking technical cooperation reforms for capacity building in Africa.* Network: United Nations development Programme.

United Nations Development Programme (UNDP). 1989. *NaTCAP methodology regional bureau for Africa.* New York: UNDP.
United Nations Economic and Social Council Economic Commission for Africa and African Union Commission. 2013. *Industrialization for an emerging Africa. Issue paper Sixth Joint Annual Meetings of the ECA Conference of African Ministers of Finance, Planning and Economic Development and AU Conference of Ministers of Economy and Finance, Abidjan, Côte d'Ivoire, 25-26 MarcH.* [Online] Available: http://www.uneca.org/sites/default/files/document_files/industrialization-for-an-emerging-africa-issuespaper.pdf. [Accessed 18Novemebr, 2014].
University of Twente, 2012. *Dependency theory.* [Online] Available: http://www.utwente.nl/cw/theorieenoverzicht/Theory%20clusters/Mass%20Media/Dependency%20Theory.doc/. [Accessed 26 October, 2012].
VanMieghem, J. A. 1999. 'Co-coordinating investment, production and sub-contracting.' *Management Science*, volume 45, no. 7, pp 954-970.
Varanasi, B. 2010. *Kenya: A Strategic View on Outsourcing.* [Online] Available: http://en.chinasourcing.org.cn/content2.jsp?id=4179. [Accessed 5 June, 2012].
Variance Infotech. 2014. *Outsourcing models.* [Online] Available: http://www.varianceinfotech.com/Process.html. [Accessed 16 June, 2014].
Veblen, T. 1990. 'The preconceptions of economic science – III.' *The Quarterly Journal of Economics*, volume 14, no. 2, pp. 240-269.
Venkatraman, N. V. 2004. 'Offshoring without guilt.' *Sloan Management Review*, volume 45, no.3, pp.14-16.
Vitasek, K. 2011. *The 10 elements of a vested outsourcing agreement*. [Online] Available:http://omtecexpo.com/site/images/stories/speakers/vested_10%20elements%20v1%20kate%20vitasek.pdf. [Accessed 1 November, 2011].
Waagis. 2012. *Definition and history of outsourcing.* [Online] Available: http://whatis-outsourcing.com/defination-and-history-of-outsourcing.html. [Accessed 5 September, 2012].
Wade, R. 1990. *Governing the Market: economic theory and the role of government in East Asian industrialzation*. Princeton: Princeton University Press.
Waema, T. M.; Odera, G.; Adeya-Weya, C.N.A, Were, P. ; Masinde,E. M.; Chepken, C; Kariuki, E. and Kenduiywo, P. 2009. *Development of a Business Process Outsourcing industry in Kenya: Critical success factors IDRC Grant No. 104488-00**1** Policy Brief.* [Online] Available:

http://www.academia.edu/814835/Development_of_a_business_process_outsourcing_industry_in_Kenya_critical_success_factors_policy_brief. [Accessed 8 May, 2013].
Wall, E.; Gabriele, F. and Frans, S. 1998. 'Getting the goods on social capital.' *Rural Sociology,* volume 63, pp. 300-322.
Walle, V. 2001. *African economies and the politics of permanent crisis.* Cambridge: Cambridge University Press.
Walonick. D. S. 1993. *General systems theory.* [Online] Available: http://www.statpac.org/walonick/systems-theory.htm. [Accessed 14 March, 2013].
Walter, R.1960. *The stages of economic growth. A non- communist manifesto.* Cambridge: Cambridge University Press.
Wanjiku, R. 2009. *Kenya BPO yet to overcome bottlenecks.* [Online] Available: http://news.idg.no/cw/art.cfm?id=E65D2545-1A64-67EA-E4C8E839E7A4E27D [Accessed 12 August, 2013].
Wanjiku. R. 2008. *Kenya BPO Society Launches Standards and Ethics Guidelines.* [Online] Available: http://www.cio.com/article/407415/Kenya_BPO_Society_Launches_Standards_and_Ethics_Guidelines [Accessed 8 November, 2013].
Wanjohi, A. M. 2010. *Benefits and Risks Involved in Outsourcing Security Services at Kenya Tea Development Authority. Kenya Projects Organization - KENPRO* [Online]Available: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1979428.[Accessed 10 October, 2012].
Warren, B. 1980. *Imperialism: Pioneer of capitalism.* London: Verso.
Watson, T. J. 1995. *Sociology work and industry.* London: Routledge.
Waugh, B. and Luke, R. 2011. 'Logistics outsourcing by manufacturers in South Africa' *Journal of Transport and Supply Chain Management*, volume 5, no 1, pp. 337-360.
Wausi, A; Mgendi. R. and Ngwenyi, R. 2013. *The labour market and digital jobs in Africa: Kenya's workforce potential in Impact Sourcing.* Research Brief June 2013, No.3. Nairobi: University of Nairobi, School of Computing and Informatics,
Wausi, A.; Mgendi. R. and Ngwenyi, R. 2013. *Labour market analysis and business process outsourcing in Kenya: poverty reduction through information and digital employment initiative research report no 3. [*Online] Available:

http://sds.ukzn.ac.za/files/ITEM1-researchpaper_KENYA_Aug_FINAL.pdf [Accessed 10 October, 2014].

Webster, A. 1990. *Introduction to the sociology of development*. 2nd edition. London : Macmillan education limited.

Webtenet soulutions. 2012. *Outsourcing business models.* [Online] AvailablE: http://www.webtenet.com/business_models.php [Accessed 5 September, 2012}.

Welman, Ch.; Kruger, F. and Mitchell, B. 2005. *Research methodology.* 3rd edition. Cape Town: Oxford University Press.

Whitaker, J.; Krishnan, M. S. and Fornell, C. 2008. 'How offshore outsourcing affects customer satisfaction.'= *Wall Street Journal*, volume 252, p.5.

Wickford, H. 2013. *Negative effects outsourcing has on organizations.* [Online] Available:http://smallbusiness.chron.com/negative-effects-outsourcing-organizations-25351.html. [Accesses 6 June 2012].

Will, A. 2007. *Learning for Sustainability: Sustainable Development.* [Online] Available: http://learningforsustainability.net/susdev/ [Accessed 20 August, 2012].

Willcocks, L. P. 2010. 'The next step for the CEO: moving IT-enabled services outsourcing to the strategic agenda.' *Strategic Outsourcing: An International Journal,* volume 1, no. 1.

Willcocks, L. P.; Craig, A. and Lacity, M. C., 2012. *Becoming strategic - South Africa's BPO service advantage Part 1: Main Report*, Department of Management: London School of Economics and Political Science. [Online] Available: http://www.outsourcingunit.org/WorkingPapers/WP12_3.pdf.[Accessed 24 February, 2014].

Willcocks, L.; Cullen, S. and Craig, A. 2010. *The Outsourcing enterprise: From cost management to collaborative innovation*. London: Palgrave.

Williamson, J. 1965. 'Regional inequality and the process of national development: A description of the patterns' *Economic Development and Cultural Change*, volume 13, no. 4, p.2.

Williamson, J. (ed.). 1990. *Latin American adjustment: How much has happened?* Washington: Institute for International Economics.

Williamson, J. (ed.) 1989. *Latin American adjustment: How much has happened?* Washington DC: Institute for International Economics.

Williamson, O. E. 1975. *Markets and hierarchies: analysis and antitrust implications.* New York: Free Press.

Williamson, O. E. 1985. *The economic institutions of capitalism.* New York: Free Press
Wilson, W. J. 1996. *When work disappears: The world of the new urban poor.* New York: Knopf.
Windmuller, J. P. 1987: *Collective bargaining in industrialised market economies: A reappraisal.* Geneva: ILO.
Winslow, L. 2006. *Outsourcing and unions: Reality check.* [Online] Available: http://ezinearticles.com/?Outsourcing-and-Unions:RealityCheck&id=268397 [Accessed 27 February, 2014].
Woolcock, M. 1998. 'Social capital and economic development: Toward a theoretical synthesis and policy framework.' *Theory and Society,* volume 27, no. 2, pp. 151-208.
Woolson, D. and Speckhals, K. 2001. 'Has outsourcing gone too far'? *McKinsey Quarterly*, volume 4, p. 24.
Word press. 2012. *The poverty of mainstream debate, part III: On the doubling down of neo-liberalism.* [Online] Available: http://unlearningeconomics.wordpress.com/2012/03/20/the-poverty-of-mainstream-debate-part-iii-on-the-doubling-down-of-neoliberalism/.[Accessed 26 October, 2012].
Workman, D. 2008*. International outsourcing SLAs. Service level agreements key to global third-party outsourcers*. [Online] Available: http://internationaloutsourcing.suite101.com/article.cfm/international_outsourcing_slas. [Accessed 8 May, 2009].
Workman, D. 2008. *Personal procurement outsourcing. Top overseas websites for international personal support services*. [Online] Available: http://international-trade-leaders.suite101.com/article.cfm/computer_jobs_enrich_india [Accessed: 8 May, 2009].
World Bank. 1998. *World development report 1997: The state in a changing world*. New York: OUP.
World Bank. 2006. *World development indicators*. Washington, DC: World Bank.
World Bank. 2007. *Leadership for development results: Country Case Studies*. Washington DC: The World Bank.
World Bank.1982. *Kenya- economic development and urbanization policy. Volume II. Main report.* Washington, D.C.: World Bank Institute.
World Bank. 1998/99. *Global economic prospects and the developing countries*. Washington, DC: World Bank.

World Bank Group Links. 2009. *Global information and communications technologies*. [Online] Available: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTINFORMATIONANDCOMMUNICATIONANDTECHNOLOGIES/0,,contentMDK:21036120~isCURL:Y~menuPK:282850~pagePK:210058~piPK:210062~theSitePK:282823,00.html. [Accessed 22 May, 2009].

World Bank .2014. *Coping with policy normalization in high-income countries.* [Online]Available:http://www.worldbank.org/en/publication/global-economic-prospects. [Accessed 14 May, 2014].

World Bank. 2014. *Global economic prospects*. [Online] Available: http://www.worldbank.org/en/publication/global-economic-prospects. [Accessed 14 May, 2014].

World Bank. 2007. *Comparing levels of development*. [Online] Available: http://www.worldbank.org/depweb/beyond/beyondco/beg_02.pdf[Accessed 14 May, 2014].

World Bank. 1999. *World Development Report 1998/99: Knowledge for Development*. Washington: World Bank. [Online] Available: http://www.worldbank.org/wdr/wdr98/contents.htm. [Accessed 28 October, 2012].

World Bank. 1989. *Sub-Saharan Africa: From crisis to sustainable growth- a long-term perspective study*. Washington, D.C: World Bank Institute.

World Bank. 2013. *Kenya overview*. 2013. [Online] Available: http://www.worldbank.org/en/country/kenya. [Accessed 10 June, 2013].

World Bank Research. 2002. *Globalization, growth and poverty: Building an inclusive world economy*. [Online] Available: http://econ.worldbank.org/prr/subpage.php?sp=2477. [Accessed 28 October, 2012].

World Commission on Environment and Development's.1987*. Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.* Oxford: Oxford University Press.

World Commission on Environment and Development. 2011. *Towards sustainable development.* [Online] Available: http://www.un-documents.net/ocf-02.htm. [Accessed 29 October, 2012].

World Solutions. 2011*. The advantages and disadvantages of outsourcing*. [Online] Available:http://www.flatworldsolutions.com/articles/advantages-disadvantages-outsourcing.php. [20 October, 2011].

World Trade Organization. 2005. *Developing countries' goods trade share surges to 50-year peak.* [Online] Available: http://www.wto.org/English/news_e/pres05_e/pr401_e.pdf. [Accessed 4 November, 2013].

World Trade Organisation (WTO). 2007. *East African Community (EAC).* [Online] Available: http://www.wto.org/english/tratop_e/tpr_e/s271_sum_e.pdf. [Accessed 10 September, 2013].

World Trade Organisation (WTO). 200o. *Trade policy reviews**:** First press release, secretariat and government summaries*- Kenya. [Online] Available: http://www.wto.org/english/tratop_e/tpr_e/tp124_e.htm**.** [Accessed , 10 September , 2013].

World Trade Organisation. 20o0*.Trade policy reviews: First press release, secretariat and government summaries.* [Online] Available: http://www.wto.org/english/tratop_e/tpr_e/tp124_e.htm. [Accessed 17 October, 2012].

Wright, S. 1996. 'Depoliticizing development: The uses and abuses of participation'. *Development in Practice*, volume 6, no. 1, pp. 6-15.

Yang, D. H.; Kim, S.; Nam, C. and Min, J. W. 2007. Developing a decision model for business process outsourcing'. *Computers & Operations Research,* volume 34, no. 12, pp. 3769-78.

Yglesias, M. 2011. *Neo-liberalism and the climatechange debate*. [Online] Available: http://thinkprogress.org/yglesias/2011/08/25/304088/neoliberalism-and-the-climate-change-debate/?mobile=nc. [Accessed 26 October, 2012].

Yin, R. 1984. *Case study research: Design and methods*. Beverly Hills, CA: Sage Publishing.

Yin, R. 1989. *Case study research: Design and methods*. Newbury Park, CA: Sage Publishing.

Yin, R. 1993. *Applications of case study research*. Newbury Park, CA: Sage Publishing. Yin, R. 1994. *Case study research: Design and methods*. Thousand Oaks, CA: Sage Publishing.

Young-Soo, C. 2003. *Critical success factors for outsourcing implementation from an interorganizational relationship perspective*. [Online] Available: http://www.allbusiness.com/human-resources/workforce-management-hiringconsulting/ 946850-1.html [Accessed 12 August, 2010].

Youngdahl, W., Ramaswamy, K. and Verma, R. 2008. 'Exploring new research frontiers in offshoring knowledge and service processes.' *Journal of Operations Management*, volume 26, no. 2, pp. 135-40.
Zachary, G. P. 2004. *Outsourcing in Africa.* [Online] Available: http://www.projectsyndicate.org/commentary/outsourcing-in-africa [Accessed 28 February, 2014].
Zaman, A. 2007. *Failures of modernisation theory*. Daily news.[Online] Available: http://www.hurriyetdailynews.com/default.aspx?pageid=438&n=failures-of-modernization-theories-2007-11-30[Accessed 20 April, 2014].
Zetter, M. 2006. *ROIC, contract development, negotiations, pricing models*. [Online] Available:http://www.ventureoutsource.com/contract-manufacturing/benchmarks-best-practices/executive-management/contract-development-and-negotiations-and-pricing-models. [Accessed 20 October, 2011].
Zeynep, A. and Masini, A. 2008. 'Effective strategies for internal outsourcing and offshoring of business services: an empirical investigation.' *Journal of Operations Management,* volume 26, no. 2, pp. 239-56.
Ziai. A. (ed). 2007. *Exploring post-development theory and practice, problem and perspectives.* London; New York: Routledge.
Zikmund, W.G. 2000. *Business research methods.* 6th edition. United States of America: Harcourt, Inc.
Zinnov Offshoring Research and Consulting. 2012. *Best practices for effective outsourcing contracts*. [Online] Available: http://www.sourcingmag.com/content/c060626a.asp. [Accessed 6 March, 2012] .
Zsidish, G. A. 2003. 'Management perspective on supply risk.' *Journal of Supply Chain Management,* volume 39, no. 1, pp. 14-26.

Government Publications

Government of Kenya. 2002. *The 1998/99 integrated labour force survey report, Ministry of Planning and National Development*. Nairobi: Government Press.

Government of Kenya. *Development plan- Republic of Kenya*. 1994-1996. Nairobi: Government Press.

Government of Kenya. 2007. *Kenya Vision 2030*. Nairobi: Government Printers.

Government of Kenya. 2003. *Economic recovery strategy.* Nairobi: Government Printers. Government of Kenya. 1997*. Strategic Plan for the Roads Sector*. Nairobi: Government Printers.

Government of Kenya . 2002-2008. *National Development Plan. Effective management for sustainable economic growth and poverty eradication*. Nairobi: Government Press.

Government of Kenya. 2011. *National Development Plan.* Nairobi: Government Printers.

Government of Kenya. 1988. *Economic management for renewed growth, Sessional Paper No. 1 of 1986.* Nairobi: Government Printers.

Government of Kenya. 1988. *Economic management for renewed growth, Sessional Paper No. 1 of 1986.* Nairobi: Government Printers.

Ministry of Finance. 2009-2012. *Medium-term budget strategy paper (MTBSP) 2009/10-2011//12.* Nairobi: Government Printers.

Ministry of Lands and Housing - Republic of Kenya. 2004. *Sessional paper No.3 on National* Nairobi: Government Printers.

Ministry of Trade. 2009. *National trade policy- Republic of Kenya.* Nairobi. Government Press.

APPENDIX 1: QUESTIONNARE

PART ONE: GENERAL INFORMATION

1. Age

18 – 30 ☐ 41 - 50 ☐

31- 40 ☐ 51 - ☐

2. What organisation do you work for? ____

3. Which department do you work for in your organisation?

Human Resources ☐ Marketing and PR ☐ Finance and Accounting ☐

Any other answers please specify. ____

PART TWO: EFFECTS OF OUTSOURCING PRACTICES

4. Does your organisation conduct any outsourcing practices?

Yes ☐ No ☐ No idea ☐

5. In what areas does your organisation outsource?

General maintenance of the building ☐

Gardening services ☐

Lunch services ☐

Cleaning services ☐

Any other answers please specify below.

____

6. Why do organisations conduct outsourcing activities?
You can tick more than one answer for this question.

To attain quality results ☐

It is economical as compared to employing permanent staff ☐

For time management purposes ☐

Any other answers please specify below.

____
____
____
____
____

7. Do you know of any organisation that does engage in outsourcing in Nairobi?
Yes ☐ No ☐

Mention a few organisations that you know which conduct outsourcing activities.

____
____
____
____

8. What reasons could lead to an organisation not engaging in outsourcing?
Tick as many options for this question.

Lack of resources ☐ Companies employing adequate staff with the required skills ☐

Lack of knowledge on how to conduct outsourcing ☐ Bureaucracy ☐

Any other answer please specify below.

____

9. Do you think there is adequate advertising done to promote outsourcing activities in Nairobi?

Yes ☐ No ☐ To a great extent ☐

Please provide reasons for your answer below.

____
____
____
____

10. Which promotional methods do you think would be most effective in creating awareness of outsourcing in Nairobi?

Newspapers ☐ Television ☐ Radio ☐ Bill boards ☐

11. To what extent do you think is the general level of awareness amongst organisations of outsourcing activities available in Nairobi as a result of outsourcing?

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

Please provide reasons for your answer below.

____

12. What percentage of organisations in Nairobi do you think engage in outsourcing?

0-20% ☐ 21-40% ☐ 41-60% ☐ 61-80% ☐ 81-100% ☐

13. In which areas are contracts commonly secured for outsourcing purposes?
Tick as many answers for this question.

Training ☐ Cleaning services ☐ Security services ☐ Catering services ☐

Any other answer please specify below.

14. Does your organisation gain by engaging in outsourcing activities?

Yes ☐ No ☐ To some extent ☐ No idea ☐

Elaborate on your answer below.

15. Are there risks associated with outsourcing activities?
Yes ☐ No ☐ To some extent ☐

Please provide reasons for your answer below.

16. What type of risks are associated with outsourcing?

Risks with increased cost ☐

Risks with quality ☐

Risks with introduction of superior technology not suitable for a third world country ☐

Any other answer please specify below

17. What are the problems and challenges of outsourcing?

Finding reputable outsourcing consultants ☐

Employee cooperation with outsourced staff ☐

Maintenance of quality results ☐

Outsourcing consultants adhering to contract deadlines ☐

Any other answer specify below.

____
____
____
____

18. What improvements would you like to see with regard to outsourcing activities conducted in Nairobi?

Structured policies on how outsourcing should be conducted ☐

Price guidelines set out by the government to regulate quotation standards ☐

Commitment and discipline to meet set deadlines ☐

Any other answer please specify below

____
____
____
____

19. What initiatives have driven organisations to engage in outsourcing?

Seminars and conferences ☐ Publications ☐ Advertising ☐

Any other answer please specify below.

____

20. Do you think the future for outsourcing is promising?
Yes ☐ No ☐ Not really ☐

Please provide reasons for your answer below.

____
____
____
____

21. What do you think is the future for outsourcing in Nairobi is?

Adaptation of international outsourcing practices ☐

More commitment by outsourcing consultants in attaining quality control ☐

Standardisation of charges for outsourcing contracts ☐

Technological advancements on how to conduct outsourcing ☐

Any other answer please specify below

____

22. Would you encourage organisations that do not engage in outsourcing to do so?
Yes ☐ No ☐ Maybe ☐

Provide reasons for your answer.

____

23. For what reasons would you encourage organisations to engage in outsourcing?
For quality results ☐

Cost reduction as fewer permanent staff are employed ☐

To gain knowledge ☐

Any other answer specify below.

____

24. Reasons which would discourage organisations from engaging in outsourcing will include:

Ignorance on outsourcing companies ☐

Creating a wider scope of unemployment ☐

Rapid technological advancements ☐

Any other answers please specify.

____

25. What budget range is provided for outsourcing in your company?

0-1% of company budget ☐

2-3% of company budget ☐

4-6% of company budget ☐

7-8% of company budget ☐

25. Comments

____

____

____

APPENDIX 2: SAMPLE

	NAME OF COMPANY	LOCATION IN NAIROBI	NUMBER OF RESPONDENTS	CONTACT NUMBER
1	Farmers Choice Limited	Kahawa Station	2	020611180/0722204228
2	3 M Kenya Limited	Victoria Towers Kilimanjaro Ave. Upper hill	2	0202730628/0202730
3	Automobile Professional Assessors	Chaka Place	2	0203860831/0733627338
4	Methodist Guest House and Conference Centre	Lovington Green	2	0203871080/3877779
5	Alexandria Forbes	LandMarkPlaza	2	02027107122/2710775
6	Aculaser Institute	3rd Parklands Ave. Aga Khan Hospital	2	0203741179/0733718337
7	Starplast Limited	Enterprise road	2	02055302036/553030
8	East Africa Group	CVS Plaza 3rd floor Lenana Road	2	0202714686/0722522196
9	Abstract Media	Limuru Road Gigiri	2	0207124152/0722440502
10	Nation Media Centre	Kimathi Street	2	0202213827/2223043
11	Ad Net Media	Afya Cooperative Tomboya Street	2	020311364/2213128
12	Stadefast Promotions	Corner House	2	020343528/2241406
13	Kimani Kahiro & Associates Advocates	Loita House 14thFloor Loita Street	2	02033323735/2214374
14	Alan Dick and Co. (EA) Ltd	Museum Hill Centre	2	0203742821/3745981
15	Andrews Aeronautical and Allied equipment Limited	Lavington Green Shopping Centre	2	0204348219
16	Coffee Systems Consults	Gil House Tomboya Street	2	0202215972/2215997
17	Ukwala Trading Limited Company	Ukwala Road,Off River Road ,Behind Otc	2	0202212745/2240248
18	Agro Organics Limited	Limuru Complex off old Limuru Road	2	0208033644/0722676268
19	Flying Doctors Society	Langata Road – WilsonAirport	2	020502699/

	of Africa			
20	Aero Marine Service- Cargo	Exellent House Hallie Selasi Road	2	0412222971/2312723
21	African Skies Chartered Limited	Wilson Airport	2	020601467/601168
22	Clean System Limited	Kasarani Road	2	0208562725/8562724
23	Danfoss Refrigeration and Electronic Engineers	Ronald Ngara Street	2	020316605/0721151975
24	Elko Limited	Valley Acade , korosho Road	2	0203862049
25	The Ticket Company Limited	Woodvale Place 1st Floor, Woodvale Grove, Westlands	2	0204446987/4447987
26	Ninety-Nines Flying Club	WilsonAirport, Langata Road	2	020606935
27	Air Works Kenya Limited	Langata Road, Wilson Airport	2	020608745/608746
28	Aero Zambia	International life House	2	0202246520/2246321
29	Adair Airfreight Services	Waiyaki Way	2	0204451479/4451526
30	Jomo Kenyatta International lAirport	Old Mombasa Road	2	020822111/827639
31	Aumitect Automobile	University Way	2	0202211368/2228966
32	Alutect Limited	LusakaRoadCity Stadium	2	020532687/532687
33	Castle Glaziers	Factory Road Industrial Area	2	0206751214/0722700831
34	Avenue Rescue Services	Ist Parklands Avenue	2	0203747451/3745750
35	Bag shop	Village Market Limuru Road	2	02027120374/0733706196
36	Baker’s Den Limited	Village Market Limuru Road	2	0207122538/0724480077
37	Blackwood Hodge Kenya Limited	Enterprise/Homabay Road	2	020556382/557592
38	Dirtex Manufacturers Limited	JamuhuriPark	2	0203870756
39	BRJ Dry Cleaners	AnnversaryTowers	2	020313341
40	Nationwide Electronical	Road One	2	0208560636/8562030

	Industries Limited			
41	American Electrical Suppliers Limited	Kirinyaga Road	2	0202221794/2225977
42	Apera Gift centre	Ngara Road	2	0203742071/3744312
43	Kenya Fish Processors Exporters Association	New Rehema House Rapta Road , Westlands	2	0204440858/0722716956
44	Active Wear Limited	River Road	2	0202222805
45	Banana Company Limited	Village Market	2	02027122102
46	Hotel Bulevard	Harry Thuku Road	2	0203337567/0733623727
47	Centre for British Teachers	IPSBuilding, Kimathi Street	2	0202226917/252121
48	African Caribbean Arts and Crafts	Harambee Hse. Tom Mboya Street	2	0202224573/784405
49	Vimto Authorized Distributors	Railways Go down Hailie Selassie Avenue	2	0721401931/0722941322
50	Aquapet	Kijabe street	2	0202211651/552768
51	Choice leather works Kenya limited	Mobil Plaza Muthaiga	2	0206766671
52	Mararal Safaris Lodge	Windsor House M/Mbingu Street	2	0202211124/2246826
53	Consultants for Effective Training	Sarit Centre, Parklands Road	2	0203754291/3754292
54	Magenta Training Institute	Moi Avenue	2	0721456073
55	Foreign and African Journals Agency	Kenya Re Towers 3rd Floor Raggati road	2	0202725572/0733888182
56	Chiromo Lane Medical Centre	Chiromo Lane /Muthithi Road	2	0203746103/3749979
57	AG Furniture	Kirinyaga Road	2	0202225398
58	Prestige Pan House	Ngara	2	0203741396
59	Kenya Sugar Board	Off Waiyaki Way	2	0208018750/07332022031
60	KarsanMurji and Company Limited	Moi Avenue Capital House 1st Floor	2	0202221766/2223343
61	Afliland Agency	Nanak House 3rdFloor Kimathi Street	2	0202243002/0733832605
62	Borana Ranch	WilsonAirport	2	020600457/605108
63	IAT – Institute of	Yaya Centre	2	0203871860/3876633

	Advanced Technology			
64	Ampex Outfitters	Luthuli Avenue	2	0202230904
65	Abdulwadood Tanners Limited	Lunga Lunga Road	2	020650075/650076
66	Teenagers Wears Limited	Ronald Ngala Street	2	0202215329/2224131
67	Begaine Karanja Mbuu Limited	Loita Street, Loita House 3rd Floor	2	0202210505
68	Ceva Animal Health Kenya Limited	Henery Thuku Road Longonot Place Apartments	2	020310757/310758
69	Anglowet (EA) Technology	Vision plaza Mombasa Road	2	0206752011/0722920353
70	Mainya Agencies	Development House Moi Avenue	2	020780637/0733785181
71	Creative Advertising Limited	Town House 2ndFloor Kaunda Street	2	0202229781/312107
72	Wedding Essentials	Chaka CourtNairobi	2	0202093623/0725126930
73	Scales Services Limited	Jasho House Hailsalase Avenue	2	0202229901
74	East Africa Women Leaque	Weal House Bishop Road	2	0202729340
75	Moti Wholesalers	Biashara Street	2	0202228440
76	Giraffe Centre Kenya Limited	Koitoboos Road	2	020890952/891658
77	Cava Wines International	Off Rhapta RoadWestlands	2	0204431921/4441971
78	Afriprints and Jewels	Hilton Hotel City Hall Way	2	0202229578
79	Dental X- Ray Centre	Mama Ngina Street Transnational Plaza	2	020343373/341732
80	MambaVillage	Langata Road	2	O20680990

RECRUITMENT AGENCY	LOCATION	NUMBER OF RESPONDENTS	CONTACT DETAILS
Achievers Limited	Jumulia Place Lenana Road	1	0721391333/27201444
Alfamark Manpower Services	Gill House Tom Mboya Street	1	020252995/0722386482
Career Connections	Peponi plaza Block C Peponi Road Ground Floor	1	3752401/0733994469
Sheer Logic Management	ViewParkTowers	1	2223193

Consultant Limited			
My jobs eye .com	Ambank House University Way	1	2244859/2244866

APPENDIX 3: GLOBAL OUTSOURCING STATISTICS

Statement	Source	Date
"More than 1.3 million additional Western jobs will vanish by 2014 due to "the accelerated movement of work to India and other offshore locations," says the study released Nov. 15. Hackett doesn't talk of this as good or bad, but as something that will be a reality? And a challenge? For more Western businesses. Hackett says the pace of job erosion has nearly doubled this decade."	Investors.com	December 2010
"When you send programming offshore, you're moving it 12 time zones over, to developers with a very different native culture who usually speak English with less than full proficiency. Agile would require them to communicate frequently and informally with business users who don't speak the programmers' native language with any proficiency, through a teleconferencing circuit and maybe a Web conferencing session."	Infoworld.com	September 2010
"There is research that proves that many companies that outsource either domestically or internationally don't perform as well as before the outsourcing. In a study, the average user satisfaction deficit was 13 percent. Other criteria, like value for money and company perception by customers, showed similar drops. One has to ask oneself if it's really worth it."	The Outsource Blog	July 2010
"Companies expressed frustration with the quality of work being provided, according to a survey, but most businesses still said they chose the cheapest outsourcing option instead of the best quality. Nearly all businesses - ninety-four percent	ComputerWorld UK	Mar 2010

- admitted that the focus on cost was increasing the likelihood of their projects failing."		
"According to a mid-2009 report by AMR Research Inc. on the state of IT outsourcing, roughly 80% of enterprises plan to increase their amount of IT outsourcing or keep it the same."	SearchCIO.com	Febuary 2010
"Indian IT companies have started adding thousands of employees after a year of relatively flat growth. But the same can't be said for U.S. companies. [...] Three of India's biggest IT services firms... have alone added a total of 16,700 employees in the last quarter. The U.S. IT work force... has a lot of lost ground to cover as a result of the recession. Industry group TechServe Alliance... counted 3.81 million IT workers at the end of September, marking a net gain of about 11,000 jobs to the end of last month."	Computer World	January 2010
"Earlier this year, consultancy BDO Seidman asked technology CFOs where they would expand outsourcing if they were planning to do so. The most popular destination? The United States, at 22%. China was runner-up (16%), with India a close third (13%)."	CFO	Oct ober 2009
"...At companies with revenues of at least $5 billion, as many as one quarter of IT jobs will be moved offshore by 2010."	Computer World	May 2009
"Compass Management Consulting services director Nigel Hughes argued that companies could see productivity losses of up to 60 percent when the full cycle of application development is outsourced, leading to longer development	VNUNet	April 2009

times."

"An annual survey by accounting and consulting firm BDO Seidman LLP showed that 22 percent say the United States is the outsourcing destination they are most likely to consider in 2009, compared to 16 percent for China and 13 percent for India."	Silicon Valley Business Journal	March 2009
"The number of H-1B visas that can be issued annually is capped by Congress at 65,000...but while the total of available visas remains constant, the number issued to the major offshoring vendors is rising. The four largest H-1B recipients last year are all based in India: Infosys Technologies Ltd., with 4,559 visas; Wipro Ltd., with 2,678; Satyam Computer Services Ltd., with 1,917; and Tata. The number of visas issued to Infosys was identical to what it received in fiscal 2007, but Wipro, Satyam and Tata all saw increases."	Computerworld	February 2009
"Half of the IT pros...Surveyed say they have new concerns about Indian IT providers..."	InformationWeek	January 2009
"Sixty-eight percent of IT pros who've worked with Indian outsourcers say they wouldn't work with Satyam based on what they know of the financial scandal..."	InformationWeek	January 2009
"When compared to their beliefs two years ago, 58% of companies said they were less of a believer in the idea that working with Indian IT outsourcers delivers value for their company and its shareholders."	InformationWeek	January 2009

"The $50 billion-a-year offshore outsourcing business was growing at a 29 percent annual rate until the credit crisis hit last fall, said Rod Bourgeois, a technology services specialist at Sanford C. Bernstein & Company. But he now forecasts growth in 2009 to be about 10 percent."	New York Times	January 2009
"The number of outsourcing contracts worth more than $25 million signed by global financial services firms declined by 19 percent last year compared to 2007 and their total value decreased by more than 25 percent."	CFO	January 2009
"Numerous surveys indicate that anywhere from 17 percent to 53 percent of customers have not realized business value/return on investment from offshore outsourcing."	CIO	November 2008
"Three surveys conducted across [India] between January 2007 and March 2008 have shown that three in every ten job seekers make false claims on their CVs while applying for jobs."	Hindustan Times	July 2008
"...20% of *InformationWeek* 500 companies say they've taken back offshored work in the past year."	InformationWeek	November 2007
"In a 2005 study, McKinsey & Co. estimated that just a quarter of India's computer engineers had the language proficiency, cultural fit and practical skills to work at multinational companies. The result is increasing competition for the most skilled Indian computer engineers and a narrowing U.S.-India gap in their compensation. India's software-and-service association puts wage inflation in its	The Wall Street Journal	June 2007

industry at 10% to 15% a year. Some tech executives say it's closer to 50%. In the U.S., wage inflation in the software sector is under 3%, according to Moody's Economy.com."		
"Data from law outfit Addleshaw Goddard has found that 60 percent of companies had changed or renegotiated their IT outsourcing contract while a third had opted to return the running of their IT infrastructures to internal employees."	IHotDesk	March 2007
"This research into the potential pitfalls of outsourcing comes just a week after Jean-Marc Lazzari, head of Unisys operations in continental Europe, told us that he knew of up to 10 deals worth between 700m euros ($890m) and 1.5bn euros ($1.9bn) that were already back on the market despite having been signed less than two years ago. These deals were based on the your mess for less principle, said Lazzari, and they are in danger as the supplier often did not get the volume of work expected from the client, and the client didnt get the expected cost savings."	Yahoo News - UK&Ireland	September 2006
"But the big whoosh of jobs to India never happened. Indeed, that gush slowed to a steady stream once American companies realized it's tough to set up shop in a country with bad roads and a patchy power grid. Lately, American consulting firms that once predicted runaway growth in outsourcing to India have been slashing their estimates by half or more. Now American companies are hanging on to the high-skilled work that requires face-to-face interaction, while everything that can be done "over the wire" gets shipped offshore."	Newsweek	March 2006

"Global revenues on outsourced medical transcription services in 2005 is already estimated to be at 2.2 billion dollars, with the US market accounting for more than 85 percent of global demand..."	XMG Study	January 2006
"The Indian software and services export is estimated at Rs 78,230 crore ($17.2 billion) in 2004-05, as compared to Rs 58,240 crore ($12.8 billion) in 2003-04, an increase of 34 percent."	Nasscom-McKinsey	November 2005
"On average, applications for H-1B workers in computer occupations were for wages $13,000 less than Americans in the same occupation and state."	Programmers Guild Report	
"...offshore outsourcing will create more than 337,000 jobs by 2010..."	InformationWeek	November 2005
"Demand for offshore IT services isn't slowing, and that trend is showing up in Indian companies' hiring. Between July and September, Tata Consultancy Services increased its staff by nearly 12% to more than 53,000, while Infosys Technologies' staff grew 15% to more than 46,000."	InformationWeek	October 2005
"Outsourced IT services brought in $12 billion for India 2004, leading the world in IT exports."	Santa ClaraUniversity's Leavey School of Business	October 2005
"Only 19% of US businesses have an offshore outsourcing strategy, a study by Ventoro found. However, the percentage skyrockets to 95% if only Fortune 1000 companies are	ZDNet Research	October 2005

considered."		
"The US IT offshoring market will record a compounded annual growth rate of 14.4% and will nearly double to $14.7 billion by 2009..."	IDC	September 2005
"U.S. financial service providers (FSPs) are expected to spend $65.7 million on IT services in 2005, however less than 30 percent of FSPs will outsource any strategic projects by the end of 2006."	Gartner	August 2005
"Business Process Outsourcing will overshadow and incorporate IT outsourcing and mainstream BPO expenditure is likely to grow worldwide by 10 per cent a year from $140 billion in 2005 to over $220 billion by 2010."	LogicaCMG	August 2005
"...the average size of contracts announced by IT and BPO services vendors in the second quarter of '05 fell to $56m compared to $106m in the year ago period. This means that average deal size has now declined for four consecutive quarters."	Datamonitor	July 2005
"In 2003, Ireland and India were the main beneficiaries of offshoring and the largest exporters of IT services, reaching 14.4 billion dollars and 11.3 billion dollars respectively..."	International Monetary Fund	July 2005
"Citing various studies, the WTO noted that the global turnover from offshore IT services reached 45 billion dollars in 2003, or less than 10 per cent of total world business service exports."	News From Bangladesh	July 2005

"The research firm Gartner Inc. predicts that up to 15 percent of tech workers will drop out of the profession by 2010, not including those who retire or die."	ABC News	June 2005
"...the number of buyers prematurely terminating an outsourcing relationship has doubled to 51 percent while the number of buyers satisfied with their offshoring providers has plummeted from 79 percent to 62 percent."	DiamondCluster	June 2005
"...entry-level programmers and help-desk workers in Vietnam earn an average, annual salary of about $3,000 per year. By contrast, India's IT graduates are paid about $5,400 -- not a lot, but almost twice as much as the Vietnamese.	NeoIT	June 2005
"India controls 44 percent of the global offshore outsourcing market for software and back-office services, with revenues of US$17.2 billion (euro14.07 billion) in the year ended March 2005..."	Associated Press	June 2005
"Nearly three-quarters of international outsourcing companies in 10 countries expect to grow revenues within the next 12 months by an average of 11%."	ComputerWeekly	May 2005
"...financial services firms in the U.S. spent about $590 million on offshore services from third-party outsourcers last year, while their European counterparts spent about $480 million overseas."	ComputerWorld	May 2005
"To get high-quality service levels from top-tier vendors, customers should expect to pay in the $24 to $30 per hour	Forrester Research	May 2005

range for offshore labor..."		
"Twelve percent of outsourcing spending in 2005 will involve offshore resources, growing to 19 percent in 2009."	Saugatuck Technology	May 2005
"The ranking of 12 most valuable companies published in April 2005 issue of Global Outsourcing has IBM at the top, quite predictably, with a valuation of more than $140 billion. ADP takes the number 2 slot with market capitalisation of $26 billion, ahead of Accenture ($23 billion), a company with almost double of ADP's revenue. The next two positions are taken by Infosys and Wipro with a market capitalisations of $19.9 billion and $14.6 billion, respectively," a release said here."	Global Outsourcing	May 2005
"Transiting from a major business process outsourcing (BPO) hub, India is set to emerge as a $17 billion knowledge outsourcing destination by 2010, states a new industry study."	Confederation of Indian Industry (CII)	May 2005
"The survey of 25 large organisations with a combined $50 billion in outsourcing contracts found that 70% have had negative experiences with outsourcing projects and are now taking a more cautious approach. One in four companies has brought outsourced functions back in-house and nearly half have failed to see the cost savings they anticipated as a result of outsourcing."	Deloitte Consulting	April 2005
"Indian software exports exceeded $17bn last year, representing a $4bn jump over 2003."	Sand Hill Group	April 2005
"By 2009 the information technology and enterprise solutions (ITES) market in India alone is likely to reach $142 billion.	McKinsey Study	March 2005

This estimate contrasts with the current price tag of $532 billion to provide these services in the United States."		
"According to the National Association of Software and Service Companies (Nasscom), the total market size of knowledge process outsourcing business in India may rise to a staggering $15.5 billion, up from $1.2 billion now."	Indo-Asian News Service	March 2005
"...60 per cent of organisations that outsource parts of the customer-facing process will encounter customer defections and hidden costs that outweigh any potential savings they derive from outsourcing..."	Gartner	March 2005
"Gartner also predicted that through 2007, 80 per cent of organizations that outsource customer service and support contact centres with the primary goal of reducing cost will fail."	Gartner	March 2005
"Three-quarters of U.S. companies outsourced some or all of their information technology activities in 2004, and that percentage is likely to increase this year..."	Global Outsourcing Report 2005	March 2005
"Industry experts predict that by 2015, offshoring by the US companies would represent $135 billion in wages and 3.3 million professional jobs. And new countries like Czech Republic, Poland, Hungary and Mexico are likely to become new offshoring destinations this year."	Hewitt Study	March 2005
"...estimates that in 2005 as many as 40 percent of global sourcing projects may fail to achieve desired results."	neoIT Study	January 2005
"Over 40 percent of offshore initiatives will not yield		January

anticipated savings, scale or risk diversification...' NeoIT said in its predictions for 2005. The key reason for these disappointments will not be due to supplier capability but buyer preparation and management."	CNET News.com	2005
"By 2005, Deloitte & Touche expects the top 100 global financial-services firms to offshore more than $200 billion of their operating costs and save more than $700 million. Shahrawat notes that the three largest Indian outsourcers will each surpass $1 billion in sales in 2004. "	Wall Street and Technology	December 2004
"Spending on the top 100 outsourcing deals worldwide increased from $48.3 billion in 2002 to $66.1 billion in 2003 and, for the first time, Europe surpassed the Americas, capturing more than half of the top 100 deals and accounting for more than half the value of these deals."	IDC	December 2004
"Offshore outsourcing is expected to grow nearly 20 percent annually through 2008, with the average enterprise sending 60 percent of its application work to low-wage countries by 2009, a market research firm said Tuesday."	TechWeb	November 2004
"Almost half of business and IT professionals believe the 2004 U.S. Presidential election will impact the number of U.S. companies using offshore outsourcing, according to a recent survey conducted by META Group. The survey found that almost 50 percent of respondents believe that offshore outsourcing will increase if George W. Bush is elected, and that it will decrease if John Kerry is elected."	META Group	November 2004

"Even though the term "outsourcing" has become synonymous with the practice of sending jobs overseas, the bulk of outsourcing activities—70.2 percent—occur on the domestic front..."	2004 Enterprise Systems Outsourcing Survey	October 2004
"...a University of California-Berkeley study that warns as many as 14 million Americans hold jobs at risk of being outsourced."	Mercury News	October 2004
"...the worldwide market for offshore IT services will grow from nearly $7 billion in revenues in 2003 to $17 billion by 2008, achieving a five-year compound annual growth rate (CAGR) of nearly 20%."	IDC	October 2004
"Several offshore outsourcing vendors now exceed $1 billion in annual revenue, and the total market is greater than $10 billion."	META Group	October 2004
"...the average enterprise will ultimately outsource 60% of application work offshore (circa 2008/09)."	META Group	October 2004
"The offshore outsourcing market will continue to grow nearly 20% annually through 2008..."	META Group	October 2004
"AMR Research released a study today announcing that manufacturers plan to increase outsource spending 9.3 percent in 2005 in an effort to contain internal IT costs."	AMR Research	October 2004
"Despite these limitations, the report showed that in 2002 the US imported 37.5 billion US dollars worth of business, professional and technical (BPT) services, which is a 76.8 percent increase since 1997."	INQ7.net referencing GAO Study	October 2004

"Major IT services companies worldwide currently employ 14% of their combined workforce in India, as they tap into the country's low-cost IT and back-office skills base. Research from Computer Wire found that the top 50 IT services companies currently employ a total of 1.25 million employees worldwide, with 173,000 of this total based in India."	Computer Business Review Online	September 2004
"The U.S. information technology sector lost 403,300 jobs between March 2001 and this past April..."	Associated Press	September 2004
"American employers will hire 270,000 fewer IT workers this year than they did in 2003, according to a poll of 500 hiring managers by the Information Technology Association of America, providing fresh evidence that the IT-labor market continues to weaken."	InformationWeek	September 2004
"General Electric's '70-70-70' plan signals the possible extent of these shifts: It plans to outsource 70 percent of its head count, push 70 percent of that outsourcing offshore and locate 70 percent of its workers in India."	Newsweek	August 2004
"The number of Indian professionals in the IT sector is expected to triple to more than 2 million over the next five years, and Morgan Stanley's Mumbai research center predicts that multinationals will match new jobs in Indian subsidiaries with head-count reductions elsewhere."	Newsweek	August 2004
In the first 32 months of a typical U.S. recovery, wages rose 10 percent; this time, wages have risen just 2 percent."	Newsweek	August 2004

" In the U.S. recession that ended in June 2001, half the job cuts were 'structural,' meaning permanently eliminated, compared to an average of 25 percent in previous recessions, according to the U.S. Federal Reserve. In other words, laid-off workers are much less likely to be rehired by their old companies and have to find new jobs or turn to self-employment. Data from the U.S. Bureau of Labor Statistics show that more than half of the jobs created since the end of the recession are part time, that tenured workers are still losing their jobs at record rates and those that find new ones are taking 57 percent pay cuts on average.	Newsweek	August 2004
“The topic of offshore outsourcing enlisted the strongest responses, said W. Ladd Bodem, Principal, ServiceXRG. 24% of customers indicated that they will stop doing business with a vendor if they outsource support offshore, regardless of the quality of support. It is not clear that they would actually stop doing business with a vendor, but it is clear that this is an emotional issue and one that must be factored into any outsourcing strategy.”	Service Excellence Research Group, LLC	August 2004
"The brouhaha over the loss of service jobs, which currently account for over 80 percent of private-sector employment in the United States, is not merely an American phenomenon. Service jobs are at risk in all developed countries. In the U.K., where some claim that as many as 50,000 jobs moved offshore in 2003, the issue is just as prevalent and just as contentious. Countries like Germany and Sweden are feeling political tremors as well."	HarvardBusinessSchool	August 2004

"About 21% of IT executives surveyed recently by management consulting firm DiamondCluster International said they had prematurely terminated offshore arrangements in the prior 12 months. The most common reasons cited: the provider had financial difficulties; the provider failed to deliver on commitments; or the buyer consolidated its outsourcing vendors."	Network World	July 2004
"In India, they were pumping these guys out left and right. . . . Look at the deal here: We've got very highly paid SAP programmers that we could hire in the U.S. - and they're hard to find. Or we could go to India and find very talented SAP programmers immediately at 35% to 40% lower cost."	Network World	July 2004
"The research showed that 80 percent of organizations have suffered problems ranging from time and cost overruns, to non-adherence to specifications and requirements, when outsourcing ADM projects."	Meta Group	July 2004
"The number of software and IT service jobs in India will increase by 1.5 million to 2 million by 2008, according to a report. This represents a 40% compound annual growth rate."	The Times of Inda	J uly 2004
"New research shows that 80 percent of businesses have spent more time and money on outsourced application development that was originally specified..."	Meta Group	J une 2004
"Responding to survey on a prominent election-year issue, 66 percent of U.S. workers believe that offshore outsourcing	Hudson Global Resources	June 2004

of jobs is harmful for the economy."		
"58% of American workers believe that companies outsourcing work that could be done by Americans to offshore contractors should be penalized by the US government..."	ELA Survey	June 2004
"6% of those surveyed said they have lost a job because their work was sent overseas -- 30% know of someone, including a family member, friend or co-worker who had lost a job due to offshoring. -- 8% said they personally feel their job security is at risk because their employer might send their work overseas	ELA Survey	June 2004
"Forrester also increases its near-term estimate of lost jobs by 240,000 in its new report, projecting that a cumulative total of 830,000 positions will have moved offshore by 2005."	Forrester Research	May 2004
"Forrester has increased its estimate of how many US services jobs will go offshore in the near term. Long term, we believe that our previous projection of 3.3 million by 2015 is still accurate."	Forrester Research	May 2004
"...an employee could be paid as much as $50,000 to share a firm's data with a competitor."	Wall Street & Technology	May 2004
"TowerGroup estimates that the top 15 global financial institutions will increase information technology spending on vendor-direct offshore outsourcing by 34% annually – representing an increase from $1.6 billion in 2004 to $3.89 billion in 2008."	CRM Today	April 2004

"...40% of the Fortune 500 expected to have [outsourced offshore] by the end of this year, according to the research firm Gartner Inc....	Fast Company	April 2004
"American high-tech firms shed 560,000 jobs between 2001 and 2003, and expect to lose another 234,000 in 2004."	IEEE-USA	March 2004
"Offshore business process outsourcing services - which, unlike application development, typically require the transfer of personal data - grew 38% last year to just under $2 billion..."	Gartner	March 2004
"While the U.S. lost 234,000 IT jobs in 2003, for Indian techies 152,000 new jobs were created."	The Economic Times	March 2004
"About 14 million jobs, or 11% of the US total, have been identified as at risk of being sent abroad."	McKinsey & Co.	February 2004
"...the Department of Labor estimates (the North American Free Trade Agreement or NAFTA) was responsible for the loss of more than 500,000 U.S. jobs between 1994 and 2002."	Time Magazine	February 2004
"In the past 3 years, offshore programming jobs have nearly tripled, from 27,000 to an estimated 80,000."	Forrester Research	February 2004
"More than 2.2 million jobs have been lost since Bush took office and the unusually tepid recovery in the labor market	Reuters	February 2004

has fueled public concern over offshore "outsourcing" to low-wage countries like China."		
"Some 200,000 to 300,000 jobs could end up being shipped offshore this year..."	eCommerce Times	February 2004
"Nonmilitary government clients were the biggest outsourcing customers last year, with $18.5 billion in contracts. The defense sector finished a close second at $18.2 billion."	IBD	February 2004
"While 93% of business technologists surveyed recently by Software Development magazine, a CMP publication, say the work that's going offshore is either important or critical to their companies' operations, 56% say what's coming back is worse than what could be achieved in-house and, in the worst cases, unusable."	TechWeb	January 2004
"At least 13 bills that would ban offshore outsourcing are now wending their way through various state legislatures."	CNNMoney	January 2004
"Global spending on major outsourcing projects - in which a customer hires an outside company to design, implement and run a computer network or other information technology endeavor - rose 44% from 2002 to $119 billion last year."	Datamonitor PLC	January 2004
"...at least 3.3 million white-collar jobs and $136 billion in wages will shift from the United States to low-cost countries by 2015."	Forrester Research	January 2004

"...Gartner says the (offshore outsourcing) market will grow to $160 billion in 2005, up from $101 billion in 2000..."	TechWeb	January 2004
"26% of companies already using offshore services expect to double their spending in the next year."	Dataquest	January 2004
"...60% of Fortune 1000 companies have yet to do any offshore IT outsourcing, and that the overseas movement within these companies is slow."	Forrester Research	December 2003
"The U.S. software industry lost 150,000 jobs last year..."	ADTmag.com	December 2003
"According to another Gartner survey, nearly 30 percent of companies saw no cost reductions or actually saw increased expenses as a result of outsourcing their IT work."	Earthweb	December 2003
"Analysts predict that as many as 2 million U.S. white-collar jobs such as programmers, software engineers and application designers will shift to low-cost centers by 2014."	Reuters	December 2003
"...the offshore component in delivery of US IT services may rise as mush as 23% by 2007, up 5% from 2003."	IDC	November 2003
"By the end of next year Gartner predicts that 1 out of every 20 IT jobs at user companies will have moved offshore."	Computerworld	October 2003
"...analysts at Meta Group Inc. predict that in the next several years, as much as 40% of production support may be managed offshore."	Computerworld	October 2003
"One of the most popular nations for outsourcing is India, which is recording double-digit growth in revenues from IT		

services, which are expected to reach $57 billion in 2008, according to a joint study by McKinsey & Co. and Nasscom, an Indian software association. Based on a U.S. model of spending 5% to 7% of the IT budget on security, and with the IT budget consuming 15% of a service company's revenue, India should be ramping up to spend $450 to $600 million on information security and assurance by 2008. "	Computerworld	September 2003
"By next year, 80% of CIOs will have marching orders to take some IT offshore."	Computerworld	September 2003
"Since 2001, according to the US Bureau of Vital Statistics, more than 500,000 people in IT professions in the United States have lost their jobs."	CIO Magazine	August 2003
"In fact, at the Gartner Outsourcing Summit 2003, analysts predicted that shipping work offshore will be discussed in more than 8 of every 10 U.S. executive boardrooms by next year, and more than 40% of U.S. firms will be outsourcing IT services through a global delivery model within that same time frame."	SearchCIO.com	August 2003
"... 20% of outsourcing deals do not produce cost savings...10% of those deals actually wind up increasing costs." "... this year alone 50% of all outsourcing projects will fall short of delivering expected value and will be deemed unsuccessful."	Gartner Group	May 2003

Source: RTTS Corporate, 2010.

APPENDIX 4: CORRELATION ILLUSTRATIONS

These correlations were not included in the data analysis chapters because of the awareness of methodological limitations and the fact that although these correlations are statistically significant they may not be particularly useful. They are, however, included here to show the statistically significant correlations that were computed.

Illustration 1:

This computation is meant to establish whether there is any relationship between the two variables: perceived awareness level of outsourcing amongst organisations (based on advertising done) and organisations that engage in outsourcing. The table that follows tabulates figures based on awareness level of outsourcing (based on advertising done) and the percentage range of organisations that engage in outsourcing.

Awareness level of Outsourcing and Organisations that engage in Outsourcing

AWARENESS LEVEL OF OUTSOURCING% (X)	AWARENESS LEVEL OF OUTSOURCING % AVERAGE (X)	% RANGE OF ORGANISATIONS WHO ENGAGE IN OUTSOURCING (Y)	AVERAGE OF ORGANISATIONS WHO ENGAGE IN OUTSOURCING (Y)
0-20	10	0-20	10
0-20	10	21-40	30.5
0-20	10	61-80	70.5
21-40	30.5	0-20	10

21-40	30.5	21-40	30.5
21-40	30.5	41-60	50.5
41-60	50.5	21-40	30.5
41-60	50.5	41-60	50.5
41-60	50.5	81-100	90.5
61-80	70.5	21-40	30.5
61-80	70.5	61-80	70.5
81-100	90.5	61-80	70.5

Source: Questionnaires

To compute the correlation coefficient X and Y average values are used. This is illustrated in the table that follows.

Awareness Level and Organisations who engage in Outsourcing Averages

AWARENESS LEVEL OF OUTSOURCING % AVERAGE (X)	AVERAGE OF ORGANISATIONS WHO ENGAGE IN OUTSOURCING (Y)
10	10
10	30.5
10	70.5
30.5	10
30.5	30.5
30.5	50.5
50.5	30.5
50.5	50.5
50.5	90.5

70.5	30.5
70.5	70.5
90.5	70.5

Source: Questionnaires

Table 17 figures are captured in a correlation software table.

X Values	Y Values
10	10
10	30.5
10	70.5
30.5	10
30.5	30.5
30.5	50.5
50.5	30.5
50.5	50.5
50.5	90.5
70.5	30.5
70.5	70.5
90.5	70.5

$X - M_x$

-32.042
-32.042
-32.042
-11.542
-11.542
-11.542
8.458
8.458
8.458
28.458
28.458
48.458

Mx: 42.042

$(X - M_x)^2$

1026.668
1026.668
1026.668
133.210
133.210
133.210
71.543
71.543
71.543
809.877
809.877
2348.210

Sum: 7662.229

$Y - M_y$

-35.417
-14.917
25.083
-35.417
-14.917
5.083
-14.917
5.083
45.083
-14.917
25.083
25.083

My: 45.417

$(Y - M_y)^2$

1254.340
222.507
629.174
1254.340
222.507
25.840
222.507
25.840
2032.507
222.507
629.174
629.174

Sum: 7370.417

$(X - M_x)(Y - M_y)$

1134.809
477.955
-803.712
408.767
172.163
-58.670
-126.170
42.997
381.330
-424.503
713.830
1215.497

Sum: 3134.292

Result details and calculation:

X Values

$\sum = 504.5$

Mean = 42.042

$\sum(X - M_x)^2 = SS_x = 7662.229$

Y Values

$\sum = 545$

Mean = 45.417

$\sum(Y - M_y)^2 = SS_y = 7370.417$

X and Y Combined

N = 12

$\sum(X - M_x)(Y - M_y) = 3134.292$

R Calculation

$r = \sum((X - M_y)(Y - M_x)) / \sqrt{((SS_x)(SS_y))}$

$r = 3134.292 / \sqrt{((7662.229)(7370.417))} = 0.4171$

Meta Numerics (cross-check)

r = 0.4171

Key

X: X Values

Y: Y Values

M_x: Mean of X Values

M_y: Mean of Y Values

$X - M_x$ & $Y - M_y$: Deviation scores

$(X - M_x)^2$ & $(Y - M_y)^2$: Deviation Squared

$(X - M_x)(Y - M_y)$: Product of Deviation Scores

It may, therefore, be concluded that the correlation coefficient 0.4171 indicates a low correlation between awareness level of outsourcing (based on advertising done) and organisations that engage in outsourcing. The reason for this could probably be that there are other means to create awareness of outsourcing apart from advertising.

Illustration 2:

The relationship between organisations that engage in outsourcing and the budget allocation provided for contracting outsourcing vendors was computed.The table that follows tabulates the budget allocation percentage range and organisations that engage in outsourcing percentage range.

Correlation table of Budget Allocation and Organisations that engage in Outsourcing

ORGANISATIONS THAT ENGAGE IN OUTSOURCING%RANGE (X)	ORGANISATIONS THAT ENGAGE IN OUTSOURCING % AVERAGE (X)	%RANGE OF BUDGET ALLOCATION (Y)	% AVERAGE OF BUDGET ALLOCATION (Y)
0-20	10	2-3	2.5
0-20	10	7-8	7.5

21-40	10	0-1	0.5
21-40	30.5	2-3	2.5
21-40	30.5	4-6	5
21-40	30.5	7-8	7.5
41-60	50.5	4-6	5
41-60	50.5	7-8	7.5
61-80	70.5	7-8	7.5
81-100	90.5	4-6	5

Source: Questionnaires

To compute the correlation coefficient, X and Y average values are used. This is illustrated in the table that follows.

Correlation table of Budget Allocation and Organisations that engage in Outsourcing Averages

ORGANISATIONS THAT ENGAGE IN OUTSOURCING % AVERAGE (X)	% AVERAGE OF BUDGET ALLOCATION (Y)
10	2.5
10	7.5
10	0.5
30.5	2.5
30.5	5
30.5	7.5
50.5	5
50.5	7.5
70.5	7.5

90.5	5

Source: Questionnaires

Table 19 figures are captured in correlation software.

X Values	Y Values
10	2.5
10	7.5
10	0.5
30.5	2.5
30.5	5
30.5	7.5
50.5	5
50.5	7.5
70.5	7.5
90.5	5

$X - M_x$

-28.350
-28.350
-28.350
-7.850
-7.850
-7.850
12.150
12.150
32.150
52.150

Mx: 38.350

$(X - M_x)^2$

803.723
803.723
803.723
61.623
61.623
61.623
147.622
147.622
1033.622
2719.622

Sum: 6644.525

$Y - M_y$

-2.550
2.450
-4.550
-2.550
-0.050
2.450
-0.050
2.450
2.450
-0.050

My: 5.050

$(Y - M_y)^2$

6.502
6.003
20.702
6.502
0.002
6.003
0.002
6.003
6.003
0.002

Sum: 57.725

$(X - M_x)(Y - M_y)$

72.292
-69.458
128.992
20.018
0.392
-19.233
-0.607
29.768
78.768
-2.607

Sum: 238.325

Result details and calculation

X Values

$\sum = 383.5$

Mean = 38.35

$\sum(X - M_x)^2 = SS_x = 6644.525$

Y Values

$\sum = 50.5$

Mean = 5.05

$\sum(Y - M_y)^2 = SS_y = 57.725$

X and Y Combined

N = 10

$\sum(X - M_x)(Y - M_y) = 238.325$

R Calculation

$r = \sum((X - M_y)(Y - M_x)) / \sqrt{((SS_x)(SS_y))}$

$r = 238.325 / \sqrt{((6644.525)(57.725))} = 0.3848$

Meta Numerics (cross-check)

r = 0.3848

Key

X: X Values

Y: Y Values

M_x: Mean of X Values

M_y: Mean of Y Values

$X - M_x$ & $Y - M_y$: Deviation scores

$(X - M_x)^2$ & $(Y - M_y)^2$: Deviation Squared

$(X - M_x)(Y - M_y)$: Product of Deviation Scores

Correlation coefficient of 0.3848 indicates that the variables in consideration have a low correlation. Therefore, it can be concluded that there is some relationship between budget allocation and organisations that engage in outsourcing. Based on questionnaires distributed there are other factors that would influence budget allocation apart from the fact that an organisation is engaging in outsourcing. This is probably why there is low correlation between the variables. Some of the factors that influence funds allocated for outsourcing are capital available, anticipated profits and function/s to be outsourced