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National Culture and Organizational Capabilities of IT Offshoring Services in Kenya

by

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INTRODUCTION

The concept of outsourcing is a central narrative employed by Friedman (2005) to underscore the fact that globalization is principally driven by the Internet which enables a level playing field for various economic activities. From an information management perspective, the pervasive adoption of Information Technology (IT) with close to 80% of IT services outsourced in one way or the other (Lacity & Willcocks, 2001), has made the multi-billion dollar Information Technology Outsourcing (ITO) industry become important not only to individual organizations, but to governments as well (Cullen, Seddon & Willcocks, 2005). The ITO market is thus continuing to mature, with an increasing number of suppliers of outsourced service providers and advancements in IT that are enabling the management, implementation and operations in IT-enabled services and relocation of firm value chains to other countries (Cullen et al, 2005; Hutzchenreuter, Lewin and Dresel, 2011).The global potential for offshoring remains huge, with estimates of the outsourcing market standing at $77 billion per year, with U.S. companies accounting for about $44 billion (Tucci, 2007). The concept of offshoring elevates the importance of country destinations where IT services are sent to or outsourced. India has been the leading Business Process Outsourcing (BPO) services provider for a number of years, but is being threatened by a myriad of challenges. Key among these challenges is the labor crunch with rising wages and costs, which are converging towards the client levels of organizations that the BPO firms serve (Jorek, Gott & Battat, 2009). The other two top countries (China & Malaysia) in the *2009* and *2011 Global Services Location Index* (GSLI) also face similar changes as India

(Jorek, Gott & Battat, 2009; Kearney, 2011). Other destinations enumerated in the report as emerging offshore outsourcing destinations include African countries such as Ghana, Mauritius, Egypt and Senegal.

The emergence of the African countries in the BPO sector is linked to a number of global trends. The first is that there is a general change in the demand for offshoring service, where European clients (where English) is not the dominant language are starting to play a big role in shifting the geography of offshoring destinations despite the fact that 70 percent of the demand is still from North Africa (Jorek, Gott & Battat, 2009; Kearney, 2011). This would require that offshore destinations have the capability to serve different *cultures* and not the traditionally 'captive' client base of North America. Thus as BPO firms start venturing out of traditional 'captive' client regions, the need for *open communication and cultural sensitivity* becomes critical to their success. Secondly, some developing countries are beginning to emerge as attractive destinations since they are still regarded as low cost regions, while the traditional 'captive' destinations such as India and China are becoming middle income, thus with increasing cost levels. The result is that the traditional suppliers of BPO services are ceding some market share to low cost regions in developing countries in places such as Africa (Jorek, Gott & Battat, 2009). There is thus a shift in the geography of supply towards developing countries. Thirdly, a majority of African countries are basing part of their national development goals on IT services as one of the pillars for attaining economic growth.

What emerges overall from the three trends above is that BPO firms based in Africa are beginning to be *competitive* in the global supply market of BPO services in an environment where the demand geography is diversifying from the traditionally North American market to encompass other emerging demand centers in Europe and the Middle Eastern countries. With increasing diversity in the clientele being served, the *organizational capability* to provide these offshoring services, which determines the ability of firms to *sustain competitive advantage*, becomes critical, again, in an environment where there is increased *cultural diversity*. It is from these three emerging trends that the problem of this research was conceptualized: that due to a shifting geography (in favor of African countries), there is a need to understand how national culture and organizational capability is related to offshoring success from a supply-side perspective, especially due to the fact that research has shown that there is a preference to do business with similar cultures (Kogut & Singh, 1988).

For Kenya, the attainment of competitiveness is a big challenge for the Information and Communications Technology (ICT) firms. The Government of Kenya, through the National Economic and Social Council (NESC) notes that competitiveness is about being able to compete technologically, offer competitive prices and have the capacity to meet market demand. It means that government policies must be geared towards enhancing productivity of the economy, reducing cost of doing business and supporting entrepreneurship, innovativeness and R&D. This will enhance business confidence, boost investment and revamp economic growth; indicators which are considered as critical parameters in ensuring offshoring success (Kearney, 2011). Developing competitiveness is critical in Kenya, especially since she prides herself as the economic hub of Eastern Africa, yet a recent World Bank reports shows that her neighbors (Tanzania and Uganda) are gaining ground (World Bank, 2012). Kenya's global competitiveness is also declining in relation to other African countries such as to South Africa, Egypt and Mauritius in various areas such as quality of public institutions, technology, corruption, growth, macro-economic environment, manufacturing value added, business competitiveness, legal structure and property rights, and access to funding, wage competitiveness, security and cost of doing business (NESC, 2008). However, Kenya is still one of the few African countries with an emerging BPO sector, which is well funded not only by the government, but other international institutions such as the International Monetary Fund (IMF). Emerging-markets-online.com (2008) observed that two factors key for the developments of the [BPO] industry in Kenya are the linking of Kenya to the international fiber optic network and a well-educated workforce. Having a very enterprising population, Kenya has a potential BPO value proposition, A diversified economy, a well trained workforce and excellent connections to major cities around the world and government support for developing the BPO industry (Moroney, 2006). Therefore, Kenya is used as a case to assess the how national culture, organizational capabilities and national conditions influence BPO success.

This paper has four main sections. In the first section, the authors reflect on literature in order to underscore the social problem and context of the study plus identifying the theoretical lens and historical perspective. The second section discusses the research methodology and framework rationalized through the assumptions of Critical Realism (CR). The third section presents an analysis of the results, while the fourth section presents the conclusion of this study with a proposed blue print for BPO success in Africa.

ORGANIZATIONAL CAPABILITY AS THE NEXUS OF IT OFFSHORING SUCCESS

This section focuses on developing an argumentation and basis for a blueprint that can be used for addressing the research problem. The main thrust of global competitiveness as advocated by Porter (1998) provides the foundation for the theoretical framework used. However, recognizing the fact that it is the firms in the nations that compete, the analysis of the study will be carried out at the firm level, with inferences linked to the role played by governments and national culture. These ideas are explored in the following section.

Sustainable Competitive Advantage (SCA) in BPO Firms

Outsourcing is mainly driven by a need to obtain scale economies and for strategic reasons. During the 1990s, scholars and outsourcing practitioners argued that the global competitive pressures positioned organizations to adopt greater market discipline by reducing product range and loosening vertical links in the production process (Grant, 1995; Domberger, 1998; JMD, 2000). The result was that client organizations started 'divesting' from peripheral businesses in order to focus upon 'core' business processes (Grant, 1995). This was a search for greater efficiency, which in turn led to increased specialization. Outsourcing was seen as an attempt to achieve *scale economies* (Domberger, 1998). However, strategic literature suggests that offshoring has been changing from a focus on greater efficiency to include strategic improvement (i.e., cost reduction), strategic business impact (improving performance within existing lines of business) and strategic commercial exploitation with a focus on leveraging technology-related assets (Lacity, Khan & Willcocks, 2009; Kearney, 2011). Therefore, success is evaluated by considering how client organizations make the ITO decision, how they manage the contracts with suppliers and how they manage their relationships with the offshoring vendors (Lacity et al, 2009). The complimentary relationship among these success factors are depicted in Figure 1.

The quality of decisions made by the client organizations on the mix of variables (ITO decision, contractual governance, relational governance) determines offshoring success. The nature of offshoring requires that BPO firms also have specific capabilities so that they can deliver what client organizations expect from the offshoring relationship. Levina & Ross (2003) found that offshoring firms require at least three key capabilities: personnel career development, offshoring methodology development and knowledge dissemination plus client relationship management.

Thus to ensure sustainable competitive advantage, the emphasis is on whether the client and supplier organizations have certain *capabilities* to ensure success.

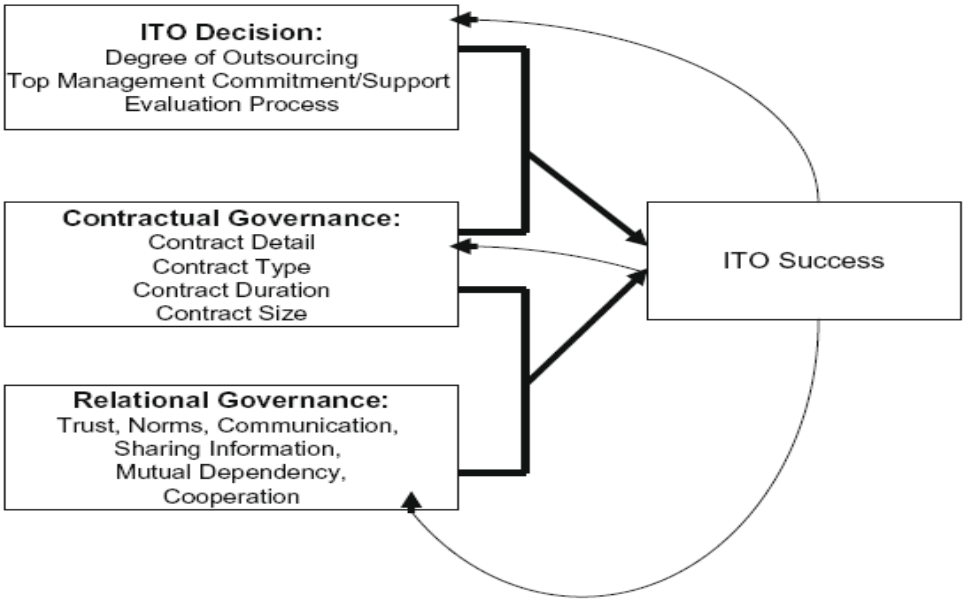

Figure 1. Reciprocal Relationship of ITO Success (Source: Lacity, Khan & Willcocks, 2009).

For understanding organizational capabilities, offshoring firms deploy their *resources* to build their capabilities to achieve success. In building the theoretical framework, this study relied on the *strategic management perspective* based on resource-based view of the firm founded on the resource-dependency theory (Olsson et al, 2008).

An attempt to link national culture with the concept of organizational capability is inevitable in offshoring firms, since the 'softer issues' of offshoring success are linked to practices related to human resources, communication and client relationship management (Levina & Ross, 2003). This study relied on Porter's Diamond Model (Porter, 1990) to explain national level organizational capability; the Dynamic Capabilities Framework (Teece, Pisano & Shuen, 1997; Ahenkora & Adjei, 2012) to aid in providing a link to organizational level capabilities; while National Culture theory of Hofstede (1980) is employed to show how the cultural construct influence the competitiveness of offshoring firms.

Organizational *Renewal* through Dynamic Capabilities

Ulrich & Lake (1991) observe that developing organizational capability involves adopting *principles* and *attitudes*, which in turn determine and guide behavior. It is a way of thinking as well as acting and it begins with the realization that there is a strong link between *competitiveness* and effective *people management* (Ulrich & Lake, 1991). From a BPO perspective, the ability of a firm to harness (i.e., integrate, build and reconfigure) these and other resources to match its competition as well as broader environmental changes are critical for developing the dynamic *capabilities* for sustaining competitive advantage (Ahenkora & Adjei, 2012). **Capabilities** encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources are coordinated (Grant, 1995). Where capabilities are *interaction-based* (typical of BPO operations), they are even more difficult to duplicate due to causal ambiguity and the Resource Based View (RBV). Literature has tended to favor capabilities as the most likely source of sustainable competitive advantage (Collis, 1994). Ulrich & Lake (1991) define organizational capability as the firm's ability to manage people to gain competitive advantage. They argue that organizational capability can be established through the creation of internal structures and processes that influence employees to create organization specific competencies. Thus the human resource function (a 'soft BPO' critical success issue), according to Ulrich & Lake (1991) becomes a critical resource for sustainable competitiveness.

It is this emphasis on 'soft' BPO issue that the construct of culture finds traction in and IT is a critical resource that is integral to the very offshoring organization. BPO is unsustainable without the global IT infrastructure (i.e., Internet), plus firm-specific IT infrastructure and resources. Therefore, organizational capabilities cannot be addressed from a firm level only, but need to be considered at meso (national) levels as well as at macro (global) levels. The nature of BPO operations lends itself to such an analysis at the firm level and based on the fact that IT is inherently a part of BPO firm operations, a specific focus on the *dynamic capabilities* from a resource-based view contributes to the argument that Sustainable Competitive Advantage (SCA) is dependent on its firm level resources.

From a dynamic capabilities perspective, the emphasis is on the capacity of offshoring firms to *renew* competencies to achieve congruence with changing environmental conditions (Teece et al, 1997). Chen et al. (2008) claim that dynamic capabilities are antecedent organizational and strategic routines used to *create, adapt and combine* other resources into new sources of

competitive advantage. This is used to underscore the concept of *renewal* as an explanatory metaphor for organizational adaptability and capability.

Building National *Credibility* in Offshoring through Factor Conditions

At the national level, there are certain capabilities that need to be in place in order for organizational capabilities to be realized. This also calls for a framework that is able to link organizational capability to national competitiveness, especially since the practice of offshoring requires the interlinking of inter-organizational information systems. Porter (1998) observes that competitiveness has become one of the central preoccupations of government and industry in every nation. Further, he notes that, "several and often conflicting explanations are given as to why some nations are more competitive than others". Explanations include cheap and abundant labor, natural resources, government policy and differences in management practices. He notes that, "no nation can be competitive in everything" since a nation's pool of human and other resources is necessarily limited. Therefore, resources must be deployed in the most productive manner possible.

Porter (1998) called for analyzing competitiveness by focusing not only on the firm, but also on a nation as a whole requiring a macroeconomic perspective. Porter points out that competitive advantage of a nation is demonstrated by the competitiveness of some of its industries since no nation can be competitive in every industry or even most industries. Porter identifies four determinants of competitiveness. Figure 3 depicts Porter's diamond for national competitive advantage.

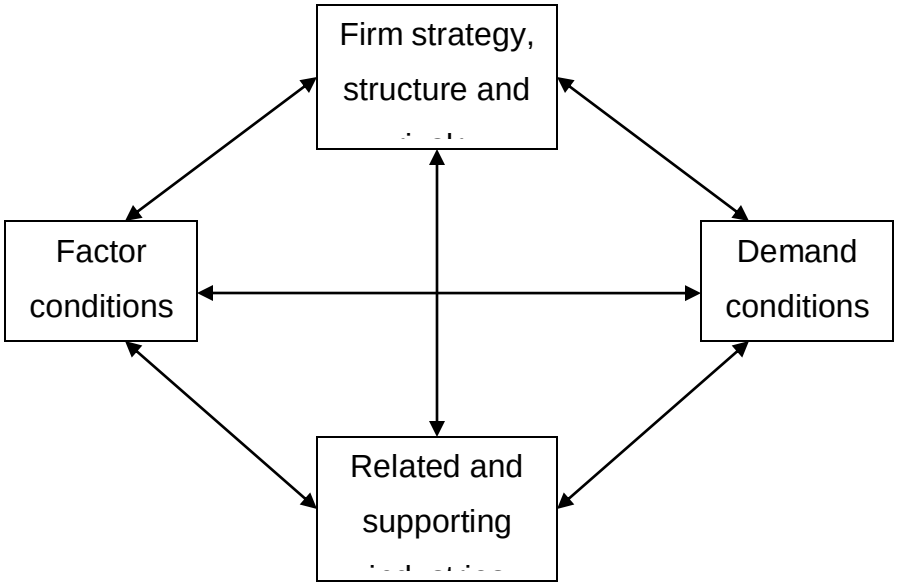

Figure 2: Determinants of Competitiveness (Source: Porter, 1998)

1. Factor Conditions: According to the standard economic theory, capital, land, natural resources, human resource and infrastructure are the important factors that determine competitiveness. Porter notes that the factor conditions must constantly be *reevaluated* and *improved* so that firms and industries can sustain the competitive advantage in the long term.

2. Demand Conditions: Porter points out that the increased demand of home market for the particular products or services can help build competitive advantage of the industry.

3. Related and Supporting Industries: The presence or absence in the nation of supplier industries and other industries that are internationally competitive. This means one competitive industry helps to create another industry in a mutually reinforcing process.

4. Firm Strategy, Structure, and Rivalry: The conditions in the nation governing how companies are created, organized and managed as well as the nature of domestic rivalry. Competitiveness in a specific industry results from convergence of the management practices and organizations modes favored in the country and the sources of competitive advantage in the industry (Porter, 1998).

An endeavor is made in this study to identify aspects in each of the four determinants and how they are perceived as barriers for offshoring success in Kenya. From a country level competitive index, the adequacy of the factor conditions influence to a great deal the success of the organizations. The decision to offshore to a particular firm in a particular country is moderated by the adequacy of the factor's conditions. Therefore, an assumption is made in this study that the factor conditions influence the national *credibility* of a country while the decision to offshore to a particular country is being made. Only when a client organization views a country as credible to offer offshoring services do they decide to outsource to a specific firm in the country.

Intercultural Competence and Offshoring Success

Culture is defined as, "an integrated system of learned behavior patterns that are characteristic of the members of any society. It includes everything a group thinks, says, does, and makes — its customs, language, material artifacts, and shared systems of attitudes and feelings" (Czinkota et al., 1996; p. 298). The interest in linking national culture to organization capabilities in offshoring success is that patterns of thought and behavior that are so natural and ingrained in employees of offshore vendors may appear quite alien and incomprehensible to the companies that hire them (Rao, 2004). This is because there are cultural differences between countries, and the nature of offshoring requires that culture needs to be situated in order to understand how cross-cultural IT offshoring has an impact on the success of the practice of offshoring (Weisinger & Trauth, 2003; Haried, 2012).

Studies have been conducted that point to the implications of national culture on offshoring success. Swabey (2008) notes the danger of cultural stereotyping that may have arisen due to rapid globalization, despite the fact that there have been technological developments that overcome geographical distances. Cultural distance between countries is still pronounced, the intercultural competence of individuals working in offshore organizations is still quite nebulous. Olsson et al. (2008) underscores the cultural problem through the notion of cultural compatibility, where they argue that the extent of the cultural problem experienced among Indian developers is dependent on proper training. Earlier research by ITNet (1999) stressed that cross-country partnerships (i.e., offshoring) requires an understanding of each other's style and culture. Few studies have focused on how culture affects BPO operations in Africa with the focus of attention on BPO firms' intercultural competence.

RESEARCH METHODOLOGY

The philosophical assumption underpinning this study is Critical Realism (CR) with the overarching theme explaining the social practice of offshoring in an African context with the aim of implementing change in its practice. The qualitative aspect of this study relied on thematic analysis in the case study, as a tool that can be employed across different methods (Braun & Clarke, 2006). Theoretical thematic analysis was selected because the data was coded for the specific purpose of explaining how offshoring is practiced in Kenya and it is also in line with Critical Realism assumptions (Braun & Clarke, 2006). Latent themes relevant to offshoring practice from a dynamic capabilities perspective to ensure BPO success characterized by the formative constructs of *Organizational Renewal*, *National Credibility* and *Cultural Sensitivity* were derived using this approach. The metaphors for theorizing what is emergent from the data were therefore from these three concepts. These were regarded as the Discursive Practices (DP) used for interpretation purposes. Table 1 summarizes these discursive practices and the indicators of the DP or Discursive Types (DT).

Table 1. Discursive Practices

Discursive Type	**Discursive Practices (DP)**
Processes, Positions, Paths	Organizational Renewal
Education, R&D, Capital, ICT Infrastructure	National Credibility
Communication Effectiveness	Cultural Sensitivity

A case study using interviews was conducted with G7 Systems as a representative BPO in Kenya. Five respondents from this organization who are directly involved in the running of the firm were interviewed. The interview questions focused on the respondents' experiences in the running of the BPO. To ensure the reliability of the responses, the researcher reviewed documentation of BPOs in Kenya available from Government agencies, consultant views and cross-validation from other individuals that were engaged in implementation. These respondents were selected on the basis that they were involved in offshoring implementation within G7 Systems.

Table 2. Respondents

G7 Systems	General Manager
G7 Systems	Managing Director
G7 Systems	Systems Administrator
IT Consultant	GOK Projects
ICT Officer	CCK
39 BPO Firms	CEOs, General Manager

A secondary research objective was to investigate aspects of the case study that would enable generalizations be made from this research. Therefore, a survey of 39 active BPO firms was undertaken in 2012 to assess issues related to national culture as well as how factor conditions influence competitiveness. A census of the 39 firms was conducted who responded.

Cronbach alpha internal reliabilities were assessed for each construct. All constructs were "substantially reliable" with their alphas above 0.0.61 (Koch and Landis (1977). Landis and Koch's (1977) benchmarks were employed to determine reliability, that is from (a) 0 to .20 as "slightly reliable"; (b) .21 to .40 as "fairly reliable"; (c) .41 to .60 as "moderately reliable"; (d) .61 to .80 as "substantially reliable"; and (e) .80 to 1.0 as "almost perfect" (Landis & Koch, 1977, p. 168). The overall sample size, discussed previously, was 39 respondents. The reliabilities were: leadership type, a = 0.698; forms of power exercised, a = 0.677; and political games played, a = 0.703 thereby indicating high internal construct consistency and reliability.

ANALYSIS OF RESULTS

This part of the paper assesses the status of offshoring in G7 Systems by using the three discursive practices of Organizational Renewal (*Renewal*), National Credibility (*Credibility*) and Cultural Sensitivity (*Sensitivity*) as formative constructs that can be used for explaining offshoring success. These three constructs shall form the basis of making what in critical realism is regarded as 'generalizing claims' (Danermark et al, 2002) towards the development of a framework for BPO operations within a Kenyan context. First, the *Renewal* is used as a show

how the dynamic capabilities of an organizational are used to initiate demand. Secondly, *Credibility* is used to tease out how various factors constrain a country's BPO capability and how this affects overall competitiveness of a country at the global level. Thirdly, *Sensitivity* is employed to unravel how cultural factors aid in sustaining demand for offshoring business. Digital recordings were made at the research site by the author and used as the basis for a MS Word document entered by the author. The transcription and analysis was undertaken by the authors. The interview transcripts selected are those that are considered relevant and adequate for the purposes of this study.

Demographic Statistics

Analysis of the respondents from a census of the 39 BPO firms in Kenya showed that 55% are Chief Executive Officer (or an equivalent position) as shown in table 3, while another 27% were in charge of a particular department. In terms of ownership, the firms' surveyed (Table 4) were categorized under local ownership (73); partially ownership (18%) and full foreign ownership (9%). The bigger percentage of local ownership implies that an assessment of the cultural variables provides a representative picture of the status in Kenya.

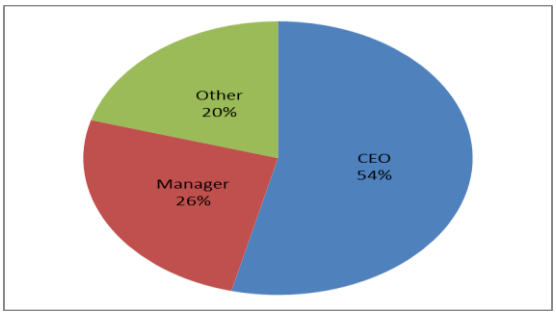

Figure 3: Respondents Position in BPO Firm

Table 3: Company ownership	**Frequency**	**Percent**
Locally owned	28	72.7
Partially foreign-owned	7	18.2
Foreign-owned	4	9.1

	Total	**39**	**100**

The respondents were also required to indicate the sector of the economy in which they are operating. The firms surveyed fall under the following major sectors depicted in table 11 below. The sectors targeted for the study included Internet Service Providers (ISPs), Public Data Network Operators (PDNOs), Call/Contact Centers (CCs) and Software Developers. Others included those in the provision of training services within the BPO sector.

Table 4: Sector under which firms operate		Frequency	Percent
	Public Data Network Operator (PDNO)	3	9.1
	Call/Contact Centre (CC)	14	36.4
	Software Application Developer (SAD)	3	9.1
	Other	18	45.5
	Total	39	100.0

As seen from table 4 above, majority of the firms were Call/Contact Centers at 36.4%. There were 3 PDNOs and 3 software applications developers. The other firms stood at 45.5%. They included training institutions, a hardware vendors and equipment providers among other stakeholders in the BPO sector. Eleven firms (Figure 4 below) also responded to a request to indicate the nature of services they were engaged in. Data entry services is offered the most (4 firms), while the least offered is multimedia and animation support and web-based customer support (only 1 firm offers each of the two). However, other high value services like data research analytics, software development and transcription services are also being offered (3 firms for each). Call centre services are also offered by 3 firms.

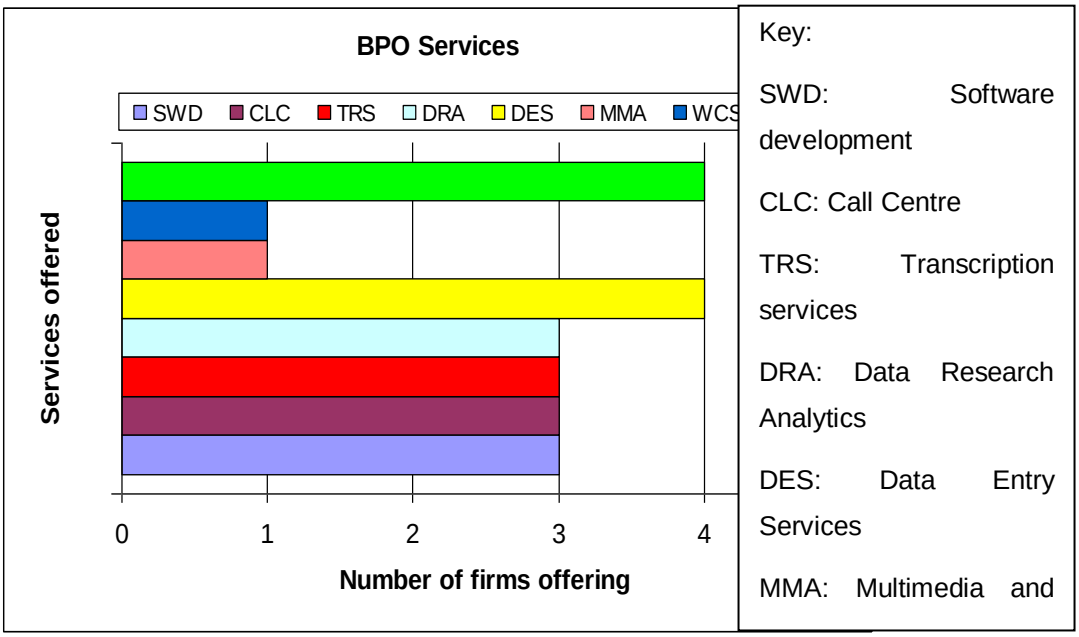

Figure 4: Types of BPO services

Initiating Demand through Organizational Renewal

One of the aspects of the study considered a number of critical factors that BPO firms need to be competitive. Factors considered include: existing relationships with international ICT firms, collaboration with local institutions, government-related factors, financial resources and financial / cost factors. The first part looks as the survey component, while the second looks at the qualitative aspects of the study.

Critical Factors for BPO Competitiveness

Table 5 captures the levels of importance that the respondents attached to various aspects of factor conditions. The type of relationship considered was as a customer, supplier or a business partner. These three types are considered important. Respondents rated the importance of each of these types of relationship for BPO development. The respondents rate a relationship with international firms as customer (82%), supplier (82%) and as a business partner (91%) as important. This clearly indicates the fact that BPO activities are mostly international in nature.

Table 5: National Credibility Dimensions	**Extremely Important**	**Very Important**	**Important**	**Not Important**	**Total**

Relationship with International ICT Firms [Customers]	73%	9%	9%	9%	100%
Relationship with International ICT Firms [Suppliers]	36%	36%	18%	18%	100%
Relationship with International ICT Firms [Partners]	54%	27%	9%	9%	100%
Collaboration in Interlinked Clusters	27%	27%	18%	18%	100%
Collaboration in Research & Development	18%	36%	27%	9%	100%
Internships/Attachments	27%	27%	18%	18%	100%
Market Research	9%	36%	36%	18%	100%
Industry Liaisons	46%	18%	27%	0%	100%

The importance of a BPO firm to collaborate with local institutions in order to develop BPO capability based on the responses from the survey. Rated by respondents as important (extremely important, very important or important), the highest in importance is a BPO skill transfer program at 90.9%. It was followed by existence of domestic demand for BPO services at 81.8%. R&D, interlinked clusters, internships / attachments and market research were all considered important (extremely important, very important or important) by 72.7% of the respondents. The least important is industry liaisons rated by 63.6% of respondents as important (extremely important, very important or important) for BPO development. About 36.4% of the respondents rated R&D to be extremely important while 27.3% rate it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and important) to collaboration in R&D. 36.4% of the respondents rated market research to be extremely important while 18.2% rated it as very important. All in all a whole 72.7% attach some importance (extremely important, very important and important) to collaboration in market research (see table 6 below). This could be pointing to the need of understanding how to best

serve the BPO market. 45.5% of the respondents rated industry liaisons as extremely important while 18.2% rated it as very important. A whole 63.6% attach some importance (extremely important and very important) to collaboration in industry liaisons (see table 6 below). This could be interpreted to mean there is need to align industry needs and the BPO services provided. Especially considering the fact this is a technology industry that relies heavily on rapid innovation.

Qualitative Analysis

The ability of an offshoring firm to build demand for its services can be linked to specific dynamic capabilities that it possesses. The resource oriented perspective of Teece; Pisano & Shuen (1997) is employed to assess how G7 Systems develops dynamic capability to continue operating as an offshoring firm in Kenya. If dynamic capabilities are not identified, the analysis seeks to address why G7 Systems is not able to develop the dynamic capabilities it needs to aid in sustaining competitive advantage with other global offshoring firms. The responses in Table 6, 7 and 8 are used to illustrate three themes (*processes, paths, positions*) from the dynamic capabilities literature to help in generalizing claims for the need of organizational renewal. Teece, Pisano & Shuen (1997) define processes as the way things are done in the firm or routines and patterns of current practices and learning. Positions are considered as current endowments of technology, intellectual property, complimentary assets, customer base and external relations with suppliers and other commentators. Paths are taken to mean strategic options available to the firm, the presence or absence of increasing returns and attendant path dependencies (Teece, Pisano & Shuen, 1997).

What becomes apparent from the responses in Table 6 is how politics and the political environment is likely to play a key role on decisions regarding the future strategic options available to the organizations (R1, R3, R4). The negative portrayal of the political environment may have a direct influence on the ability of the firm to develop the required capability for future competitiveness. R2 indicates that the setup of a BPO firm is partly dependent on experience and 'local knowledge' by the owners, thus reinforcing the concept in capability development that 'the past matters' and 'bygones are not bygones'. The ability of the BPO firm to negotiate for a presence within the University Science Park provides it with access to affordable skills, a factor that plays a key role in ensuring successful cost-effective operations of the BPO firm. It may be

construed from Table 6 that there is a predominance of negative capability (R1, R3, and R4) as opposed to positive capability (R2). These responses may imply that while the CEO's unique past experiences have been critical in establishing the organization on a firm footing, an unstable political environment is likely to hamper the 'emergent and gradual' development of dynamic capabilities (Helfat & Peteraf, 2003). The concerns raised regarding the political environment are not far-fetched, given that Kenya experienced political violence after the elections in 2007. The continued expectation of political instability may render the existing firm-based capabilities obsolete.

Strategic management literature recognizes that specific firm assets have a direct influence of strategic posture (Teece et al, 1997). Table 7 captures how the asset endowment of the firm influences its future success. In R5, the customer base of the firm is constrained by the decision to locate the firm within an Export Processing Zone (EPZ), which emphasizes a regulatory regime limiting access to the local market. R6 points to how the national system of education negatively influences the institutional asset structure, since the organization has to invest further in training new employees, especially in problem solving skills. R7 paints a positive picture of technological capability to offer offshoring services. However, the heavy investments in costly technological extends the payback period, thus exacerbating the cash flow position of the firm in the short term. The limited customer base, costly technological assets and weak financial asset base are likely to impact negatively on strategic paths that the firm chooses, which may point to the negative path capability outlined in Table 6. When the negative path capabilities (Table 3) and restrictive asset endowments (Table 7) of the firm are assessed in terms of their effects on the managerial and organizational processes, the likely result is a heavier investment in processes which further erodes profits.

Table 6. Dominant Theme: Negative Path Dependency

Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R1	Politicians lack leadership and we will have a massive problem in a few years. For instance, there will be lack of power (electricity) due to lack of planning. We have a large youth (15 – 35 years) who are unemployed and are idle. This is a recipe for disaster. The politicians are carefully engineering internal conflict to keep the population down. 2012 will be worse than 2007. ***"I am prepared to button down all the hatches"*** **(CEO).**	The future political environment is likely to affect the strategic alternatives.	*Negative Path Dependency*
R2	He used to run a certain computer project. He used to supply computers to Mbale. Somehow he met the management of this university where they talked and then from there. You know as a business person (Geoff Ridden, CEO) he probably saw an opportunity why this was the best place for setting up the BPO (**Assistant General Manager)**	The insinuation the setup of the BPO firm was partly due to 'local knowledge' of the CEO.	*Positive Path Dependency*
R3	Kenya should bring in a company that will set up ***a profitable BPO*** and give this company incentive and other BPO firms' incentives. BPO firms should hire Kenyans. Clinton was around de-selling Kenya [In reference to when Hillary Clinton came on a mission largely viewed as an attempt to pressurize the political class towards reforms]. (**CEO**).	A probable inference to an inadequate role in incentive-zing BPOs. Political failure and bad reputation abroad.	*Negative Path Dependency*
R4	We are not profitable yet, even though heavy investments were made. The technology we are using is very expensive; it costs about US$ 100,000 for just the licensing fees to develop the software (for a data warehousing solution). Geoff (CEO) says that 'you may recoup all your investments with one client'. We are still looking for that one client. Geoff has 30 years' experience in the industry (IT	The path to profitability is unclear.	*Negative Path Dependency*

The analysis reported in Table 6 and Table 7 infers that the negative path dependency, the restrictive position of the firm could lead to ineffective and inefficient managerial and organizational process hence limiting organizational renewal. In dynamic environments, which rely on technology to sustain competitive advantage, the need for continual transformation and renewal is inevitable (Langlois, 1994). While there are indications that the firm is building an asset structure supportive of its business goals, the strategic paths are clearly curtailed by the conditions in the external environment. The lack of organizational renewal would limit the ability of the firm to attract customers and thus its current weak customer base.

Role of Government in Enhancing National Credibility

These factors are those which involve the participation of the government. They affect the national competitiveness of a BPO country. Out of those factors considered for analysis, the highest number of respondents (90.9%) rated broadband status and BPO related education programs as important (extremely important, very important or important). The rest; BPO national vision, national BPO strategy, ICT infrastructure, comprehensive implementation plan and a BPO regulatory framework were rated as important (extremely important, very important or important) by 81.8%. A detailed analysis follows.

Factor Conditions Related to ICT Infrastructure

The factor conditions related to BPO National Vision, National BPO Strategy, Adequacy of ICT Infrastructure, Broadband Status, BPO Related Educational Programs, Comprehensive Implementation Plan and the Regulatory Framework for BPO sector. Out of the 39 BPO firms that were surveyed, 73 percent rated the existence of a national vision as extremely important and a further 64 percent considered the existence of a national BPO strategy as at least very important (Table 8 below). We also see at least 63.6% of the respondents rated the adequacy of ICT infrastructure as extremely important while 18.2% rated it as very important. 91 percent attach some importance (extremely important, very important and important) to broadband status and when this is considered in relation to the nature of offshoring, then the relevance of initiatives such as the SEACOM project become more poignant. Further, a total of 82 percent the respondents rated BPO related education programs as extremely important while 18.2% rated it as very important. In an effort to shore at its national credibility related to the dimension of BPO related education, Bryce(2011) reports that the Kenyan government has set aside at least $12

million for BPO skills development as well as to setup a training institute. Some of these initiatives point to a quest by the government to develop a comprehensive implementation plan, which the respondents (82 percent) considered to be an important dimension of the ICT infrastructure. We also see the existence of a regulatory framework as being considered as important by 82 percent of the respondents, yet from a country specific perspective, Kenya appears to be falling behind the neighboring countries in terms of being responsive to regulatory reforms (Bryce, 2011).

Table 8. National Credibility Dimensions	**Missing**	**Extremely Important**	**Very Important**	**Important**	**Not Important**	**Total**
BPO National Vision	9%	73%	9%	9%	0%	100%
National BPO Strategy	9%	46%	18%	18%	9%	100%
Adequacy of ICT Infrastructure	9%	64%	18%	9%	0%	100%
Broadband Status	9%	64%	18%	9%	0%	100%
BPO Related Education Programs	9%	82%	9%	0%	0%	100%
Comprehensive Implementation Plan	9%	46%	27%	9%	9%	100%
BPO Regulatory Framework	9%	64%	9%	9%	9%	100%

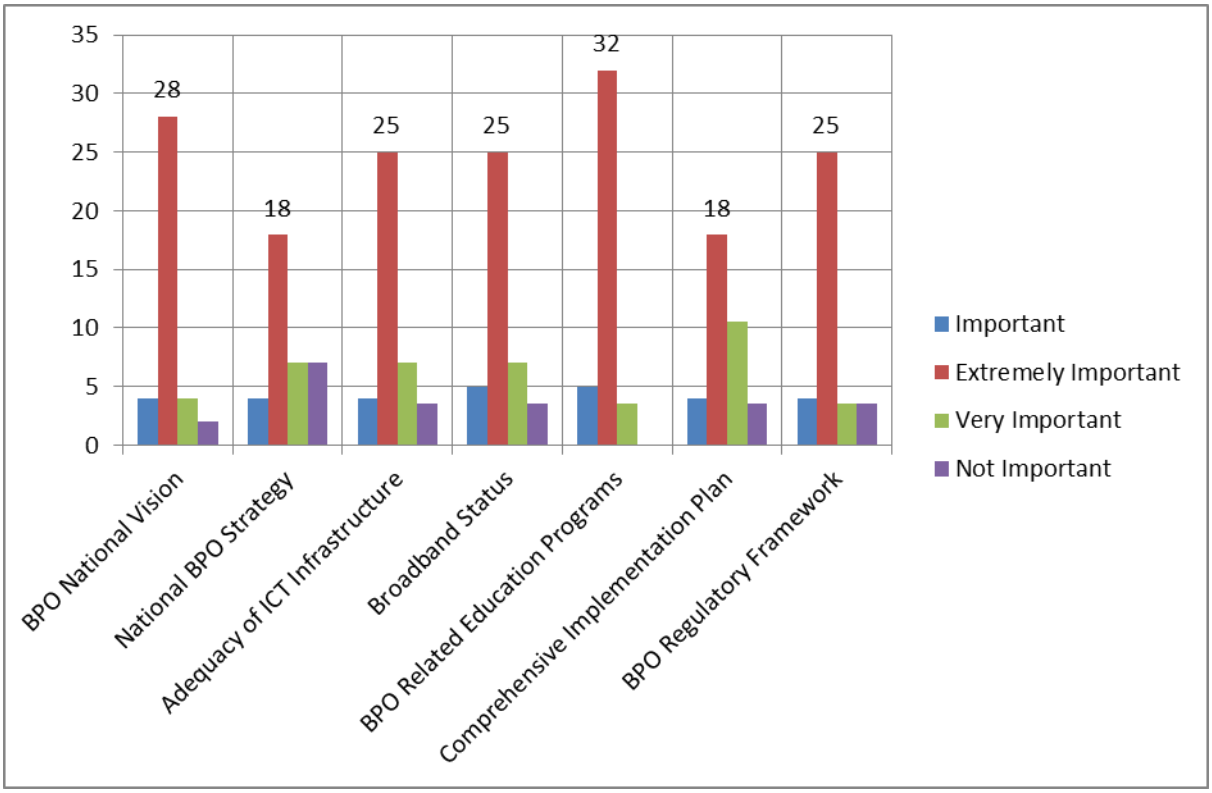

Figure 6

Factor Conditions Related to National BPO Capacity

One of the dimensions that we considered in isolation was the issue of National BPO Capacity, related to some extent to the adequacy of BPO related educational programs. Under BPO Capacity, indicators related to Capacity Building in Government, Resistance to Change from Government Employees, Limited Market for Services, Out of the four factors considered for analysis, resistance to change from government employees, capacity building / training programs for government employees and awareness among citizens were rated as important (extremely important, very important or important) by 72.7% of the respondents. Lowly rated was local market for outsourced services which was deemed important (extremely important, very important or important) by 63.6% of the respondents.

Table 9: National Financial Dimensions	**Missing**	**Extremely Important**	**Very Important**	**Important**	**Not Important**	**Total**

Capacity Building in Government	9	46	9	18	18	100
Resistance to Change from Government Employees	9	46	9	18	18	100
Limited Market for Services	18	18	27	18	18	100
Awareness Among Citizens	9	46	9	18	18	100

However, of note is the fact that only 18 percent considered the limited market for services as extremely important. From a capacity perspective, a majority of the firms had less than 100 employees, and therefore qualify as small firms. Part of the difficulty for small firms is the difficulty in getting access to government related contracts. However, this is an opportunity for the government to improve on BPO capacity by helping to develop local market conditions. For instance, Bryce et al (2011) recommends the need to create specific initiatives such as providing preferential access for local firms in government projects to help improve on their capabilities to deliver. This is likely to anchor the BPO cluster in Kenya by demonstrating to offshore customers that local BPO firms have the capacity to deliver on large BPO contracts (Bryce et al, 2011).

Factor Conditions Related to Financial Resources

Out of the cost factors analyzed, adequacy of financing turned out to be the highest in importance since it was rated important (extremely important, very important or important) by 91 percent of the respondents. Internet costs, employee costs, adequacy of sustained investments in the sector through bank credit and adequacy of sustained investments in the sector through business partners were second in importance, rated important (extremely important, very important or important) by a whole 81.8% of the respondents. Adequacy of sustained investments through venture capital, government subsidies and stock trading was rated important (extremely important, very important or important) by 72.7% of the respondents.

Table 10: National Financial Dimensions	**Missing**	**Extremely Important**	**Very Important**	**Important**	**Not Important**
Internet Costs	9	64	18	9	0
Employee Costs	9	46	36	9	0
Adequacy of Financing	9	46	46	0	0
Adequacy of Sustained Investments [Bank Credit]	18	54	27	0	0
Adequacy of Sustained Investments [Venture Capital]	27	46	27	0	0
Adequacy of Sustained Investments [Business Partners]	18	54	27	0	0
Adequacy of Sustained Investments [Government Subsidies]	27	46	27	0	0
Adequacy of Sustained Investments [Stock Trading]	27	46	27	0	0

While there have been significant developments in improving Internet access, with Kenya having one of the lowest costs in the region, BPO operators still rank it as a critical factor in ensuring BPO operator capability. Internal labor costs are also playing a critical role in the operations, and therefore the competitiveness of the BPO firms.

Qualitative Analysis of the Role of Government in Enhancing National Credibility

An analysis of the role of government in developing a positive perception about the country by building national credibility is captured in various responses (R8, R9 and R10) in Table 11. The cost of the infrastructure needed to provide offshoring services is prohibitive (R8), while

government services located in Nairobi ultimately affects factor conditions negatively (R8, R9). There is an insinuation that the role of marketing the country by the government is inadequate (R10), which negatively influences the market conditions. National marketing is therefore not being pursued to build a sustainable national brand, which can aid offshoring firms being viewed positively by potential customers. The role of government in building national credibility is therefore insufficient for BPO firms in attaining their objectives. Kenya's national competitiveness is therefore in question, which is likely to influence the ability to attract customers (*demand pull*) for BPO firms situated within her borders.

Table 11: Negative Factor and Demand Conditions

Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R8	The communication cost in Kenya is very high for example it costs about 750 USD per mb per month in Kenya compared to 40 USD per mb per month in the US. **[CEO, G7 Systems]**	*Cost of Access:* Offshoring is dependent on a stable affordable Internet infrastructure, yet this is not the case in Kenya.	Negative Factor Conditions
R9	Kenya is Nairobi (capital city) focused; everything is centered around Nairobi despite the fact that BPO can be done from anywhere. Indeed it can help to reduce the migration problem to cities. The government seems to pay lip service to the idea of rural BPO. For example, all legal agreement registration has to be done in Nairobi.	*Location*: Centralization of Government services in Nairobi inhibits or negatively affects the possible competitiveness of offshoring firms based outside the capital city. This limits access the resources that are critical in building the institutional capability of the firms.	Negative Factor Conditions

	Despite the fact that Kakamega is a provincial headquarters you can hardly get any paperwork done here. **[CEO]**		
R10	In Africa, South Africa is on top and deemed not corrupt but it is not true. It is all about perception since SA has done very good marketing. Kenya needs to eliminate corruption with development partners. The government has not asked us to participate in BPO internal marketing materials development and we believe we are key in BPO in Kenya. The ICT Board is Nick Nesbitt's private marketing tool. He is the true beneficiary from policy and this is creating an ugly situation. The BPO society was tried and did not have time to market Kenya. (**CEO**) **[CEO]**	Marketing: There is an inability to craft a positive image about Kenya that counteracts the negative perception about the country. The policy environment regarding this activity is not institutionalized to serve that country but is built around personalities. This maybe a pointer to inadequate knowledge on national marketing.	Negative Demand Conditions

Developing Cultural Competence for Demand Sustenance

Cultural competence aims to attain the external outcome of behaving and communicating effectively to achieve certain goals by relying on an internal frame of reference that enables staff to be adaptable, flexible, and show empathy (Deardorff, 2004). In this section, a qualitative analysis of the case study as well as survey data is used to demonstrate the importance of developing intercultural competence as an antecedent to offshoring capability.

Qualitative Case Analysis

All the responses [R11, R12, R13 and R14] reported in table 12 show that attainment of these external and internal outcomes is fraught with difficulties.

Table 12: Intercultural Incompatibility

Ref	Text: Excerpts of Transcripts	Description (Text Analysis)	Interpretation (Discursive Practice)
R11	During the initial stages, we found it a little bit difficult and challenging. Like for example, time we are told you have to be here by 8 or you are to go for lunch for 1 hour. Since he came, even being late by 1 minute is enough to get a warning. […]. Thus the issues of time required that we need to adjust. **[GM, G7 Systems]**	The concept of time is not the same from the two cultural groups of staff from the US and from Kenya. However, there is some sense of adaptability to the US concept of time.	Time Horizon
R12	Americans don't observe social presentations. They will not greet you [for example] but get straight to business. [In a conference call] they just ask who is on the call and then it's all business, no good mornings. Kenyans find it shocking. **[CEO]**	The process of interaction is different, since from a Kenyan's perspective, starting the process by engaging in 'niceties' is part of the norm. This is unlike the US culture. This calls for communicative awareness of the differences between	Communicative Awareness

		cultures.	
R13	Management and motivating people is also a cultural challenge because the **work culture** is different in Kenya due to massive unemployment and the culture of responsibility to the extended family. This makes it difficult because regardless of motivating with training and others, people go [to work] where there is money. An American has to balance money and other factors. For G7 the people who stay value what we have. Although our staff have stress to support extended family. **[CEO]** Also, they (US staff) have a different culture of doing things, but someone who has been here understands how things work here. For instance the COO, there are a lot of things that she finds it difficult to adapt. This has forced her of late to give her perspective and also we give our perspective so that we arrive at a compromise. **[Assistant GM]**	Differences in work cultures are also evident which requires behavioral change to ensure a favorable work environment. This is not necessarily in support of building positive capability within the organization.	Behavioral Flexibility/Respect for Otherness
R14	The English structure is not there and hence there is need for English	There are subtle references to the	Language Competence

	accent neutralization. It is a **big cultural challenge** to get Kenyans to speak like Americans. The English accent, Kenyans speak good English but with local accent. **[CEO}**	problem of language incompetence, which is the basis of communication.	
R5	Problem solving is group-oriented in Kenya. You get 5 people to solve a particular problem. In US it is individual based, here we have 5 people. Communicating this to US clients is a challenge because they need to know how many people and how many hours are dedicated to a problem. It is difficult for client to understand. **[CEO]**	Offshoring involves engaging others in problem solving initiatives. Incompatibility of problem solving frames of reference may make the process less efficient.	Collectivism versus Individualism

All the responses in Table 12 show some level of intercultural conflict between staff from Kenya and those from the US as well as their customers. The likely scenario that may arise is a situation where BPO firms that exhibit such traits would be unable to sustain their customers in the long run (*demand sustenance*) unless programs are developed that ensure staff the capability to be adaptable, flexible and be empathic to other cultures, thus ensuring cultural sensitivity. The analyses illustrates the ability of the organization to develop dynamic capability is flawed and its ability to sustain competitive advantage in question. The analysis focused on certain factors that are critical for *demand initiation*, *demand pull* and *demand sustenance*.

Quantitative Analysis of Intercultural Competence

Apart from the qualitative analysis, a sample of 39 BPO firms was surveyed to assess the nature of intercultural competitiveness. Factor analysis was done to identify the indicators of intercultural competitiveness as an antecedent of BPO success. A reliability analysis of the 27 items that were used to assess intercultural competence all had a good internal good internal consistency of $\alpha = .9431$. A factor analysis based on a principal component analysis (PCA) of the

cultural scale was conducted to investigate the internal structure as well as to determine the smallest number of factors that could be used to best represent the interrelations among the sets of variables for the construct. In deciding on the number of factors to extract, the Kaiser-Guttmann Rule (K1 rule) was utilized to determine the most appropriate component solution. The K1 rule advocates for retention of those factors with Eigen values of at least 1. Factors considered significant were based on a criteria proposed in the literature. Comrey and Lee (1992) suggests that the pattern/structures in excess of 0.71 loading are considered excellent, 0.63 as very good, 0.55 as good, 0.45 as fair, and 0.32 to be poor. Hair et al (2006) suggests that there should be due consideration of the sample size when deciding on the threshold for the loadings. According to their guidelines, the ideal factor loading for a study with a sample size of 50 or less respondents should have factor loadings of more than 0.75. However, given the exploratory nature of this research as well as the use of factor analysis as a heuristic tool in this study, a cutoff of 0.70 could be considered appropriate. Using factor analysis as a heuristic tool enabled us to capture what the general tendencies of the intercultural variables considered important and therefore presented us with a way of summarizing the body of data.

Thus out of the 27 intercultural competence variables, a factor analysis resulted in the retention of 4 components or factors which were significant (Table 13). The re-produced rotation component matrix in Table 13 reveals the loadings of components.

Table 4: Rotated Component Matrix	**Factors**
Cultural Learning	**Factor 1**
Respect for other cultures (***Respect***)	**.866**
Knowledge about relevant cultures (***Knowledge***)	**.779**
Behavioural adaptation and adoption (***Adaptation***)	**.782**
Learning about cultural differences with people from another culture (***Learning***)	**.924**
Awareness of communication differences (***Differences***)	**.876**

Clear communication by adopting conventions of others (***Communication***)	**.862**
Respect for Otherness	**Factor 2**
Tolerance for cultural differences (***Tolerance***)	**.764**
Realising that jumping to conclusion is not entirely correct (***Conclusions***)	**.901**
New cultural experience develops into an overall system of principles (***Principles***)	**.883**
Knowledge and researching when in new intercultural situations (***Research***)	**.738**
Behavioral Flexibility	***Factor 3***
Seeing intercultural uncertainties as an interesting challenge	**.844**
Neutral reaction to cultural differences rather than categorising them	**.893**
Awareness of ways of coping with ambiguous situations	**.871**
Cultural Sensitivity	**Factor 4**
Concern for others to receive fair treatment and consideration	**.741**
Clarifying ambiguous situations or dealing with them for group benefit	**.882**
Understanding and resolving communicative difficulties	**.869**

If a threshold of 0.70 is used, intercultural competence variables (Table 13) related ***to learning (92%);*** communication ***differences (88%); respect (87%);*** clear ***communication (86%); knowledge (78%)*** and behavioral ***adaptation (78%)*** are significantly loaded on Factor 1. The

common theme that emerges when these variables are taken together relate to the need for understanding, appreciating and adapting to others culture. This factor was therefore named ***Cultural Learning*** in order to capture the underlying theme in each of these variables which were significantly loaded on factor 1. We see the coalescing of these variables under *Cultural Learning* as evidence that offshoring firms are cognizant of the difficulties of realizing success without understanding the culture of their business partners. Foreign culture has been recognized as contributing "hidden costs" in offshoring due to cultural differences between clients and vendors (Ang et al. 2008, Dibbern, et al. 2008, Levina et al. 2008); thus the need to enhance intercultural competence through learning.

Factor 2, christened "***Respect for Otherness***" was significantly loaded with four factors. The first, with a weighting of 90% focused on "*realizing that jumping to conclusions is not entirely correct*" directs attention to the need for patience when dealing with others from a different culture. The second significantly loaded variable at 88%, that is that "*new cultural experiences develops into an overall system of principles*" also calls for open – mindedness and the ability to adapt other cultures into one's system of principles. Thirdly, that there is need for "*tolerance of cultural differences*" at 76% while the last significantly loaded factor focused on "*knowledge and researching when in a new cultural environment*" and was weighted at 74%. All the variables reinforce the need for respecting other cultures in order to realize offshoring success.

Factor 3, identified as ***behavioural flexibility***, and was significantly loaded by three following variables. The first, at a weighting of 89% emphasized the need for developing a "neutral reaction to cultural differences"; while the second significantly loaded variables at 84% encourages "*seeing intercultural uncertainties as an interesting challenge*". The third variable on factor 3 at a weighting of 87% emphasized "being aware of ways to cope with ambiguity". All the three variables point to ***behavioral flexibility*** as a critical antecedent factor for BPO success. The fourth factor (Factor 4) had four variables with significant loadings. We named the factor, ***Cultural Sensitivity***, given the high loadings of 88% emphasizing the need to "*clarify ambiguous situations or dealing with them for group benefit*". Another variable, at a loading of 87% calls for developing "*understanding and resolving communicative difficulties*"; while the third variable at a loading of 74% elevates the "*concern for others to receive fair treatment and consideration*". All the three are pointers for cultural sensitivity.

From the summary above we can observe that the four indicators of intercultural competitiveness as identified through factor analysis are: ***cultural learning, respect for otherness, behavioral flexibility*** and ***cultural sensitivity***. A BPO firm, just as shown in the analysis of the case study, needs to demonstrate these four in order to succeed. The four are considered antecedent to BPO success, just as it also emerged from the case analysis. These findings of the factor analysis therefore corroborate the case study results.

FINDINGS

In our analysis, we relied on concepts of Organizational Renewal; National Credibility and Cultural Sensitivity as the foundation for a framework for offshoring success in Kenya. These concepts are used as 'lenses' to a reality that already exists (Danermark et al, 2002) and they are thus used to unearth the underlying conditions. For instance in the prior analysis,

Government-related factors are those which involve the participation of the government. They affect the national competitiveness of a BPO country. Out of those factors considered for analysis, broadband, BPO related educational programs, BPO National Vision and Strategy, ICT infrastructure; comprehensive implementation plan and a BPO regulatory framework were considered as critical. These factors can be instrumental in realizing a national BPO vision, despite pointers that the regulatory framework maybe limiting.

Financial Resources – related factors considered issues that influence the financial flow into BPO organizations. Out of the cost factors analyzed, adequacy of financing turned out to be the highest in importance since it was rated important (extremely important, very important or important) by a whole 91% of the respondents. This is a pointer to the need of proper financing in the sector. Most BPO firms deem finances to be inadequate. Closely linked to financial resources are cost –related factors which considered issues such as Internet costs, employee costs and adequacy of sustained investments (bank credit, business partners). Despite the widespread availability of Internet infrastructure, Internet costs still ranked high in importance. This indicates that the cost of Internet is yet to drop despite the country being connected to the world via fiber optics cable. Employee costs are also considered high may be because of the lack of

specialized skills. The few available therefore cost highly. Adequacy of sustained investments in the sector through venture capital, government subsidies and stock trading was rated important (extremely important, very important or important) by a whole 72.7% of the respondents. This percentage is high and as such there is need for sustained investments in the sector by all means. The government should consider subsidizing the sector and encouraging venture capitalists.

The study also considered the issue of culture, especially since offshoring implies that different cultures intertwine in one way or another. The interest in the assessment of culture was to assess the critical intercultural competence factors that influence organizational competitiveness. The findings of the factor analysis corroborate the case study results and led to an identification of critical factors: ***cultural learning, respect for otherness, behavioral flexibility*** and ***cultural sensitivity***. A BPO firm, just as shown in the analysis of the case study, needs to demonstrate these four in order to succeed. The four are considered antecedent to BPO success. On the bases of the findings above, we propose a model, which considers factor conditions that are not only linked to an individual organization, but also take into account national factor conditions as well as the culture of an organization. The survey results and the case study provide us with the foundation for what we regard as the Renewal, Credibility and Sensitivity Framework.

Renewal, Credibility & Sensitivity Framework

Dubbed the *Renewal, Credibility & Sensitivity* (RCS) framework, the critical dimensions revolve around the need for BPO firms to enhance their capabilities through *organizational renewal*; countries to enhance their competitiveness through development of their *national credibility*; while global stakeholders should recognize that there is a need for development of *intercultural competence,* not only from vendor perspectives, but also from client organizations. The framework recognizes that the key drivers that underlie the development of offshoring success include the need to build organizational capability, positive convergence of country factor conditions for enhancing competitiveness and enhancing intercultural competence. The framework is based on a synthesis of various literature sources from the resource-based-view and those with a specific focus on national culture. The proposition also finds justification from empirically based data to motivate for a different approach to making Kenya a competitive offshoring destination. Figure 7 presents the proposed critical dimensions of the framework.

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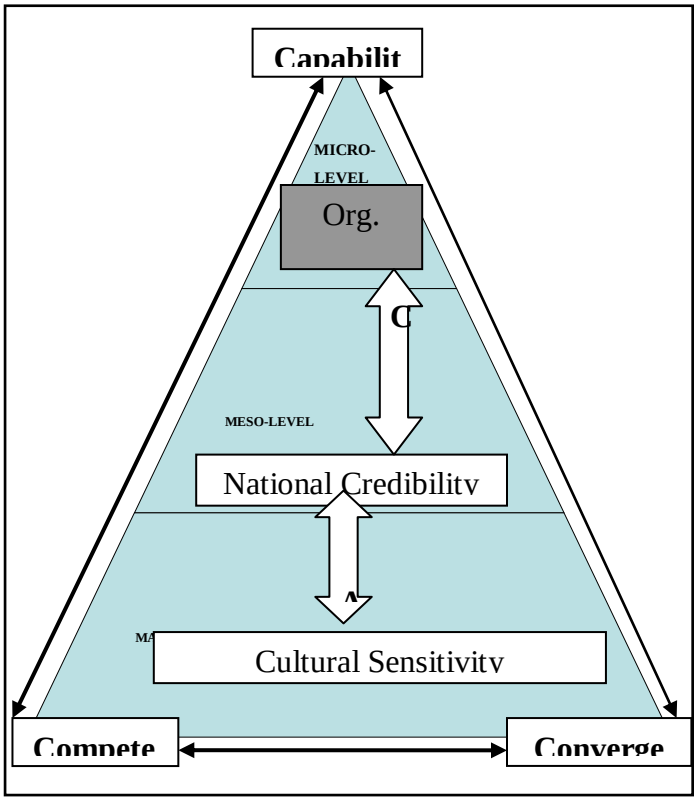

Figure 7. Critical Features of the NECE Framework

The pyramid structure captures increasing *individualization* of firms involved in offshoring operations to take into account their unique capabilities. Individual vendor organizations involved in offshoring need to focus on developing their dynamic capabilities through the renewal of their processes, positions and paths to support their organizational objectives. Organizations that continually renew their dynamic capabilities are well placed to attract clients. The implication of continual renewal is therefore a "*Demand Initiation*". On the other hand, National Credibility is the basis of enhancing country level competitiveness. The Diamond Model of Michael Porter specifically points out the influence of various conditions such as availability of capital, local demand, R& D, educational factors and ICT infrastructure. These are constraining conditions and therefore the favorable presence of these conditions is likely to result

in "*Demand Pull*" situation. The third aspect of the framework at the base focuses attention to the need for organizations, individuals and other global stakeholders to develop Cultural Sensitivity because the nature of offshoring requires the interaction of various cultures. Interacting actors therefore need to be sensitive to other cultures and once this is inculcated, the result is likely to be a "*Demand Sustenance*" situation. The framework is enveloped by three concepts of Capability (Need for Organizational Capability), Converge (Positive convergence of country-level conditions to enhance national competitiveness) and Competence (general need for all offshoring stakeholders to develop intercultural competence).

CONCLUSIONS

From the analysis, and in line with Critical Realist approaches, this study recommends a framework that can be employed by nations to enhance the competitiveness of BPO firms within their countries. Dubbed the RCS (*Renewal, Credibility & Sensitivity*) framework, the critical dimensions revolve around the need for BPO firms to enhance their capabilities through *organizational renewal*; countries to enhance their competitiveness through development of their *national credibility*; while global stakeholders should recognize that there is a need for development of *intercultural competence,* not only from vendor perspectives, but also from client organizations. The framework recognizes that the key drivers that underlie the development of offshoring success include the need to build organizational capability, positive convergence of country factor conditions for enhancing competitiveness and enhancing intercultural competence.

Suggestions for further research

Since this was an exploratory study on the influence of culture on BPO organizational capability, a larger sample, or a census of the BPO firms is required to make the empirical results more generalizable. This should involve the consideration of other stakeholders involved in BPO in Kenya such as the CCK and BPO consultants. It would also be important to extend the case study approach to a larger number or the whole BPO sector of Kenya.

However, despite the limitations, the study should be considered as a step towards a deeper understanding of cultural influences on BPO operations within the Kenyan context. This work therefore sets up future contributions that will enable academicians; managers and other BPO stakeholders to better understand different issues surrounding the cultural influence of BPO operations which is a critical but often overlooked factor for BPO success.

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