THE EFFECT OF OUTSOURCING ON THE OPERATIONAL PERFORMANCE OF TELECOM FIRMS IN GHANA: A CASE STUDY OF MILLICOM GHANA LIMITED

By

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration and that to the best of my knowledge it contains no material previously published by another person nor material which has been accepted for the award of my other degree of the University, except where due acknowledgment has been made in the text.

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DEDICATION

I would like to dedicate this research work to the Lord Almighty who has protected, guided and sustained my life in making it possible for me to reach this height on the educational ladder. Secondly to my parents, Mr. Paul Tenkorang and Mrs. Esther Tenkorang, and to my sibblings, Ama Tenkorang, Kofi Tenkorang and Yaa Tenkorang.

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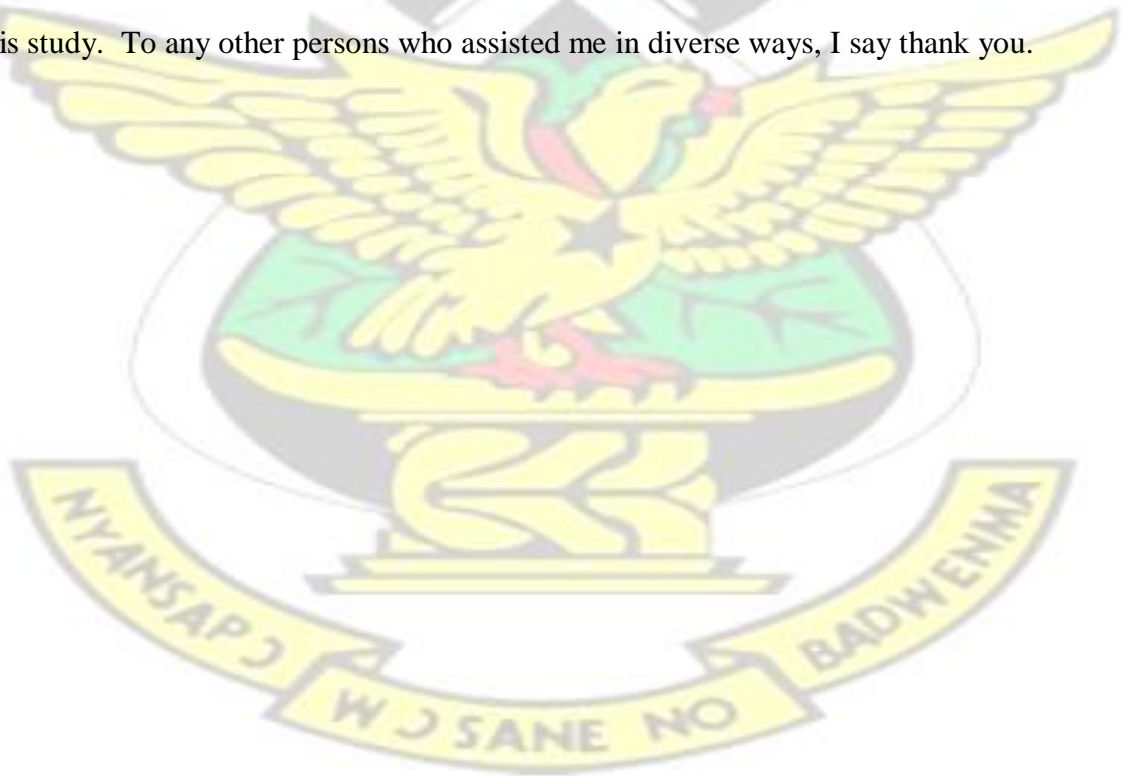
ABSTRACT

Outsourcing in recent times has become a common business practice in many organizations. The concept has since developed into several models practiced within and across countries. A key reason is usually to save time and money. In recent times, businesses have been confronted with the challenge of reducing their cost of operation and one way of doing this is to consider outsourcing. But the question is whether outsourcing has any effect on firm's operations and service delivery. To help address the above, this study sought to examine the effects of outsourcing on operational performance of telecom firms in Ghana using Millicom Ghana, operators of Millicom as case study. The study was descriptive, using both primary and secondary sources of data. Out of a population of 445, a sample of 160 employees was used. At the end, the study found that key rationales for Millicom's outsourcing practices included enhancing effectiveness by focusing strengths, improving operating performance, and obtaining expertise, skills, and technologies that would not otherwise be available. The study also revealed a number of significant effects of outsourcing on the operations of Millicom and telecom companies in general. This includes the fact that when telecom companies outsource, it improves credibility and image through their associating with superior providers. The regression results also show a positive relationship between outsourcing and firm operations. Coefficient of R =.339; the R^2 result was 0.115. The result was significant at 0.00. The implication is that if telecom firms outsource non-core functions, they are more likely to record an improvement in operational cost by approximately 32%. It is therefore recommended that telecom companies ensure that quality is not compromised in their attempt to cut down cost through outsourcing.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

Outsourcing in recent times has become a common business practice in many organizations. The concept of outsourcing has been discussed by several authors in the literature. The general consensus by these authors is that, outsourcing involves contracting out a business process to a third-party. According to McCarthy (2002), outsourcing describes the situation where one company's business activities are given to another organization to execute; usually because of the latter's expertise in that particular business.

According to Jamieson (2013), the concept of outsourcing gained popularity in the US at the turn of the 21st century. The concept has since developed into several models practiced within and across countries. Some of common models used by many companies today include offshoring, where jobs such as tech support are sent to countries like India and China. Several reasons drive companies to undertake outsourcing. A key reason is usually to save time and money. According to Olive (2004), this is usually the motivation for most managers to engage in outsourcing. Other reasons identified by other researchers include cost savings, reduction in overhead costs, shortage in resources, flexibility, and many other factors (Olive, 2004). The implication is that, when companies outsource their services, they seek to exploit these advantages.

In Ghana, the observation is that there is an increasing trend in the rate of corporate outsourcing. One of the sectors witnessing the largest outsourcing arrangements is the service sector. Within this vibrant sector, several companies have engaged in

outsourcing. The Telecom industry is one of the service sub-sectors with such huge interest in outsourcing. Given the status of this industry as one of the most competitive, most players in the industry have sought to gain competitive advantage by exploiting some of the benefits that come with outsourcing.

Data from the Ghana Statistical Service emphasizes the growing importance of the telecom industry to the Ghanaian economy. According to the GSS, the telecom was responsible for about 7% of total investments in Ghana, and about 10% of government's income. Again, it contributed to Gross Domestic Product (GDP) to the tune of about 2%. This makes the telecom sector a key contributor to the general performance of the service sector in the country. Data from the National Communication Authority (NCA) also suggests that "the telecom sector is facilitating communication among more than 50% of the estimated total population of Ghana" (NCA, 2012). The NCA makes reference to data penetration of about "7%, comprising 5% Internet penetration and 2% SMS (text messaging). National Communication Authority (NCA) Report on subscriber numbers indicate about 19,527,675 mobile subscriptions in the country and 278,221 fixed line subscriptions, which represents 80.3% telephony penetration" (NCA, 2012).

With this intense competition, most players in the industry continue to exploit ways to gain competitive advantage and sustain its operations. Their quest for survival has seen them introducing several products to attract customers. For some of the products they continue to introduce, some lack the in-house expertise to manage them, hence the need to engage in outsourcing of these products. Outsourcing should result in significant competitive and financial advantage to the company. The aim of this study is therefore

to assess outsourcing and its effect as a corporate strategy on the competitiveness of the telecom industry, using Millicom Ghana as a case study.

1.2 Problem Statement

With rapid wealth growth in emerging global economies, the basis of competitive advantage is switching from internal competencies to network capabilities (McEvily and Marcus, 2005; Mudambi, 2002). In the environment of networked global economy outsourcing is regarded as an important strategic tool that allows firms to concentrate one's own core competencies for building flexible interorganizational capabilities (Kakabadse and Kakabadse, 2005; Lacity et al., 2008). Companies use outsourcing for various reasons. The main reason for outsourcing includes both financial and lack of in-house expertise (Davies et al, 2004). Whatever the reasons are, outsourcing should benefit the outsourcing company. This therefore requires management of companies willing to outsource its services to undertake due diligence to ensure that the expected benefits will be achieved.

This study therefore sought to examine the effect of outsourcing on the operational performance of telecom firms using Millicom Ghana Limited a as a case study.

1.3 Objectives of the Study

The general aim of this study is to establish the effect of outsourcing on the operational performance of telecom firms in Ghana. Specifically, the study seeks to:

1. Identify the rationale(s) behind the outsourcing decisions of Millicom
   Ghana Limited

2. To examine the nature of outsourcing practices at Millicom Ghana Limited

3. To examine the effects of outsourcing on service delivery
4. To analyse the effects of outsourcing on operational cost of Millicom

Ghana Limited

1.4 Research Questions

To be able to achieve the set objectives, the following constitute the research questions:

1. What is/are the rationale(s) behind the outsourcing decisions of Millicom Ghana Limited as a telecom operator?

2. What is the nature of outsourcing practices at Millicom Ghana Limited?

3. What is the effect of outsourcing on the quality of Millicom's products and service delivery?

4. What is the effect of outsourcing on cost of Millicom's operations?

1.5 Significance of the Study

This study is significant for several reasons. Industry and the academia would find this an important source for information on outsourcing practice in the telecomm industry. This is because the study explores various reasons behind the use of outsourcing by telecom companies. Again, readers would understand the various strategies and models adopted by Millicom in its outsourcing practice, and the various advantages and challenges that come with it. This would help address inherent challenges in outsourcing d help Millicom and other organisations effectively manage them. The study will also show how outsourcing affects the operational performance of Millicom in terms of service delivery and customer satisfaction. Finally, the study would serve as a reference material for students and other researchers engaged in similar studies.

1.6 Scope of the Study

The study looks at outsourcing as a corporate strategy and how it impacts on operational performance of companies in the telecom sector. The study thus basically focuses on the telecom industry. It is a single case study involving only Millicom Ghana Limited.

Accordingly, the research was limited to Millicom Ghana Limited, Ashanti Region, focusing on its outsourcing practices.

1.7 Overview of Research Methods

A case study research design was adopted. The study was descriptive. Both primary and secondary sources of data were used. The study involved a sample size of 150. Data was gathered using questionnaires. For data analysis, the Statistical Package for Social Sciences (SPSS) was used.

1.8 Limitations of the Study

The researcher encountered the following problems in undertaking this study: a) The time frame given to complete the study did not allow an in-depth investigation into the study. B) The problem of inadequate funds limited the extent to which the researcher was able to move around to collect data. C) The trustworthiness of some respondents may lead to inaccurate conclusion if false information was provided.

1.9 Organization of the study

The study is in five chapters. Chapter one introduces the study and includes the background to the study, statement of the problem, objectives and the corresponding research questions, justification of the study and the scope. Chapter two focuses on reviewing literature relevant for this study. Chapter three presents the methodology used for the study. Chapter four presents and discusses the results of the study whilst the final chapter, chapter five presents the summary, conclusions and recommendations of the study.

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CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on literature review. The chapter reviews literature pertinent to the current study. The review serves as a framework that guides the analysis of the research findings. Areas reviewed in this chapter include an overview of Ghana's telecom sector, the concept of outsourcing, rationale and benefits of outsourcing, challenges and effects of outsourcing on performance.

2.2 Ghana's Telecom Sector

Ghana has a well-developed telecom market with many GSM operators as well as a CDMA network operator as well. With mobile penetration touching almost 90% in Ghana, the country has been recognized as a country with one of the most developed mobile sectors in Africa (Delta Partners, 2011). This is supported by statistics from the Ghana Statistical Service (GSS) which suggests the telecom industry has become a major contributor to economic growth. A 2011 report by Delta Partners, cited on Myjoyonline.com, (Aug 12, 2012), presents an overview of the contribution of the telecom industry to Ghana's economy. According to the report, "in 2010 alone, the sector contributed about GHC598 million in taxes and levies, representing 10% of government income for that year" (Delta Partners, 2012, p.11). The report further suggested that "MTN, which is the market leader, contributed about GHC415 million, being 6.94% of government income for 2010, and 69.4% of taxes and levies from the telecom industry" (p.12). Another significant finding in the report by Delta Partners was the fact that "the telecom sector alone represents 7.0% of all investments in Ghana (5.1% from MTN alone) and is responsible for 2.0% of Gross Domestic Product (1.4%

from MTN alone), while the sector also takes some 5.3 per cent of the total expenditure of consumers (MTN alone taking 3.6%)" (Myjoyonline.com, 2012).

2.3 Competition in Ghana's Telecom Sector

There is an extremely high competition in the telecom sector in Ghana, with high involvement of multinational companies. According to Delta Partners (2011) "since the initiation of the first cellular services in Ghana in 1998 by Millicom Ghana, the mobile sector in the country has witnessed rapid growth". A Delta Partners' report (2011) cited earlier, again revealed that "as subscribers increase and mobile penetration goes up, average revenue per user – ARPU - (what telecom operators derive from each subscriber per month) decreased consistently from GHC14.6 a month, when penetration was 50%, to GHC9.4 when penetration rose to 67%". The implication is that currently, whilst mobile penetration is above 80%, ARPU has dropped further to about $3; an indication of the level of competition in the sector.

The evidence, as noted in the report by Delta Partners, is that "even though the operational costs of telecom operators keep going up with every passing day, the players keep absorbing inflationary trends on behalf of customers and keep charging lower tariffs, whiles other utility tariffs go up". For example, it was noted that as certain periods when inflation kept rising in other sectors and industry, for communication, inflation was zero, even though operational cost for telecoms went up. This sums up the extent to which players in the industry will go to remain competitive.

Industry analysts have projected that within the next year or two, the six operators would have a little over two million potential subscribers to compete for. In the opinion of Delta Partners (2011, p.31), "even though some industry analysts are skeptical about the invasion of as many as six huge multi-nationals into a relatively small Ghanaian

market, the fact remains that the competition is significant because not only would it put all the players on their toes to deliver, but it also promises to bring to the Ghanaian economy the best in telecom innovation with its attendant direct benefits to the people in terms of quality services and tariff cuts".

2.4 The Concept of Outsourcing

The concept of outsourcing has existed the 1980s. This was part of a response to the great depression where organisations needed measures to reduce cost and maximise profit. According to Sharpe (1997) "outsourcing is fundamentally, a business strategy in which an organisation hires the services of an external organisation or entity to perform specific jobs and duties on its behalf" (p.31). Additionally, Allen and Chandrashekar (2000) also opined that, "outsourcing is the practice of substitution of an in-house provided activity by subletting it out to another company". Likewise, Brannemo (2006) did assert that "outsourcing is a management strategy by which an organisation delegates major, non-core functions to specialised and efficient service providers". The implication is that, outsourcing is the "holistic restructuring of corporations around core competencies and outside relationships" (Corbett, 1999, p.19).

In a layman's language, outsourcing can be defined as "a process in which a company delegates some of its in-house operations/processes to a third party" (Virgin, 2006, p.32). Virgin explains that "while in a contract, ownership or control of the operation/process lies generally with the parent company, with outsourcing the control of the process is with the third party" (p.33). Patnaik (2007) describes outsourcing as "the delegation of work to external firms or individuals either through a contract or

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not". The work can be done by brick and mortar firms or by freelancers operating from their homes or on the field.

According to Patnaik, "the basic essence is that some specific portions of the work are offloaded to people or firms who are not permanently related with the party providing the work" (p.36). McCarthy (2002) has also defined outsourcing as "work done for a company by people other than the company's full-time employees". In the work of Bivens, (2006) , the author opined that "outsourcing takes place in two types of services: 1) IT outsourcing (ITO) involving an external service provider who manages specific applications, including server management, network administration and software development/upgrades; 2) Business process outsourcing (BPO) which involves a third party who manages the entire business process, such as accounting, financing, customer support or human resources" (p.42). Similarly, Bivens, (2006) has observed that "BPO is rapidly becoming recognised as a strategy offering a compelling business value proposition for companies as a means to gain operational efficiency, focus on core expertise, save time and potentially reduce costs" (p.34). His argument is that "BPO is independent of economic cycles and is therefore valid in difficult times when companies want to cut costs as well as times of profit when companies want to focus on growth" (p.35).

2.5 Outsourcing in the Telecom Industry

The telecommunications industry employs outsourcing in different ways, depending on the size of the company using the strategy. According to Lister (2015) while some uses of outsourcing may cause job loss, other types of outsourcing seek to establish business presences in foreign markets and strengthen companies in the long term. The argument by Lister is that "smaller companies in the telecommunications industry are more likely

to employ outsourcing as part of operational strategies than larger companies". This according to him is because "smaller companies have to cut costs to compete with more established telecommunication companies that have deeper pockets and more established research and development teams to roll out better products for domestic consumers" (p.14). In his opinion, outsourcing allows these smaller companies to lower labor costs and devote more funds to product development in an effort to catch the eye of consumers and gain a niche in the national marketplace.

According to Alsbridge (2015), "telecommunications companies continue to explore new opportunities for cost containment and more efficient service delivery". Albridge reveals that "the Information Technology Outsourcing (ITO) opportunities include: telecommunications network infrastructures to global or regional providers, integrated digital technology infrastructure platforms to manage both data and voice services, and internet optimization services to accelerate delivery of web content" (Albrideg, 2015, p.41)

The observation, according to Alsbrideg is that "new Business Process Outsourcing (BPO) services are also making in-roads into the telecommunications sector that include: supplier and partner management, service fulfillment and quality assurance, regulatory and tariff reporting services, and market and revenue analysis services" (p.45). One of the benefits of outsourcing inn the telecomm industry is lowering operational costs and payroll. According to Lister (2015) in his article Outsourcing in the Telecommunication Industry, "this allows businesses to remain competitive in a volatile consumer market, whilst it translates into lower prices for telecommunication products for consumers" (p.8). Additionally Lister (2015)states that "companies that choose to outsource operations are able to keep 24-hour customer service and technical

support lines open and operated with professionals who are in a different time zones than the customer calling in the complaint" (p.9). In his opinion, it also allows the company to keep fresh and rested workers manning the phones on a near constant basis.

2.6 Historical Background of the Outsourcing Concept

The theory of competitive advantage is often cited as what gave birth to the idea of outsourcing (Virgin, 2006). This is specifically traced to the automotive industry which used to be vertically integrated. In the 1970s, companies in this industry came to the realization that they just couldn't do everything on their own (Patnaik, 2007). A process was thus began to sell off parts of their businesses they were not good at; or that could be supplied cheaper by other companies. This eventually led to the situation in the 1990s where some companies began outsourcing functions that were

strategically very significant, such us logistics and manufacturing. This led to greater use of outsourcing as a concept in several other industries and sectors (Patnaik, 2007).

2.7 Outsourcing as a Corporate Strategy

According to Holcomb and Hitt (2007, p.16), "outsourcing as a corporate decision is founded in two major theories- the transaction cost economy theory and the resourcebased theory". The concern of the transaction cost economy (TCE) theory is generally the question of whether an organisation will benefit from cost by engaging in transactions internally or it wold be better off sourcing it externally (Rieple & Helm, 2008). The transaction cost economy is often described as an outsourcing approach with cost reduction as the prime focus. Critics of this theory however disagree with the assumption behind this theory that seems to suggest that all industries are homogeneous; and disregard the fact that there are dynamics in business environment

(such as customer preferences) that needs to be addressed with the changing trend (Zhang, 2006). Rieple and Helm (2008) therefore believes that tactical outsourcing only has a short-term focus and is only guided by the aim quest to achieve operational efficiencies for an organisation through cost reduction.

The other theory, the resourced-based theory, is also based on the assumption that business operations are heterogeneous in nature in terms of resources and capabilities and that any outsourcing decision should consider the "dynamism and interaction of the firm's resources and capabilities" (Holcomb & Hitt, 2007, p.21). According to Rieple and Helm (2008), this perspective underlies strategic outsourcing decision.

They therefore define strategic outsourcing "as the organising arrangement that emerges when firms rely on intermediate markets to provide specialised capabilities that supplement existing capabilities deployed along a firm's value chain" (p.46). The implication here is that outsourcing should not only be limited to the aim at cost reduction, but also a tool to help the company "leverage specialised capabilities from external suppliers to supplement what is not internally available in order to produce more value for the consumer" (McIvor, 2009, p.46). According to Holcomb and Hitt (2007), "there are two forms of strategic outsourcing. These are outsourcing an existing activity and a priori outsourcing, in which outsourcing is thought of from the beginning".

2.8 Rationale for Outsourcing

According to Haberberg & Rieple (2007, p.18), "the goals of outsourcing can also be tactical or strategic. As a tactic, outsourcing is rationalised by its ability to reduce production costs, improved efficiencies, improve operational flexibility, and support higher quality of products and services". Firms can thus strategically gain a competitive

advantage through outsourcing. For instance, Bettis et al. (1992) stated that "when outsourcing decisions are made on the basis of an in-depth understanding of the organisation's core competencies, and are intended to build or enhance the organisation's competitive advantages, outsourcing becomes strategic". Kakouris et al. (2006) therefore, assert that "the ultimate strategic goal of outsourcing is to develop core competencies that will strengthen barriers of entry for new firms to survive".

In the opinion of Sharpe (1997, p.23), "outsourcing also enables organisations access skills and technologies of other firms without investing directly in their development". According to him, "outsourcing is rationale by the fact that it can offer organisations the access to specialised skills which they could otherwise not afford to develop internally and also find it difficult to attract" (p.24). In the opinion of Frayer et al. (2000, p.10) "organisations may also avoid exposing their businesses to more risks than they care to take on by focusing on core competencies and utilising qualified vendors to manage other activities of the firm". In this respect, the external agent bears the responsibility of managing and developing innovations, as well as bearing the risks involved in the outsourced activities.

2.9 Benefits of Outsourcing

Notably, outsourcing organizations strive for providing cost saving benefits to their clients. In his opinion, Allen & Chandrashekar (2000) believes that "one of the major advantages to organizations, who outsource their recruitment process, is that it helps to save up to as much as 40 per cent of their recruitment costs" (p.11). The authors suggest that "with the experience, expertise and the economies of scale of the third party, organizations are able to improve the quality of the recruits and the speed of the whole process". Also, outsourcing "enables the human resource professionals of

organizations to focus on the core and other HR and strategic issues; gives a structured approach to the whole process of recruitment, with the ultimate power of decision making of recruiting with the organisation itself" (Allen & Chandrashekar, 2000, p.15). According to Allen & Chandrashekar (2000), usually, the portion of the recruitment cycle that is outsourced "range from preparing job descriptions to arranging interviews, the activities that consume almost 70 per cent of the time of the whole recruitment process" (p.16).

"With increasing globalization and the scope of companies becoming larger and more expansive, the concept of outsourcing has gained much more meaning than before" (Armstrong (2006). According to Armstrong (2006) "outsourcing has three main advantages. First, Armstrong refers to "the greater economies of scale that can be gained by a third party that is able to pool the activity of a large number of firms; it is thus frequently cheaper for a firm to outsource specialist activities (where it cannot hope to gain economies of scale on its own) than it is to carry them out itself" "
(p.19). The point he makes here is that "some firms gain the economies of scale by taking on the activity of others, becoming an outsourcer themselves". Secondly, Armstrong refers to "the ability of a specialist outsourcing firm to keep abreast of the latest developments in its field" (p.20). According to him "this has been a particularly significant factor in the area of information technology, where technological change has been so rapid that companies' in-house capabilities are hard pressed to keep up with it". Finally, the way that it enables small firms to do things for which they could not justify hiring full-time employees.

According to Arnold (2000), there are a number advantages/'benefits of outsourcing: growth, offshore expansion, variety of options, reduced risks, better results, flexibility,

fast turnaround time, resource utilization, competitive spirit and fulfilling business and objectives. In respect of growth Arnold (2000) suggest that "more and more companies are interested to outsource their low-end and high-end jobs; meaning that tremendous growth is expected in the outsourcing services market as demands for services grow" (p22). Again, Arnold suggests that "the number of companies located offshore have increased their expansion by first outsourcing to locations that provide services; then gradually offshore expansion becomes a reality as the company finds its roots in a new setting" (p.22). Explaining variety of options, Arnold (2000) suggests that with so many big and small offshore companies providing a range of services, there is a great variety of services to choose from. Companies are keen to outsource.

So they can choose what they feel is the most suitable outsourcing partner.

Arnold (2000) further states that it is a fact that more and more companies have started outsourcing services. This has become a preferred trend in the last few decades. This is because their risks are minimized when they choose to outsource. By partnering with richly experienced companies, there is reduced risk. Commenting on competitive spirit, Arnold (2000) points out that "it is some year back that companies outsourced to stay afloat and save costs; which scenario has changed drastically". Now companies are outsourcing to minimize their risks. They can thus maximize the competitive spirit. This helps them to fortify their core competencies and focus more on strategic management.

With respect to fulfilling business objectives, the explanation is that "by outsourcing to other locations, most of the big global companies are able to fulfill their business objectives" (p.23). Outsourcing has enabled companies to stay ahead of their competitors and strengthen position in the global market. Arnold's (2000) explanation on better results is that "almost all big companies are outsourcing one or more of their

operations to focus better on their core areas; which helps to usher in better results. It also helps the company to fortify their areas of expertise".

According to Arnold (2000), one of the advantages of outsourcing is that "it ensures proper resource utilization" (p.24). According to him, outsourcing ensures that skilled man power, advanced technology and excellent infrastructure are utilized productively. Commenting on flexibility, Arnold suggest that an organization that avails of outsourcing services becomes more receptive to change and flexible. With respect to share business risks, the explanation is that "outsourcing helps an organization to share its risks rather than carry the entire responsibility alone" (p.24).

This also ensures that management problems are minimized. On fast turnaround time, Arnold suggests that "one can be assured of fast turnaround time with outsourcing solutions; meaning deadlines need not be worried and fretted over" (p.24).

2.10 Disadvantages of Outsourcing

There are some drawbacks to outsourcing as well. According to Beardwell & Claydon (2007, p.14) "one of these is that it often eliminates direct communication between a company and its clients; which may prevent a company from building solid relationships with their customers, and often leads to dissatisfaction on one or both sides". There is also the danger of "not being able to control some aspects of the company, as outsourcing may lead to delayed communications and project implementation" (Bednarz, 2005, p.12). According to Beardwell & Claydon (2007), "any sensitive information is more vulnerable, and a company may become very dependent upon its outsource providers, which could lead to problems should the outsource provider back out on their contract suddenly".

2.11 Types of Outsourcing Processes

According to Al-kaabi et al (2007), there are different types of outsourcing depending upon the need of the firms. Some of them are – "Business Process Outsourcing (BPO), Account Process Outsourcing, Recruitment Process Outsourcing (RPO), Knowledge Process Outsourcing (KPO) etc" (p.12). These different types of outsourcing basically helps in providing services to the customers by handling tasks like "maintenance, payroll, research management etc" (p.12). According to Allen & Chandrashekar (2000) companies have adopted different method of outsourcing to meet the demands of the customers. The state that in most instances, "the companies hire skilled workers at a low costs and divide the whole work into different segments, so that they can work with ease". They also state the importance of the call centers as a method where a number of skilled people are employed and paid (although usually less) to answer the query of their customers.

2.12 Effects of Outsourcing on Firm Operations

In the opinion of Corbett (2004, p.21), "outsourcing can increase productivity and competitiveness 10 to 100 fold, thus improving organisational competitiveness through outsourcing is, however, a strategic management decision in cognisance of the firm's resources". Haberberg and Rieple, (2007, p.17) added that "outsourcing can positively impact competitiveness of firms when the dynamisms in consumer preferences and the changing legal, economic and socio-political business environment are incorporated in the outsourcing decisions".

According to Billi et al. (2004, p.33), "the major means by which outsourcing helps in gaining a competitive edge is by promoting capital inflows and availing infrastructure, which the firm would otherwise not have access to; thus, the firm can operate on a larger

scale through outsourced vendors, which gives the business the benefit of economies scale, and by extension helps to reduce unit labour and production costs". By increasing efficiencies in labour and production, "the firm can produce at a higher quality or at standards at par with competitors, but may be able to charge lower prices for their products" (Galunic & Rodan, 1998, p.13).

Kotabe et al. (2008, p.12), however, argued that "there could be negative long-term consequences of outsourcing resulting from a company's dependence on independent suppliers". He further explained that, "such reliance on outsourcing may make it inherently difficult for the company to sustain its long-term competitive advantage without engaging in the developmental activities of the constantly evolving design and management techniques of the agents". Outsourcing failure may also result from outsourcing decisions that do not consider the strategic operations, financial standing and quality standards of the agent. In this respects, Corley (2000) maintains that "equity-based alliances are more effective for long term competitiveness than contract-based alliances".

2.13 Categories of Outsourcing Services

HR functions as identified by Berry (2007) include "Payroll administration (producing checks, handling taxes, dealing with sick time and vacations), employee benefits (Health, Medical, Life insurance, cafeteria, etc), human resource management (hiring and firing, background interviews, exit interviews and wage reviews), risk management (workers' compensation, dispute resolution, safety inspection, office policies and handbooks) and others" (p.11). Depending on the types of things the company need to outsource, it will choose a professional employer organization

(PEO) or a hybrid-outsourcing firm etc (Bielski 2007).

According to Brannemo (2006, p.21) "HR outsourcing Services could fall into one of the five categories: Professional Employer Organization (PEO), Business Process Outsourcing (BPO), Application Service Provider (ASP), Disaster recovery and business continuity, and Remote systems management".

If the company prefers to focus solely on their core business, or if they have no HR capabilities, then a PEO may be right for them. A PEO recruits, hires, and employs on company's behalf. It becomes the employer of record for their employees, whom they essentially lease back from the PEO. It also manages all HR functions for these employees, from employee relations and staffing to benefits administration and payroll (Brannemo, 2006). According to Brannemo (2006), BPO refer to "all fields, but specifically for HR, a BPO would ensure that a company has access to latest technologies".

Application Service Provider (ASPs) host HR software, on web and rent it to users. ASPs can provide a range of support; the "continuum" offered by ASPs includes Disaster recovery and business continuity. In this scenario, "the customer retains all service delivery infrastructure (SDI, also known as the IT stuff) and full responsibility for the application" (Brannemo, 2006, p.31). According to Brannemo, "the ASP provides the ability to relocate to a hosted environment to resume business processes in the event of a contingency event, which is typically a one-off solution".

There is also remote systems management, where "the customer retains ownership of IT assets in-house, but the ASP remotely monitors and manages the SDI; which is typically a short-term solution, while the customer is retiring its IT assets and determining how to reallocate personnel" (Brannemo, 2006, p.31).

Hosting also refers to the situation where the customer retains the application maintenance, operations and support, while the ASP provides, maintains, operates and supports facilities, technology and database SDI. This usually happens when a business solution desired by the IT staff runs on a different platform than currently in place. With respect to remote applications management, the customer retains ownership of the SDI technology. ASP remotely monitors and manages it all, including application layer. It is a steppingstone toward complete handover of customer's IT infrastructure. Concerning managed applications services, the customer may own the software license or subscribe to monthly usage rights, but relies on ASP to provide entire SDI stack and continuous life cycle management to every element.

2.14 Assessing effect of Outsourcing Service delivery and Competitiveness

According to Harris and Ogbonna (2001, p.34), "organisational competitiveness refers to the advantage that a firm has over its competitors to produce at higher quality and at more efficient levels". Thus, in relation to competitors, "organisational competitiveness can be conceptualised in terms of lower costs of production, lower service charges or product prices, higher product/service quality, customer satisfaction and larger customer base" (Rose & Kumar, 2006, p.10). In a broad context, the cost of production refers to "the costs related to making the product or acquiring goods and services that directly generate revenue for organisations" (Syverson, 2010, p.19). The cost of production can therefore be disaggregated into the labour cost per unit, unit product cost, and overhead costs.

The unit labour cost is "a measure of the overall production output of the firms, labour productivity, wage and other costs which are related to the workforce and price

development" (Syverson, 2010, p.19). Felipe and Kumar (2011) therefore assert that "unit labour costs are defined as the ratio of a worker's total compensation, or moneywage to labour productivity" (p.14). Total labour cost in this context, refers to the

"nominal wage rate plus all payments related to labour services, social security, severance and termination pay, and employers' contributions to pension schemes, casualty, and life insurance, and workers compensation, and, in some cases, payroll taxes as well as fringe benefits taxes" (Felipe & Kumar, 2011).

The unit product cost on the other hand, is "the measure of cost of the total manufacturing costs in relation to the total number of units produced" (Adbon et al., 2010, p.16). It represents the funds expended on producing one unit of output. Therefore, the unit cost of a product includes "the cost of acquiring direct materials and direct labour, as well as direct expenses and total overhead cost, expressed as a function of the total number of products units produced" (Felipe & Kumar, 2011,16). While controlling for inflation, the trend of unit product costs may show the efficiency of the firm in production.

2.15 Challenges of Outsourcing

Despite the rising popularity of outsourcing organizational activities, the practice is not without pitfalls. According to Brooks (2006) "one of the most serious is maintaining the continuity of skill supply and the retention of in-house knowledge and expertise". In many cases, firms seek outsourcing to "save training costs, assuming that someone else will carry out the training to ensure the delivery of key skills"

(Brooks, 2006, p.10). Skill loss can have damaging effects on competitiveness. Cook (1999) cites another major concern with outsourcing, particularly for those firms that operate in the upper end of the product market, as the loss of quality.

Syverson (2010, p.21) suggests that "employees often judge service quality by comparing their expectation of the resulting service under the proposed change with their view of what the services should be or with the services that they used to have; thus switching the HR services from in-house to an external provider inevitably causes disruption to the continuity of the services, often for a prolonged period of time and with unpredicted problems". There have been reports in the media and in practitioner journals on the failures of outsourcing resulting from unfulfilled promises and/or expectations (Brudenall 2005).

2.16 Mitigating the challenges of Outsourcing

Though simple in theory, it is tough to execute especially when companies with high expectations outsource the wrong things for the wrong reasons in the wrong way. According to Brudenall (2005, p.22) "poorly planned deals have grave shortcomings - companies overestimate the economic benefits of the deal, fail to establish the right baseline for price negotiations and performance tracking, or are not fully prepared to manage the transition and post-deal situation". A recent study by Cap Gemini Ernst & Young shows that "only 54% of companies are satisfied with outsourcing - down from more than 80% a decade ago". Butcher & Hind (2005) proposes the following as guidelines in dealing with the various challenges surrounding outsourcing: "Selecting the Right Partner, Negotiation, Timeframe, and Exit policy" (p.10). Regarding selecting the right partner, Butcher & Hind (2005) suggests that "since the industry is a sensitive area, the primary barrier to outsourcing in companies is security". The risks include

"disruption to service, defective services and personnel of service providers gaining intimate knowledge of ' systems and misusing them" (Butcher & Hind (2005, p.11). Organizations need to look for a service provider with experience, expertise, integrity and long-term commitment to the industry. It is essential to select a credible outsourcing provider who, besides making a good cultural match, is committed to ongoing technology improvement who can add value to the company's operations (Butcher & Hind, 2005).

On negotiation, Butcher & Hind (2005) indicate that "negotiating teams must negotiate with the business managers, executive team, employees and union representatives". According to them uncertainty during an outsourcing transition "increases the risk of staff turnover so companies should design a retention program that targets and retains key personnel" (p.21). A dedicated team of change management with top management involvement should be in place to regularly monitor any unforeseen problems (Cook, 1999). Commenting on timeframe, Butcher & Hind (2005) suggest that "outsourcing is not a one-time event with an instant payoff. According to Butcher & Hind (2005, p.22), "while rapid execution and implementation enables companies to get through the most painful part of the change process quickly, and minimizes friction created by resisters by forcing them to adapt quickly, speedy implementation certainly deprives the companies and the third-party provider of that all-important 'courting' stage before the 'wedding'". Their argument is that real benefits of outsourcing take time and before they kick in, things are likely to be painful, ugly and chaotic; and here lies the crucial role of transition management. Finally, on exit policy, Butcher & Hind (2005, p.24) argue that "since outsourcing deals have become bigger, complex and strategically important, an exit strategy has to be in place along with contingency planning". The exit strategy may

involve bringing outsourced activities back in-house, continuing with the same provider, or choosing a new provider, all of which mean that the companies has to revisit its strategy.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter the methodology of research is presented. The areas captured in this chapter are the research design, data collection, source of data, population of the study, the sample size used for the study, the sample techniques used in selecting the respondents, the data collection tools and the data analysis techniques and ethical considerations.

3.2 Research Paradigms

Research methodologies vary with their attendant pros and cons. Tuli (2010), has stated that "social science scholars have opined to the fact the choice of research methodology depends on the philosophical issues of ontological (the nature of reality) and epistemology (the nature of knowledge)". He further asserted that "positive paradigm underpins quantitative methodology and qualitative methodology is underpinned by interpretivist epistemology and constructionist ontology" (p.12).

Quantitative research generates numerical data or information that can be converted into numbers. Qualitative Research on the other hand generates non-numerical data.

Only measurable data are being gathered and analyzed in quantitative research. Qualitative research focuses on gathering of mainly verbal data rather than measurements. "Gathered information is then analyzed in an interpretative manner, subjective, impressionistic or even diagnostic" (Tuli, 2010, p.12).

The primary aim of a Qualitative Research is to provide a complete, detailed description of the research topic. It is usually more exploratory in nature. Quantitative

Research on the other hand "focuses more in counting and classifying features and constructing statistical models and figures to explain what is observed" (Tuli, 2010, p12).

For this research, both qualitative and quantitative data was employed. The use of both methods helps eliminates the likely weaknesses if only one method is used (Dawson, 2007). Again, both methods were employed because some of the objectives required the use of quantitative analysis techniques. Whilst the qualitative data looks at attributes and expressions, the quantitative data will focus on the variables derived from questionnaire (Horn, 2009).

3.3 Purpose of the Study

Studies generally fall into the following three categories: "Descriptive, Explanatory (causal), and Exploratory" (Saunders, et al, 2000). A descriptive research is "a study that seeks to portray an accurate profile of persons, events or situations" (Robson, 2002 in Saunders *et al*., 2007). It involves "formalizing the study with definite structures in order to better describe or present facts about a phenomenon as it is perceived or as it is in reality" (p.10).

The primary purpose of exploratory research is "to shed light on the nature of a situation and identify any specific objectives or data needs to be addressed through additional research" (Robson, 2002, p.3). Exploratory research is also employed when a decision maker wishes to better understand a situation and/or identify decision alternatives (Malhotra, 2007). Exploration is particularly useful when researchers lack a clear idea of the problems they will meet during the study. The study employs the descriptive research design. According to Polit and Hungler (1995) "descriptive survey is about

describing, observing and documenting aspects of a situation as it is naturally, and one in which information is collected without changing the environment (i.e., nothing is manipulated). Sometimes these are referred to as correlational or observational studies".

The justification for using the descriptive research design is that although the descriptive research does not fit neatly into the definition of either quantitative or qualitative research methodologies, it however has the ability to utilize elements of both within the same study. Again, it is appropriate for answering the 'what' and 'why' kind of research questions posed in the chapter one.

3.4 Sampling Procedures

This section explains the procedure employed for selecting the sample used for the study. It focuses on the population and sample size and the technique for selecting the sample size.

3.4.1 Population and Sample

According to Bryman et al (2003), a study population as the whole group that the research focuses on. The population for this study consists of staff of Millicom in the Ashanti region. In effect, the total staff strength of Millicom in the Ashanti Region is 445. Out of this number, total of 150 non-management and 10 management members were selected for study.

Table 3.1 Sample Size

Category of respondents	Population	Sample size
Management	10	10
Non-Management	435	150
	445	160

Source: Field Data (2015)

3.4.2 Sampling Technique

Sampling techniques refers to the process used in selecting the sample size. Several techniques have been explained by authors such as Saunders (2003). Simple random sampling was employed to select the respondents in this study. In statistics, a simple random sample is a subset of individuals (a sample) chosen from a larger set (a population). "Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each subset of individuals has the same probability of being chosen for the sample as any other subset of individuals" (Malhotra, 2007). The justification for using a simple random sampling technique is based on the fact that simple random sample is an unbiased surveying technique. In other words, every object has the same probability of being chosen. This improves the validity and

reliability of the study.

3.5 Data Collection Methods

This section describes the methods used in collecting data for this study. Research data is defined as "recorded factual material commonly retained by and accepted in the scientific community as necessary to validate research findings; although the majority of such data is created in digital format, all research data is included irrespective of the format in which it is created" (Malhotra, 2007, p.5).

3.5.1 Sources of Data

Research problems can be solved "through the collection of data which could be presented as primary or secondary data" (Osuola, 1982, p.3). It could also be "analysed both quantitatively and qualitatively based on the research philosophy and the intended

outcome and purpose of the research" (p.3). Primary data enables the researcher to extract information which had not been used before in any work, and it can be obtained through the process of administering of questionnaires and interview schedules. On the other hand, "secondary data are information which have been documented and stored, both in soft and hard copies, for academic and administrative purposes" (Dale et. al 1988). However, Saunders et al. (2012) identifies that "secondary data can be grouped as documentary data, survey based data, and data compiled from multiple sources". This research will rely on both the primary and secondary data for analysis and draw conclusions as well. Primary data covered the outsourcing practices of the firm, the staff perception of the effects of outsourcing on product quality and employee competencies in the firm.

3.5.2 Data Collection Tools

The researcher used questionnaires and interview guides as tools for obtaining the necessary information for the research. Questionnaires were used for nonmanagement members whilst interviews were conducted for management. The questionnaire was made up of open-ended and closed-ended items. Questionnaire was chosen to allow the respondents the opportunity to answer the questions at their convenience. Other research instruments included observations and telephone conversations. The questionnaire was used because it is simple to administer and relatively easy to analyse. Respondents have time to think about their answers; they are not usually required to reply immediately.

Questionnaires were prepared and distributed to the selected respondents to be filled. The respondents were given some days to provide the answers because they were busy at work at that time and/or could not provide certain information instantly. The

questionnaire was validated by giving some copies to colleague students and the researcher's supervisor to read and correct ambiguous statements, wrong spellings and construction.

3.6 Data Analysis

Data was obtained through questionnaires and interviews. The data was then categorised into various dependent variables based on information obtained and then put into data groupings. "Highlight was on both the number of data collected as well as the meanings they represent" (Gerring, 2007). Interpretation and analysis were also based on raw data provided by participants through direct quotations. The analysis conducted included regression, t-test, mean and standard deviation.

3.7 Quality of the Study

The researcher ensured quality of the study by increasing the reliability and validity of research findings.

Reliability indicates "certainty in the answers provided by the respondents. Expressed in another way, it is the question about the collected material stability and freedom from haphazard influences" (Kylen, 2004). Reliability is dependent on the respondent, the consistency of judgments using the same evidence .The way of acquiring and interpreting data gained must also be consistent in both judgment and result. Attempts were made to avoid biasing the respondent's answers by leading questions.

Validity is whether the methods approaches and techniques actually measure and are related to the problem at hand. According to (Eriksson & Wiedeshiem – Paul, 2001), validity is defined as "an instrument to measure exactly what it is supposed to measure. To increase the validity a simplified outline of the questionnaire was sent to the

respondents in advance". This gave the respondents the possibility to prepare for the response and to obtain the correct information.

3.8 Research Ethics and Limitations

"Several ethical issues arise in any research especially where data is gathered through interviews and questionnaires or from primary source where the privacy and research participants' dignity is very crucial" (Saunders et al, 2007). As identified by Saunders et al (2007) of the three major areas of organisational concern to include time, topic sensitivity and data confidentiality and respondent anonymity. The research purpose was thoroughly explained to all participants to disabuse any negative thoughts they might have to ensure the compliance to ethical standard of research of selected organization. Only those who willingly accept to participate in the research were given the opportunity to respond to questionnaires.

The anonymity of participants including company name, protection of all data for the report using passwords and encrypted documents and information gathered for this research were used solely for the purpose as stipulated in ethical guidelines of the university.

CHAPTER FOUR

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DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and analyses data gathered in respect of the various objectives. The findings are presented under each objective and subsequently analyzed to address the research question. Research questions of the study included: what constituted the rationale(s) behind the outsourcing decisions of telecom operators (with Millicom as the case study), the common outsourcing models being used by Millicom, the effects of outsourcing on the quality of products and service delivery, and the effects of outsourcing on cost of operation to operators. Out of a total of 160 questionnaires distributed to non-management members, 150 were retrieved and used for the analysis. This puts the response rate at approximately 93.75 percent. Responses generated from the interviews are also presented.

4.2 Demographic Classification of Respondents

The demographic characteristics considered under this study included gender, educational level and years respondents had worked with the case institution. The various findings relative to the respondents' demographic characteristics are presented and discussed.

Table 4.1 Demographics of Non-Management Members

Demographics	Responses	Frequencies	Percentages (%)
Gender	Male	90	60
	Female	60	40
	Total	150	100.0
Education	HND	30	20.0
	First Degree	83	55.3
	Second Degree	37	24.7
	Total	150	100.0
Years spent with the company	3 years and below	50	33.3
	4-6 years	70	46.7
	7-9 years	20	13.3

	10 years and above	10	6.7
	Total	150	100.0
	Engineering	23	15.3
	Transport	60	40
Department	Retail	62	41
	Enterprise	5	3.3
	Total	150	*100%*

Source: Field work, 2015.

From the table above, it is seen that out of the one hundred and fifty respondents (150), 90 of them representing 60% were males with 40% being females. It shows clearly a domination of males among staff of Millicom. The 40% females is however significant considering the fact that women previously did not have this much opportunity to work in formal settings. It can also be deduced from this finding that more women are showing working interest in the telecommunication sector.

Table 4.1 also shows Thirty (30) respondents representing 20.0% hold HND, 83 respondents (representing 55.3%) on the other hand held First degrees whilst the remaining Thirty Seven (37) respondents had second degree as their educational level representing 24.7%. It is evident from this finding that about 80% of the core staff of Millicom in Kumasi had a minimum of First Degree. What this implies is that the company has a lot of high quality staff.

It is also evident that about 80% have spent not more than 6 years in their current employment with Millicom. Which suggests that majority of staff currently employed with the telecomm companies do not have experience of more than 6 years with the telecomm companies. The analysis also shows that transport and retail staff dominated the work which is very appropriate for the objectives of the study.

4.3 Rationale for Outsourcing

This section presents results from the two category of respondents contacted (management and non-management).

4.3.1 Rationale for Outsourcing (Responses from Management)

Results from the interview conducted for management reveals that, the main motive or rationale behind Millicom's outsourcing practices were to enhance operational efficiency and to develop new capabilities that would lead to creating a competitive advantage.

This was how a management member had to say:

The telecom industry has become very competitive with many players engaging in price wars. The only way to withstand this intense competition is to reduce our cost of operations and build competitive advantages that are difficult to imitate. We think outsourcing will do the trick.

Comparing this results to that of non-management respondents, the study found that same views were expressed (see table 4.2).

4.3.2 Rationale for Outsourcing (Responses from Non-Management Members) A key objective of the study was to examine the rationale for telecomm companies engaging in outsourcing. The objective was to identify the key motivations for the adoption of the various models of outsourcing persisting in the telecomm industry, and especially in Millicom. Similarly, analysis of the findings measured the strength of the responses using the weighted average analysis technique.

The table below (4.2) reveals key rationale for Millicom use of various outsourcing models. It is noted for example that majority of the respondents believe that it is to enhance operational efficiency that telecomm operators, and Millicomin particular, engage in outsourcing. This was established on the basis of the response to the first item "To enhance effectiveness by focusing strengths" which recorded a weighted average of 4.6. This position is also emphasized by Lister (2015) *who states* that companies that choose to outsource operations are able to keep 24-hour customer service and technical support lines open and operated with professionals who are in different time zones than the customer calling in the complaint". In his opinion, it also allows the company to keep fresh and rested workers manning the phones on a near constant basis. This is an example of focusing strength because it frees the company's staff for other important requirements.

In response to the statement "To Increase flexibility to meet changing business conditions", a weighted average of 4.3 was recorded (see table below). The results suggest that a key rationale for Millicom and telecomm operators in general engaging in outsourcing is to create flexibility to allow them meet changing business conditions. This has particularly been identifies as one of the key rationale for organisations engaging in outsourcing.

Table 4.2 Rationale for Outsourcing (Non-Management)

key: SA-strongly agree, A-agree, NS-not sure, D-disagree, SD-strongly disagree						
statement	Frequency					W/Avg.
	SA =5	A =4	NS= 3	D = 2	SD = 1	
To enhance effectiveness by focusin strengths	107	36	7	-	-	4.6
To Increase flexibility to meet changing business conditions	101	17	20	12		4.3

To Transform the organization	90	33	-	17	10	4.1
To Increase product and service value, customer satisfaction, and share-holder value	30	70	23	17	10	3.6
To Improve operating performance	87	56	7	-	-	4.5
To obtain expertise, skills, and technologies that would not otherwise be available	63	87	-	-	-	4.4

Source: Field Data (2015)

Responding to the statement "To Transform the organization", majority of the respondents largely shared the position. This was based on the strength of the weighted average recorded in respect of this statement. From the table, a weighted average of 4.1 was recorded. This is strong enough to support the above conclusion. Further, the finding established that Millicom and telecomm operators in general consider the possibility of increasing product and service value in their decision to outsource. From the table, the statement "To Increase product and service value, customer satisfaction, and share-holder value" recorded a weighted average of 3.6. The results show that the need to increase customer satisfaction is a key rationale for outsourcing.

A further finding revealed that Millicom and telecomm operators in general would also want to improve their operating performance. In response to the statement "To Improve operating performance", a weighted average of 4.5 was recorded (see table above). It is evident therefore that, telecomm operators are seeking ways to improve the operating performance, hence their current attempt at outsourcing significant aspects of their operations. Finally, the statement "To obtain expertise, skills, and technologies that would not otherwise be available", also recorded a weighted average of 4.4. It is deduced from

this that Millicom and telecomm operators in general, in their use of outsourcing practices, seek to obtain expertise and technology to help improve their performance.

Generally, it shows that there are a number of key rationales for Millicom and telecomm companies in general wanting to outsource some of their operations. From the results, the most significant rationales are "To enhance effectiveness by focusing strengths", "To Improve operating performance", and "To obtain expertise, skills, and technologies that would not otherwise be available". This was established on the basis that these three recorded the highest weighted averages indicating stronger responses as compared to the other variables.

The finding shows that TIGO's outsourcing rationales are both tactical and strategic. This is consistent with what Haberberg & Rieple (2007) indicate as the rationale for outsourcing decisions. According to Haberberg & Rieple (2007), the goals of outsourcing can also be tactical or strategic. As a tactic, outsourcing is rationalised by its ability to reduce production costs, improved efficiencies, improve operational flexibility, and support higher quality of products and services. Strategically, firms can achieve a competitive advantage through outsourcing. Bettis et al. (1992) also share the same position stated that. According to them when outsourcing decisions are made on the basis of an in-depth understanding of the organisation's core competencies, and are intended to build or enhance the organisation's competitive advantages, outsourcing becomes strategic.

4.4 Outsourcing Practices by Millicom Ghana Limited (Management)

The study further examined the current outsourcing practices by telecom operators in Ghana, with Millicom as the case study. The diagram (figure 4.1) depicts the areas that are usually outsourced by Millicom:
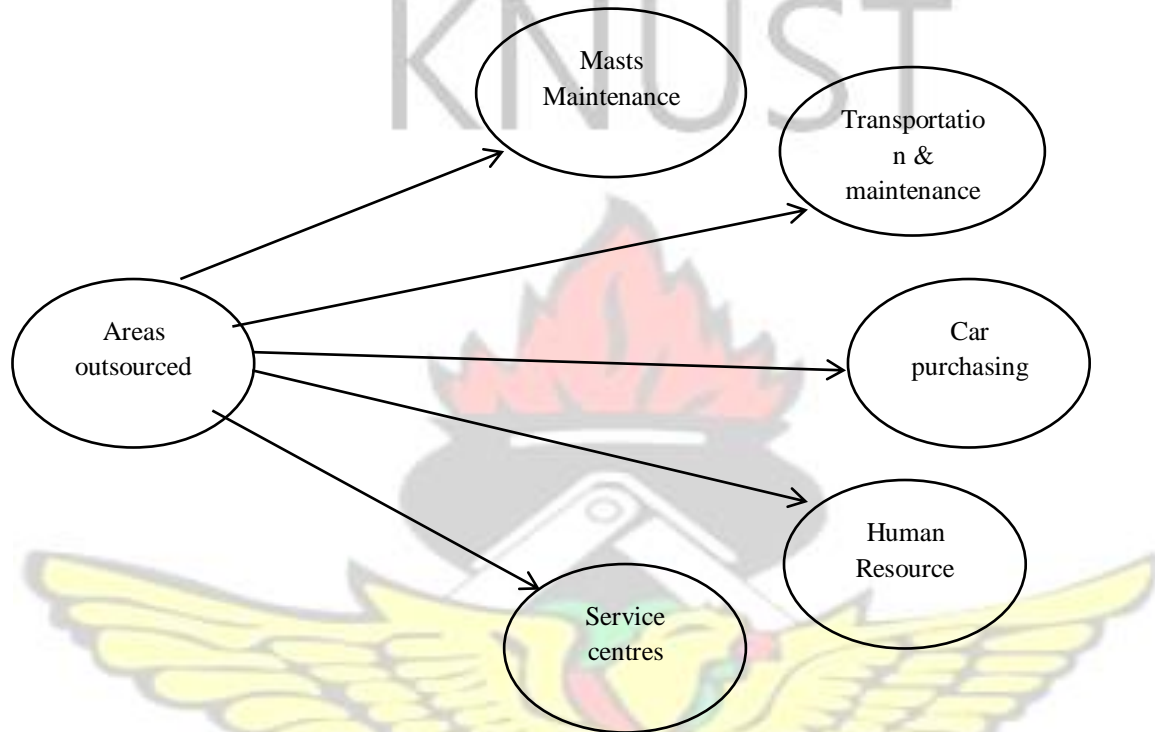
Figure 4.1: Outsourcing Interests (Author's Construct, 2015)

As depicted by figure 4.1, the study identified five (5) areas that are usually outsourced by Millicom. The level of priority however varied for each of the six companies. This confirms the position of Lister (2015) that the telecommunications industry employs outsourcing in different ways, depending on the size of the company using the strategy. A number of these outsourcing is also highlighted by Albridge

(2015) reveals other outsourcing opportunities for the Information Technology

Outsourcing (ITO) including: telecommunications network infrastructures to global or regional providers, integrated digital technology infrastructure platforms to manage

both data and voice services, and internet optimization services to accelerate delivery of web content.

Table 4.3 below provides t-test analysis for outsourcing practices by Millicom Ghana. The results show that outsourcing practices by telecom firms are centered on Masts maintenance, Transport and maintenance, Vehicle purchasing. Outsourcing service centres and Human resources recorded the least mean values lower than the hypothesized mean of 3.5. The implication is that telecom companies are now beginning to pay attention to outsourcing recruitment and call centre operations. The t-values were all above +-1.65. The results were significant at 0.00.

Table 4.3: T-test results for Outsourcing practices (Non-Management)

Nature of Outsourcing	Test Value = 3.5			
	Mean	T	Sig. (2-tailed)	Mean Difference
Masts Maintenance	4.880	51.837	.000	1.3800
Transportation & maintenance	4.340	9.585	.000	.8400
Service centres	1.680	-47.625	.000	-1.8200
Car purchasing	3.793	4.768	.000	.2933
Human Resource	2.147	-19.052	.000	-1.3533

Source: Field work, 2015.

4.4.1 Assessment of Outsourcing by Millicom Ghana (Response from NonManagement members)

An assessment was done on the perception of respondents relative to outsourcing by the company. Questions posed in respect of this item used the likert scale questions in seeking information. The weighted average technique was subsequently applied to analyse the various statements for this objective. The response categories ranged between 'Strongly Agree' to 'Strongly Disagree' which is subsequently divided into five point numerical scale. For each of the responses a scale was assigned. The

following was thus defined: strongly agree=5, agree=4, neutral=3, disagree = 2 and strongly disagree = 1. The weighted average is calculated for each statement as the average of their mean scores. Table 4.4below presents the various responses to the items captured under this objective that sought to explain the components of reward system in the case institution:

As seen from the table, respondents provide indications to their perception of outsourcing by the company (Millicom). In respect of each item, the weighted average of all responses is determined as a measure of the strength of the response given.

From the table, it is seen that the first item 'The company outsource some of its activities' recorded a weighted average of 4.8 which is consistent with the suggestion by Alsbridge (2015) that telecommunications companies continue to explore new opportunities for cost containment and more efficient service delivery through outsourcing.

Again, the item 'Staff supports such outsourcing practice' recorded a weighted average of 4.2. It suggests that staff generally support such outsourcing policies of the telecomm companies. Management's ability to draw staff into supporting such policies enhances the implementation.

Table 4.4 Staff Assessment of Millicom Outsourcing Practice (Non-Management)

key: SA-strongly agree, A-agree, NS-not sure, D-disagree, SD-strongly disagree						
statement	Frequency					W/Avg.
	SA =5	A =4	NS= 3	D = 2	SD = 1	
The company outsource some of its activities	133	17	-	-	-	4.8
Staff support such outsourcing practice	102	17	7	11	13	4.2
Outsourcing is limited to specific department	-	-	-	90	60	1.6

The practice affects all areas of the company's operations	116	27	3	3	1	4.7
The practice affects internal operations negatively	20	24	26	70	10	2.1

Source: Field Data (2015)

Further, it can be seen from the table (4.4) that a weighted average of 1.6 was recorded in respect of the item 'Outsourcing is limited to specific department'. This is strong rejection of the statement. The relatively weak weighted average is a reflection of respondent's rejection of the statement. It can be deduced from this that outsourcing is not limited to specific departments of the company. This reflected in the strength of the response to the item 'The practice affects all areas of the company's operations' which recorded a weighted average of 4.7 (see table above).

Respondents generally believed that the outsourcing practice affects internal operations. This suggests that most staff hold a positive view of the practice of outsourcing. It can be deduced from findings under this objective that the practice of outsourcing cuts across all departments of all the telecom companies.

4.4.2 Assessment of Outsourcing by Millicom Ghana (Responses from Management members)

Interview results from management points to the fact that outsourcing was a strategic initiative. Therefore management periodically reviews non-core business functions to identify areas of operations that could be outsourced. The objective is not only to outsourcing but to conduct a cost-benefit analysis to identify gains to be derived.

"We just don't outsource for outsourcing sake. If we have in-house capacity to undertake some functions more efficiently, it doesn't make sense to outsource". This was direct quote from a management member.

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4.5 Effects of outsourcing on Operations and Cost (Non-Management)

The study also attempted to identify the effects of outsourcing on the operations of Millicom and telecom companies in general. Findings obtained relative to this objective are depicted on the table below (Table 4.4). Again, with this objective, the weighted average technique was used. Basically, it was to determine the significance of the variables as constituting an effect of outsourcing on operations.

The table reveals a number of significant effects of outsourcing on the operations of Millicom and telecom companies in general. This includes the fact that when telecomm companies outsource, it improves credibility and image through their association with superior providers. This was established on the basis of the response to the statement "outsourcing improves credibility and image by associating with superior providers" which recorded a weighted average of 3.8 (see table below).

Again, responses suggest that outsourcing enables telecom companies gain market access and business opportunities through the provider's network and also accelerates expansion by tapping into the provider's developed capacity, processes, and systems. This was ascertained through responses to the statements "Company gains market access and business opportunities through the provider's network" and "outsourcing accelerates expansion by tapping into the provider's developed capacity, processes, and systems", both of which recorded weighted averages of 3.6 and 4.4 respectively (see table 4.5).

Table 4.5 Weighted Score of Effects of outsourcing on Operations and Cost (Non-Management)

key: SA-strongly agree, A-agree, NS-not sure, D-disagree, SD-strongly disagree

statement	Frequency					W/Avg.
	SA =5	A =4	NS= 3	D = 2	SD = 1	
Outsourcing improves credibility and image by associating with superior providers	37	60	40	13	-	3.8
Outsourcing reduces investments in assets and frees up these resources for other purposes	117	30	3	-		4.7
Outsourcing generates cash by transferring assets to the provider	97	53	-	-	-	4.6
Company gains market access and business opportunities through the provider's network	30	50	57	13	-	3.6
Outsourcing accelerates expansion by tapping into the provider's developed capacity, processes, and systems	77	70	3	-	-	4.4
Outsourcing commercially exploit the existing skills	63	87	-	-	-	4.4
Outsourcing reduce costs through superior provider performance and the provider's lower cost structure	103	47	-	-	-	4.6
Outsourcing turns fixed costs into variable costs	84	63	3	-	-	4.5

Source: Field Data (2015)

The table further provides evidence of the effect of outsourcing on cost of operations of Millicom and telecom companies in general. As indicated in the responses depicted on the table, the variables associated with cost recorded very significant weighted averages which establish their significant relationship with outsourcing. For example, the variable "outsourcing reduces investments in assets and frees up these resources for other purposes" recorded a weighted average of 4.7, which confirms it as an effect of outsourcing on the cost of operation. Since outsourcing frees up investments in assets, this could be applied to other areas that might have required funding from external sources, thereby reducing potential cost of operations.

Again, it is seen from the table that outsourcing generates cash by transferring assets to the provider and also reduces costs through superior provider performance and the provider's lower cost structure. This was established through responses to the

statements "outsourcing generates cash by transferring assets to the provider" and "outsourcing reduce costs through superior provider performance and the provider's lower cost structure" which recorded weighted averages of 4.6 each. These have significant effect on the cost of operation.

Finally, the table shows that outsourcing turns fixed costs into variable costs. By so doing, the company is able to free up funds that usually would have been tied up in fixed investments to boost other operations. The findings thus reveal an effect of outsourcing on the cost of operations of Millicom and telecomm companies in genera.

From the above findings, it is obvious that one of the benefits of outsourcing inn the telecomm industry is lowering operational costs and payroll. *Lister (2015) in his article Outsourcing in the Telecommunication Industry,* had stated that outsourcing allows businesses to remain competitive in a volatile consumer market, whilst it translates into lower prices for telecommunication products for consumers".

4.5.1: Regression on the effects of outsourcing on Cost of Operations (NonManagement)

This section looks at the effect of outsourcing on operational cost of Telecom firms using Millicom as a case study. In conducting the analyses, a priori was established;

H1: Outsourcing has a positive effect on the operations of telecom firms

H2: Outsourcing has negative effect on the operations of telecom firms

The essence of the priori is to help determine which hypothesis to accept.

Note:
R represents the correlation or relationship between the dependent and the independent variables

45

R^2 represents how much of the dependent variable can be explained by the independent variables.

B represents the coefficients of the independent variables.

Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.339[a]	.115	.109	.43116

a. Predictors: (Constant), Outsourcing

Table 4.7: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.580	1	3.580	19.256	.000[a]
	Residual	27.514	148	.186		
	Total	31.093	149			

a. Predictors: (Constant), Outsourcing

b. Dependent Variable: Operations

Table 4.8: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.277	.328		9.997	.000
	Outsourcing	.328	.075	.339	4.388	.000

a. Dependent Variable: Operations

Statistical equation: y = a + b₁X₁   :   Operations = 3.277+ 0.328X Results

in table 4.6; 4.7 and 4.8 show a positive relationship between outsourcing and firm

operations. Coefficient of R =.339; the R^2 result was 0.115. The result was significant at

0.00. The implication is that if telecom firms outsource non-core functions, they are more

likely to record an improvement in operational cost by approximately 32%. The t-values

were also significant hence Hypothesis 1 was accepted. Thus outsourcing has a positive

effect on the operations of telecom firms. However, the result was moderate.

4.6 Effect of outsourcing on the quality of products and service delivery   Another

key objective was to examine the effect of outsourcing on the quality of products and

service delivery. This objective employed the t-test analysis technique in analysing

response to questions on this objective. To achieve this, some variables were tested

ascertain their level of significance under this objective. Basically, responses to each of

the variables were measured to arrive at the test values, using a test value of 1.5. The

table below presents findings obtained:

Table 4.9 Effect of outsourcing on Products and Service Delivery (NonManagement)

	Test Value = 1.5		
	t	*df*	*Sig. (2-tailed)*
Service is provided quicker with outsourcing	6.254	149	.001
Service is delivered more effectively	4.350	149	.002
Service support is provided efficiently with outsourcing	2.891	149	.000
Outsourcing comes with improved reliability	1.633	149	.001

Source: Field Data (2015)

From the table above, we can see the observed *t*-value, the degrees of freedom ("*df*"), and the statistical significance (*p*-value) (Sig. (2-tailed)) of the test carried out. The significance of each of the variables tested is measured by the *p*-value (in the column labeled "Sig. (2-tailed)"). The study used a margin of error of 5% (0.05). Therefore a variable is significant if it recorded a *p*-value < 0.05.

Looking at the variables tested, it can be seen that all the four (4) variables in the table recorded significant values (i.e. p<0.05). The breakdown shows the following: service is provided quicker with outsourcing (p=0.01), service is delivered more effectively (p=0.02), service support is provided efficiently with outsourcing (p=0.00), and outsourcing comes with improved reliability (p=0.01) (see table above). The implication is that outsourcing impacts on products and service delivery by ensuring that service is provided quicker with outsourcing, service is delivered more effectively, service support is provided efficiently, and outsourcing comes with improved reliability.

The findings above corroborate the position of Corbett (2004), who states that, outsourcing can increase productivity and competitiveness 10 to 100 fold". The same position is also shared by Haberberg and Rieple, (2007) who opined that outsourcing can positively impact competitiveness of firms when the dynamisms in consumer preferences and the changing legal, economic and socio-political business environment are incorporated in the outsourcing decisions.

4.6.1 Regression on the Effect of Outsourcing on Service delivery

As part of the objectives outlined in the introductory chapter, the study sought to examine the effect of outsourcing on service delivery. The priori assumptions to the tested are:

H1: Outsourcing has a positive effect on service delivery.

H2: Outsourcing has a negative effect on service delivery.

Note:
R represents the correlation or relationship between the dependent and the independent variables
R^2 represents how much of the dependent variable can be explained by the independent variables.
B represents the coefficients of the independent variables.
Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

4.10 Model Summary2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.504[a]	.254	.249	.21527

a. Predictors: (Constant), Outsourcing

Table 4.11:ANOVA 2

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.335	1	2.335	50.390	.000[a]
	Residual	6.858	148	.046		
	Total	9.193	149			

a. Predictors: (Constant), Outsourcing

b. Dependent Variable: service

Table 4.12: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.522	.164		21.520	.000
	Outsourcing	.265	.037	.504	7.099	.000

a. Dependent Variable: service

Mathematical equation: $y = a + b_1X_1$ **When values are inserted:**
Operations = 3.522+ 0.27X

The results show a positive relationship between outsourcing and service delivery. Coefficient of R =.504[a]; the R^2 result was .254. The result was significant at 0.00. The implication is that if telecom firms outsource non-core functions, service delivery would be enhanced by approximately 27%. The t-value was also significant hence the study concludes that outsourcing has a positive effect on service delivery of telecom companies. The effect of the relationship was however less 0.3 (weak). The reason for this result may be due to the fact that, very few service areas are outsourced by telecom firms. The second conditions may be attributed to the unique characteristics of service

(Heterogeneity, intangibility, perishability and inseparability) which pose challenges to service delivery. For instance, whether, a telecom firms outsource call center operations or not, the bottom line is that they have to be courteous and friendly to customers.

4.7 Challenges of Outsourcing

The study also revealed some challenges that Millicom and telecomm operators in general face in outsourcing some of their operations. From the table below, the statements: "Company exposes itself to operational risk", "affects the continuity of skill

supply and the retention of in-house knowledge and expertise", and "Turning to an external provider causes disruption to the continuity of the services" recorded weighted averages of 4.87, 4.86 and 3.3 respectively. The strength of the responses reflecting in the weighted averages suggests that these are challenges that Millicom and telecomm companies in general face in outsourcing their operations.

**Table 4.13 Challenges of Outsourcing**

key: SA-strongly agree, A-agree, NS-not sure, D-disagree, SD-strongly disagree						
statement	Frequency					W/Avg.
	SA =5	A =4	NS= 3	D = 2	SD = 1	
Company exposes itself to operational risk	130	20	-	-	-	4.87
Affects the continuity of skill supply and the retention of inhouse knowledge and expertise	125	25	-	-		4.86
Turning to an external provider causes disruption to the continuity of the services	17	43	63	26	-	3.3

Source: Field Data (2014)

From the results, the most significant challenge is the fact that the company exposes itself to operational risks. This was established on the basis of the strength of the weighted averages recorded. An example can be the potential effect of a mast that has been outsourced to an external agency to maintain. This indicates that Millicom and telecomm companies in general should institute measures that will address the potential emergence of this challenge.

These findings are shared by Beardwell & Claydon (2007) who suggest that one of the draw backs is that it often eliminates direct communication between a company and its

clients. This may prevent a company from building solid relationships with their customers, and often leads to dissatisfaction on one or both sides. Bednarz,

(2005) equally raised another important drawback which this study confirmed. According to him, there is also the danger of not being able to control some aspects of the company, as outsourcing may lead to delayed communications and project implementation. Any sensitive information is more vulnerable, and a company may become very dependent upon its outsource providers, which could lead to problems should the outsource provider back out on their contract suddenly.
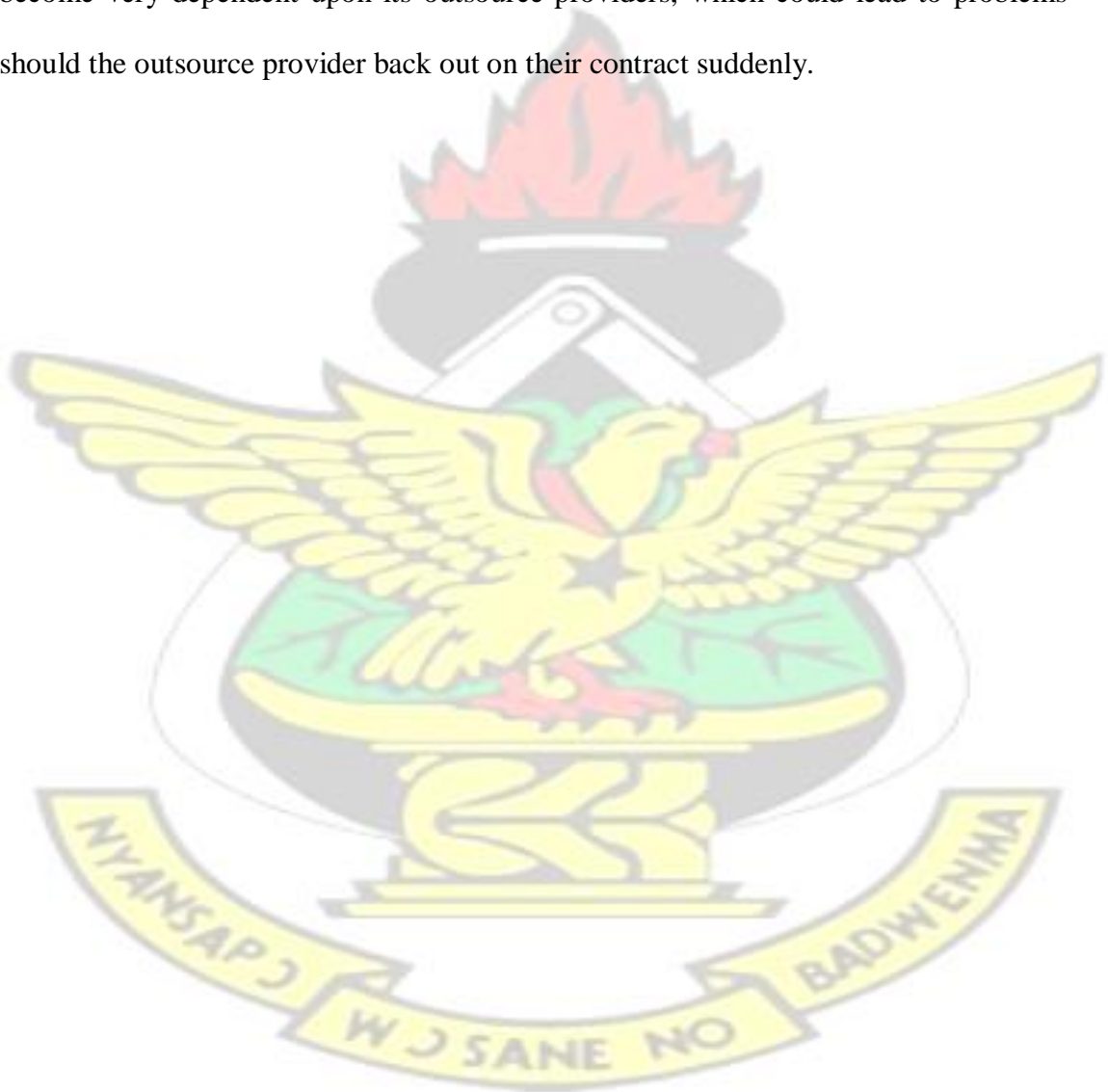
CHAPTER FIVE

SUMMAMRY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the general findings to the study and the specific findings relative to the specific objectives. The chapter also draws a general conclusion to the study and makes recommendations to address weaknesses observed.

5.2 Summary of Findings

This section presents a summary of the findings to the various research objectives of the study. It includes the outsourcing models used, staff perception of outsourcing, rationale for outsourcing, effects of outsourcing and challenges of outsourcing.

5.2.1 Rationale for Outsourcing

The study found a number of key rationales for Millicom and telecomm companies in general wanting to outsource some of their operations. The most significant rationales identified were "To enhance effectiveness by focusing strengths", "To Improve operating performance", and "To obtain expertise, skills, and technologies that would not otherwise be available". Results from the interview conducted for management also revealed that, the main motive or rationale behind Millicom's outsourcing practices were to enhance operational efficiency and to develop new capabilities that would lead to creating a competitive advantage.

5.2.2 Nature of Outsourcing Practices by Millicom Ghana Limited

In looking at the nature of outsourcing practices, the study found that Millicom outsourcing practices cuts across all departments. Again, five (5) outsourcing interests of Millicom and by extension, telecom companies in general included outsourcing of

masts for maintenance, outsourcing of transportation needs, human resource, and service centers. Most of these were linked to efforts at cost cutting whilst boosting quality and revenue.

Interview results from management points to the fact that outsourcing was a strategic initiative. Therefore management periodically reviews non-core business functions to identify areas of operations that could be outsourced. The objective is not only to outsourcing but to conduct a cost-benefit analysis to identify gains to be derived.

5.2.3 Effects of outsourcing on Operations and Cost

The study revealed a number of significant effects of outsourcing on the operations of Millicom and telecom companies in general. This includes the fact that when telecom companies outsource, it improves credibility and image through their associating with superior providers. It was further revealed that outsourcing enables Millicom and telecom companies in general to gain market access and business opportunities through the provider's network and also accelerates expansion by tapping into the provider's developed capacity, processes, and systems.

The regression results show a positive relationship between outsourcing and firm operations. Coefficient of R =.339; the R^2 result was 0.115. The result was significant at 0.00. The implication is that if telecom firms outsource non-core functions, they are more likely to record an improvement in operational cost by approximately 32%. This means telecom firms would more likely reduce operational cost by 32% through outsourcing. The t-values were also significant hence Hypothesis 1 was accepted. Thus outsourcing has a positive effect on the operations of telecom firms. However, the result was moderate.

5.2.4 Effect of outsourcing on the quality of products and service delivery

In examining the effect of outsourcing on products and service delivery, the results show a positive relationship between outsourcing and service delivery. Coefficient of R =.504; the R^2 result was .254. The result was significant at 0.00. The implication is that outsource non-core functions will positively improve products and service delivery by approximately 27%. The t-value was also significant hence the study concludes that outsourcing has a positive effect on service delivery of telecom companies. The effect of the relationship was however less 0.3 (weak). The reason for this result may be due to the fact that, very few service areas are outsourced by telecom firms. The second conditions may be attributed to the unique characteristics of service (Heterogeneity, intangibility, perishability and inseparability) which pose challenges to service delivery.

5.2.5 Challenges of Outsourcing

The study also revealed some challenges that Millicom and telecom operators in general face in outsourcing some of their operations. These included the fact that the company exposes itself to operational risk; it affects the continuity of skill supply and the retention of in-house knowledge and expertise, and the fact that turning to an external provider causes disruption to the continuity of the services. The most significant challenge was however identified to be the companies exposing

themselves to operational risks.

5.3 Conclusion

The study has examined the practice of outsourcing by the telecomm companies in Ghana using Millicom as a case study, and how this is impacting on operational performance and service delivery. Several key findings were made and adequately discussed. This included the fact that all the company is engaged in outsourcing

extensively across the various departments of their operations. Again, the fact that the study revealed that outsourcing impacts positively on quality of product and service delivery. Generally, there is empirical evidence elsewhere that outsourcing has a positive impact on cost of operations. For most companies, this means that they can free up other resources to undertake other investments that will enhance revenue generation. It is important therefore that for an important industry like telecommunication for a developing economy like that of Ghana, the needed effort and measures will be taken to ensure that the desired objectives are achieved with minimal risk to their operations.

5.4 Recommendation

Based on the various findings and discussions made, the following are recommended: There is the need for Millicom to put in place risk control measures so that failures on the part of the outsourced agencies are curtailed. This is important because potential risk to operations came up as of the challenges in outsourcing.

Again, one of the challenges was that it affects the continuity of skill supply and the retention of in-house knowledge and expertise, there is therefore the need to ensure that there are adequate measures such as training to ensure the continuous supply of adequately skilled in-house personnel.

Further, telecom companies should ensure that quality of service is not compromised in their attempt at cost cutting. In the long-run this may affect customer confidence and subsequently high defection and revenue loss.

There is also the need to ensure that the right service providers are selected to achieve the objectives of outsourcing. When the outsourced agency is unable to perform to expectation, the entire objective is defeated. Again, there is the need for effective due

diligence to ensure that there is value for money. This is to ensure that it does not become an avenue for financial malfeasance.

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APPENDIX I

QUESTIONNAIRE FOR STAFF
TOPIC: EFFECT OF OUTSOURCING AS A CORPORATE STRATEGY ON COMPETITIVENESS OF TELECOMM OPERATORS

Introduction: This is part of a study that is to establish the effect of outsourcing, as a corporate strategy, on organisational competitiveness on telecom operators in Ghana. Respondents are assured that this is just for academic work and no other reason. Respondent's confidentiality is therefore assured. Thank you for your contribution.

a. Background Information

Gender	Tick

Male	
Female	

Age	tick
21-30	
31-40	
41-50	
51 and above	

Level of education	Tick
HND	
Professional Certificate	
First Degree	
Second Degree	
PhD	

How long have been with the company?	tick
2 years and below	
3-5 years	
6 years and above	

2. Nature of outsourcing in the company

On a scale of 1 to 5, indicate the extent to which you agree with the following statements

on outsourcing in the company

(Key: 5-Strongly Agree   4-Agree   3-Not Sure   3-Disagree   1-Strongly

Disagree)

	5	4	3	2	1
The company outsource some of its activities					
Staff support such outsourcing practice					
Outsourcing is limited to specific department					
The practice affects all areas of the company's operations					
The practice affects internal operations					

3. Rationale for Outsourcing

On a scale of 1 to 5, indicate the extent to which you agree with the following statements

on the company's rational for outsourcing some of its activities

(Key: 5-Strongly Agree   4-Agree   3-Not Sure   3-Disagree   1-Strongly

Disagree)

	1	2	3	4	5
To enhance effectiveness by focusing strengths					
To Increase flexibility to meet changing business conditions					
To Transform the organization					
To Increase product and service value, customer satisfaction, and share-holder value					
To Improve operating performance					
To obtain expertise, skills, and technologies that would not otherwise be available					

Benefits outsourcing to the company

On a scale of 1 to 5, indicate the extent to which you agree with the following statements

on the benefits of outsourcing to the company

(Key: 5-Strongly Agree   4-Agree   3-Not Sure   3-Disagree   1-Strongly

Disagree)

statement	1	2	3	4	5
Outsourcing improves credibility and image by associating with superior providers					
outsourcing reduces investments in assets and free up these resources for other purposes					
outsourcing generates cash by transferring assets to the provider					

Company gains market access and business opportunities through the provider's network					
outsourcing accelerates expansion by tapping into the provider's developed capacity, processes, and systems					
outsourcing commercially exploit the existing skills					
outsourcing reduce costs through superior provider performance and the provider's lower cost structure					
outsourcing turns fixed costs into variable costs					

5. Challenges of Outsourcing

On a scale of 1 to 5, indicate the extent to which you agree with the following as

constituting challenges to the company's outsourcing activities?

(Key: 5-Strongly Agree   4-Agree   3-Not Sure   3-Disagree   1-Strongly Disagree)

statement	1	2	3	4	5
Company exposes itself to operational risk					
affects the continuity of skill supply and the retention of in-house knowledge and expertise					
Turning to an external provider causes disruption to the continuity of the services					

6. Effect of outsourcing on Products and Service Delivery

statement	1	2	3	4	5
service is provided quicker with outsourcing					
service is delivered more effectively					
service support is provided efficiently with outsourcing					
outsourcing comes with improved reliability					

Any other comment

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Interview guide

1. What is the main motive or rationale for Millicom's outsourcing activities?

2. What is the nature of outsourcing practices within Millicom Ghana?. Focus is on

   areas outsourced.

3. Do you think outsourcing can help improve the company's service quality? If yes,

   how?

4. What is the effect of outsourcing on cost of operations?

5. What challenges have you encountered in your outsourcing practices?

6. Do you think your company is likely to extend outsourcing initiatives to cover core

   business functions in the near future? If yes, please give details.