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**Abstract**

*The political, economic, social and legal environment that businesses operate defines the scope of actions that can be taken and shapes decisions. Outsourcing is one of the delivery mechanisms adopted by organizations to ensure competitiveness by enabling them invest time, money and human resources into core activities and letting other parties do the other functions more competently on their behalf. This study sought to examine the link between flexibility motive of human resource outsourcing and the performance outcomes among mobile telecommunication firms in Kenya. A descriptive survey design of cross-sectional nature of all mobile telecommunication firms was conducted. The target population was all three hundred and twelve (312) managers in three mobile telecommunication firms in Kenya. Data was analyzed using descriptive statistics, correlation analysis and logistic regression analysis aided by Statistical Package for Social Sciences (SPSS). The study is significant to all telecommunication firms in Kenya as it will provide valuable information on flexibility motive of human resource outsourcing and the performance outcomes. The study results indicated that there was a positive and a significant association between flexibility motive of human resource outsourcing and performance outcomes. The study recommends that firms should engage in human resource outsourcing in order to improve service quality and gain competitive advantage.*

**Key Words:** Flexibility, Human Resource, Outsourcing, Performance, Telecommunication Firms in Kenya

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## INTRODUCTION

Outsourcing is an increasingly common phenomenon in today's global economy (Dhar & Balakrishnan, 2006). One of the benefits of outsourcing is increasing the firm's flexibility capabilities because flexibility is viewed as a reaction to environmental uncertainty. Workplace flexibility is classified into internal and external whereby internal flexibility involves efforts to increase the firm's ability to adjust to changing circumstances through modifications of the internal labour market or work organization. External flexibility uses changes in the external labour market and outsourcing.

Telecommunication service industry around the world is facing significant challenges from competition, technological revamps at very short frequencies and never-ending customer demands.

The development of a large scale telecommunication infrastructure in Kenya capable of delivering efficient and affordable info-communications services is recognized as a critical prerequisite for the country's economic growth.

### **Statement of the problem**

Organizations are constantly seeking to grow, remain competitive and meet changing business conditions. The human resources function, like other functions is under scrutiny to deliver value adding quality services to the business, coupled with the drive to reduce operating costs.

Today's HR managers are expected to be more flexible, responsive and efficient, and contribute to the strategic decisions of their companies. HR managers have responded to this shift in paradigm by turning to outsourcing as a way of meeting these demands (Abdul-Halim and Che-ha 2010,).

The accelerating global competitive pressures have forced organizations to seek ways to enable them concentrate on their core competences and utilize

outsourcing to capitalize on others' expertise. However what constitutes core activities and competencies is not static. Organizations constantly reassess what constitute the core and non-core aspects of their business and readjust the way these activities can be sourced either in-house or externally. Even though Outsourcing may seem to be a simple cost reduction option, there are challenges to getting it right. It is quite difficult to know what benefits to expect in the first instance and set measurable performance indicators for both the client and the outsourcer (Cicek & Ozer, 2011).

HR services vendors lack the experience and actually learn on-the-job, with the project they are asked to carry out. This is due to the fact they usually hire young graduates to carry out projects that require significant experience because of difficulty recruiting experienced professionals for consultants' positions. Smaller companies on the other hand usually expect consultants to offer expertise on every possible matter and this places great demands on them especially those of older age. At the same time, increased expectations by companies make them reluctant to accept younger consultants who lack maturity of the HRM outsourcing market (Galanaki, & Papalexandris, 2005).

Outsourcing, being a strong trend in business today, still needs the rigor and due diligence to ensure the right decisions are made. Organizations choose to outsource various activities based on certain considerations by their managers. Very few researchers have examined the link between flexibility motives of human resource outsourcing and the performance outcomes. This study therefore sought to investigate the relationship between flexibility motives of human resource outsourcing and performance outcomes among mobile telecommunication firms in Kenya.

## **Study Objective**

To examine the relationship between flexibility motive of human resource outsourcing and performance outcomes among mobile telecommunication firms in Kenya.

## **THEORETICAL BACKGROUND AND LITERATURE REVIEW**

This study examined theoretical and empirical literature relating to the flexibility motive of human resource outsourcing and performance outcomes. The link between flexibility motives and performance outcomes were examined and new research questions developed to help in the understanding of concepts under study.

### **Resource based view (RBV)**

Resource-based view views the firm as a bundle of assets and resources that if employed in distinctive ways can create competitive advantage (McIvor, 2008). The resource-based perspective holds that the possession of certain resources and capabilities defines what the organization will do and what it can obtain from outside parties. This view suggests that to gain competitive advantage, an organization must focus on those activities that constitute the core competencies and outsource the more peripheral activities (Karhunen & Kosonen, 2013). Core activities are transformational work that creates unique value for employees, customers, and investors. Non-core activities are standard routine transactional work easily duplicated and replicated. This perspective helps to identify those core activities that the organization must perform in-house.

According to the RBV, only those HR activities that could not meet the criteria of deliverability, inimitability, durability and non-substitutability should be outsourced. Core competencies that are intrinsic to the organization should be identified, nurtured and retained in-house. Externalization can

provide internal coherence, by allowing a concentration upon core competences. This implies that the selection of HR activity for outsourcing would be contingent upon sustaining the core competences of the organization and in certain circumstances this might preclude a consideration of outsourcing (Woodall *et al.*, 2009).

One of the prescriptions of the resource-based view is that strategic tasks, which are part of the company's core competencies, should generally be performed in-house while outsourcing may offer a chance to access the core competencies of other firms subsequently leading to higher levels of service quality. (Braun, Pull, Alewell, Stormer, & Thommes, 2011). The Resource based view supports the fact that organizations outsource to gain expertise but does not support the idea of financial gain therefore the Transactional Cost Economics theory is introduced.

### **Goal setting theory**

Goal-setting theory by Latham (2001) is particularly well-suited to this study as it connects the setting of a goal with specific performance outcomes. The core premises of goal-setting theory are that setting specific goals will lead to higher performance than setting none, and that given commitment, performance will rise with goal difficulty. Brewer *et al.* (2012) argue that the act of consciously and strategically considering the reasons to outsource an activity should enhance the likelihood of a successful outsourcing performance outcome.

### **Empirical Reviews**

Outsourcing yields many performance benefits in theory, for example, Nayak *et al.* (2007) found that outsourcing was successful in enabling product quality improvement, speed to market, increased sales, improved buyer supplier relationships, and a focus on core competencies. On the other hand, a study by Booz Allen Hamilton (reported in the April 3, 2006 edition of Fortune) found that only 12

percent of outsourcing deals were considered successful from the customer's perspective. Gottfredson et al. (2005) found that about half of the outsourcing efforts of the organizations in their sample fell short of expectations, with only 10 percent being highly satisfied with the cost reductions achieved and only 6 percent being satisfied with the overall outsourcing experience. Logistics outsourcing research indicated that often low labor costs are offset with transportation and inventory costs (Kumar and Kopitzke, 2008) and that service provider fees and international costs were often under estimated (Selviaridis and Spring, 2007). Some studies indicate that there is no direct relationship between outsourcing and performance, but that the benefits of outsourcing are transmitted through the impact they have on the organization's competitive capabilities (Bustinza et al., 2010).

Gewald (2010) also found that perceived benefits play an important role in intention to use BPO among senior management. HR outsourcing is viewed as an effective way to improve efficiency by gaining access to experts in HR areas. Outsourcing providers bring extensive world-class resources to meet the needs of their customers. They can offer access to new technology, tools and techniques lacking in the organization; more structured methodologies, procedures and documentation; and a competitive advantage through expanded skills. Outsourcing enables the organization to consistently perform functions better than its competitors and continually improve on the activity as markets, technology and competition evolves (Ghodeswar & Vaidyanathan, 2008).

A survey conducted by Accenture and the Economist Intelligence Unit found that two-thirds of the respondents – all of whom had been outsourcing a major business process for at least two years – agreed that outsourcers who know how to manage the process can enhance their company's performance and achieve a high level of satisfaction

with the results. Other studies indicate that there is a U-shaped relationship between performance and the level of outsourcing, indicating that there is an optimal level of outsourcing and that deviating from this optimal level in either direction will result in poorer performance. Thus, there appears to be some ambiguity concerning the connection between outsourcing implementation and the expected performance improvements (Brewer *et al.*, 2012, Kotabe et al., 2012; Kotabe and Mol, 2009).

Decisions to source services externally are shaped by many factors depending on contexts. HR deliverables are hard to quantify and consequently its output is difficult to measure even within similar organizational settings. This limitation is amplified when the task or task-sets shift to an external provider over whom only limited control can be exercised. The intention of freeing up internal staff to focus more on strategic issues is argued to be below anticipations since only some firms are able to increase strategic focus and do not devote less time to the old responsibilities either (Beregszaszi & Hack-Polay, 2012).

The outsourcing of non-core activities allows organizations to increase managerial attention and resource allocation to those tasks that it does best and to rely on management teams in other firms to oversee tasks at which the outsourcing firm is at a relative disadvantage. This focus can improve results by allowing the firm to be more effective, more innovative and more skilled in those activities. When the organization focuses on its core competences, especially for the remaining employees, some positive improvements may emerge on the quality of work life as the job becomes more meaningful for the employees (Brewer *et al.*, 2012).

## **RESEARCH METHODOLOGY**

Research methodology refers to the method, techniques and procedures that are employed in the process of implementing the research design or

research plan as well as the underlying principles and assumptions that underlie their use (Babbie & Mouton, 2009).

According to Babbie and Mouton (2009) a research design is a plan or structured framework of how you intend conducting the research process in order to solve the research problem. A descriptive survey design of cross-sectional nature was adopted. A cross-sectional survey of managers in the three mobile telecommunication firms in Kenya was conducted.

Both primary and secondary data was obtained. While questionnaires were used to collect primary data, secondary data was obtained from the internet, journals and books. The design was most suitable for the study because a large amount of data needed to be collected, analyzed and research hypothesis tested.

#### **Study Population**

A study population is that aggregation of elements from which the sample is actually selected, (Babbie & Mouton, 2009). The study population was all 312 managers in three mobile telecommunication firms in Kenya.

#### **Data Processing and Analysis**

The descriptive statistics such as mean scores and standard deviation helped the researcher to describe the data. Inferential statistics were used to aid in testing hypothesis and drawing conclusions about the larger population.

#### **SUMMARY OF THE FINDINGS**

The objective of this study was to examine the relationship between flexibility motive of human resource outsourcing and performance outcomes among mobile telecommunication firms in Kenya.

The number of questionnaires that were administered was 302 out of which 204 were properly filled, returned and found suitable for analysis. This represented an overall response rate of

67.54%. Majority of the respondents were male who represented 57% of the sample while 43% were female. Based on age of respondents, 57.3% were on age bracket of 35-44 years. 38.2% were on age bracket of 25-34 years, while 4.4% were between 45-54 years. Based on the company 43.6% worked for Safaricom, 28.9% were from Airtel while 27.5% were from Orange.

The majority (67.7%) of the respondents occupied middle level management, 21.6% indicated were in lower level management while 10.8% occupied top level management. This implies that the respondents had a good knowledge of the firm's operations since majority were in middle level management. Based on level of service, majority of the respondents who were 48.5% had worked in the telecommunication sector for 1-5 years, 32.8% had worked in the sector for 6-10 years, 12.7% had worked in the sector for 11-15 years, and 4.4% had worked for 16-20 years while only 1.5% had worked in the organization for above 20 years. Majority of the respondents had not served in the organizations for very long periods.

Majority of the respondents who were 61.2% had their highest level of education being degree, 30.9% of the respondents had their highest level of education being masters while 7.8% of the respondents had their highest level of education being diploma. This implies that the employees working in the telecommunication sector are educated and thus they are skilled for the job.

From the findings, based on outsourcing decisions, 36.3% indicated low, 31.4 indicated moderate and 21.6% indicated very low, 7.8% indicated high while only 2.9% indicated very high. This means that majority of the employees in telecommunication sector are not fully involved in the outsourcing decision.

The objective of the study was to determine the flexibility motive of human resource outsourcing and

performance outcomes among mobile telecommunication firms in Kenya.

67.7% who were the majority agreed with the statement that the organization outsources to adjust to changing circumstances, 60.1% agreed that the organizations outsource to cover fluctuating labour demands, 51% disagreed that the organizations outsource to quickly change the volume obtained from external suppliers, 65.4% agreed that the organizations outsource to easily switch suppliers as new technology become available, 66% agreed that the organizations outsource to easily switch suppliers to meet changing market conditions, 85.1% agreed that the organizations outsource to save direct costs by reducing headcount and overtime, 63.4% agreed that the organizations outsource to react quicker to customer requirement, 81.1% agreed that the organizations outsource to cut indirect costs such as recruitment training and absenteeism. 56.8% also agreed that the organizations outsource to reduce industrial problems.

The results indicated that there was a positive and significant association between flexibility motive of human resource outsourcing and performance outcomes.

Descriptive statistics showed that majority of the respondents agreed that the organizations outsourced to adjust to changing circumstances, to save direct costs by reducing headcount and overtime and to cut indirect costs such as recruitment training and absenteeism. Correlation results indicated that there was a positive and a significant association between flexibility motive of human resource outsourcing and performance outcomes.

Logistic regression indicated that outsourcing to cover fluctuating labour demands was positively and significantly associated with performance outcomes,

Outsourcing to easily switch suppliers as new technology becomes available was positively and significantly associated with performance outcomes. To save direct costs by reducing headcount and overtime was positively and significantly associated with performance outcomes and outsourcing in order to react quicker to customer requirements was positively and significantly associated with performance outcomes.

## **CONCLUSIONS**

The study concluded that companies should pursue human resource outsourcing if the objective is to cover fluctuating labour demands, easily switch suppliers as new technologies become available, save direct costs by reducing headcount and overtime working and reacting quicker to customer requirements. These were found to have a positive and significant influence on performance outcomes.

## **Recommendations**

Mobile telecommunication companies should outsource human resources for flexibility purposes since it has been argued that firms outsource in order to obtain workplace flexibility to face environmental uncertainty and improve performance. Workplace flexibility practices like multi-functional teams or temporary contracts are aimed at reducing costs or increasing the flexibility capabilities of the firm.

When outsourcing, firms need to be guided by the information that outsourcing may have an effect on flexibility regarding strategic decisions. Having HR functions externalized might put the firm in a position whereby it cannot respond to organizational needs due to lost control over the externalized functions as firms are restricted by signed arrangements which limit flexibility and makes supporting strategic organizational objectives difficult.

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