

# ACHIEVING ORGANIZATIONAL PERFORMANCE THROUGH BUSINESS PROCESS OUTSOURCING

*Ibukun Olorunisola Kolawole*

*Erezi Ann Agha*

Department of Industrial Relations and Personnel Management,  
Lagos State university, Ojo, Nigeria.

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## Abstract

This paper examines in multiple perspectives, the concept of business process outsourcing, issues and effects of outsourcing on organizational performance. It focuses on the benefits, drivers and challenges companies face in outsourcing their non-core activities and how they achieve performance through effective outsourcing. The study found that outsourcing, as it is now known, has been around for many decades and evaluate the factors affecting outsourcing decisions in Nigeria. Outsourcing plays an important role in organizations, helping them ensure competitiveness, competitive advantages, increase efficiency and effectiveness. The study analyzes the role of outsourcing in organizations and concluding that the world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets and gain competitive advantage.

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**Keywords:** Competitive Advantage, Core-competence, Innovation, Outsourcing, Performance.

## Introduction

The forces of Globalization have finally kicked in. For years, business has talked about being “global”. Today, people, goods and ideas move freely across the globe. The migration to truly globalised operations has been occurring for some time. A key characteristic of globalization has been the steady expansion of multinational corporations and their related trade and investment activities. Trade liberalization has generated a dramatic alteration in the structure of production, with increased trade not only in final goods, but also in intermediate goods. Technological changes have increased the “divisibility” of the production process into ever more discrete stages and even in “tasks”. The result has been a profound change in the way goods are

produced and in the international division of labour. The drive for global competitiveness and business survival has led many organizations to experiment with and deploy varying resource management strategies. Outsourcing of activities is one of such strategy adopted by many organizations over the last thirty years.

Outsourcing means contracting of operations and responsibilities of a specific business function (i.e. business process) to a third party company or service provider to execute (Hung, 2006). Historically outsourcing was used when organization could not perform to world-class excellence in all sectors of the organization due to incompetence of staff and/or management, lack of capacity, financial pressures, and/or technological pressures. Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers.

During the last two decades, Nigerian business enterprises came under pressure to restructure and improve their competitiveness in the domestic and international market place, as organizations face increasingly complex, dynamic, turbulent, and threatening business environments. This quest for efficiency and improved productivity led to a more strategic approach to outsourcing business operations, processes and management practices. In Nigeria, outsourcing has been one of the major management strategy used by organizations to focus on their core activities as well as achieve competitive advantage. Today, Nigerian firms manage a portfolio of outsourced activities that may include relatively low-skill activities (e.g., call centers) as well as knowledge-intensive services (e.g., soft ware development, market research and analysis etc). The present scenario sees the flourishing of information technology (IT) outsourcing (Tettelbach, 2000). However, the trend has been attributed to the increasing competition faced by organizations; thus, they are forced to look for new ways to generate value. Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of information is its frontier (Quinn 2000).

### **The Problem**

Some companies consider it more profitable to produce their products and services in-house while others see it more profitable to source from other expert companies. As noted earlier, outsourcing is a strategy that has become very crucial in most firms' corporate decisions. As far as corporate strategy is concerned, the final decision may always have a positive or negative impact on the organization's financial position in the long run. Some firms, after considering some financial benefits with regards to outsourcing, likely decide to go for it. On the other hand, some hold back due to certain misgivings about the entire outsourcing strategy. They are of the view that

the organization's ability to quickly respond to the marketplace will be deeply affected when outsourced. While others say outsourcing is the best way to enhance the financial performance of an organization, others say in-house production is still the best option. However, many of the studies which have been carried out have shown that outsourcing is also fraught with various problems if not properly thought of and managed. According to Lynsons and Farriangton in their book purchasing and supply chain management (2006) cited that outsourcing among other problems reduces a company's control over how certain services are delivered which in turn raises the company's liability. This has created some academic degree of uncertainty and the need to conduct a study into how organizations can achieve performance through outsourcing.

### **Concept of Outsourcing**

Most firms are in business for the purpose of making profit. These firms then put measures in place to reduce costs in order to increase profits. A common strategy that is commonly used for this purpose which has brought some debate in both academia and professional practice is outsourcing; a common trait of business-to-business firms. Outsourcing is the process whereby firms purchase products and services from other companies than to make the products or perform the services internally (Bearden et al 2007).

Sharpe (1997) defines outsourcing as turning over to a supplier, those activities outside the organizations chosen core competencies. Eyaa (2000) defined outsourcing as a decision by firms to have an external supplier to take over an activity that would have otherwise been performed in-house by organization employees. Lynsons and Gillingham (2003), states that outsourcing is the strategic use of resources to perform activities traditionally handled by internal staff and their resources. Axelsson and Wynstra (2000) defines outsourcing as a decision and subsequent transfer process by which activities that constitute a function that earlier have been carried out by a company are instead purchased from an external supplier. In general, outsourcing can be described as the transfer of activities that were previously conducted in house to a third party. Many organizations today are turning to external procurement, where we even find that functions such as transport, accounts, computer services, even purchasing can be outsourced. This gives the company employees time to perform their duties to the company's satisfaction and this improves the organizational performance which is every company's objective to achieve competitive advantage (Baily 1998).

Broadly speaking, outsourcing refers to the acquisition from outside the firm of inputs, services, or processes (Amiti and Wei 2005). Other

scholars view outsourcing as an element of the overall firm's strategy, implying a decision by the firm not to make a service/product internally and instead purchase it externally (Quinn 2000), while others focus on global sourcing and define outsourcing as the integration and coordination of production and marketing on a consolidated basis (Kotabe, 1990; Murray, et al., 1995). Further, other scholars emphasize the relational nature of the decision to outsource. Business process outsourcing can be applied in almost every aspect and segment of business and some of the areas include information Technology, Telecommunications, Maritime, Banking, Manufacturing, Engineering Development, etc.

In the past decade there has been a move by world corporations towards outsourcing. Without outsourcing, companies can't keep up "He continues to say that the most successful companies use outsourcing for innovation". He cites Dell computer and Cisco systems as leaders in their fields who rely on their suppliers to do the development work. Dell for example concentrates "on the few things it does best in the world" and outsource the rest. Dell's core competency is a responsive customer support system; the company relies on its upstream customers to do everything else.

Globally, outsourcing usage grew 35 percent in 1997 and the total market for outsourced services was expected to increase to \$200 billion by the year 2001 (Greer, Youngblood, and Gray 1999). A study conducted by Yankelovich (2003) indicated that two thirds of companies world-wide already outsource at least one business process to an external third party. This practice appears to be most common in the U.S., Canada, and Australia, where 72 percent of outsourcing is being sought (Goldstein 1999; Bacon 1999). Outsourcing allows companies to focus on their core competencies while having external experts handle non-core activities. The specialized company that handles the outsourced work is often streamlined and often has world class capabilities and access to new technology that a company could not afford to buy on their own, plus if a company is looking to expand, outsourcing is a cost effective way to start building foundations in other countries.

Outsourcing can free up assets and reduce costs in the immediate financial period. Organizations outsourcing parts of the operations report significant savings on operational and capital costs (Rimmer-1991). Outsourcing has been a major strategy for a company's growth; it has become a top management and not an operational issue. Successful implementation of an outsourcing strategy has been credited with helping to cut costs (Bowers 1990; Gupta and Zeheuder 1994; Greer et al., 1999), increase capacity; Improve quality (Lau and Hurly 1997; Kotabe, Murray and Javalugi 1998), increase productivity (Casale 1996), improve

profitability and innovation cost and risks (Quinn 2000), and improve organizational competitiveness (Lever 1997; Steensma and Corley 2000).

Some companies believe that outsourcing is more cost effective; as it allows them to concentrate on their core competencies and to purchase the products or services from expert companies than to produce in-house. However, organizations have to constantly move forward. Only in this way they will survive and prosper in competitive markets. In order to achieve this they have to use every available opportunity. The best approach to ensuring an ongoing competitive advantage is outsourcing.

Although various organizations have tried to look at what the different Authors have written and put it in consideration in their bid to outsource, they have not fully met their intentions like cost reduction, efficient and effective service provision from the service providers to whom they outsource their activities. This is partly due to the ever increasing prices of products which also mean increase in prices of services being outsourced.

### **Causes of Outsourcing**

Globalization and accelerated competition as well as the ever increasing consumers demand for value are some of the major causes of outsourcing. In the attempt to create value through efficient use of limited resources and address the new requirements of the market place, firms became tempted to adopt cost cutting measures, including downsizing, and contracting non-core activities to third party service providers in order to gain competitive advantage. The most common cause for outsourcing introduction is cost reduction. Abraham and Taylor (1996) believe that one of the main causes for global outsourcing is high-wage organizations taking advantage of low market wage rates, e.g. in overseas countries. Beverakis, Dick and Cecez-Kecmanovic (2009) argue that the most important reason is to become more competitive in the marketplace; by reducing its operational costs, and establishing a global presence. Often, the implementation of outsourcing brings with itself significant organizational changes; therefore all arguments in favour must be clearly examined.

According to Power, Desouza and Bonifazi (2006): the reasons are (1) Cost savings; (2) Focus on core business; (3) Access to resources and knowledge; (4) Growth in global knowledge; (5) Increased sophistication of Information Technology (IT); and (6) Global diffusion of knowledge. Not to forget cost reduction in telecommunications, higher level of computerization and informatisation, higher level of education, mobile technology, e-mail, video conferencing, web conferencing, instant messaging and other collaborative tools.

Access to resources is important for all organizations; ownership of resources is only of secondary importance. Similarly Brown and Wilson

(2005) list ten arguments for outsourcing: (1) Accelerate re-engineering benefits; (2) Gain access to world-class capabilities; (3) Earn cash back; (4) Release resources for other purposes; (5) Reevaluate problematic functions; (6) improve company focus; (7) make capital funds available; (8) Lower operating costs; (9) Minimize risk; and (10) Gain access to resources not available internally. Dyer, Kale and Singh (2001) define four advantages of strategic partnerships: improving knowledge management; increasing external visibility; providing internal coordination; and facilitating intervention and accountability.

### **Effects of Outsourcing**

Increasingly firms that traditionally manufactured their own products are outsourcing production and instead, focusing on the company's core competency. Thus, the use of outsourcing is becoming more important, and is growing significantly in a range of industries, including electronics, pharmaceutical, medical devices, automotive, and food and beverage production. No longer are proximity to market, organizational design, and sales and marketing strategies used to get in front of the competition (competition between companies), companies are now looking for new ways in which to gain competitive advantage. Outsourcing is one of them. (Oates 1998).

Also, most corporations believe that in order to compete globally they have to look at efficiency and costs containment rather than relying strictly on revenue increases (Conner and Phrahad, 1996). As companies seek their competitive positions in an increasingly global market place, they are discovering they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core business (Mullin (1996). Outsourcing plays a big role on organizational performance through;

### **Improved Focus on Core Competencies**

Various scholars had different views on what constitutes core competency. Some refer to core competencies as the basic skills required when competing in an industry. Hamel and Prahalad (1996) define core competencies as “the collective skills that create competitive advantage”, in other words a core competency is not a competitive advantage instead it is the source of competitive advantage. Core competencies must provide a Company with either a real or perceived advantage. For example advertising may be a source of competitive advantage to a firm and thus a core competency. According to Greaver (1999), core competencies are innovative combinations of knowledge special skills, proprietary technologies, information, and unique operating methods organizations use to produce

products or services which customers value and want to buy. By focusing on fewer, manageable core activities organizations could lessen the costs and complexity of their own operations. This provides better customer focus flexing and changing offerings and processes to meet changing customer demands. Outsourcing is a viable option to any company because it takes away attention from dealing with other aspects of the business that have nothing to do with the functions of a company. Companies can therefore concentrate on aspects of business that encircle their business objectives and eventually improve their business function (Kakabadse and Kakabadse, 2003).

Many companies see outsourcing as a way to hire the best in class companies to perform routine business functions and the focus corporate resources on key activities on their value chain where the impact will be felt the most by the customer. He continues to argue that the strategy of focusing corporate resources mainly on those activities where clear differentiation can be developed and outsourcing much of the rest has also served many other companies well. Outsourcing also enables an organization to grow without increasing in size “scaling without mass.” Finally, Outsourcing is said to help firms to perform well in their core competencies and mitigate shortage of skill in the areas where they want to outsource. All this goes a long way to increase the business competitiveness and performance.

### **Access to Modern Technology and Expertise**

As lamming (1993) notes as suppliers may be significantly more advanced, outsourcing to them allows organizations to exploit their more advanced technologies. Outsourcing enables an organization to benefit from complimentary assets by partnering with organizations whose resource bases compliment one’s own (Momewery, 1998). Greaver (1999) highlighted the potential benefits of improving credibility and image by associating with superior providers. . Byham (1996) informs that companies of all sizes outsource part of their service to effect improvement in efficiency. Outsourcing gives an organization exposure to outsourced specialized systems. Specialization provides more efficiency that allows for quicker turnaround time and higher levels of quality.

Outsources are bound to certain service levels and quality. Since the people hired to deliver the same have more time to concentrate on it, it means they put more caution in the provision of the service heading to improved qualities. Outsourcing also helps the organization from being locked up into specific assets and technologies. Outsourcing enables an organization to have means of accessing expertise not otherwise available. Particularly in the information technology era, companies may not have personnel available in house to take on certain projects. An outsider service

would have the required resources for hiring proper training facilities and inspection ability that many not be available if the function were kept in house. In addition if a company is growing rapidly the organization may not have time to recruit the workers needed and may outsource the necessary labour.

### **Cost Savings**

Outsourcing reduces costs - This is the lowering of the overall cost of the service to the business. This involves the score defining quality levels, repulsing, renegotiations, cost restructuring, access to lower cost economies through off showing cold labour arbitrage. According to Sabiti (2004) the organization that outsources is cutting administration cost of maintaining or doing the activity in house, the overriding factor in outsourcing decision is cost cutting. Manzi (2004) states that the most common economic factor that influences the decision is the need to reduce costs .Where the benefits analysis has been carried out and has been established that it is most economic to outsource rather than continue to operate a given function looks forward to making profits in business.

Successful implementation of outsourcing strategy has been accredited to cutting cost (Bowers, 1990). “Outsourcing can improve organizations effectiveness when applied as an organizational strategy.’ usually companies may choose to outsource with certain business objectives in mind. The first objective amongst this, is the need to improve financial performance usually, such companies are aware that outsourcing companies may offer them an opportunity to work cheaply through efficient technology and economies of scale. The outsourcing organization benefit from getting the services from the provider at a reduced cost since it is provided on a large scale and usually for a reasonable time if it is good work.

Outsourcing by reducing costs helps the organization to generate more profit. More profit comes in when vendors are able to purchase products at a less expensive rate and continue to sell them at a reasonable price for consumers. Another way outsourcing saves business money is due to the fact that the business doesn’t have to pay payroll tax deductions and other benefits to outsourced workers. If some work can be outsourced it can cut down on this expense, which means that the business can operate more profitably. There is also less need for infrastructure. A company that outsources its works has less need for furniture, IT infrastructure equipments and other expensive machines and vehicles. There is also less need to rent or to own large property.



## **Specialization**

Lysons and Gillingham (2003), say that, Outsourcing allows an organization to concentrate on areas of business that derive competitive advantage and outsource non core activities to specialist with better skills and expertise.

## **Access to innovation**

Outsourcing is the process of replacement of in-house provided activities by subcontracting it out to external agents. Consequently, the management and development of innovations in outsourced activities become the responsibility of an agent external to the firm. There are opportunities to have access to capabilities of suppliers into the products and services of the customer organization rather than attempt to replicate the capabilities of a supply network.

## **Process of Outsourcing**

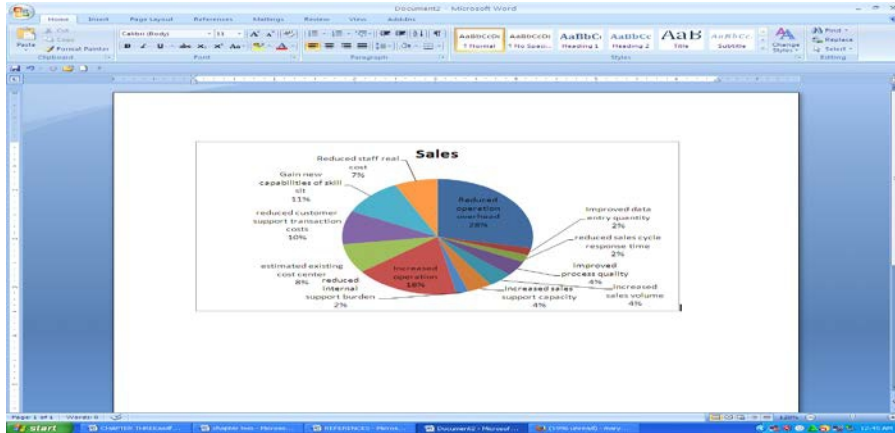
It should however be noted that business process outsourcing is not a one-off thing but a planned, on-going, systematic process. The process of outsourcing is very demanding as it involves a consistent implementation of all seven steps of the life-cycle of outsourcing by the organization as propounded by (Power, Desouza & Bonifazi, 2006): (1) strategic assessment; (2) needs analysis; (3) vendor assessment; (4) contract and negotiation management; (5) project initiation and transition; (6) relationship management; and (7) continuance modification or exit strategies. Consequently, if any step is performed inadequately or is omitted, outsourcing is doomed to failure. Organizational changes must be initiated and supported by top management. Also, standardization of processes is a prerequisite for the success of outsourcing (Wüllenweber et al, 2008).

## **Drivers of outsourcing**

- Reduced Operation Overhead (27%).
- Improved Data Entry Quality (2%).
- Reduced Sales Cycle Response Time (2%).
- Improved Process Quality (4%).
- Increased Sales Support Capacity (4%).
- Increased Sales Volume (4%).
- Reduced Internal Support Burden (2%).
- Increased Operation (back office) Capacity (17%).
- Estimated Existing Cost Center (8%).
- Reduced Customer Support Transaction Costs (9%).
- Gain new capabilities of Skill Set (10%).
- Reduced Staff Real Cost (7%).

Diagram 1: Shows that percent of all outsourcing decisions are still primarily based on cost cutting.

**DRIVER OF OUTSOURCING**



Source: Thomas M. Koulopoulos and Tom Rollof “Smart Sourcing” (2006)

**Types of Outsourcing Services**

Business Process Outsourcing can be applied to most functions and services within an organization, but what an individual company outsources depends on the core competencies, core activities and critical functions within the organization. In fact, outsourced jobs should have no face-to-face customer servicing requirement, high information content, a work process that is telecommutable and Internet enabled, and finally a high wage differential with a similar occupation in the destination company.

Table 1 below, highlights few major job processes and activities that can be outsourced by an organization to an external agent.

**Table 1: Types of Outsourcing Services.**

<b>Contact (call) centre</b>	Inbound and outbound voice operation services for the purposes of sales, customer service, technical support and others.
<b>Back office</b>	Services related to finance and accounting (e.g. bookkeeping, accounts maintenance, claims processing, asset management), human resource administration (e.g. payroll processing, benefits administration, human resources data management).
<b>Data Transcription</b>	Provision of transcription services for interpreting oral dictation of health professionals, dictations during legal proceedings and other data encoding services.
<b>Animation</b>	Process of giving the illusion of movement to cinematographic drawings, models or inanimate objects through 2D, 3D, etc.

<b>Software Development</b>	Analysis and design, prototyping, programming and testing, customisation, reengineering and conversion, installation and maintenance, education and training of systems software, middleware and application software.
<b>Engineering Development</b>	Includes engineering design for civil works and building and building components, ship building and electronics
<b>Digital Content</b>	Creation of products that is available in digital form such as music, information that are available for download or distribution on electronic media.

Source: Business Processing Association Philippines (BPA/P) (2008: www).

### Challenges of Outsourcing

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully (Procurement News, 2003) and these may be; The possibility of over depending on or leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Over a long time, a supplier of outsourced service may become complacent or change ownership and also a risk of a fall in employ morale for fear of being made redundant, confidentiality links of company matters and in some instances loss of intellectual property rights.

Eyaa (2006) opines that high prices being imposed on suppliers due to increasing trends in outsourcing, the demand for suppliers is so high and has pushed the rates being charged by the suppliers to be high. This later increases the costs yet outsourcing is all about helping firms cut costs. Too much expectancy from suppliers as Company employees tend to expect too much from supplier firms as far as service provision is concerned because they are specialists yet things can go wrong once in awhile. Such issues should not be ignored. According to Manzi (2004), there is a possibility that vital company information may be at a risk of being linked to the company's competitors which is dangerous since some suppliers may be spies to the company.

However, Power et al., (2006) identified ten most common challenges firms face in the implementation of outsourcing strategy, these are (1) Lack of management commitment; (2) Minimal knowledge of outsourcing methodologies; (3) Lack of an outsourcing communications plan; (4) Failure to recognize outsourcing business risks; (5) Failure to tap into external sources of knowledge; (6) Not dedicating the best and brightest internal resources; (7) Rushing through the initiative; (8) not appreciating cultural differences; (9) Minimizing what it will take to make the vendor productive; and (10) Poor relationship management program. Similarly, Shi (2007) indicates problems on the organization's side: (1) Cost-saving

mirage; (2) Lack of process model maturity; and (3) Lack of understanding or consensus of target business model.

### **Influencers of Outsourcing Decisions**

Beyond cost savings and the need for organizations to focus resources on their business's core strengths, there are other various reasons why an organization should – or should not – outsource. After all, not all outsourcing companies are created equal, and outsourcing, in general, is not necessarily the end-all and be-all of corporate strategy. Outsourcing is now a lucrative strategy and an integral aspect of running a business. In fact, a business would be hard-pressed to ignore the importance of engaging outsourcing providers for product or software development or other computing requirements.

Still, as mentioned, not all outsourcing companies are equal, and on top of savings, there are several factors that a firm must look into before making the decision to outsource. These other factors must touch upon the following:

#### **Technical Expertise**

The workforce that will handle the day-to-day development work, quality management, documentation, and analysis of a firm's software development project is the heart and soul of outsourcing engagement. In this type of situation, a larger headcount is not always the best option; in fact, a small team of internal specialists within the firm may be more effective than a pool of junior engineers offshore. Therefore, it is vital that you ask the potential vendor about its standard knowledge management processes and training programs. This access to technical expertise should also include knowledge transfer from the vendor to the firm's in-house team as well.

#### **Quality**

Quality must not suffer when an organization sends aspects of its operations or parts of its development job to a third-party provider. Fortunately, the vast majority of outsourcing providers have embraced industry-wide quality management processes and standards. In choosing the best provider for an organization, it is important to review how quality is being managed within that company.

#### **Vendor's Expertise in a Firm's Business Space**

Not all vendors are created equal; we know that much. However, much like having an individual specialization, it helps if the vendor has had extensive experience in a firm's particular business space or vertical. Prior experience in delivering projects for the financial services sphere, for

example, could mean that the organization can access the vendor's wealth of technical and industry knowledge.

### **Overall Business Strategy**

An organization should enquire from its management team if outsourcing is merely a knee-jerk reaction to the call for cost-cutting or if this strategy is a more long-term engagement that is integral to the organization's overall business plans. After all, the permanence (or semi-permanence) - or the temporariness of outsourcing's presence in an organization's operations - can affect resource acquisition, internal processes, security clearance, and budget allocation.

### **Trends of Business Process Outsourcing in Nigeria**

Outsourcing is an effective management strategy that enhances high returns on investments through cost cutting. Operators in the Nigerian information and communications technology industry are beginning to tap into the benefits of outsourcing, writes Abimbola Alale, Managing Director of Nigerian Communications Satellite Limited (NigComSat) Outsourcing of a company's major operations to another company for proper management of resources is a global trend that is making economic sense to business owners. Companies in Nigeria are beginning to embrace outsourcing for economic gains and the telecoms sector is not left out.

In telecoms, outsourcing is the release of some managed operations of a company to another company with professional expertise, with a view to managing the operations on behalf of the original owner. It has become a trend in the telecoms sector in Nigeria and the essence is to enable companies reduce operational costs and to enable them focus on their core business operations.

The idea to embrace outsourcing in the telecom sector started with Airtel, when it outsourced its call centre operations to Tech Mahindra, through the Business Process Outsourcing (BPO) agreement. It is very clear that Airtel is currently benefitting from its decision to outsource its call centre operations. It is believed that apart from the monetary gains, the system has also helped Airtel to focus more on its core business of providing voice and data services to its over 25 million active subscribers. After Airtel, MTN also outsourced its core centre operations in Lagos and Jos to Communications Network Support Services Limited (CNSSL), through the BPO agreement.

Recently, Etisalat Nigeria announced the sale of 2,136 of its towers to IHS Holding Limited as part of a broader strategy that would enable it focus more on its core business operations to drive improvements in the quality of its network performance and to accelerate rollout of 2G and 3G coverage and

new services to it over 18 million customers (Procurement News 2003). Etisalat's partnership with IHS is designed to promote network sharing, ensure higher quality, sustain reliable mobile services, lower overall costs and also promote a cleaner environment through reduced diesel usage and increased investments in alternative energy solutions.

Also, MTN Nigeria, with a subscriber base of over 57 million, reached an agreement with IHS Holding Limited, to outsource its 9,151 telecoms towers otherwise known as base stations (Procurement News 2003). MTN reached an agreement in principle with IHS for the transfer and management of its towers. The transaction is expected to reduce MTN's operating costs, drive network efficiencies and further expand MTN's voice and data capacities, according to the telecoms company.

Also in the business of outsourcing, the Nigerian Communications Satellite Limited (NigComSat), one of the agencies under the Ministry of Communications Technology, has also seen the need for outsourcing as it concluded its earlier deal with Platinum Plus Television (PPTV) to lease its Direct-To-Home (DTH) satellite operations to the television station.

### **Economic Benefits**

Looking at the advantages of outsourcing and outright sales of telecoms facilities, Chairman of the Association of Licensed Telecoms Operators of Nigeria (ALTON), Mr. Gbenga Adebayo said the move does not only have economic impact on the country, but will also ease telecoms operators of the burden of grappling with too many operations in the process of trying to serve customers better (Procurement News 2003). According to him, "BPO arrangement is a global phenomenon that has helped economies to develop fast, and the idea of adopting outsourcing in Nigeria, is a welcome development that will impact positively on service quality."

Conclusively, it can be observed that outsourcing has been flourishing in the telecoms industry in Nigeria. However, the banking, oil and gas, industries, and so many other organizations are engaged in outsourcing as a tool for effective performance and competitiveness.

### **Conclusion**

As global competition suggests a drastically shortened life cycle for most products, companies can no longer survive simply by adopting a polycentric, country-by- country approach to international business. It is therefore imperative for companies to continuously create and acquire capabilities that would help generate a sustainable competitive advantage over their rivals. Without established sourcing plans, distribution and service

networks, it is extremely difficult to exploit both emerging technology and potential markets around the world simultaneously (kotabe 1998).

Outsourcing has been deployed by many companies due to its effective cost-cutting technique. However, organizations are always seeking for new ways to achieve a competitive edge over their potential competitors. The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes means that the organizations must focus on their core competences and capabilities. Hence, the highly competitive environment in which today's business operates act as a strong stimulus for organizations to outsource.

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