

**BENEFITS AND RISKS OF OUTSOURCING SECURITY
SERVICES: A CASE STUDY OF KENYA TEA
DEVELOPMENT AUTHORITY**

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ABSTRACT

The main purpose of this study was to examine the benefits and risks associated with outsourcing of security services with reference to Kenya Tea Development Authority (KTDA). The study also sought to examine the strategies that can be adopted to solve the risks associated with outsourcing security services. The study employed the case study research design. Simple random sampling procedure was used to arrive at forty eight (n=48) members of staff working at KTDA main Branch at Nairobi. Questionnaire method was used to collect data from the respondents. This method was used since it is time saving and flexible enough as the respondents can fill in the items on their own time. Statistical Package for Social Sciences (SPSS) aided data analysis process. Descriptive statistics such as frequencies and percentages were used to summarize the data. Based on the analysis, the study revealed that the main benefit of outsourcing security services at KTDA laid in getting good quality of the security services which in turn enhanced better performance in the firm. The study also found that there were various risks involved in outsourcing security services. These included underestimated hidden costs, lack of internal organizational privacy, loss of full control of internal security systems and lack of adequate information on the potentials of the outsourced security firm. The study suggested firms (and in particular KTDA) to be keen in putting in place a contract management strategy that should be measurable and have policies with penalties for non-compliance. Further, the management should carry outsourcing audit to examine whether outsourcing benefits outweigh the risks and put in place essential policies governing the whole outsourcing process.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

According to Ernst and Young (2007), outsourcing refers to work contracted to an outside firm. International outsourcing has become a growing phenomenon in world trade. For example Hummels (2001) provide evidence from data 10 OECD and four emerging market countries that trade in outsourcing components in the vertical chain account for 10 21 percent of the countries exports. Recently, many industrialised countries have shifted from outsourcing of materials to services outsourcing (Amiti and Wei, 2005). For instance much media coverage has been given to the outsourcing of services to developing countries such as India.

Due to the growth in outsourcing, a sizeable amount of research has been devoted to attempt to understand the risks and benefits of this disintegration of production. It is due to this investigation of the impacts of international outsourcing that most research has been focused on the implications on domestic labour markets (Feenstra and Hanson 1999). Another important impact of outsourcing although neglected is its impact on productivity. According to Head and Ries (2002), increased specialisation following international outsourcing is beneficial for the economy as it allows reallocation of resources to their best use. This is because one would expect an individual to benefit from international outsourcing as it allows the purchasing of higher quality intermediates abroad and the concentration of the most efficient stages in home country.

It is evident that there is a link between productivity and international outsourcing. Egger (2006) focus on the link of international outsourcing of materials and labour productivity of EU skilled labour and conclude that short run productivity of low skilled workers is affected by cross border fragmentation while in the long run, low skilled workers productivity rises. Also Amiti and Wei (2006) using US industry data find that services outsourcing is positively associated with productivity.

The consequences of outsourcing for workers of different skills are not clear for example in a case of European countries. Feenstra and Hanson (2001) formulated a model of international outsourcing that was a specific form of Heckscher Ohlin model with one final good and two countries North and South. By changing relative units cost of production in the South, production costs with lower skill intensity are shifted from the North to South resulting for relative demand for skilled labour in both cases.

Tomiura (2005) and Kurz (2006) have also looked at outsourcing services in relation with firm level data. Using data for US and Japan data, they found out that more productive firms are likely to outsource where else, Kurz (2006) concluded that outsourcers are outstanding in that they are larger, more capital intensive and productive.

In trade liberation and technological process, there have been low transaction costs which have increasingly enabled firms to outsource and relocate production to those locations where productions are lowest. Due to this convectional trade, outsourcing have yield large efficiency gains that materialise in the form of increased competitiveness and thus high growth and employment (Amiti and Wei 2006). However, Hanley and Stobal

(2007) continues and say that the process generates winners and losers particularly low skilled workers who are at risk to suffer high economic security, income losses, unemployment and social exclusion.

The impact of international outsourcing in European countries is that it gives rise to wage moderation in bargaining between firms and unions. This may be true for labour markets such as German where employment is highly protected thus even when wages are relatively rigid, there may be still adjust if faced with increasing outsourcing pressure (Nickell 2005).

Kenya is preparing itself to enter into global and vibrant Business Process Outsourcing (BPO) and IT Enabled Services (ITES) market. However it lacks empirical evidence and tailored research to guide its policy decisions and investment options (Pillai 2006). His study continues to indicate that Kenya lacks an effective and focused market as a BPO destination. Kenya (and Africa in general) is viewed as country (continent) with challenged infrastructure, poor work culture and constraining social economic environment. Although Kenya has a chance of being a favourable outsourcing destination if correct measures are put in place.

According to Berinato (2001) and Wright (2003), the principal risks of outsourcing are the viability of the service provider, relative size of the customer, conflicts in service level agreement, legal liabilities, knowledge transfer and hidden costs. In viability of service providers, the fear of customers in the third party services is the provider might

fail and leave customers in the lurch without access to critical services and systems. This is because there have been a number of immediate and drastic instances of failure of managed security service providers (MSSP) which threatened customers to stay in the business Berinato (2001). To reduce such risks, it is important that customers follow a clear structured approach and also the agreement between the customer and the outsourcer should anticipate the potential failure of the service provider and include provisions for such an event. Those provisions should include contingency plans allowing the customer organisation to avail itself of alternative facility and resources or to take over those resources of the outsourcer that have been applied to the customers' particular service.

1.2. Statement of the Problem

There are a number of reasons why a company may opt to outsource particular services.

One of the main reasons is the expectation of receiving better services from the outsourcer than from internal staff. KTDA has been outsourcing security services from security firms. However, the company has had its own share of challenges. Despite these challenges, no particular study that has been conducted to examine empirically the risks and benefits involved.

Given the considerable growth in outsourcing it is not surprising that a sizeable amount of research has now been devoted to attempting to understand outsourcing trends. When investigating the impact of international outsourcing most research seems to focus on the implications for domestic labour markets, as reviewed by Feenstra and Hanson (2001).

For example, Feenstra and Hanson (1996, 1999) and Hijzen et al. (2005) used aggregate data to estimate the impact of international outsourcing on wages and the relative demand for skills in the US and UK, respectively. Head and Ries (2002) provided a micro level study of the impact of international outsourcing on firm level labour demand, measuring outsourcing using data on employment in Japanese enterprises abroad. These studies laid much emphasis on international outsourcing and its impact on productivity. Another somewhat neglected, but potentially important aspect of outsourcing are the risks that are involved and strategies that can be used to curb these risks. Further there is need to examine outsourcing with reference to security services in an organization. Owing to the knowledge gaps in the existing research, there is need to examine risks, benefits and strategies of outsourcing security services in local perspective

1.3 Research Questions

The research was guided by the following research questions:

1. What are the benefits of outsourcing security services at KTDA?
2. What are the risks of outsourcing security services at KTDA?
3. What strategies can be adopted to curb risks associated with outsourcing security services at KTDA?

1.4 Significance of the Study

The findings of the study are expected to be of benefits not only to KTDA management but also to the very firms that outsource security services.

KTDA Management: the study will benefit the management of KTDA by increase in their productivity as it allows reallocation of resources to their best use. More to that, they will be able to purchase higher quality and help in the economy of the company.

Outsourcing Firms: the research will also be of help to the outsourcing firms in that they will yield large efficiency gains that materialise in the form of increased competitiveness and thus high growth and employment.

Contribution to knowledge base on outsourcing issues: more knowledge about issues of outsourcing will also be of benefit because one will learn more concerning outsourcing leading to increase in demand of the outsourcing of services in companies.

1.5 Scope and Delimitations of the Study

The study is delimited in scope; the geographical area of coverage is KTDA security services in Nairobi. The target population is all employees and the management of KTDA. This study focuses on the risks and benefits associated with outsourcing security services and will be conducted within the given period of time.

1.6 Operational Definitions of Terms

Benefits: These are the advantages that are brought about by the outsourcing of security services to the outsourcer and the customers.

Risks: Refers to the negative impacts.

Outsourcing: it describes the relationship between firms that pays another firm to conduct certain activities on its behalf.

Security: matters of safeguarding a property by guards.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter discusses the various aspects of outsourcing in organizations. These include its benefits, risks and the different strategies that can be put in place to counter it.

2.2 Benefits

Kohler's (2004) studies reveal that the plant engaging in international outsourcing has access to internationally traded inputs which may be available at lower costs or at higher quality than those available domestically. Hence, increasing use of internationally traded inputs may result in a direct boost in productivity for the plant, shifting its production function outward. Local plants involved in multiproduction stages mostly outsource international inputs because of their higher quality and probably their availability at lower costs.

Another benefit of outsourcing is that in the longer run, international outsourcing may also lead to changes in factor shares, which may have implications on productivity. An assumption of two types of labour, skilled and unskilled, where the former has a higher marginal product than the latter, is considered. Assuming that the less skill intensive upstream production stages are produced with only unskilled labour, while more skill intensive downstream stages use only skilled labour. If the plant outsources some or all of the upstream production abroad (due to, for example, lower factor prices for unskilled labour in the foreign country) there will be a reallocation of production in the plant towards more skill intensive downstream production. This, *ceteris paribus*, will lead to a

rise in average labour productivity in the plant (given that wage rates for high skill workers exceed those for low skilled workers). The opposite effect can be expected, if for some reason, the plant outsources more skill intensive downstream stages of the production process (Hanson , 1996).

International outsourcing changes the relative demand for factors of production in the domestic economy, which will affect relative factor prices in the economy. Purely domestic plants from domestic exporters and foreign-owned multinational establishments can be expected to face lower costs of searching for suppliers abroad as they are embedded into international production networks with more foreign contacts than purely domestic firms (Sjöholm, 2003). Also, they are generally more productive, larger and more skill intensive than purely domestic firms (Girma et al, 2005). Hence, they may be more likely to benefit from outsourcing.

Another advantage of outsourcing is that it may, at least to some extent, capture fixed as well as variable costs, while materials more likely only captures the latter. Grossman and Helpman (2004) provide a theoretical model which shows the importance of search costs for international outsourcing decisions. They investigated on the influence of both fixed and variable costs on production . However, given the nature of the data, we are not able to distinguish international outsourcing of tangible inputs, i.e., materials and components, from services inputs (the exact definition of which will be given in two types of cost components. All in all ,they claimed that outsourcing can be a beneficial option for firms in that it covers for both variable and fixed costs.

2.3 Risks

Outsourcers must consider the risks and threats faced by any other organization, particularly around their system security. The Ernest and Young (2007) security survey shows that 75% of organizations that apply outsourcing mechanisms experienced unexpected critical business failure. 26% of respondents to the Ernest and Young security survey attributed 3rd party suppliers as the cause of failure of critical business systems. Only 40% of organizations are confident that they would detect a systems attack that emanates their outsourcing partners. A survey done by Reim (2007) in IT companies that apply outsourcing found out that the range and complexity of computer viruses have increased dramatically, the risk to critical IT systems is becoming a key business concern.

Another risk discovered to be associated with outsourcing in organizations is the underestimation of hidden costs. There are various factors in organizations whose expenditure might be minimal and hence may be underestimated while considering costs. Some of these may include underestimation of set up, redeployment, running and management costs. This has been noted to pose a financial risk in institutions that practice outsourcing (Reim,2007).

Another risk experienced by these organizations is their loss of control and ownership of business strategy. The outsourcing institution or organization ought to control over management of business strategies. The most common view of outsourcing appears to be that the concerns generated by giving up control override any sense of relief at not having the day-to-day operational responsibilities. This trend may result from perceptions regarding the different goals and attitudes of internal and external staff towards service,

profits, and survival. Clearly much of the concern stems from customers' suspicions, which may be justified, that the outsourcer does not have the same level of commitment to meeting service requirements as an internal group. After all, as the argument goes, internal staff is more closely aligned to other insiders and subscribes to the goals, mission, and culture of the customer organization (Berinato, 2001).

One other risk that outsourcing institutions may face is lack of expertise. It can often be difficult to find third parties with a proven team of experts who are experienced and knowledgeable in a particular industry being serviced. Customers should beware of bait-and-switch tactics. There is the issue of lack of enough information concerning the abilities and training level of the outsourcing partner. As has been the norm, each organization tries to showcase a high image of its personnel but as observed by Wright (2003),many of them lack the required expertise for work. This poses a great challenge to institutions or organizations that practice outsourcing.

Another risk associated with outsourcing is on-time delivery performance and end customer satisfaction levels. These may decline because of delays at third parties during delivery of services. This risk can be severely aggravated as product/service is outsourced. Delays can be caused by many factors that are outside the control of the outsourcing company. Examples include port/customs delays, labor disputes, weather, and political unrest. More extreme examples include terrorism-related delays and interruptions and uncertainty resulting from the outbreak of contagious diseases. As lead-

time and variability increase, so does the need for higher stock levels and other costly buffers, while overall supply chain confidence deteriorates (Quinn, 2004).

2.4 Strategies for Solving the Risks

One way of addressing the risks associated with systems attack or unavailability of business systems is through application of rigorous negotiation and contracting processes. This could be done through benchmarking and monitoring of the outsourcing partner. SLAs should be measurable and objective with penalties for non-compliance. This can ensure the availability of the necessary critical business systems.

One way of addressing the issue of underestimation of costs is by ensuring that all assets are identified properly prior to outsourcing. This will assist identify the areas of expense and their estimated costs. The outsourcing transition phase fails if schedules and budgets are not achieved because of insufficient planning and/or resources. An outsourcing project must be run with the same discipline and planning as a well-run large-scale systems implementation. Outsourcing is a replacement of production or service functions, and these functions have a direct bearing on the company's ability to meet its commitments to customers and shareholders. Another method is by dedicating time and resources to outsourcing contract management. This will ensure accountability and knowledge of the estimated costs required. Keeping aware of overestimation of benefits and underestimation of costs set up, redeployment, running and management costs is another way of dealing with this issue of underestimation of costs (Reim, 2007).

In order to tackle the risk of lack of expertise in outsourcing partners, there are number of strategies that can be adopted. Product or service quality may also suffer in outsourcing , affecting customer satisfaction. Companies must carefully select, qualify, contract with, and manage their outsourcing partners to ensure that quality does not deteriorate. This often requires adequate transition periods and/or parallel production as well as effective cross-training between companies. These aspects are often neglected because of cost saving efforts. Vendors should also provide lists of their staff along with their résumés as part of the outsourcer's proposal, and customers must insist that specific individuals be assigned to the project or service. Additionally, the customer should retain the right to approve any substitutes. Another safety measure is to ensure that the personnel or activities outsourced can, if necessary, be in-sourced or contracted out to a different provider. This can help reduce this kind of risk in organizations and organizations (Wright, 2003).

2.5 Knowledge Gap

A good number studies have been carried out on the general area of outsourcing. Some have been carried out on the benefits of outsourcing. For instance, Kohler's (2004) conducted a study on the benefits of international outsourcing. The study revealed that increasing use of internationally traded inputs may result in a direct boost in productivity for the plant, shifting its production function outward. While the study by Kotler generally examined the benefits of international trading, the current study laid much emphasis on the benefits of outsourcing security services with reference to an organization in Kenya.

Review of literature further reveals that there are some studies that have been carried out in the area of risks associated with outsourcing security services. A study carried out by Reim (2007) on risks of outsourcing revealed that the main risk associated with outsourcing in organizations is the underestimation of hidden costs. Another study by found that outsourcing institutions may face lack of expertise. The study maintained that it can often be difficult to find third parties with a proven team of experts who are experienced and knowledgeable in a particular industry being serviced. As such, the quality of services may suffer (Wright, 2003). Despite the fact that these studies have been done in the related area, little attention has been given to the risks that could be associated with hiring security services. Thus the need to find out the risks that KTDA could face by outsourcing such services. Further most of the studies in the area of outsourcing took a wide scope, while employing survey research design. The current study however closely examined a case (KTDA) which could give an in-depth examination of the situation.

CHAPTER THREE

3.0 METHODOLOGY

3.1 Research Design

The research used *a case study* design where all units were sampled, namely KTDA staff members. The research design was chosen since it focuses on specific and interesting cases, in this case (Kenya Tea Development Authority) KTDA. The design also provides more realistic responses than a purely statistical survey. The participants describe what is meaningful to them rather than being restricted to predetermined categories. It also gave a deep understanding of the issues, and allowed data collection using questionnaires (Trochim 2006).

3.2 Target Population

Any scientific research targets a given population through which interviews and questionnaires are distributed to target the desired or the required data for analysis. The study targeted the staff members of KTDA. This population was expected to provide valuable information related to the risks and benefits of outsourcing security services.

3.3 Description of Sample and Sampling Procedures

The study intended to collect data from a representative sample consisting of the staff members of KTDA.

Sample of KTDA Staff Members

Stratified sampling procedure was used to draw various departments at KTDA into strata. Random sampling procedure was then be used to arrive at a representative sample of staff members (10%) from each of the stratified Department. In total, there were forty-eight (n=48) staff members. Table 3.1 shows the summary of the sample.

Table 3.1: Sample of KTDA Staff Members

Departments	Population Estimate	Sample (10%)
Finance	160	16
Production	150	15
ICT	100	10
Marketing	30	3
Human Resource	40	4
Total	480	48

Source: KTDA Human Resource Office, 2010

3.4 Description of Data Collection Instruments

In this study, questionnaire schedules were used as data collection instruments.

3.4.1 Questionnaire

The questionnaires were selected because they were held to be straightforward and less time consuming for both the researcher and the participants. The use of questionnaire in this study made it possible to reach all the members participating in the study since they

were only required to fill in at their own time. The questionnaire consisted of closed ended items that were meant to capture the responses of the participants regarding the risks and benefits associated with outsourcing security services system.

3.5 Validity of Research Instruments

The term validity indicates the degree to which an instrument measures the construct under investigation. For a data collection instrument to be considered valid, the content selected and included must be relevant to the need or gap established. Before the actual study, the instruments were discussed with supervisors and other independent experts in the field of management at the Catholic University of Eastern Africa. The feedback from the supervisor and the experts assisted in improving the instruments.

3.6 Data Collection Procedure

The management of Kenya Tea Development Authority (KTDA) was contacted with the view of seeking permission to collect data and to explain the purpose of the study. Once this was done, the researcher distributed the questionnaires to the staff members. The researcher in person made personal follow up to ensure that all the questionnaires were collected back from the field ones filled in.

3.7 Data Analysis Procedure

The collected data was organized and prepared for analysis by coding and entry in the Statistical Package for Social Sciences (SPSS, Ver.10). The researcher used descriptive statistics such as frequencies and percentages. The outcomes of the quantitative data from the coded closed-ended items was analyzed using descriptive statistics. Further, the data was interpreted and discussed in relation to the research questions.

CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter presents data analysis, presentation, interpretation and discussion of the findings on the benefits and risks of outsourcing security services with reference to KTDA. The data was analyzed with the help of a computer program, SPSS version 11.5. This enabled the researcher to present the data in frequencies, percentages, tables, cross-tabulations and charts. The chapter is organized into the following sections: The background information of the respondents (KTDA staff members), benefits of outsourcing security services, risks involved in outsourcing security services, strategies that can solve risks associated with outsourcing security services. The last part presents the results of the study hypotheses:

4.2 Background information of the Staff members

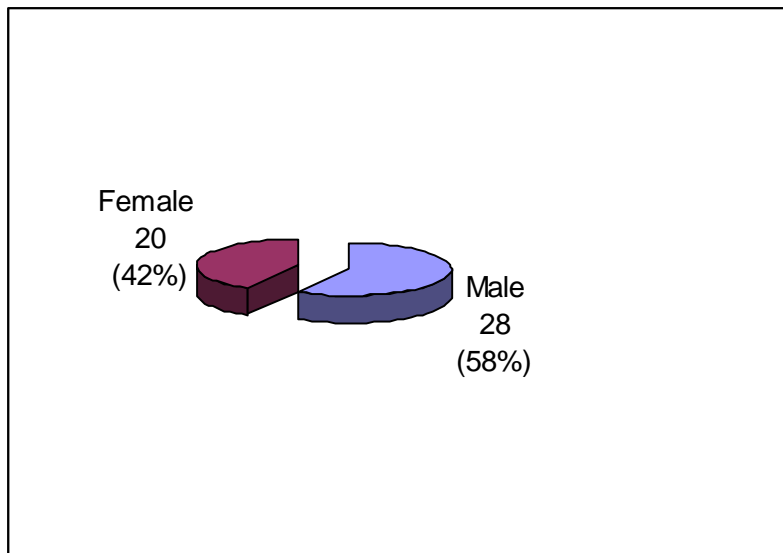
This section talks about the demographic information of the staff members who took part in the study. This is to establish the ideal information needed for the study. The demographic information comprised of their sex, working experience, designation and the departments.

Gender

Information on the gender of the staff members was sought by the researcher in order to bring out the participation of both male and female staffs in the study. The researcher sought information on the gender of the staff members so that there could be a clear picture of the numbers of male and female staff members who took part in the study.

(Figure 4.1)

Figure 4.1: Gender



According to figure 4.1, out of the 48 staff members who took part in the study, slightly more than half of them 28 (58%) were males while the remaining 20 (42%) were females.

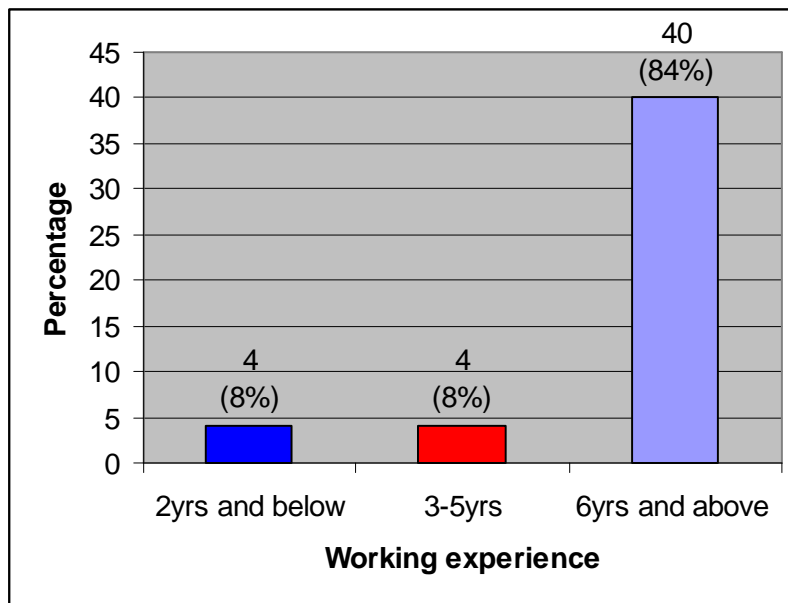
This shows that male staff members dominated the females in KTDA firms.

Working experience

Working experience of the staff members was also determined in the study. Data regarding the working experience of the staff members who took part in the study was

sought and the responses to the item in the questionnaire regarding to their working experience was summarized and presented in Figure 4.2.

Figure 4.2: Working experience

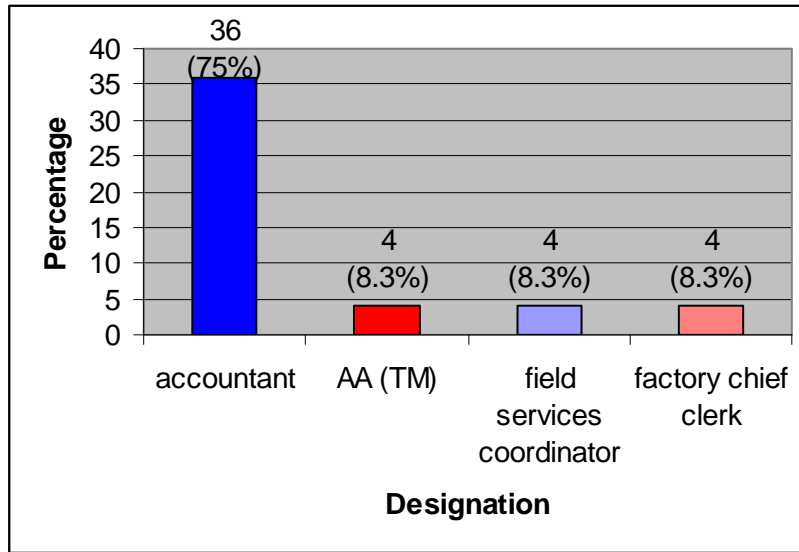


The figure above indicates that an overwhelming majority of the staff members 40 (84%) had a working experience of 6 years and above. This could imply that they had enough knowledge regarding the benefits and risks of outsourcing security services in KTDA since they had worked in the firm for a long time.

Designation

The designation of the staff members was also determined in the study. Data regarding the designation of the staff members who took part in the study was sought and the responses was summarized and presented in Figure 4.3.

Figure 4.3: Designation

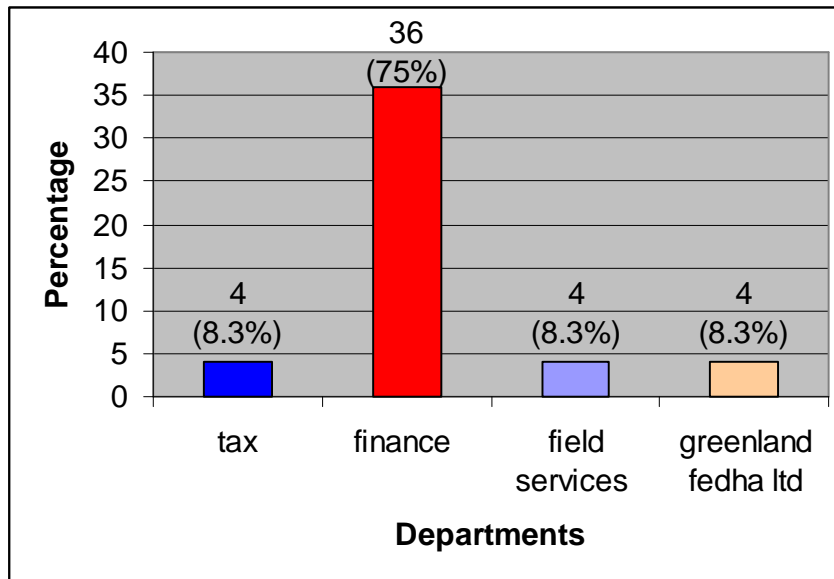


As for the designation of the staff members, ear the students were admitted in the school, an overwhelming majority of them 114 (91%), an overwhelming majority 36 (75%) were accountants. They included assistant accounts, factory accountants and senior accountant.

Departments

Data regarding the departments of each staff members was collected and their response was analyzed and summarized (see fig 4.4)

Figure 4.4: Departments



According to Figure 4.4, an overwhelming majority 36 (75%) of the staff members were in the finance department and the rest 4 (8.3%) were in other departments. This could imply that those who were in the finance department knew more on the benefits and risks associated with outsourcing security services and could give the relevant information required in the study.

4.3 Benefits of Outsourcing Security Services

The study sought to find out the benefits of outsourcing security services with reference to KTDA. In order to solicit information that would answer this objective, the participants (staff members) were asked to indicate their response on various items related to benefits of outsourcing. These included the following: the extent to which KTDA has benefited from security services and the kind of benefits that KTDA gained from outsourcing the security services

4.3.1 The Extent to Which KTDA Has Benefited From Security Services

In order to determine the extent to which KTDA benefited from outsourcing security services, staff members were provided with various extents to choose. Table 4.1 shows the distribution of their responses.

Table 4.1: Extent to which outsourcing services benefit KTDA

To what extent	Frequency	Percentage
To a greater extent	8	17
To some extent	40	83
Total	48	100

An overwhelming majority of the staff members 40 (83%) indicated that outsourcing services benefited KTDA to some extent. This prompted the researcher to find out the reasons that KTDA management outsourced security services and the following were the reasons that the management indicated:

- To be able to concentrate on its core business functions
- To enhance security by employing specialized people in security services
- Issues of unfaithfulness

Some of the staff members explained that:

The company aimed at reducing its operational costs especially on other benefits related to employees directly employed and at the same time reducing the number of staffs who were not engaged in the core business.

4.3.2 Benefits That KTDA Gain from Outsourcing Security Services

The study sought out to find out the kinds of benefits that KTDA gained from outsourcing security services. The participants (staff members) were asked to indicate their responses (see table 4.2)

Table 4.2: Benefits of outsourcing

Benefits of outsourcing security services	SA		A		UN		D	
	F	%	F	%	F	%	F	%
Receives better quality	-	-	48	100	-	-	-	-
Gets cost friendly services	8	16.7	32	66.7	4	8.3	4	8.3
Has created confidence in the market place	12	25.0	20	41.7	12	25.0	4	8.3
Has enhanced performance	4	8.3	36	75.0	4	8.3	4	8.3
Better placed in risk management	4	8.3	32	66.7	8	16.7	4	8.3

Key: SA: Strongly Agree; A: Agree; UN: Undecided; SD: Strongly Disagree and D: Disagree

Receives better quality

All the staff members in the study indicated that one benefit of outsourcing security services was that the firm received better quality. This concurred with Kohler's (2004) studies that revealed that the plant engaging in international outsourcing has access to internationally traded inputs which may be available at higher quality than those available domestically.

Gets cost friendly services

Majority of the staff members 32 (67%) agreed that outsourcing security services enabled the firm to get services at a cost friendly price. This concurred with the literature review whereby the increasing use of internationally traded inputs results in a direct boost in productivity for the plant and the local plants involved in multi production stages mostly outsource international inputs because of their availability at lower costs (Kohler's, 2004).

Enhanced performance

An overwhelming majority of the staff members 36 (75%) agreed to the fact that outsourcing of security services enhanced better performance in the firm. However, this contradicted with Girma (2005) study that revealed that international outsourcing changes the relative demand for factors of production in the domestic economy, which affect relative factor prices in the economy. More to that, they are more productive larger and more skill intensive than purely domestic firms.

The main gain of KTDA in outsourcing security services laid on the reduction of operational costs related to employing directly as opposed to getting external employees from other companies. However, there are various other outsourcing benefits that KTDA has had: Enhancement of capacity for innovation, creation of change from the norm and enhancement of the firm to depict a corporate look.

4.4 Risks Involved In Outsourcing Security Services

The study sought out to find the risks involved in outsourcing security services at KTDA. In order to solicit information that would answer this objective, the participants (staff members) were asked to indicate their response on various items related to risks of outsourcing. (See table 4.3).

Table 4.3: Risks of outsourcing

Risks of outsourcing security guards	Yes		No	
	F	%	F	%
Underestimated hidden costs in outsourcing security guards	44	92	4	8
Loss of full control of internal security systems	36	75	12	25
Lack of internal organizational privacy	44	92	4	8
Lack of information on the capabilities/ potentials of the outsourced security firm	40	83	8	17
Inefficiency of the outsourced firm	36	75	12	25

Underestimated hidden costs

Majority 44 (92%) of the staff members indicated that outsourcing security services led to underestimated hidden costs. This concurred with Reim (2007) who revealed that various factors in organizations whose expenditure might be minimal are normally underestimated while considering costs. Some of these may include underestimation of

set up, redeployment, running and management costs. This therefore poses a financial risk in institutions that practice outsourcing.

Loss of full control of internal security systems

An overwhelming majority 36 (75%) of the staff members indicated that outsourcing security services in the firm led to loss of full control of the internal security systems.

A few of the staff members explained that:

KTDA has no direct authority over the outsourced staffs and this creates some levity in supervision.

Literature also reviewed that the most common view of outsourcing was that of giving up control override and this trend resulted from perceptions regarding the different goals and attitudes of internal and external staff towards service, profits, and survival. Clearly much of the concern stems from customers' suspicions, which may be justified, that the outsourcer does not have the same level of commitment to meeting service requirements as an internal group. After all, internal staff is more closely aligned to other insiders and subscribes to the goals, mission, and culture of the customer organization (Berinato, 2001).

Lack of internal organizational privacy

Majority of the staff members 44 (92%) indicated that there was lack of internal organizational privacy due to outsourcing security staffs from other firms. Some of the staff members indicated that:

Sometimes the outsourced staffs can collude with outsiders to perfect theft and they can leak important information that is private to the firm.

The Ernest and Young (2007) security survey concurred with the statement in that 75% of organizations that apply outsourcing mechanisms experienced unexpected critical business failure due to the 3rd of the outsourcers. His survey, only 40% of organizations are confident that they would detect a systems attack that emanates their outsourcing partners. Nevertheless, a survey done by Reim (2007) in IT companies that apply outsourcing found out that the range and complexity of computer viruses have also increased dramatically thus the risk to critical IT systems is becoming a key business concern.

Lack of information on the capabilities/ potentials of the outsourced security firm

An overwhelming majority 40 (83%) of the staff members indicated that outsourcing security services posed as a risk if a company lacked information on the capabilities or potentials of the outsourcer firm.

Literature also reviewed that it can often be difficult to find third parties with a proven team of experts who are experienced and knowledgeable in a particular industry being serviced. Thus, customers should beware of bait-and-switch tactics in the issue of lack of

enough information concerning the abilities and training level of the outsourcing partner. As has been the norm, each organization tries to display a high image of its personnel but as observed by Wright (2003), many of them lack the required expertise for work.

All the respondents in the study indicated that outsourcing security services posed as a risk mostly due to lack of privacy in the organization and that of underestimated hidden costs. The underestimated costs that were ignored turned to be a big blow off to the firms' financial status in the end.

4.5 Strategies of Solving Risks Associated With Outsourcing Security Services

In order to determine the main strategies that needed to be put in place to solve the risks associated with outsourcing security services, the participant (staff members) were asked to respond to various strategies items in the questionnaire regarding strategies that to be put in place. Table 4.4 shows the distribution of their responses.

Table 4.4: Strategies to solve risks of outsourcing

Strategies to be put in place	Most appropriate		Least appropriate		Not appropriate	
	F	%	F	%	F	%
Putting in place a contract management strategy	44	92	4	8	-	-
Holding cross training programs between companies	40	84	4	8	4	8
Designing management costs strategies	24	50	24	50	-	-

Putting in place a contract management strategy

Majority of the staff members 44 (92%) indicated that the most appropriate strategy to solve the risks of outsourcing security services was by putting in place a contract management strategy.

Most of the staff members explained that:

Taking appropriate insurance cover was the best strategy to solve risks issues and ensuring that the outsourcing security services organization hired are of high integrity and have well trained personnel in all security areas.

Also a few of them went ahead and stated that:

The firm ought to ensure that outsourcing security service pay well its outsourcers to avoid distaff action in their work.

This contradicted with Reim (2007) that one way to address the risks associated with systems attack or unavailability of business systems is through application of rigorous negotiation and contracting processes. This could be through benchmarking and monitoring of the outsourcing partner. Nevertheless, there should be measurable and objective with penalties for non-compliance and thus ensuring the availability of the necessary critical business systems.

Holding cross training programs between companies

An overwhelming majority 40 (84%) of the staff members agreed that holding cross training programs between companies was the most appropriate strategy to solve risks of outsourcing.

According to Wright (2003), companies must carefully select, qualify, contract with, and manage their outsourcing partners to ensure that quality does not deteriorate. This often requires adequate transition periods and/or parallel production as well as effective cross training between companies. These aspects are often neglected because of cost saving efforts but they help to reduce risks in organizations.

Designing management costs strategies

Half of the staff members 24 (54%) agreed that designing management costs strategies was the most appropriate strategy and the least appropriate strategy to solve risks associated with respectively.

According to literature review, the issue of underestimation of costs is by ensuring that all assets are identified properly prior to outsourcing. This will assist identify the areas of expense and their estimated costs. The outsourcing transition phase fails if schedules and budgets are not achieved because of insufficient planning and/or resources. An outsourcing project must be run with the same discipline and planning as a well-run large-scale systems implementation.

Another method is by dedicating time and resources to outsourcing contract management. This will ensure accountability and knowledge of the estimated costs required. Keeping aware of overestimation of benefits and underestimation of costs set up, redeployment, running and management costs is another way of dealing with this issue of underestimation of costs (Reim, 2007).

Other strategies that were outlined by the staff members in the study were:

- Ensuring the security staffs possess a certificate of good conduct
- Alerting the KTDA employees of any failure of the security
- Ensuring the company has proper control of its employees
- The KTDA management should have direct supervision over the guards
- The KTDA should change firms from time to time

As evident from the findings of the study, it can be concluded that the main strategies or measures that KTDA can put in place to curb the risks associated with outsourcing of security services include but may not be limited to the following:

- Holding cross training programs between companies which often requires adequate transition periods and/or parallel production as well as effective cross training between companies.
- Putting in place a contract management strategy that should be measurable and have policies with penalties for non-compliance.
- Designing management costs strategies which can be done by dedicating time and resources to outsourcing contract management. This will ensure accountability and knowledge of the estimated costs required.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations based on the analysis of the benefits and risks of outsourcing security services with reference to Kenya Tea Development Authority (KTDA).

5.2 Summary

The main purpose of this study was to investigate on the benefits and risks of outsourcing security services with reference to Kenya Tea Development Authority (KTDA). The study also sought to examine the strategies that can be adopted to solve the risks associated with outsourcing security services.

The researcher reviewed related literature and found out that studies on the benefits and risks of outsourcing security services in KTDA have not been conducted. The study employed a case study design to generate the primary data with the help of questionnaires and interview guides. The sample comprised of the staff members (N=48) and all the management staffs. Random sampling procedure was used to arrive at a representative sample of staff members and purposive sampling technique was used to select all the management staff members of KTDA main branch.

The researcher used SPSS (Statistical Package for Social Sciences) version 10.0 for windows to process the collected data. Descriptive statistics such as frequencies and

percentages were used to summarize the data. The analysis of the data enabled the researcher to come up with the following findings based on the major research areas:

5.2.1 The Benefits of Outsourcing Security Services

The study found out that the most benefit of outsourcing security services was that the firm received the best quality of the security services, which enhanced better performance in the firm. In addition, outsourcing of the security services enabled the company to reduce costs of employment since the outsourcer organizations offered cost friendly services. The other benefits included:

- Enhanced capacity for innovation
- Created change from the norm and enhanced the firm to depict a corporate look

5.2.2 The Risks of Outsourcing Security Services

Furthermore, the researcher discovered that although outsourcing security services were of benefit in the firm, there were some risks involved. One of the major risks indicated by a majority of the respondents was that of underestimated hidden costs in outsourcing security guards. Some of this underestimation may include of set up, redeployment, running and management costs which puts the firm at a financial risk. There was another risk of lack of internal organizational privacy due to outsourcing security staffs form other firms. The other risks indicated by an overwhelming majority were:

- Loss of full control of internal security systems
- Lack of information on the potentials of the outsourced security firm

5.2.3 Strategies that can be Adopted to Curb Risks Associated with Outsourcing

Security Services

This research also attempted to find out the strategies that can help to solve the risk associated with outsourcing and the following were the most outlined strategies.

- Putting in place a contract management strategy that should be measurable and have policies with penalties for non-compliance.
- Holding cross training programs between companies which often requires adequate transition periods and/or parallel production as well as effective cross training between companies.
- Designing management costs strategies which can be done by dedicating time and resources to outsourcing contract management. This will ensure accountability and knowledge of the estimated costs required.

5.3 Conclusion

Based on the major findings of the study, the following conclusions were made:

The main gain of KTDA in outsourcing security services basically lay on the reduction of operational costs related to employing directly as opposed to getting external employees from other companies. However, there are various other outsourcing benefits that KTDA has had: Enhancement of capacity for innovation, creation of change from the norm and enhancement of the firm to depict a corporate look.

The major risk involved in outsourcing security services is mainly lack of privacy and underestimated hidden costs that an organization may incur.

Putting in place a contract management strategy that should be measurable and have policies with penalties for non-compliance remains are the most outstanding measure

5.4 Recommendations

The recommendations of the study were directed to various stakeholders: To KTDA management, outsourcing companies and the employees.

KTDA management: KTDA management should be keen in putting in place a contract management strategy that should be measurable and have policies with penalties for non-compliance. Further, the management should carry outsourcing audit to examine whether outsourcing benefits outweighs the risks and put in place essential policies governing the whole outsourcing process.

Outsourcing Companies: They should ensure that their employees' possess a certificate of good conduct before employing them and follow them up on their job. This is to ensure that they yield large efficiency gains that will increase their competitiveness and growth.

Staff Members: the employees of the KTDA firm should be keep an eye on the outsourcers and alerting the management in case of any failure of the security systems

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