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***The Assessment of Management outsourcing on the
performance of Ethio Telecom***

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performance of Ethio Telecom***

By

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**A Thesis submitted to the School of Graduate Studies, College of Business
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Addis Ababa University

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Declaration

I, Yetnayet Assefa, hereby declare that the work which is being presented in this thesis entitled “The assessment of management outsourcing on the performance of Ethio Telecom” is an original work of my own and prepared under the guidance of my thesis supervisor Dr. Matiwos Ensermu. It has not been presented for any scholastic achievement and level of study (Bachelors or Masters or PhD programs) in any other Institute, College and University. All the sources of the materials used in this dissertation paper have been duly acknowledged.

The Candidate

Date

This is to certify that the above declaration made by candidate is correct to the best of my knowledge.

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Table of Contents

Acknowledgments	v
Table of Contents.....	vi
List of Tables and Figures	viii
List of Abbreviations and Acronyms.....	ix
Abstract.....	x
Chapter 1 Introduction	1
1.1. Background of the Study	1
1.2. Statement of the Problem	2
1.3. Basic Research Questions	3
1.4. Objectives of the Study	3
1.4.1 General Objective	3
1.4.2 Specific Objective	3
1.5. Significance of the Study	4
1.6. Scope and Limitations	4
1.7. Organization of the Thesis	5
Chapter 2 Literature Review and Theoretical Framework	6
2.1. Outsourcing defined	6
2.2. Types of Outsourcing	8
2.3. Review of previous studies	12
2.4. Outsourcing Risks	13
2.4.1 Outsourcing Strategy risks:.....	14
2.4.3 Outsourcing Implementation Risks.....	15
2.4.4. Outsourcing Management Risks	16
2.5. Theoretical Framework towards outsourcing	16
2.5.1 Resource Dependency Approach.....	16
2.5.2 Transaction cost Approach.....	17
2.5.3 Resource Base View.....	18
2.6. Outsourcing in the context of Ethiopia	18
Chapter 3 Research Methodology and Design	19
3.1 Research Type	19

3.2	Source of Data	19
3.3	Data Collection Method	20
3.4	Sample size	20
3.5	Sampling Method	21
3.6	Data analysis Methods	22
3.7	Ethical Considerations	23
Chapter 4 Research Findings and Discussions		24
4.1	Empirical Findings	24
4.1.1	The normality of the data	24
4.1.2	Reliability of the questionnaire	24
4.1.3	Respondents' Service year, role and expectations.....	24
4.1.4	Organizational and employee related tasks	26
4.1.5	Service Delivery	32
4.1.6	Overall company change	36
4.2	Narrative of Manager's interview	41
4.3	Analysis of the financial statement	44
Chapter 5 Conclusion and Recommendations		49
5.1	Major Findings	49
5.2	Recommendations based on major findings	51
5.3	Areas for Further Study	53
Reference		54
Annexes		59

List of Tables and Figures

Table 2-1 Top ten reasons to outsource	7
Table 3-1: Response rate for selected samples	20
Table 3-2: Sample size selected per each division for Ethio Telecom Head office	22
Table 4-1: Staff's Expectation from the outsourcing	25
Table 4-2: CHANGE of staff role due to outsourcing.....	26
Table 4-3: Outsourcing improved organization and planning in ET:	27
Table 4-4: improvements on employee relationship due to the outsourcing.....	29
Table 4-5: Improvement on training and development	31
Table 4-6: Improvement on participation and involvement	31
Table 4-7: Improvement on customer handling	34
Table 4-8: Improvement of Network maintenance.....	35
Table 4-9 : Improvement on branding and marketing	35
Table 4-10: Cross tabulation of year of service Vs which outweighs improvement or shortcomings	39
Table 4-11: Number of subscribers for the three main services provided by Ethio Telcom	45
Table 4-12: Percentage change for number of subscribers for the three services.....	45
Table 4-13:Income Statement report for Ethio Telecom.....	46
Table 4-14:Comparison of revenue and profit growth per year.....	46
Table 4-15: Comparison of financial performance per the target set	47
Figure 4-1: Staff's year of service in ETC and ET.....	25
Figure 4-2: staff's opinion on improvement on team management, Source: Survey data	27
Figure 4-3: improvement on work flow and task assignment.....	28
Figure 4-4: improvements made due to outsourcing for salary and benefits.....	29
Figure 4-5: Improvement on working environment	30
Figure 4-6: OUTSOURCING effect on staff manager relationship	32
Figure 4-7: Improvement on service delivery.....	33
Figure 4-8: Improvement in New service Delivery	34
Figure 4-9: Clustered graph for year of service and status of changes introduced by outsourcing.....	37
Equation 3-1 RAOSOFT'S SAMPLE SIZE CALCULATION FORMULA.....	21

List of Abbreviations and Acronyms

ARPU	Average revenue per user
BPO	Business Process Outsourcing
ET	Ethio Telecom
ETC	Ethiopian Telecommunication Corporation
FT	France Telecom
HQ	Head Quarters
HR	Human Resource
HRO	Human Resource Outsourcing
KPO	Knowledge Process Outsourcing
MCIT	Ministry of Communication and Information Technology
NOC	Network Operation Center
PRO	Project Rollout Office
RBT	Resource Base Theory
RBV	Resource Base View
TCA	Transaction Cost Economics
TEP	Telecom Expansion Project
TPO	Transformation Project office

Definition of Terms

Outsourcing: “the act of obtaining service from an external source” Brown and Wilson (2005)

Management outsourcing: the contracting out of a firm’s management to a third party for a short or long period of time.

Abstract

The objective of this research was to assess the performance gains due to the management outsourcing of Ethio Telecom. This research covered managers from Ethio Telecom, staffs at supervisor and lower level and personnel assigned from MCIT. The samples involved in the study were 320 staffs at supervisor or lower level and 10 managers selected from senior management positions. The staffs were selected using a multi stage stratified clustering method. The study result indicated that the outsourcing of ET management had positive impacts in some of the performance measuring parameters and negative effects in the others. The areas that showed positive improvement due to the outsourcing are branding & marketing, customer handling, development of new services, service delivery and organizational improvements like planning, scheduling and project follow up. In the other hand employee relationship, staff – management harmony, working environment, training and development and support of existing network had been affected negatively. The study result also revealed that the human capacity building in ET during the outsourcing period was weak. Most of the managers and staffs were arguing the knowledge transfer expected from an international service provider was not gained. The inability to sustain the good changes introduced by France Telecom was also mentioned as a short coming. Overall outsourcing of the top management of a company is a huge undertaking which needs a due diligence in decision of outsourcing, selection of a capable service provider, implementation of the outsourcing according to pre defined targets and management of the outsourcing. Hence it is recommended to set up clearly defined and measurable targets before engagement in the outsourcing practice and monitoring the performance on regular basis.

Chapter 1 Introduction

1.1. Background of the Study

The theory of make or buy decision has been in practice since the early 1900's and research papers on make or buy decision has been done as early as 1937. Make or buy decision highly influences not only the short term but also the long term strategies of a company. According to the definition from Basanko D. (2003) make or buy decision is made when a company considers the provision of goods or services internally with available resource or externally with outsourcing. When implemented with a thorough analysis of pros and cons, make or buy decision can reduce costs, enhance core competency and improve efficiency of a company.

Brown and Wilson (2005, p24) define outsourcing as “the act of obtaining service from an external source”. Kern, Willcocks and Heck (2002) also state outsourcing as “Outsourcing is the practice of contracting out or selling the organizations asset, people and/or activities to a third party supplier for a monetary payments over an agreed time period”. according to McIvor (2005, p7)”outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers” Key point is it doesn't include process not done previously. Lee and Hitt (1995, p.836) provide a much broader definition “The reliance on external sources for the manufacturing of components and other value-adding activities” Gilley and Rasheed (2000) stated that decision to outsource is a strategic choice with the potential to cause ripple effects throughout the organization.

Outsourcing a company's operation has been in practice for a long time. Many companies found it beneficial to do so. Some companies outsource their operation to concentrate on their own core competence. In the telecom industry particularly in the operators side outsourcing the management of the infrastructure part is a common practice. Many product vendors have focused on providing such management service for the telecom operators including the number one telecom vendor Ericsson. Some of the reasons companies choose to outsource part or the majority of their operation are gain access to world class capabilities, take advantage of offshore capability, lack of internal resource, improve company focus, etc..

ET is the only company that is providing telecommunications service in Ethiopia. The company has been in existence for more than a century by taking various forms. The company used to be

run by Swedish management. After a period of sometime Ethiopian managers were assigned to take experience in the management where by later on they took over. Through the years the name and the organization of the company have changed a couple of times. Ethio Telecom was named as such after the former Ethiopian Telecommunication Corporation (ETC), which was the name of the telecommunication company starting from 1996 G.C, ceased to exist in November 2010. In 2009 a consultant was hired to study ETC for introduction of structural change to make it a world class telecom company.

1.2. Statement of the Problem

Outsourcing of Top management function to third party has been implemented in some government owned organizations in Ethiopia. ET's Top management has been outsourced to FT for a two years contract in the year 2010 with six months additional extension later on. This paper will assess the effects of top management outsourcing in Ethio Telcom on the performance of the company with respect to finance, service delivery and staff capacity building.

Quinn & Hilmer (1995) states that many literatures written on outsourcing focus on the direct benefits of outsourcing for the implementing companies rather than the strategic potential benefits it might bring. According to them outsourcing has strategic advantage of concentration on core competence rather than doing everything by oneself. Leavy (2004) on the other hand argues than in addition to the focus on core competence outsourcing has other strategic potentials like growing without expanding, ability for disruptive innovation and strategic repositioning.

Due to the repeated outsourcing some managers do not see any risk in deciding to outsource (Lonsdale & Cox, 1997). In real world most supply markets are imperfect and have great deal of risks (Quinn & Hilmer, 1995).

Even though a lot of papers were done on outsourcing, the researcher was not able to identify research papers made on management outsourcing practices in companies other than Hotels. Especially in telecom operators case most of the outsourcing focuses on outsourcing of managed services where by equipment venders build and operate the telecom network. Indian based carrier Bharti Airtel, outsources their technological works to external providers like IBM, Eriksson, HCL technologies and Wipro. Brithish Telecom, one of the biggest operators in

Europe, has also outsourced to InfoSys & Virtusa. American operators are also following the trend with sprint outsourcing its managed services to Eriksson (www.outsourcing.com).

ET is one of the companies that have been in operation for more than a century. The management of ET was outsourced to a foreign operator called France Telecom for 2 years with additional 6 months extension. This paper will assess the effects (either positive or negative) the outsourcing has brought on the performance of Ethio Telecom during the contract period. Performance indicators will be used as parameters to assess the performance.

1.3. Basic Research Questions

The following research questions will be assessed in the research paper

- What improvements have been achieved on building staff capacity during the outsourcing period?
- Did the targets set for the outsourcing has been achieved or not?
- Had the financial performance met the target set in the outsourcing contract?
- What were the good practices learned from the outsourcing?
- What changes have been realized on the service delivery?

1.4. Objectives of the Study

The purpose of the study is to assess the management outsourcing of Ethio Telecom especially the performance evaluation with respect to financial gains, service delivery improvement and staff capacity building:-

1.4.1 General Objective

To assess the management outsourcing effects on the financial, service delivery and staff capacity building performances of Ethio Telecom.

1.4.2 Specific Objective

The specific objectives are:

- Assess the service delivery performance of Ethio Telecom due to the management outsourcing

- Evaluate the staff capacity building performance against the target set by the outsourcing contract
- Compare the financial parameters in the management outsourcing period with the target set for the outsourcing and evaluate the performance.

1.5. Significance of the Study

Management outsourcing had been carried out in some government organizations in Ethiopia. It is believed that different factors contribute to the decision of outsourcing governmental organizations. The outcome of the study will highlight the processes that need be done in management contracting or management outsourcing decision made. It will assist in crafting future similar undertakings with due consideration to the underlying pros and cons. Outsourcing in general and management outsourcing in particular is in its infant stage in Ethiopia. The researcher could not locate any research made in Ethiopian context. The outcome of this study will give ideas for future growth and development of management contracting and encourage research to be made in this area.

1.6. Scope and Limitations

The scope of the study is limited to management outsourcing undertaken in Ethio Telecom during the period of November 2010 to June 2013. The research is limited geographically the Ethio Telecom Head office and the three performance parameters identified earlier. Ethio Telecom zonal and regional offices are not included in the study due to time and resource constraints. The study only assesses the effects on the service delivery aspect from surveyed staff and manager's perspective. The customer side service delivery perception and outcome is not in the scope of this study.

The study faced the following limitations

- Access to company data in required depth was not possible due to confidentiality policy of the company.
- Interviewing higher ET and MCIT officials have been difficult to organize due to staff's engagement in organizational issues

1.7. Organization of the Thesis

Chapter 1: Introduction

This chapter discusses the background of the study, the statement of the research problem, research questions and objectives, scope of the study and significance of the study.

Chapter 2: Literature review and Theoretical Framework

The first section of the chapter provides a comprehensive literature study of outsourcing in General, the pros and cons of general outsourcing activities.

The second section of the chapter provides an Ethiopian Context of outsourcing activities and technical frameworks used in outsourcing activities.

Chapter 3: Research Design and Methodology

Chapter 3 is mainly dedicated in discussing the research methodology used in the study. It includes:- The research methods, techniques and sampling procedures followed to carry out the research work.

Chapter 4: Data Analysis and Research Results

Chapter 4 focuses on the analysis of both the qualitative & quantitative results of the research. Tables, graphs and narratives are used to illustrate the research results.

Chapter 5: Conclusions and Recommendations

This last chapter provides conclusions and recommendations drawn from the research results. The recommendations for further studies are also provided in this chapter.

Chapter 2 Literature Review and Theoretical Framework

2.1. Outsourcing defined

Outsourcing is a buy or make decision made by companies. According to the literature surveyed there are many kinds of outsourcing. It ranges from the small service outsourcing like cleaning service to highly complicated business critical outsourcing like manufacturing outsourcing or Telecom network outsourcing.

There are various definitions of outsourcing in the literature. Among these are Brown and Wilson (2005, p24) who defined outsourcing as “the act of obtaining service from an external source”. Kern, Willcocks and Heck (2002) also defined it as “Outsourcing is the practice of contracting out or selling the organizations asset, people and/or activities to a third party supplier for a monetary payments over an agreed time period. McIvor (2005, p7) on the other hand defines outsourcing as” outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers” according to McIvor the outsourced activity doesn’t include process not done previously. Lei and Hitt (1995, p.836) define outsourcing in a broader way by stating “the reliance on external sources for the manufacturing of components and other value-adding activities”. Gilley and Rasheed (2000) stated that decision to outsource is a strategic choice with the potential to cause ripple effects throughout the organization.

Even though outsourcing may have started in an earlier year the mention of outsourcing appeared in 1978 in the literatures (Kaufman and Galberaith, 1978). The researchers suggested carrying out outsourcing of non core business activities to third parties. In the 1990’s more business critical activities like manufacturing of sub parts and IT (information system) have become attention of academic research. In the year 1990 to 1994 academic papers like Cross (1995); Jones and Capers (1994); Benko and Cathleen (1993); Gupta & Gupta (1992) and (Loh and Venkatraman, 1992) focused on examining the suppliers, studying what criteria has the service set and the determinant factors for the decision in the ir research. Even though the papers discuss about competence and core business the theoretical background was weak.

Outsourcing amounted up to \$ 443 billion in 2008 (Newton- Taylor 2010). It is difficult to find an industry or a firm that does not take part in the outsourcing trend in western countries. Yet its popularity does not imply that every firm benefits from it (Barthelemy 2003). As per KPMG (2007) 42% of 659 surveyed firms indicated that outsourcing have improved their performance with the remaining 58% stating they do not get any improvement on their performance.

Firms started outsourcing in the 1970's with a major wave of outsourcing starting in the early 1990's (Hatonen and Eriksson, 2009). Today firms are outsourcing strategic function in addition to the non core functions that are crucial to their business (Gottfredson et al. 2005; Kartz 2006) such as new product development and front-end process such as customer support

TABLE 2-1 TOP TEN REASONS TO OUTSOURCE

No	Reason
1	Reduce and control operating costs
2	Improve company focus
3	Gain access to world class capabilities
4	Free internal resource for other purposes
5	Resources are not available internally
6	Accelerate reengineering benefits
7	Functions difficult to manage or out of control
8	Make capital funds available
9	Share risks
10	Cash infusion

Source: The outsourcing institute, www.outsourcing.com

Disadvantages of outsourcing

Many factors have been mentioned in the literature concerning the disadvantage of outsourcing the major ones are as described below

A. interfaces economic of scope

Firms may benefit by interfaces of R&D, manufacturing, marketing, etc if all are in house (Kotabe, 1998). If the interface is important outsourcing to different suppliers may diminish the optimal input for the interface

B. Hollowing out

If firms outsource excessively they are hollowing out their competitive advantage (Kotabe 1998) may cause loss of bargaining power against suppliers

C. Opportunistic behavior

According to Williamson (1985) suppliers may become opportunistic and try to gain more benefits from outsourcing company. For example by lowering the product quality or keeping the firm in the dark about the product

D. Rising transaction and coordination costs

When a lot of outsourcing happens the cost of coordination rises Hendry (1995). According to Rottman and Lacity (2006) transaction costs for overseas outsourcing is up to 10 fold from domestic outsourcing

E. Limited Learning and Innovation

Learning by doing cannot be realized if firm outsources the functions that were done internally. Hence leading to lagging behind in innovation. Nooteboom, 1999 appropriation of innovation and rent is always a problem in buyer-supplier relationships because both parties try to benefit more from the relationship.

2.2. Types of Outsourcing

There are multitudes of outsourcing practices in the business market today. Research papers have been written on most of it. According to data from the outsourcer web site the outsourcing functions are broadly categorized under three main outsourcing types. These are technology

service outsourcing, business process outsourcing (BPO) and knowledge process outsourcing (KPO).

Technology service outsourcing: - companies need to keep up with technological innovations because technology evolves overtime. Technologies such as electronic commerce, network infrastructure, applications, telecommunication, web sites, etc changes dynamically and firms might not have the internal capacity to cope up with the change. Due to this fact Firms outsource to third party companies that specialize in such technological innovations.

Business Process Outsourcing (BPO):- outsourcing of operational activities to third party. Operational activities of a company include functions like customer relation management, equipment, accounting, HR, logistics, procurement, security, documentations, Insurance, health care, legal service, manufacturing, media and others. This type of outsourcing is further divided into front office activities like marketing, customer care and technical support and back office activities such as billing, payroll, purchasing, etc

Knowledge Process Outsourcing (KPO):- this category of outsourcing includes outsourcing of advanced company activities to third party. Some of the advanced activities outsourced are management outsourcing, research, analytical skill, technical skills and others.

Human Resource Outsourcing (HRO) is the process of transferring parts of the HRM functions to a supplier outside of the company (Reed, 2001, P 119). Some HR functions like law advice have been outsourced for a long time now. Armstrong (2006) studied that due to complexity of labor law in Australia most organizations outsource to legal firms for the management of HR issues related to the labor law. In another study by Turek et al. 2005, 45% managers surveyed confirmed of outsourcing Payroll function to suppliers.

One of the common outsourcing types is manufacturing outsourcing where by firms outsource the manufacturing of part of their products to third party. Manufacturing outsourcing is defined as “the reliance on external sources for manufacturing components” (Lei and Hitt 1995, P.836). in the 1990’s less than 5% of all manufacturers was outsourcing (Delattre, Hess and Chieh 2003) but just after a period of a decade and half manufacturing outsourcing reached somewhere 70 to 80% (Corbett 2005)

In the years 1995 to 1999 Currie & Willcocks(1998) argues that the number of outsourcing has increased by a considerable amount even though risks involved were raised by several research papers. Earl (1996); Lonsdale and Cox (1997); Lonsdale (1999); Kliem (1999) and Willcocks and Lacity (1999). De Looff(1995) is against outsourcing if the activities has links with other internal activities. Internal innovation capacity diminishing & lack of knowledge building has been raised (Earl 1996; Lonsdale & Cox 1997). Other papers also presented the creation of dependency on the supplier (Lonsdale (1999); Kliem (1999); cross (1995). Ellram and Maltz (1995); Willcocks and Lacity(1999); Lonsdale and Cox (1997) identified hidden costs in outsourcing activities. Outsourcing transaction cost calculation model Ellram and Maltz (1995) were developed.

In the year 2000 to 2004 even though there was an economic down turn outsourcing continued to grow. During this period papers on outsourcing became more descriptive of the process i.e. negotiation, transition, operation and termination Balwin et al (2001); Barthelemy (2001); McIvor (2003). Linddskog (2003) provides a review of the stages in logistics outsource.

Relationship between supplier and outsourcer was also reviewed by Kern and Willcocks (2000); Natorich (2003); Kishore et al (2003); Salonen (2004). Most of the papers stood in the side of the outsourcer with the exception of Levina and Ross (2003) stating the value addition of the supplier to the outsourcer. Several papers in this period argue that the main reason for outsourcing is to reduce costs and staff number Barthelemy and Geyer (2001); Benson and Littler (2002); Baileg el at (2002); McIvor 2003;

One of the driving forces of outsource to third parties is companies identifying and focusing on core competence (Hamel and Prahalad 1994).At the beginning it was services such as cleaning, catering and security which was outsourced but over time it has expanded to include business critical areas such as design, manufacture, marketing, distribution and information system with almost entire value chain open to the use of outside supply (Jennings 1997).

A survey by PA consulting group (1996) found that only 5% of the companies surveyed had achieved “high” levels of benefits from outsourcing while 39% had achieved “mediocre”

benefits (McIvor 2000) Bailey et al (2002) report that companies outsource approximately 10% of turnover with an average cost saving of 11%.

The weight of the research evidence indicates that when well designed and well managed outsourcing reduces operating costs, enhances competitive strategy and enlarges shareholder value. Contracts in the information outsourcing in 1994 worth \$ 11 billion, in 1995 \$ 20 billion and in 1996\$ 33 billion (Loh and Venkatraman 1994; Mcclellan 1996; Gould et al, 1997). A survey in 1997 of more than 600 large companies by the American management association finds that substantial numbers are now outsourcing many internal services.

Some analysts contend that an important source of user value is the firm's access to economics of scale and the unique expertise that a large provider can deliver. Since providers are typically servicing many clients they often achieve lower unit costs than can any single company. Specially providers can also afford to invest more in new technologies & innovative practices than can many user enterprises (Alexander and Young, 1996).

Company value can also be enhanced when management attention is more focused on strategic issues and less on daily operational problems or organizational conflicts (Lei and Hitt,1995; Alexander and young, 1996; Bettis et al,1992; Abraham & Taylor, 1996) (Bruce & Useem) Outsourcing can yield both long term gains and immediate payoffs. When a product or service costs less, it frees up capital for alternative use. Lower cost can also yield better margins and improved cash flows in the short-run.

There was no previous study to state the effect of outsourcing on outsourcers stock price but according to their interview of expertise large and well crafted outsourcing announcements do favorably affect a company's stock price. The researchers also studied effect of strategic alliance on stock price which they found out that there is a stock price rise depending on the type of alliance.

Many studies indicate that outsourcing saves operating cost with the following issues

- Savings are not consistent being higher in the first year and diminishing from there on

- Rapidly changing environment to measure the impact
- Savings are not localized hence aggregating could be elusive

Hence most study results are based on perceived results rather than measured ones. In a study made by Saunders & Colleques (1997) as quoted by (Bruce & USeem) on cost savings of the 129 companies that announced of using outsourcing only 34 responded with 15 not providing their cost figures. The remaining companies claim a cost saving that ranges from 0 – 40%. (Lacity et al. 1996) made a study on 62 companies with 35 of them reporting reaching or exceeding their savings objectives. Similarly (Benson and Ioronimo, 1996) studied 4 companies and at all 4 productivity has improved.

A number of studies like Maltz, 1994 on ware house outsourcing, Domberger and Li, 1995 on cleaning outsourcing agree that outsourcing improves service performance. Company managers widely perceive outsourcing to be a vehicle for achieving strategic goals. Outsourcing makes available a complementary asset or resource that when combined with those of the firm produces synergy that can be profitably exploited. Outsourcing can also provide a way to learn the specialized skills of the provider especially if staff works together (Feeny and Ives, 1990; Kettinger et al, 1994). Three quarters of managers surveyed by American management association confirmed that outsourcing

2.3. Review of previous studies

A lot of studies have been conducted on outsourcing of non core activities of a firm. Outsourced services such as information technology provision, distribution and human resource (Gilley et al 2004; Ngwengama and Bryson 1999; Tiwana 2008). In the contrary, outsourcing of core activities or strategic activities have been given little attention in the literature with few exceptions like Aksin et al. (2008), Ren and Zhou (2008) and Bharadwaj and Roggeveen (2008).

Even though studies have been done on extensively on outsourcing little empirical research exists on the performance implication of the outsourcing decision (Leiblein et al 2002). The little research made on the performance of a firm due to outsourcing is not conclusive. Jiang et al (2007) indicates that outsourcing positively impacts the performance of a firm whereas Weigelt (2009) argues it negatively impacts the performance. Gilly and Rasheed's(2000) study shows that there is no significant impact that outsourcing brings to performance of a firm.

In the globalized and competitive business world firms are forced to disaggregate their value chain into separate pieces and reach for external forces, inputs, partners and markets. Companies hope to reduce costs, risks and gain the benefits of their partners or contractors expertise. Outsourcing is a conscious handing over of a particular value chain activities to external sources. According to a recent research conducted by a global HR and business process outsourcing provider 80 -90 % of HR executives are using HR outsourcing as a solution to major challenges in HR functions such as recruitment and retention. A large scale study carried out in 1999 covering 3964 organizations (each with more than 200 employees) in 15 European countries found that “97 percent of the HR department outsources some of their HR activity.

The outsourcing activity have proven to be effective but brings with it significant risks that must be recognized and managed. In outsourcing the company is relying on someone else to run the business function. If it is not managed properly companies can damage their customers, business and work ethics. Some of the risks involved are inability to deliver the service on time, quality degradation on the product or service provided, the outsourcing transition period taking too long creating a delay on schedules and budget

Some scholars argue that outsourcing can also have a risk of exposing confidential information including business strategies to a third party. When the outsourcing is the top management of the company the risk will be even higher

2.4. Outsourcing Risks

Risks from minor setbacks to disastrous consequences happened in outsourcing has been identified in literatures. The risks may be from suppliers, the business environment and outsourcing organizations themselves. Risks could happen right at the start of the implementation or after many years in to operation (Aron et al, 2005).

Majority of Authors agree that most relevant risks of outsourcing are loss of critical knowledge & competence & risk of dependency (Hoecht & Troff, 2006; Quinn & Hilmer, 1995; Lysons et al, 2006; Lonsdale, 1999; Lonsdale & Cox, 1998).

As described in table 1 above labor- cost savings are the top priority for organizations to engage in outsourcing activity (Industrial week 2006). Research indicates that the cost savings associated with outsourcing of core activities to third party may not be as attractive as they seem (Taddis 2007) the reason being first control costs to safeguard against opportunistic nature of outsourcing provider usually overlooked during the contract negotiations and signing (Williamson 2008) and secondly organizations do not get the exposure to new technologies and techniques for organizational learning if core activities are outsourced (Griffith et al. 2009)

Jim Tompkins from Tompkins international categorizes outsourcing risks in four major categories. These are Strategy Risks, Selection risks, Implementation risks and management risks

2.4.1 Outsourcing Strategy risks:

Outsourcing strategy is the process of determining whether or not to outsource and, if so, what to outsource.

- What to outsource the undesirable functions or core functions;
- Unable to define clear goal and objectives for the envisaged outsourcing;
- Inability for setting baseline including KPI's against which performance will be measured such as costs, service, and value adds;
- Outsourcing in the international market without international operations experience;
- Inadequate business-case development for the outsourcing decision;
- deciding to outsource with incomplete information on costs and processes involved;
- unable to consider impact of outsourcing on other stakeholders including regulatory and environmental agencies;
- ignoring the human relations and labor law requirements;
- Lack of risk analysis and risk assessment planning.

2.4.2 Outsourcing Selection Risks

Outsourcing selection is the process of finding and evaluating potential outsourcing partners.

- Not including enough resources to effectively manage the vendor selection process;
- Lack of a proper internal skill set to effectively manage the selection process;

- Not understanding or leveraging the benefits that a Request for Information (RFI) can have in narrowing the potential provider field before entering the Request for Proposal (RFP) process;
- Not casting one's net widely enough for potential providers of the service, and thus missing good candidates;
- Not involving a variety of perspectives in the selection process;
- Using poorly developed and documented service or product specifications;
- Inaccurate costing of assets that will be transferred to the service provider;
- Not doing business and financial due diligence on potential providers;
- Insufficient knowledge of service provider capacity limitations; and
- Making the selection process a personal, rather than a commercial, decision.

2.4.3 Outsourcing Implementation Risks

Outsourcing implementation is where the relationship between outsourcing partners is defined and established.

- Not establishing an outsourcing relationship that has sufficient flexibility to deal with business fluctuations;
- Initiating an agreement with a service provider that limits flexibility in the future;
- Having an unrealistic timeline for any of the steps of the outsource process, including start-up;
- Poor implementation planning with respect to timing of transition to service provider and demands on the organization;
- Underestimating the time required to negotiate a service agreement;
- Not fully defining an employee transition plan;
- Not getting the operational issues resolved in the service agreement before moving into the legal aspects of the agreement;
- Inadequate planning concerning information systems and interfacing with the service provider;
- Insufficient technology development before implementation; and

- Not training the provider on critical elements of the company product line or on service expectations.

2.4.4. Outsourcing Management Risks

Outsourcing management is the monitoring and evolution of the ongoing relationship.

- Not considering the full impact of an outsourcing agreement on a company's financial condition;
- Lack of internal communication;
- Lack of incentives for provider continuous improvement;
- Not establishing multiple touch points between the company and the provider;
- Lack of a contingency plan for major disruptions at the service provider;
- Not putting a full communication plan into effect, including escalation processes, regularly scheduled meetings, review periods, and employee communication;
- Doing a poor job of managing expectations around the go-live;
- Expecting too much from a provider in the early months after go-live;
- Neglecting to "flex" the relationship as outsourcing requirements evolve; and
- Lack of a formal "lessons learned" roundtable on outsourcing in general, and specifically, in established relationships.

2.5. Theoretical Framework towards outsourcing

Theories developed around outsourcing practice basically lay in three main categories as below

2.5.1 Resource Dependency Approach

For companies to stay alive it is important to examine their structures, work cultures, their relationship with other organizations and their internal relationship within departments (Ataman, 2009:p222). In this respect organizations use their inputs such as money, knowledge, skill, labor, products, and services in order to continue their business activity and stay alive. The resource requirement makes companies dependent on the environment hence external factor forcing organizations what they can do and how they can act. For each organization there are resources that have critical importance and uncertain in provision. For this reason organizations need take

various measures to alleviate the problem of shortage in critical resource and uncertainties (Kocel, 2011, P.352)

Organizations normally strive to achieve the following three objectives with respect to resource dependency (Artuner & Anil, 2012, P.32)

- i) Ownership of critical resource to deny other to get the same
- ii) Secure organization against any future resource dependency and
- iii) Providing long term power and dominance in the market

2.5.2 Transaction cost Approach

Transaction cost theory is based on the analysis of transactions between organizations and other parties outside the organization. (Williams, 2000, P.82). The approach was first put forward by Ronald Coase at the end of 1930's and Oliver Williamson contributed to the development by the book he wrote titled "Market and Hierarchies" published in 1975 (Abdullah Yilmaz & Aykut Beduk, 2013, p739)

Transaction costs are known also as "coordination costs". There are two options to perform an operation in organizations. It is either to produce within the organization or to buy/supply from outside the organizations

Transaction cost approach mainly emphasis on the lowering of cost during the trading of produced goods and/or services with individuals or organizations (Kocel,2011,p.357). rationality and efficiency seeking are on the basis of the approach according to Williamson

Factors that affect transaction costs are bounded rationality, opportunism, being specificity, frequency of operation, and uncertainty (Williamson, 1981, P.553; Williamson, 1999, p.1089)

Outsourcing within the framework of resource dependency approach is seen as and important managerial tool which gives the resources needed for organization as cheaper and free uncertainty (Akay, 2009, P. 11-12; Maydan, 2010, P.22)

2.5.3 Resource Base View

Resource based theory or resource advantage theory or theory of completion was proposed in the marketing literature in the early 1990's. the resource based theory (RBT) is a dynamic process theory of competition that has been used in particular with marketing and strategy penrose (1959). The resource base view (RBV) can be defined as the full capabilities of assets, organizational process, resources, the firm attributes information and knowledge collected by a firm can design and implement strategy. This can enhance efficiency and effectiveness that produce competitive benefit for the firm (Barney 1991). Transaction cost economics primary focuses on governance whereas RBV primarily focuses on production capability and skills in order to achieve competitive benefit and performance. TCA build up on understanding whether in source or outsource is an appropriate activity for the firm (Stratman 2008). TCA explains us those tasks that are not firm specific should be outsourced, whereas according to RBV functions that are not critical to core competence be outsourced (Gilley et al, 2004)

2.6. Outsourcing in the context of Ethiopia

There is no research known to the researcher that is made on outsourcing activities in Ethiopia. This does not mean there are no outsourcing practices in Ethiopia. There are firms outsourcing their non core activities to third parties in Ethiopia. Many organizations including Ethio Telecom outsource their cleaning service to a service provider. Using outsourcing service for security and drivers is also practiced in many organizations. In Ethio Telecom in addition to the above activities the sales of mobile SIM card and air time charging is outsourced to third party service provides.

The government has outsourced the management of few organizations including Ethio Telecom in the last couple of years. The outcome of the outsourcing is yet to be seen.

Chapter 3 Research Methodology and Design

3.1 Research Type

According to Zikmund (2003:68) Research methodology involves the systematic procedures by which researchers start from the initial identification of the problem to its final conclusion. Broadly there are two types of research design: qualitative and quantitative. In recent decades mixed design which is the combination of the two is getting acceptance by researchers. The choice of research design pretty much depends on the nature of the research, the paradigm, the time and resource available, the type of research questions, the audience and etc. Due to the nature of the problem under investigation this study used a mixed research design that involved the collection of primary data from 320 employees who have been working in Ethio Telecom for 5 plus years and 10 managers from various department of the company. In addition to the primary data secondary data is collected from Ethio Telecom's Finance, Personnel and PMO offices which are then analyzed using mathematical or statistical manipulation for the qualitative data and narrative analysis for the qualitative data. The researcher used concurrent mixed methods which helped collect and analyze both qualitative and quantitative data simultaneously. The study result could be generalized to the Ethio Telecom employees in Head office with a possible extension to the overall Ethio Telecom employees after further study.

3.2 Source of Data

According to Morrison (1993:112-17), the quality of a piece of research stands or falls not only by the appropriateness of methodology and instrumentation but also by the suitability of the sampling strategy that has been adopted. Hair, Wolfinbarger, Ortinau and Bush (2008:129) define a targeted population as consisting of the complete group of elements (people or objects) that are identified for investigation based on the objectives of the research. Thus the defined target population of this research study includes Ethio Telecom Head office employees that have been working for 5 or more years in the company and 10 managers working in different departments of the Head office with experience more than 5 years.

Ethio Telecom has 17 divisions and 2 supporting offices that were organized under the chief executive officer which in turn reports to the Board of Directors (BoD). The number of

employees currently working under the company is 12,525 among which 5,676 are working under the head office in different locations in Addis Abeba. The target population i.e Ethio Telecom employees that have a service year of more than 5 years and working in head office are 3,017. The data for the study was obtained from Ethio Telecom personnel office (HRM).

3.3 Data Collection Method

Gerber-Nel, Nel and Kotze (2005:88) identify three primary data collection methods, namely, observation, experiment and survey. Of these methods, this study used the survey research. Surveys can be divided into four major types: personal interviews, telephone surveys, mail surveys and self-administered surveys. The data for this study was gathered through company reports from Ethio telecom, personal interviews with managers and self-administered questionnaires from employees selected by the sampling technique indicated below. The questionnaire respondents to this research were required to fill in the questionnaire distributed to them. However, some staffs included in the sample have not returned the questioner. In summary a response rate of 84.2% was achieved and this means that 320 out of 380 employees selected for the surveyed have responded.

Accordingly the results obtained are:-

TABLE 3-1: RESPONSE RATE FOR SELECTED SAMPLES

Description	Amount
Selected sample for the study	380
Staffs who filled and returned valid questionnaire	320
Response rate	84.2%

Source: Study data

3.4 Sample size

The sample size for surveyed staffs was calculated using the Raosoft sample size calculator with a margin of error of 5%, and 95 confidence levels. The sample size calculator gave a minimum recommended sample size of 341 staffs. However, 380 questionnaires were distributed to provide for non-responses. 10 managers from different divisions were interviewed.

EQUATION 3-1 RAOSOFT'S SAMPLE SIZE CALCULATION FORMULA

$$\begin{aligned}x &= Z(c/100)^2 r(100-r) \\n &= N x / ((N-1)E^2 + x) \\E &= \text{Sqrt}[(N-n)x / n(N-1)]\end{aligned}$$

Source: raosoft.com

Where:

N- is the population size,

r- is the fraction of responses that you are interested in, and

Z(c/100)- is the critical value for the confidence level c.

3.5 Sampling Method

The research study made use of a proportionate stratified sampling method which is a sub type of stratified sampling technique. Stratified sampling method is a probability sampling procedure in which the target population is first separated into mutually exclusive, homogeneous segments (strata), and then a simple random sample is selected from each segment (stratum). The samples selected from the various strata are then combined into a single sample as indicated in the table below. In proportionate stratified sampling, the number of elements allocated to the various strata is proportional to the representation of the strata in the target population. That is, the size of the sample drawn from each stratum is proportional to the relative size of that stratum in the target population. The same sampling fraction is applied to each stratum, giving every element in the population an equal chance to be selected. The resulting sample is a self-weighting sample.

TABLE 3-2: SAMPLE SIZE SELECTED PER EACH DIVISION FOR ETHIO TELECOM HEAD OFFICE

No	Division		Number of population and sample
1	Network	Population	1,045
		Sample	111
2	Customer service	Population	483
		Sample	51
3	Sourcing and Facility	Population	437
		Sample	46
4	Residential marketing	Population	413
		Sample	43
5	Finance	Population	202
		Sample	21
6	Enterprise	Population	81
		Sample	10
7	Information system	Population	72
		Sample	7
8	Human Resource	Population	57
		Sample	6
9	Internal Audit and Legal	Population	48
		Sample	5
10	Marketing & communication	Population	45
		Sample	5
11	Project management & Quality and process	Population	45
		Sample	5
12	TEP office	Population	39
		Sample	4
13	Other support offices (PR, PMO, residential sales, etc)	Population	50
		Sample	6
Total		Population	3017
		Sample	320

Source: Survey data

3.6 Data analysis Methods

Data collection and analysis was carried out by the researcher. Data analysis was done using the Statistical Package for Social Sciences (SPSS) version 17.0 for Windows for the quantitative data collected and a narrative approach is used for the qualitative part. Validity was censured by using experts to evaluate the research instrument for conceptual clarity.

3.7 Ethical Considerations

Babbie and Mouton (2002:522) point out that conducting research requires good ethical considerations. Saunders et al (2009), states that research ethics is the appropriateness of your behavior in relation to the rights of those who become the subject of or are affected by your work. In carrying out the study the researcher should abide by the ethical research principles.

The managers and staff will be informed of the objective of the research project. The supporting letter obtained from Department of Management will be presented. The researcher will make sure that the covering letter contains information about the investigation, the objectives of the measuring instrument, the voluntary participation of the respondents, assurance regarding confidentiality and anonymity, the intention to reveal the findings up on completion of the study and the contact details of the researcher.

Chapter 4 Research Findings and Discussions

4.1 Empirical Findings

4.1.1 The normality of the data

According to Coakes (2005:35) the normality of the data can be determined by using the Kolmogorov-Smirnov test (if the sample size is above 100) and the Shapiro-Wilks test (if the sample size is below 100). If the significance level is greater than 0.05 using either of the two tests, then normality is assumed. This study used the Kolmogorov-Smirnov test to determine the normality of the data because the sample size was more than 100. The significance of the Kolmogorov-Smirnov test was greater than 0.05 in all the tests. This implies that the normality of the data can be assumed.

4.1.2 Reliability of the questionnaire

There were three types of respondents for the study. The first group consists of staffs selected using the sampling technique above to respond to close ended questions. The second groups were ten Ethio telecom managers selected from the various departments who responded to open ended questions in a one to one interview. The third group was a one to one interview made with MCIT assigned staff.

4.1.3 Respondents' Service year, role and expectations

The following three findings indicate the service years of the staffs in ET (including ETC), the change of role of the staff due to the outsourcing and their expectation of the outsourcing outcomes

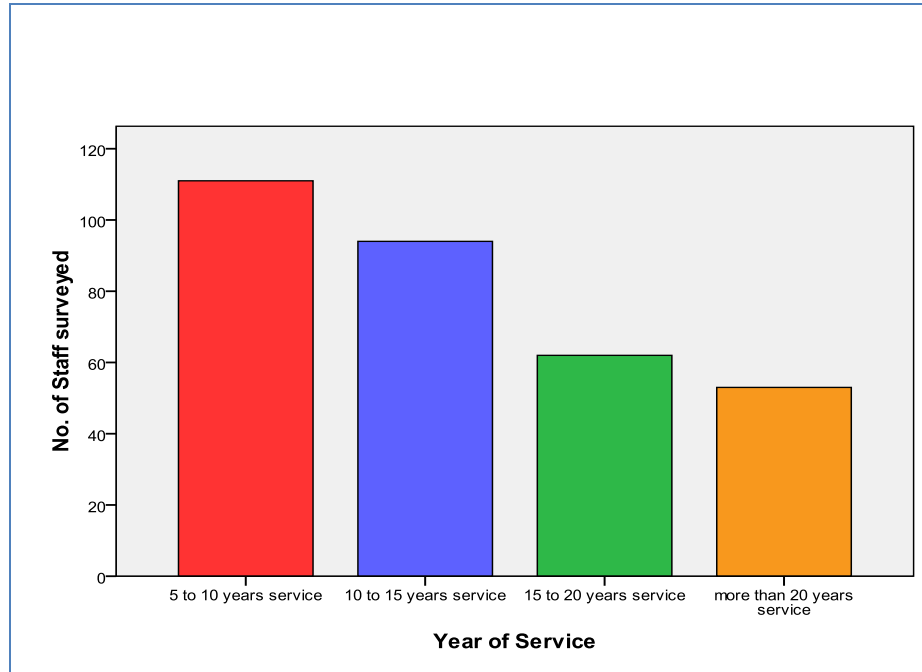


FIGURE 4-1: STAFF'S YEAR OF SERVICE IN ETC AND ET

A total of 380 respondents are selected for the survey by the stated sampling method above but responses are received from 340 staffs. Out of the 340 that responded 320 are valid and used for the data analysis. From the 320 respondents 34.7% have worked in ETC and ET between five to 10 years, 29.4% have been in the company from ten to fifteen years; 19.3% have a service year of fifteen to twenty years while the remaining 16.6% of the respondents have served the company for more than 20 years. 63% of the staffs surveyed have worked a maximum of 15 years with the company which indicates that the majority of the staffs have less than 9 years of service in the ETC.

TABLE 4-1: STAFF'S EXPECTATION FROM THE OUTSOURCING

		Expectation from the Outsourcing			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	positive improvement	254	79.4	79.4	79.4
	no change	43	13.4	13.4	92.8
	drawbacks	23	7.2	7.2	100.0
	Total	320	100.0	100.0	

Table 4-1 above shows that 79.4% of the respondents believed that outsourcing of the top management of the then ETC will bring positive improvement in the company while 13.4% of the surveyed responding with no expectation for any change due to the outsourcing. Only 7.2% of the respondents were anticipating a failure to deliver the required performance level. The result shows that there was high expectation for change to come due to the outsourcing decision.

TABLE 4-2: CHANGE OF STAFF ROLE DUE TO OUTSOURCING

change of role due to the outsourcing				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid very much	92	28.8	28.8	28.8
the same	102	31.9	31.9	60.6
a little	126	39.3	39.4	100.0
Total	320	100.0	100.0	

Source: Survey data

Many research data made on outsourcing revealed that staff lay-off and reshuffling happened. In the Ethio Telecom management outsourcing there was a staff lay-off, according to the data obtained from Ethio Telecom record office there were 13,283 staffs before France Telecom took over and right after the outsourcing the staff number was 8,644 indicating a lay-off for 4,639 (34.9%) staffs. According to the survey data in table 5 above the role or tasks of the staff has not changed for 28.8%, by a little bit for 39.3% of the staffs and huge role change for 31.9% of the staffs. This indicates that even though the company's structure has changed to a great deal the majorities of the staff keep on doing the same role as the before outsourcing.

4.1.4 Organizational and employee related tasks

One of the key performance indicators of this study is to assess the changes introduced in the organization as organizational and staff capacity building changes. Results of the findings with this respect are as below.

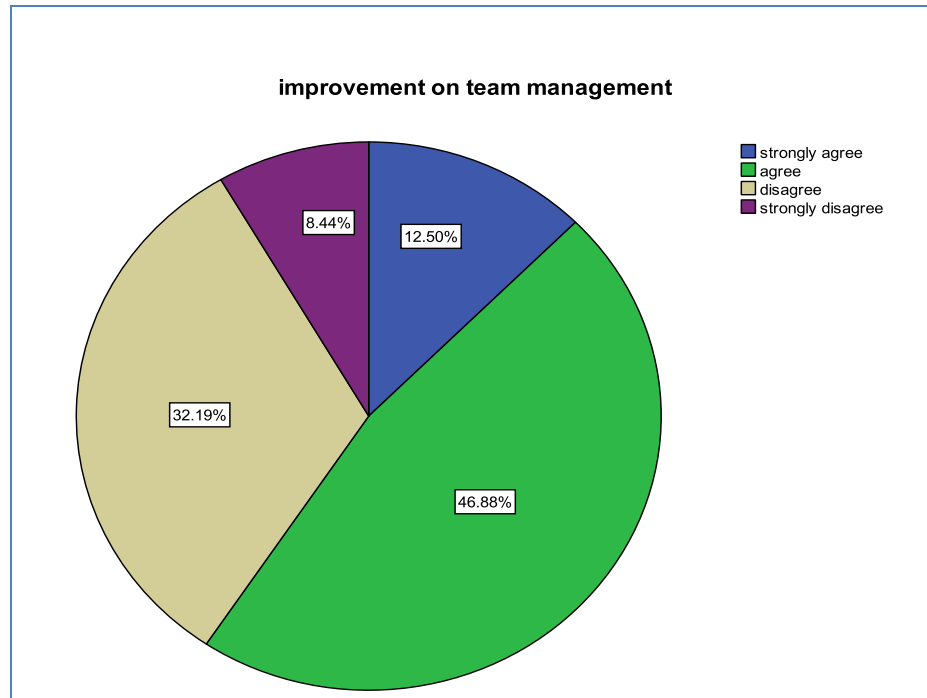


FIGURE 4-2: STAFF'S OPINION ON IMPROVEMENT ON TEAM MANAGEMENT, Source: Survey data

Figure 4-2 above shows that 46.88% and 12.50% of the respondents agree and strongly agree with improved team management due to the outsourcing. The remaining 40.62% of those surveyed either disagree or strongly disagree with the improvement. According to management theory, team management is one of effective way of utilizing existing resource for company competitiveness. The result indicates a positive overall improvement.

TABLE 4-3: OUTSOURCING IMPROVED ORGANIZATION AND PLANNING IN ET:

		Improvement on organization and planning			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	41	12.8	12.8	12.8
	agree	175	54.7	54.7	67.5
	disagree	85	26.6	26.6	94.1
	strongly disagree	19	5.9	5.9	100.0
	Total	320	100.0	100.0	

Source: Survey data

Organization and planning of work activities is one of the key qualities a good management possess. As indicated in table 4-3 above respondents were requested FT's performance with this respect to organization and planning 67.5% of the respondents believe that they have better organization and planning that previous management. The remaining 32.5% disagree with the improvement out of which 5.9 % strongly disagree

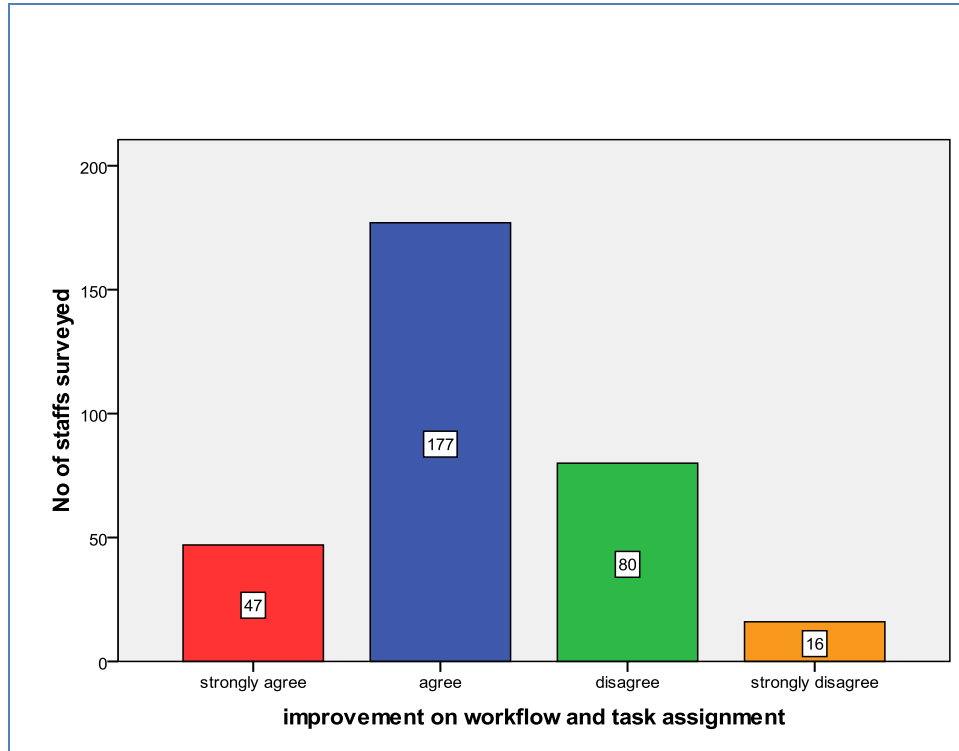


FIGURE 4-3: IMPROVEMENT ON WORK FLOW AND TASK ASSIGNMENT

Figure 4-3 above shows staffs response for witnessed improvements in workflow and task assignment. 70 % of the respondents agree there was improvement in work flow and task assignment by the management while the remaining 30% see no improvement. A clearly defined work flow and task assignment motivates employees for better achievements

TABLE 4-4: IMPROVEMENTS ON EMPLOYEE RELATIONSHIP DUE TO THE OUTSOURCING

		improvement on employee relationship			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	17	5.3	5.3	5.3
	agree	128	40.0	40.0	45.3
	disagree	135	42.2	42.2	87.5
	strongly disagree	40	12.5	12.5	100.0
	Total	320	100.0	100.0	

Source: Survey data

Table 4-4 shows that a little more than half of the respondents 54.7% feel employee relationship which covers grievance handling, communication is affected negatively. On the additional comment part of the questioners a considerable number of respondents indicated that the human resource handling part was very much neglected during France Telecom management period. Job insecurity and lack of transparency were stated as negative impacts of the employee relationship that existed during the outsourcing. The remaining 45.3% believe that employee relations have improved during the outsourcing period.

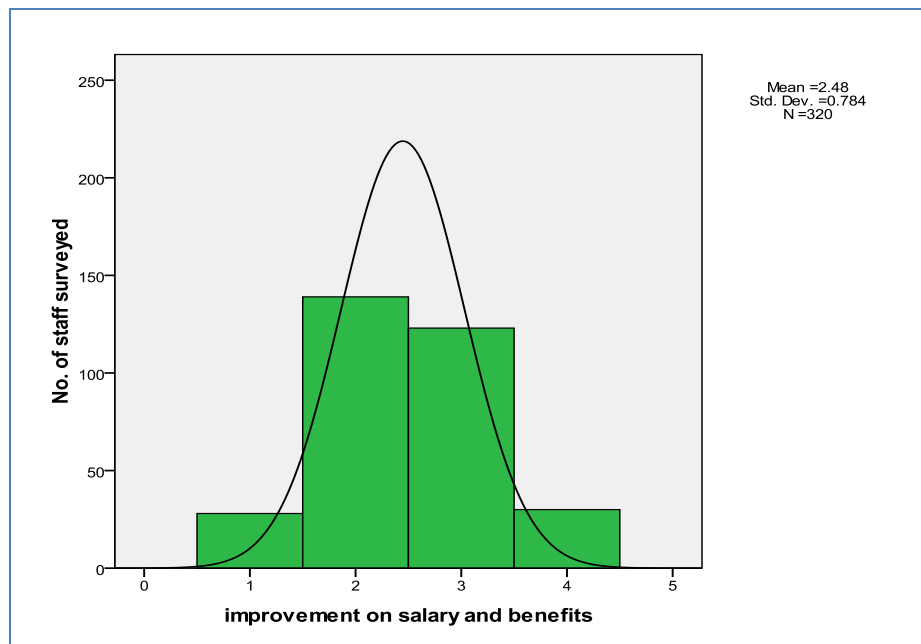


FIGURE 4-4: IMPROVEMENTS MADE DUE TO OUTSOURCING FOR SALARY AND BENEFITS

Source: Survey data

Figure 4-4 show that 52.2% of the respondents confirm the improvement in salary and benefits after the management outsourcing. A considerable percentage i.e. 47.8% believes the improvement in salary and benefit is not worth mentioning as improvement. Salary and benefits are one of the factors that motivate employees to do a better job and stay loyal to an organization. According to the survey result majority of the respondents responded confirming to the improvement.

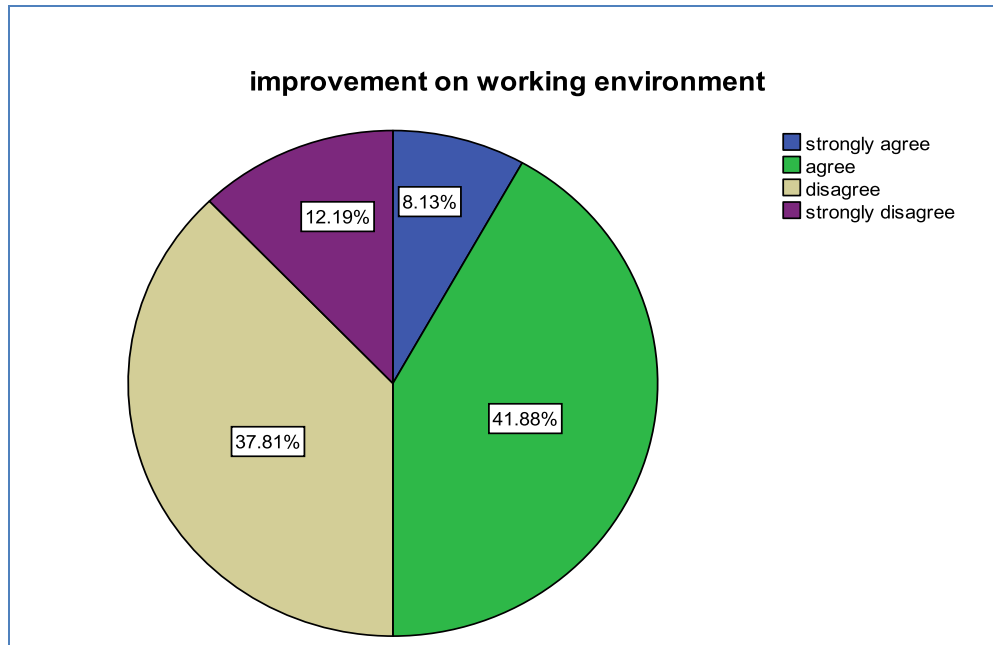


FIGURE 4-5: IMPROVEMENT ON WORKING ENVIRONMENT

Source: Survey data

Working environment is one of the motivational factors for team output Figure 4-5 above shows that 50 % of the respondents agree on the improved working environment due to the outsourcing. A significant number of respondents i.e. 50% claim there is no improvement in the working environment by France Telecom.

TABLE 4-5: IMPROVEMENT ON TRAINING AND DEVELOPMENT

improvement on training and development

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	15	4.7	4.7	4.7
agree	104	32.5	32.5	37.2
disagree	145	45.3	45.3	82.5
strongly disagree	56	17.5	17.5	100.0
Total	320	100.0	100.0	

Source: Survey data

Training and staff development is one of the key factors in having competent human resource. According to modern management theory human resource has become the main factor for a competitive company. With this aspect table 4-5 above indicates that 62.8% of the respondents believe that the training and development program provided by FT is worse than the previous management of ETC. the remaining 37.2% see it as improvement.

TABLE 4-6: IMPROVEMENT ON PARTICIPATION AND INVOLVEMENT

improvement on participation and involvement

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	12	3.8	3.8	3.8
agree	119	37.2	37.2	40.9
disagree	149	46.6	46.6	87.5
strongly disagree	40	12.5	12.5	100.0
Total	320	100.0	100.0	

Source: Survey data

The Theory of management states that modern management is participatory and involves employees in decision making. Survey data in table 4-6 shows that 59.10 % of the respondents believe that the France telecom management is not participatory and they confirmed their

involvement in decision making is very minimal. On the other hand 40.90 % of the respondents believe that the management style after the outsourcing is participatory of the staff.

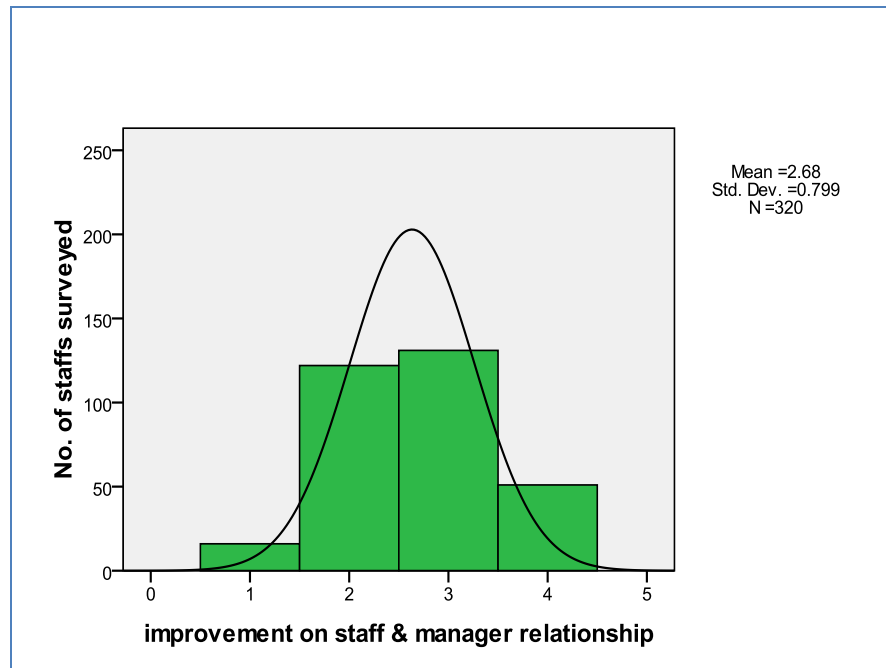


FIGURE 4-6: OUTSOURCING EFFECT ON STAFF MANAGER RELATIONSHIP

Source: Survey data

Figure 4-6 shows that the relationship between staff and managers was not perceived as improvement by 56.8% of the respondents. A considerable number of respondents expressed the relationship as dictatorship on their additional comments. The remaining 43.2% believe there is a good relationship between staff and managers during the outsourcing period.

4.1.5 Service Delivery

One of the performance parameter for this study is assessment of the service delivery. The service delivery is assessed as evaluated by ET staffs. Customer side survey for service delivery is not in the scope of this study but could be studied in future by interested researchers. In this section the overall service delivery, new service delivery, marketing and branding, customer handling and maintenance of existing network were requested from respondents. The results of the survey for each are as below:-

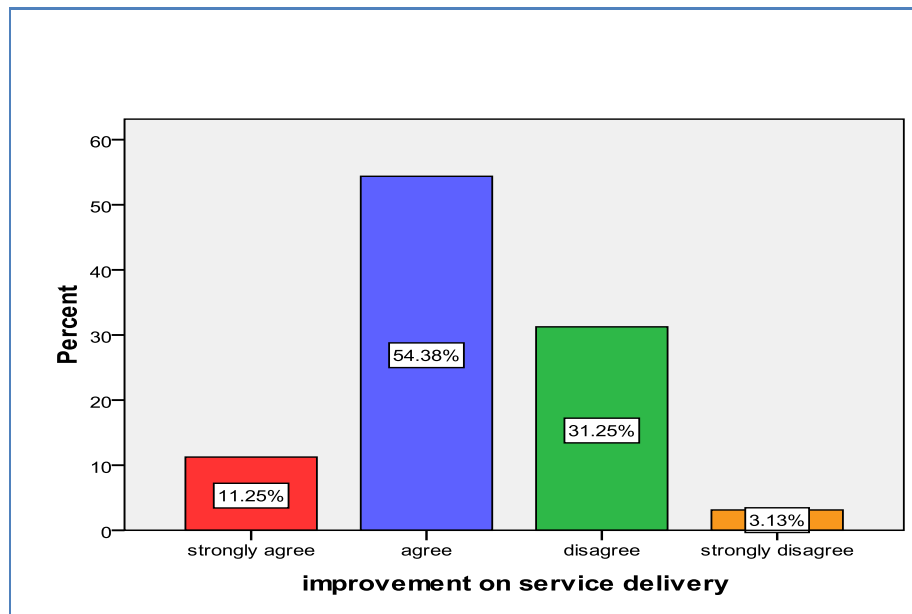


FIGURE 4-7: IMPROVEMENT ON SERVICE DELIVERY

Source: Survey data

Figure 4-7 shows that majority of the respondents i.e. 65.62% agree that the service delivery of Ethio Telecom has improved during the outsourcing period. According to comments on the survey questioner outsourcing of the sales for new services to local partners has improved the performance to a higher degree. The 34.38 % of the respondents do not believe there is improvement on the service delivery of Ethio Telecom because of the outsourcing.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	43	13.4	13.4	13.4
agree	169	52.8	52.8	66.3
disagree	104	32.5	32.5	98.8
strongly disagree	4	1.3	1.3	100.0
Total	320	100.0	100.0	

TABLE 4-7: IMPROVEMENT ON CUSTOMER HANDLING

Source: Survey data

Table 4-7 indicates that 66.2% of the respondents agree that customer handling has improved during France Telecom management. In additional comments on the survey data, France Telecom has re structured the customer interface by creating a separate office for handling of requests from corporate customers. Separation of residential users from business users was also introduced. 33.8% do not agree with the improvement in customer handling.

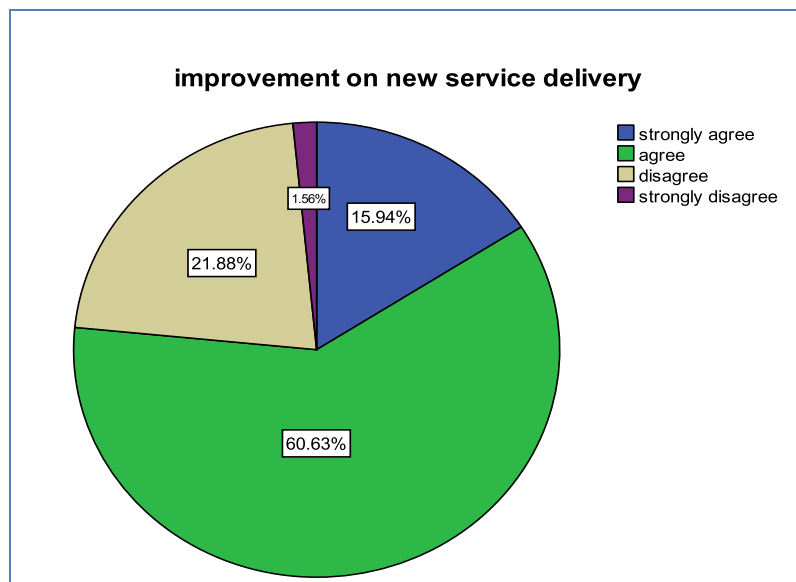


FIGURE 4-8: IMPROVEMENT IN NEW SERVICE DELIVERY

Source: Survey data

Figure 4-8 shows that majority of the respondents i.e. 81.4% agree that the new service delivery of Ethio Telecom has improved during the outsourcing period. According to comments on the survey data outsourcing of the sales for new services has improved the performance to a higher degree. The remaining 18.6% disagree with the improvement of new service delivery.

TABLE 4-8: IMPROVEMENT OF NETWORK MAINTENANCE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	14	4.3	4.4	4.4
agree	108	33.8	33.8	38.1
disagree	159	49.7	49.7	87.8
strongly disagree	39	12.2	12.2	100.0
Total	320	100.0	100.0	

Source: Survey data

Table 4-8 shows that only 38.1% of the respondents either strongly agree or agree the maintenance of the existing telecom network has improved. The majority of the respondents 61.9% disagree with any improvements made on support and network maintenance. They argue that FT has ignored existing network specially fixed network and focused on the quick wins of increase revenue by addition of more mobile subscribers.

TABLE 4-9 : IMPROVEMENT ON BRANDING AND MARKETING

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	76	23.8	23.8	23.8
agree	192	60.0	60.0	83.8
disagree	40	12.4	12.5	96.3
strongly disagree	12	3.8	3.8	100.0
Total	320	100.0	100.0	

Source: Survey data

Majority of the respondents agree that one of the areas whereby improvement is achieved with France Telecom management is the branding and marketing strategy. Table 4-9 shows that 83.8% agree that the branding and marketing activities of the company have changed enormously during the outsourcing period. Most of the respondents have commented that one of the areas whereby significant change has occurred with the outsourcing is marketing. The others were internal communication, sales and customer management. Few respondents i.e. 16.2% believe that there is no improvement in the branding and marketing of Ethio telecom due to the management contracting.

4.1.6 Overall company change

Staffs were requested to tell their overall assessment of the outsourcing by responding to the two questions included in the questioner. One was to assess the overall change with respect to previous ETC management and the other to weight the outsourcing outcomes as either positive or negative. The responses are as indicated below. To show the relationship of service years with the responses given for the above two questions a cross tabulation is made.

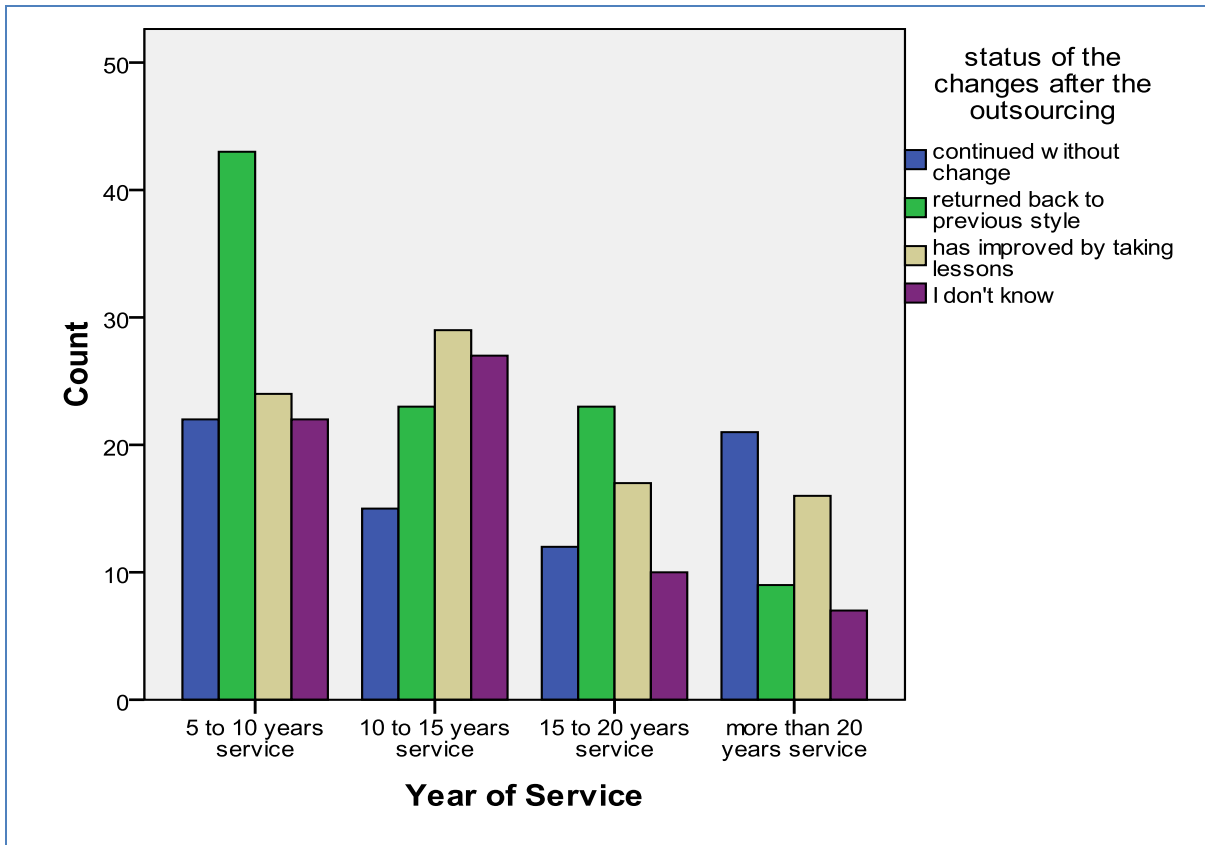


FIGURE 4-9: CLUSTERED GRAPH FOR YEAR OF SERVICE AND STATUS OF CHANGES INTRODUCED BY OUTSOURCING

Source: Survey data

Figure 4-9 shows that for staff with a service year of 5 to 10 years 19.8% believe the management style introduced by France telecom has continued; 21.7 % confirmed it has improved after the outsourcing is completed. 38.7% staffs in this category believe that the management improvement is not sustained hence old company style is back. The remaining 19.8% were not able to say which one of the three options had happened. For this service year category an aggregate of 41.5% believe the company is in better shape than before the outsourcing.

For staff with a service year of 10 to 15 years 16% believe the management style introduced by France telecom has continued; 30.9 % confirmed it has improved after the outsourcing is completed. 24.5% staffs in this category believe that the management improvement is not sustained hence old company style is back. The remaining 28.6% were not able to say which one of the three options had happened. For this service year category an aggregate of 46.9% believe the company is in better shape than before the outsourcing.

For staff with a service year of 15 to 20 years 19.4% believe the management style introduced by France telecom has continued; 27.4 % confirmed it has improved after the outsourcing is completed. 37.1% staffs in this category believe that the management improvement is not sustained hence old company style is back. The remaining 16.1% were not able to say which one of the three options had happened. For this service year category an aggregate of 46.8% believe the company is in better shape than before the outsourcing.

For staff with a service year more than 20 years 39.6% believe the management style introduced by France telecom has continued; 30.2 % confirmed it has improved after the outsourcing is completed. 17% staffs in this category believe that the management improvement is not sustained hence old company style is back. The remaining 13.2% were not able to say which one of the three options had happened. For this service year category an aggregate of 59.8% believe the company is in better shape than before the outsourcing.

Overall According to the survey data only 26.9% of the respondents believe that Ethio Telecom has improved after the management contract is concluded. The 21.9% believe that Ethio Telecom has sustained the changes implemented by France Telecom. A considerable number of respondents i.e. 30.6% have said the change was reversed to the pre outsourcing state. The remaining 20.6% have no say or information on the subject of discussion.

TABLE 4-10: CROSS TABULATION OF YEAR OF SERVICE VS WHICH OUTWEIGHS IMPROVEMENT OR SHORTCOMINGS

Year of Service * which outweighs improvements or shortcomings Cross tabulation							
		which outweighs improvements or shortcomings					
		strongly	agree	disagree	strongly	Total	
		agree	agree	disagree	disagree		
Year of Service	5 to 10 years service	Count	10	53	32	16	111
		% within Year of Service	9.0%	47.8%	28.8%	14.4%	1.0E2%
		% within which outweighs improvements or shortcomings	62.5%	32.5%	28.3%	57.1%	3.5E1%
		% of Total	3.1%	16.6%	10.0%	5.0%	3.5E1%
10 to 15 years service	10 to 15 years service	Count	2	59	29	4	94
		% within Year of Service	2.1%	62.8%	30.9%	4.3%	1.0E2%
		% within which outweighs improvements or shortcomings	12.5%	36.2%	25.7%	14.3%	2.9E1%
		% of Total	.6%	18.4%	9.1%	1.3%	2.9E1%
15 to 20 years service	15 to 20 years service	Count	0	36	22	4	62
		% within Year of Service	.0%	58.1%	35.5%	6.5%	1.0E2%
		% within which outweighs improvements or shortcomings	.0%	22.1%	19.5%	14.3%	1.9E1%
		% of Total	.0%	11.3%	6.9%	1.3%	1.9E1%
more than 20 years service	more than 20 years service	Count	4	15	30	4	53
		% within Year of Service	7.5%	28.3%	56.6%	7.5%	1.0E2%
		% within which outweighs improvements or shortcomings	25.0%	9.2%	26.5%	14.3%	1.7E1%
		% of Total	1.3%	4.7%	9.4%	1.3%	1.7E1%
Total	Total	Count	16	163	113	28	320
		% within Year of Service	5.0%	50.9%	35.3%	8.8%	1.0E2%
		% within which outweighs improvements or shortcomings	100.0%	100.0%	100.0%	100.0%	1.0E2%
		% of Total	5.0%	50.9%	35.3%	8.8%	1.0E2%

Source: Survey data

According to table 4-10 for staff with a service year of 5 to 10 years 9% strongly agree there are more positive changes due to the outsourcing than the shortfall. In addition 47.8% agree positive changes outweigh. The remaining 28.8% and 14.4% disagree and strongly disagree respectively with the request of improvements outweigh shortfall. In summary for this category of service years 56.8 % see the outsourcing as bringing positive impact on the company.

For staff with a service year of 10 to 15 years 2.1% strongly agree that there are more positive changes due to the outsourcing than the shortfall. In addition 62.8% agree positive changes outweigh. The remaining 30.9% and 4.3% disagree and strongly disagree respectively with the request of improvements outweigh shortfall. In summary for this category of service years 64.9 % see the outsourcing as bringing positive impact on the company.

For staff with a service year of 15 to 20 years 58.0% agree there are more positive changes due to the outsourcing than the shortfall. The remaining 35.5% and 6.5% disagree and strongly disagree respectively with the request of improvements outweigh shortfall. In summary for this category of service years less than half of the respondents i.e. 58% see the outsourcing as bringing positive impact on the company.

For staff with a service year of more than 20 years 5.0% strongly agree there are more positive changes due to the outsourcing than the shortfall. 50.9% agree positive changes outweigh. The remaining 35.3% and 8.8% disagree and strongly disagree respectively with the request of improvements outweigh shortfall. In summary for this category of service years less than half of the respondents i.e. 55.9 % see the outsourcing as bringing positive impact on the company.

Aggregating the results from all categories of service year 55.9% of the respondents believe that there is an improvement in Ethio Telecom due to the outsourcing of the Top management of the company to France telecom. The remaining 45.1% believe that the negative outcomes of the outsourcing are higher than the positive outcomes. In the additional comments responded they believe the consulting fee paid for the outsourcing does not justify the gains from the outsourcing.

In summary the findings of the survey from the staffs collected through survey questioners show that the management outsourcing has brought remarkable changes in Branding and Marketing (86.7% agrees to its improvement); New service Delivery (81.4% agrees to its improvement);

Work flow and task assignment (75.7% agrees to its improvement); organization and planning (73.3% agrees to its improvement), and Customer handling (72.4% agrees to its improvement). The result also indicates that Telecom Network maintenance (with only 37.6% voting for its improvement), Training and development (with 42.3% voting for its improvement), employee relationship (with 42.4% voting for its improvement) and staff management relationship (with 44.3% voting for its improvement) are affected by the outsourcing decision. Parameters such as working environment (58.5% agreeing to its improvement), participation and involvement (50.5% agreeing to its improvement), salary and benefits (60% agreeing to its improvement), team management (63.33% agreeing to its improvement) and service delivery (67.62% agreeing to its improvement) indicate improvements due to the outsourcing decision according to the survey data.

4.2 Narrative of Manager's interview

One of the methods chosen for assessment of the human capacity building is to do a qualitative research by doing personal interview with selected representative managers of the company. During the selection of the managers effort was made to include managers from different divisions and years of service. Purposeful selection is used to ensure the representativeness of those interviewed managers at least division wise. Considering the time available for the research 10 managers were selected for the personal interview

All the ET Managers who were interviewed for the study have been working in Ethio Telecom for more than 10 years. The year of service ranges from 12 years to 25 years of service. All except one of them were in management position before, during and after the outsourcing of the company.

Most of the managers interviewed are in senior managerial positions in their respective offices. Out of the managers interviewed only 2 (20%) are aware of the outsourcing process conducted. The remaining 80% said they have heard of the rumors of outsourcing but they were not official informed of the outsourcing until it finally happened. The managers involved in the process of the outsourcing strongly believe that the outsourcing was the only option available to transform the company. Well before the outsourcing decision the then ETC was investing a lot in the expansion of its network and subscriber base. To match the expanding company the government decided to form a Transformation Program Office that worked with a foreign consultant to study

the overall business process, working environment, corporate culture, work flow and process of ETC. according to the managers involved in the study it was clear that the developed system could not be implemented with the existing human resource capacity in the company. After consultation with the consultants and the government, it was decided to outsource the management of the company for a fixed period of time to train managers that could change the company to a world class telecom company. Accordingly an international bid was floated to invite world class telecom operators to do the management contract for ET which have resulted in awarding the contract to France Telecom.

All of the managers agree France telecom had introduced a number of changes that were new to the previous management. Among these new introductions are the promotion, branding and restructuring of the marketing system including the change of the long existing logo of ETC, the e-mail based communication system internally, making the company business oriented including creation of partnership with local companies in sales of the products; activity planning, scheduling and reporting in pre defined manner, and attitudinal change within the managers.

At the time of outsourcing there were a lot of layoffs (34.9% of former ETC employees were layoff) for employees and managers were requested how it was handled and whether they were involved in that.

All the managers interviewed responded that the managerial position was filled by FT's decision only as far as their knowledge goes. All qualifications of managers at the time of FT taking over given to managers assigned by FT and they have selected managers based on the data they have. After the managers are selected they selected the supervisors that immediately work under them. Even though the managers stated the selection was made based on pre defined qualification most of the staff surveyed for this study complained about selection based on relationship rather than merit.

9 out of 10 of the managers said their role and decision making power has diminished after the outsourcing practice. According to their explanation that is because of the centralized structure France Telecom was using. Even if decisions are made fast they were centralized and mostly carried out by FT's personnel.

Since these managers were the ones supposed to take over the management when the outsourcing is completed they were asked what good management practice they have adopted from France Telecom. The response from all of the managers is the ease of internal communication introduced, the ERP and the e-mail system; the dedication of the France Telecom managers to introduce the culture of task planning, scheduling, monitoring and controlling. According to the managers they will not take any excuse for unmet plans. Plans are made to be executed and reporting of the tasks done on a regular basis is a must requirement for the managers.

Almost all the managers have identified the shortcoming of the France Telecom management style as being that of dictatorship. One of the managers believe that in addition to their dictatorship they are focused on short term goals than long term goals of the company. Fixed network part was totally forgotten only focusing on the mobile network part. Their main target was revenue generation in the short term.

All of the managers interviewed were not involved in evaluating the performance of France Telecom assigned managers but they are aware of the certain KPI's like financial target, customer number target, etc that need to be achieved to be paid or penalized. The evaluation of their performance is made at board of director's level.

All of the managers agree on the continuation of the ERP, e-mail system and marketing system after the France Telecom management left but the decision making delay, lack of coordinated planning and keeping deadlines has slipped back to the old system. Only one of the 10 managers interviewed argue that the changes introduced by France Telecom not only has sustained it is improved by a great deal after wards.

9 of the 10 managers interviewed believe that skill transfer was not made as it was expected, they argue that one of the reason for the outsourcing, if not the main reason, is to build the capacity of the managers that will overtake the management. That they believe is not achieved at all. They give various reasons for the failure of the knowledge transfer.

1. Succession plan was not prepared:- 8 of the managers believe that ET has not prepared a well debated and documented succession plan after the end of the outsourcing period
2. Uncertainty in the future:- 6 out of the 10 managers were not confident of who will take over the managerial positions due to previous experience of layoff. They argue that

experienced managers were assigned as ordinary employee during the FT overtakes and the same could happen again.

3. France Telecom personnel focus on their own interest:- 7 of the 10 managers believe that France Telecom personnel were more focused on FT's future interest of becoming an operator in Ethiopia than transferring a knowledge to the Ethiopian managers. Even though the managers has introduced new things they have not transferred the skill to the respective ethio telecom managers as expected hence some good practices under France Telecom management has slipped back to old ways of doing things.

The managers have different views on the decision of the outsourcing and the outcome gained. Two of the manager's i.e. 20% think that it was the only option the government had to overall the company. The previous ETC was inefficient organization and to uplift the company to world class operator it was not possible with the existing management and human resource and hence they believe it was 100% the right thing to do to outsource. These two managers also believe that the changes made by France Telecom have helped Ethio Telecom become a better operator. 40% of the managers 4 in number believe that it was a waste of time and money to outsource the corporation. They argue that the changes that we see today could be achieved with internal capacity. Except for the on line communication system and marketing system they believe the other changes made are not worth listing as it went back to the old system. They also argue that one of the targets of France telecom is to introduce efficiency and reduce the head count but currently the staff number is almost similar to the before France Telecom figure. According to the data from ET personnel office the number of current employees in ET is 12,525 where as it was 13,283 in ETC right before the outsourcing. The percentage difference with the head count has significantly increased from 34.9% difference in 2010 to 5.7% difference in December 2015. 40% managers are supportive of the outsourcing with some reservations. They believe that ET has not benefited well from it. Especially the continuity and managerial capacity building part is not met according to them.

4.3 Analysis of the financial statement

This part of the analysis is based on the financial report obtained from Ethio Teleocm. The company's financial data starting from 2011 onwards was not available for review since it is still under auditing. The researcher has tried to extrapolate the financial data by analyzing the

subscriber number and trends of the financial data for the four years provided. Even though it will not be an exact figure it is believed that the error margin is small.

TABLE 4-11: NUMBER OF SUBSCRIBERS FOR THE THREE MAIN SERVICES PROVIDED BY ETHIO TELCOM

	Fixed Line subscriber number	Mobile subscriber number	Internet Subscriber number
2008	897,287	1,954,527	32,606
2009	915,058	4,051,703	53,975
2010	910,353	6,677,903	189,185
2011	854,412	10,526,190	128,764
2012	804,635	17,257,480	2,887,114
2013	790,168	23,756,607	4,349,711
2014	813,410	28,307,662	6,168,046

Source: Ethio Telecom PMO office

The number of subscribers in fixed network has not shown improvement in the period from 2008 to 2014. In fact the subscriber number decreased from 2009 till 2013. As shown in the table below even if the number of subscriber started to increase in 2014 it is still below the starting point of the year 2008. France Telecom started the outsourcing in October 2010 and it can be clearly seen that the subscriber number for fixed telephone has seen a big decrease in the year 2011 and 2012. This result is in agreement with the survey result from the staff and management. Fixed network expansion was not given due attention.

TABLE 4-12: PERCENTAGE CHANGE FOR NUMBER OF SUBSCRIBERS FOR THE THREE SERVICES

Year in G.C	2008	2009	2010	2011	2012	2013	2014
% increase or decrease in Fixed network subscriber number from previous year	-	1.98	-0.5	-6.14	-5.8	-1.8	2.9
% increase or decrease in Mobile subscriber number from previous year	-	107.3	64.8	57.6	63.9	37.6	19.1
% increase or decrease in Internet subscriber number from previous year	-	65.5	250	-31.9	2142	50.6	41.83

TABLE 4-13: INCOME STATEMENT REPORT FOR ETHIO TELECOM

In million birr

Item No	Description	Year 2008	Year 2009	Year 2010	Year 2011 (estimated)	Year 2012 (estimated)	Year 2013 (estimated)	Year 2014 (estimated)
1	Revenue							
1.1	Urban+ inter – urban	1,728.3	848.04	835.36	768.97	712.91	689.03	698.72
1.2	Telegraph + Telex	13.52	12.20	26.60	15.58	21.22	15.58	15.58
1.3	Mobile	2,220.52	3,076.87	4,398.40	5,884.41	8,197.30	9,573.91	9,681.22
1.4	Internet	146.04	84.97	184.73	125.73	1,409.59	2,123.68	3,011.45
1.5	International	-	972.58	1,403.10	1,187.84	1,295.47	1,134.02	1,053.30
	Total	4,108.40	5,097.76	6,848.20	7,982.53	11,636.49	13,536.22	14,451.27
2	Operating expense	555.81	632.22	1,822.52	2,454.74	4,277.26	4,909.48	5,541.70
2.1	Gross operating profit	3,552.60	4,465.54	5,025.67	5,527.79	7,359.23	8,626.74	8,909.57
2.2	Other income	43.60	84.97	64.79	57.86	61.32	59.59	60.45
	Total	3,596.21	4,550.51	5,090.46	5,585.65	7,420.55	8,686.33	8,970.02
3	Expenses							
3.1	Administrative	736.71	871.87	1,297.73	1,881.70	2,446.21	3,180.07	4,134.09
3.2	Borrowing costs	84.2	51.60	92.90	102.20	112.40	129.28	139.62
3.3	Provision for doubtful debts	6.5	7.20	9.87	11.37	12.87	14.37	15.20
3.4	Loss on foreign exchange	95.97	576.68	2,079.70	1,079.70	1,079.70	1,079.70	1,079.70
	Total		1,507.35	3,480.20	3,074.97	3,651.18	4,403.39	5,368.61
4	Profit before Tax	2,672.4	3,043.15	1,610.26	2,510.68	3,769.07	4,282.94	3,601.41
	Tax expense	804.2	914.16	486.42	753.20	1,130.72	1,284.88	1,080.42
5	Profit for the year	1,868.2	2,128.99	1,123.84	1,757.48	2,638.35	2,998.06	2,520.99

Source: Ethio Telecom Finance office (for the years from 2008 to 2010)

TABLE 4-14: COMPARISON OF REVENUE AND PROFIT GROWTH PER YEAR

Year in G.C	2008	2009	2010	2011	2012	2013	2014
% revenue change from previous year	-	24.80	33.40	16.31	45.50	16.20	6.70
% profit change from previous year	-	13.96	-47.2	56.4	50.1	13.62	-15.9

Source: Income statement

According to the financial data analysis in table 4-14 the percentage of revenue increment on a yearly basis shows a positive value. In the year 2011 and 2012 the % of revenue increase is 16.31% and 45.50 % showing a very good performance in the 2012 budget year. The increase in revenue could be attributed to the investment on network expansion by the government and marketing strategy adopted by France telecom. But the researcher was not able to identify what percentage of the increase is from expansion of the network and what percentage from the enhanced marketing strategy. As it can be seen from table 4-12 above the number of mobile subscribers has increased by 2,626,200 in the year 2011 and by 6,731,290 in the year 2012.

The profit performance for the two years of the outsourcing period shows better performance than any of the years. In 2011 the improvement from previous year is by 56.40% and in 2012 it was 50.10 %.

TABLE 4-15: COMPARISON OF FINANCIAL PERFORMANCE PER THE TARGET SET

	2010	2011	2012	2013	2014
Revenue (target value)	6,848.20	9,911.00	16,313.00	20,058.00	22,016.00
Revenue (actual value)	-	7,982.53	11,636.48	13,536.20	14,451.27
Performance against the target value		80.6 %	71.3 %	67.5 %	65.6 %
Profit (target value)	1,123.84	2,221.0	3,510.0	5,633.0	5,866.0
Profit (actual value)		1,757.5	2,638.3	2,998.1	2,521.1
Performance against the target value		79 %	75 %	53.2%	43 %

According to the data in table 4-15 above both the revenue and profit targets set are not met by France Telecom. In 2011 financial performance 80.6% of the revenue target and 71.3% of the profit target were met hence showing a shortfall on the performance. Similarly in 2012, 79% of the target for revenue and 75% of the target profit are met. Overall the financial performance shows that the target set by Ethio Telecom is not met.

Chapter 5 Conclusion and Recommendations

5.1 Major Findings

The result of the research shows that, the outsourcing of Ethio Telecom management to France Telecom has improved in some areas of the company. The majority of the survey results (86.7%) from the staff and interview result from all the managers agree there is a remarkable change in Marketing and branding strategies of the company. According to their views France Telecom management was a business focused management hence it was trying to grow the client base by using local business to sale the products of the company.

The research result also indicates that there is considerable improvement in the service delivery of the company. The improvement on new service delivery could be stated one of the better performing functions with 81.4% confirming it. Other service delivery functions have been also commented as improvements by the majority of the respondents with 67.6% voting for it.

The result show that the France telecom management have done better job in structuring of the company functions. In the discussions it was confirmed that the service part and other functions of the company were separated for better management. With this respect 63.3% of the surveyed confirmed improvement on the team management, 73.3% confirm better organization and planning and 75.7% agree the work flow and task assignment was much better than previous ETC management.

The research result also indicated that the outsourcing has brought better customer handling strategies. One of the actions taken with this regard is the segregation of residential clients and corporate clients. The class categorization has helped the company to give better support for the corporate customers that generate better revenue. The management has gone as far as assigning account managers who will follow and handle requests from key corporate customers. In the survey result 81.4% of those requested has confirmed an improved customer handling system. All the managers interviewed agree with the improvement of customer handling.

In additional comments given by most of the surveyed staff and all managers interviewed it was agreed that the internal communication of the company has been revolutionalized. Due to the implementation of e-mail based system communication within department and with other departments had become fast. These change from paper based to e-mail based communication

has assisted in making fast decisions, updating status reports, following up work activities and integrating tasks of various departments.

The response from both the staff and management reveal that work flow and task assignment, organization and planning, scheduling of work activities, reporting and meeting deadlines for assigned tasks were some of the major positive achievements gained from the outsourcing. They agree that the strict follow up planning made by the management have assisted better achievements for the company.

Even though some of the respondents indicated there is improvement on existing network maintenance and support the majority of the respondents i.e. 80% all of the managers agree there was a shortfall on the support of existing infrastructure. Most of the managers believe that this is due to France Telecom's focus on generating business by sales of more mobile customers. Almost all of the respondents and managers agree that the fixed network infrastructure of the company was ignored by the management. The annual data collected from the company also reveals this, throughout the two and half years of the outsourcing fixed network has lost 11.6% of the already existing subscriber whereas the mobile network grew by 158.4%.

The result from the financial analysis indicates that there is a very good improvement in the revenue and profit of Ethio Telecom in the outsourcing period. Some of the managers argue that even though the marketing strategy of France Telecom has helped the company generates more income most of the credit for the boost in revenue should go to the government's decision to invest a lot on expansion of the telecommunication infrastructure.

One of the key targets for the outsourcing decision was the capacity building of internal staff both at managerial level and lower levels. According to the survey result focus given on training and development was weak with 57% agreeing that it was not better than previous ETC management. The staff management relationship and the employee relationship are also indicated as underperforming by most of the staff. Most of the managers do not believe they have gained a tangible knowledge from France Telecom Management. They feel that the succession plan was not well thought after by the outsourcing body. In addition to poor knowledge transfer skim majority of the staff and most of the managers i.e 70% believe that assignment of managers for the succession was not appropriate. They feel that personal

relationships and political affiliation had more precedence than qualification and industry experience.

From the interview with the managers all of them agree that the management style of France Telecom was dictatorial. According to management theories dictatorial leadership is expressed by decision going only one direction. The decision was also stated as centralized forcing the company to depend on decision from the center even for small decision. Regional offices that had a better mandate before the outsourcing are now dependent on the central office or head office for most of the business decisions.

5.2 Recommendations based on major findings

Based on the results and observations of the research the following recommendations are given:

- i) According to the research made in the make or buy decisions previously major care should be taken during the decision. Even though outsourcing of some functions of a company such as Human Resource, Payroll, accounting, IT, Logistics, manufacturing, etc are practiced world wide it is not common to find management outsourcing. From the literature review it was evident management outsourcing is mainly practiced in the Hotel industry, the outsourcing practice mostly carried out in the Telecom Industry is that of managed services where by operators hire equipment suppliers to install and manage the telecom infrastructure. The management of a company is a strategic decision making body whereby all company related issues are accessible. One of the risks identified by literatures revised is letting a third party know company confidential information. Of all outsourcing type's management outsourcing is prone to this risk. Hence a decision to outsource a management should analyze the risks involved in depth.
- ii) It is almost a majority's agreement that the business orientation of Ethio Telecom has changed for the better due to the outsourcing. The exposures gained in developing marketing strategies including product development, customer handling, service tracking, using of local firms for sales of products have been sustained even after the outsourcing period is completed. Policy makers can take this best practice of customer handling and expand it to public institution. Ethio Telecom is using a ticketing system to track and follow customer

request which assisted them to follow up status of tasks easily. It has also created responsibility and accountability which could be expanded to other public institutions.

- iii) During the interview it was noted that the outsourcing decision was made to bring Ethio Telecom to world class operator and it was believed there was no enough internal capacity to lead towards the vision. Even though the ambition was commendable the target was not met in developing the internal capacity by making the knowledge transfer. A proper measurement mechanism to insure knowledge transfer is done vis-à-vis assigning potentially competent managers to overtake the task should have been done. Policy makers should focus on urging companies like Ethio Telecom to develop clear qualification and experience requirements for their managerial level assignments. A technology company like that of Ethio Telecom should have managers that are dynamic enough to the ever changing technology world. Ethio Telecom and policy makers should once again focus on the capacity building aspect of managers, which most agree was not met with the outsourcing.
- iv) Recent management theories indicate that competitiveness of a company highly depends on its human resource competence. Some of the factors that contribute to competent human capital are training and development, better working environment and good employee relationships. The research had indicated shortfall in this areas hence the government in general and Ethio Telecom management in particular should focus on building capacity. In technology driven companies such as Ethio telecom upgrading staff qualifications on a regular basis is the only option to stay competent.
- v) Lack of transparency and awareness creation shortcoming has been commented by number of staffs and some of the managers. They feel that they were kept in the dark about the company's fate and future strategy which created disconnect. A strategic change such as this should be communicated to all stakeholders. Involvement of staff in the process will assist in creating a common vision and win the support of the staff for the vision.

5.3 Areas for Further Study

Due to time limitation and resource it was not possible to cover regional offices of Ethio Telecom in the study. In addition management outsourcing is relatively a new undertaking in Ethiopian context and further studies in this sector are required. Thus I recommend the following areas for further research.

- Evaluation of the effects of the outsourcing on clients
- The risks involved in outsourcing of management of government organizations.
- Effects of the management outsourcing in other government organizations such as EEPCo.
- A comparative study of the gains made by the outsourcing with the fees paid for the service.

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Annexes

Questionnaires for Ethio Telecom Staffs

This survey questioner is prepared to assess the effects of outsourcing Ethio Telecom to France Telecom for EMBA Degree partial fulfillment. The survey is purely academic and you are required to respond unanimously. **(Do not communicate your identity!)**. Your genuine response and willingness to participate in this research undertaking is highly appreciated.

1. How long have you worked in Ethio Telecom?
 5- 10 years 10-15 years 15 – 20 years more than 20 years
2. What was your expectation when the outsourcing of Ethio Telecom to France Telecom is announced?
 Positive improvement no change drawbacks
3. How did your role after the outsourcing changed?
 Very much the same a little
4. Compared to previous Ethio Telecom management France Telecom management was better with respect to:-
 - a. Team management
 strongly agree agree disagree strongly disagree
 - b. Organization and planning
 strongly agree agree disagree strongly disagree
 - c. Workflow and task assignment
 strongly agree agree disagree strongly disagree
 - d. Employee relationship
 strongly agree agree disagree strongly disagree
 - e. Salary and benefits
 strongly agree agree disagree strongly disagree
 - f. Working environment
 strongly agree agree disagree strongly disagree
 - g. Training and development
 strongly agree agree disagree strongly disagree
 - h. Participation and involvement
 strongly agree agree disagree strongly disagree
5. Ethio Telecom's service delivery has improved during the France Telecom management?

- strongly agree agree disagree strongly disagree
6. Ethio Telecom's customer handling has improved during France Telecom management?
 strongly agree agree disagree strongly disagree
7. New service delivery for clients has improved significantly during France Telecom management?
 strongly agree agree disagree strongly disagree
8. Support and maintenance of Telecom networks has improved during France Telecom management?
 strongly agree agree disagree strongly disagree
9. Ethio Telecom's branding and marketing strategy had improved during the France Telecom management?
 strongly agree agree disagree strongly disagree
10. The employee and management relationship during France Telecom's outsourcing was better than before?
 strongly agree agree disagree strongly disagree
11. The France Telecom management style implemented in Ethio Telecom has _____ after France Telecom completed its contract.
 continued without change returned back to previous management style has improved by taking lessons learnt I don't Know
12. The positive improvements made by France Telecom management in Ethio telecom outweighs its shortcomings
 strongly agree agree disagree strongly disagree
13. What is your overall comment on the outsourcing of Ethio Telecom's management
- _____
- _____
- _____
- _____

Thank You!!

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1. How long have you been working in Ethio Telecom?
2. What is your position and involvement in the ethio telecom management currently?
3. Were you at management position when the top management of Ethio Telecom is outsourced to France Telecom?
4. Were you aware of the outsourcing process to France Telecom? Did you have any involvement? If yes what was it?
5. After the restructuring of the company how did your role change? Were you given a better role? Better decision making power?
6. In your opinion what new things had France Telecom introduced in the company?
7. What was the good management style you learned from France Telecom?
8. Can you identify any shortcoming from their management style that you believe can be done better?
9. Were you in any way involved in evaluating the performance of France Telecom? If yes how did you find it and on what measuring parameters?
10. Can you name the good practices introduced by France Telecom and still in use?
11. Are there any good practices that you are not performing after France Telecom left?
12. Have you or any management member surveyed the response from clients on the management change
13. Were Ethio Telecom's *corporate clients consulted or informed during the management outsourcing*
14. *If I am to ask you your overall assessment of France Telecom can you say it was a correct decision to outsource the top management of Ethio Telecom.*
15. *If there are any issues you would like to raise concerning the management outsourcing to France Telecom*

Thank You!

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Interview Questions for MCIT (ministry of Communication and Information Technology) personnel assigned to work on the outsourcing of Ethio Telecom

1. What is your position and involvement in the Ethio telecom sector?
2. If I can take you to the time when Ethio Telecom was outsourced to France Telecom what was the motive to outsource Ethio telecom's top management?
3. How was the process carried out? Was there a TOR prepared, an open tender, selection process and negotiation?
4. What were the major targets set for the company performing the outsourcing?
5. At the end of the outsourcing period can you say all the targets have been achieved? If not which one's were not achieved?
6. Are there targets that were achieved well beyond the minimum criteria set?
7. Did the outsourcing provide France Telecom with full authority to decide on issues related to the company? HR, Finance, Network expansion, etc. If the authority was limited which were areas of full authority
8. It was a public knowledge that the contract was extended for additional six months, what was the main reason for the decision?
9. In which aspects do you think France Telecom improved the company's performance?
10. Now that France Telecom is gone can you say the changes introduced on the management style have sustained?
11. From your point of view what were the pros and cons of the outsourcing. Which one outweighs?
12. *If there are any issues you would like to raise concerning the management outsourcing to France Telecom?*

Thank You!!

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