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Operational Outsourcing Practices and Organizational Performance of Telecommunication Companies in Rwanda: A Case of Airtel Rwanda Plc

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Abstract

This study assessed effect of operational outsourcing practices on organizational performance in telecommunication companies in Rwanda with reference to a case of Airtel Rwanda Plc. The specific objectives are to determine effect of primary activities outsourcing, accounting and finance activities, back-office outsourcing on organizational performance of Airtel Rwanda Plc. The study adopted Resource-Based Theory, Transaction Cost Economic Models. The researcher employed descriptive research design and correlational research design to establish effect size for specific research objectives. The researcher drew a sample of 167 from 287 individuals using Yamane formula. The study used both simple random sampling and purpose sampling to choose respondents. The researcher collected information using questionnaire, interview guide and desk review from organizational reports. The researcher employed a descriptive and statistics for quantitative data analysis while qualitative data was analyzed using content analysis. Findings on outsourcing primary activities indicate strategic management at a mean of 4.333, service development at a mean of 3.666, and operational services at a mean of 4.000 were outsourced as primary activities. For strategic management, there was a positive insignificant relationship between strategic management and cost efficiency ($r=0.049$, $p=0.41$), strategic management and profitability ($r=0.074$, $p\text{-value}=0.233$). A significant relationship was between cost leadership and sales ($r=0.231^{**}$, $p\text{ value}=0.006$), rising investment ($r=0.159^{**}$, $p\text{-value}=0.043$), with net profit ($r=0.174^{**}=0.014$). Results on outsourcing accounting and finance demonstrated a mean of 3.33, human resources with a mean of 4.400, data resources with a mean of 4.00 were adopted by Airtel Rwanda Plc. There are significant correlations found between finance and accounting and cost efficiency ($r=0.215$, $p\text{-value}=0.048$), accounting and profitability ($r=0.512$, $p\text{-value}=0.036$). Human resources were insignificantly associated with cost efficiency. There is a significant correlation found between information resources and cost efficiency (-0.523^* , $p\text{-value}=0.031$). Results found that outsourcing security activities (mean of 3.833). Outsourcing manpower activities (mean of 3.333), outsourcing cleaning activities (mean of 2.833) were adopted.

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Significant correlations were established outsourcing security activities and cost efficiency ($r=.167^*$, $p=.078$), outsourcing security activities and productivity ($r=0.393$, $p\text{-value}=0.000$), profitability ($r=0.560^*$, $p\text{-value}=0.056$). Outsourcing manpower activities was negatively associated with cost efficiency ($r=-.050^*$, $p=.078$), and productivity ($r=-.159^*$, $p=.093$). The researcher recommended the need to rely on primary activities, and to revise its policies. The firm should adopt back-office activities outsourcing to increase flexibility and reduce weaknesses, which can be an appropriate outsourcing activities.

Keywords: *Accounting and Finance Outsourcing, Back Office Outsourcing, Operational Outsourcing, Organizational Performance.*

1.0 Introduction

In Rwanda, evidences show poor organizational performance of telecommunication companies. The telecommunication industry is vital to every country's development. According to Rwanda Development Board (2022), telecommunication sector contributed to 4.2%, 4.1%, 4.2%, and 4.4% towards the Gross Domestic Product (GDP) for the years 2021-2022. The number of active mobile subscriptions reported at the end of June 2022 were 10,575,038 SIM cards. While the post-paid subscription raised from 92,941 at the end of 2021 to 10,575,038 at the end of 2022 (Rwanda Utility and Regulation Authority, 2023). At the end of June 2022, the number of fixed telephone subscriptions decreased up to 11,462 from 11,568 as of June 2021. The fixed telephone subscriptions per 100 people have also decreased to 0.0875% from 0.0911%. According to Rwanda Utilities and Regulatory Agency (2020), 367 persons were employed by Airtel Rwanda Plc at the end of December 2020; 135 persons are permanent staff while two 232 workers are outsourced which makes 63% of Airtel Rwanda Plc business outsourced, but, Airtel Rwanda Plc is yet to fully benefit from it (RURA 2020).

Therefore, previous studies contended that outsourcing practices would contribute to the improvement of organizational performance in telecommunication sector. Outsourcing researches outside of Rwanda demonstrated inconclusive findings either significant or insignificant association between outsourced functions and success for several companies (Murua, 2013). Previous researches on subcontracting were based on theories. Concluding remarks give discrepancies positions. In this regard, Brookes and Haines, (2015) demonstrate the contribution of outsourcing services in reducing expenses, improving skills, innovativeness, and decrease follow up of the firm Kimura (2012) believe that outsourcing supports to save up to more than 40% of operation costs, 54% of time allocated to recruitment, 42% of reduction in overheads costs, and access to new technologies. The present researcher assessed effect of operational outsourcing practices on organizational performance of Airtel Rwanda Plc.

1.1 Research Objectives

- i. To determine effect of primary activities outsourcing on organizational performance of Airtel Rwanda Plc,
- ii. To assess effect of accounting activities on organizational performance of Airtel Rwanda Plc,
- iii. To establish effects of back-office outsourcing on organizational performance of Airtel Rwanda Plc.

2.0 Literature review

2.1 Review of Empirical Studies

Earlier studies by Gilley et al. (2014), indicate that training and development of human capital and outsourcing leads to better business performance. Unfortunately, previous studies did not discover influence on organizational success, a clear influence on organizational innovativeness success and stakeholder success. Jiang et al., (2016) ascertains the effect of outsourcing on organization success relied on a representative group of 51 organizations. Dissimilar to past researches on outsourcing impacts, they employed reports information to assess the success and testing for adjustment in functioning success as an outcome from outsourcing. Khaki and Rashidi (2012), did research on outsourcing practices in 40 banks in Kenya. They distributed questionnaire interview on the 40 banks operating in Kenya. They demonstrated that the highest in Kenya banks using ATM, client in process was the low operation in terms of numbers. This research assessed those strategies and challenges were related to outsourcing by taking sectors. According to Brednelow (2012), a structured interview guide to explore influence of subcontracting functions on success of telecommunication corporate in UK. Results felt show a positive association between procuring to supplier on organizational success. The level of performance was recognized to reduce expenses, increase revenues improved abilities, enhanced quality and production and institutional success.

Pujals (2013) conducted descriptive research using 20 firms in European Union. Results indicated that banks could subcontract a variety of activities for different reasons and challenges. Some of the reasons and challenges given by Pujals (2013) were cost control, the decrease of risks, accessibility to new technology, and focus on primary functions, quality amelioration and high degree of operations. The study additionally assessed risks were associated with outsourcing for financial services that were service and product control loss, risks in operations, internal knowledge and experience, dynamic losses, issues in cultural and social problems, challenges, quality and competitive advantages, implications from the research are positively associated with outsourcing practices and success of organizations.

A research carried out by Wachida et al. (2013), utilizes a purposive sampling technique on the role of effect of outsourcing on income in Nairobi. This research discovered that outsource may produce highly insignificant results relying on challenges met in business conditions and the ability of willingness to do transaction. Kamanga and Ismail (2014) in a revision of previous studies on impact of outsourcing on success of Delmonte Kenya. Results showed that cost, quality, process transition, value addition and technology adoption have a positive correlation with the organizational success. Research comprises that there is unclear correlation between challenges and success. Mohamud and Iravo (2015) undertook research on impact of sourcing on non-key activities to the success of organizations. Results that provider's choice, staff skills, correlation with leaders, people, contract management and assets were key pertinent elements in outsourcing of related activities that affect institutional success in PPOA. The study felt that very research relied on outsourcing in telecommunication firms. In accordance with observations, concluding remarks, and recommendations from a research done by Musubika (2010). It was evidenced that firm subcontract with other to obtain experiences, fast, reduced expenses. These researches suggests that firms would procure their duties in order to decrease expenses and focuses on core responsibilities.

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A research conducted by Shih, & Chiang, (2011), investigated the effect of subcontracting on firm success among house that published books in Kenya relied on the way in which competition, customer needs for custom-made for firms to assess, increase operational success. The researcher target 30 companies in the Kenyan publication sector. A questionnaire survey was adopted to obtain information from respondents. Results demonstrated that a significant number of those companies have outsource photocopy and print out services, dissemination and transportation of books, marketing and technological services. The study revealed that when a company outsources core or associated duties, it contributes more in increasing the level of production, net profit, income and high quality of production. The scholar proposed that corporates must outsource further functions that they did not bear economical position in comparison with its rivals in order to increase the level of success. Furthermore, a research carried out by Akewushola (2022), on the role of strategic outsourced services on the firm success in Nigerian manufacturing industry had a research problem consists in knowing if and how global competitiveness and industries contributed to the acceleration and improvement of corporate to produce much money via effective utilization of restricted assets. The research decided to use a proportional sampling strategy to draw 12 respondents. The researcher distributed research instrument to obtained information from sampled population. The results evidenced that companies have procured their core duties in order to reduce operational costs, increasing level of purchase, customer base and net profit and annual incomes.

2.2 Theoretical Framework

In conducting this paper, Resource-Based Model, agency and cost economic theories were used. Resource based model was pertinent in assessing and employing available assets and financial means more adequately in any institution (Valmohammadi & servati (2011). It assesses the correlation or interaction between internal and external devices of the organization, its conducive environment, therefore, it discards two classical anticipations on the porter neoclassical theory. Transaction Cost Economics Theory argues that a company needs to balance transaction cost and production by outsourcing some duties (Mclaughlin & Sheng, 2014). It was helpful in making adequate decisions related to outsourcing, the fewer needs for asset transaction there are the easier to establish more comprehensive contracts and agreements and better opportunity to outsource some functions and vice versa (Popo & Zenger, 2012). To put it into practice, outsourcing whether a total income after enhancing revenue and decreasing costs was higher than the total transaction costs of outsourcing. Thus, operational cost continue to be high than due to the customers need to be planned, improved and monitored. Agency Theory consists of establishing the interaction and link between principal and its agencies where for instance in this study, a company is considered as a principal as a whole while its primary, accounting financial and back office activities were considered as agencies (Gewald, 2010). The above theory enabled the researcher to establish the conceptual framework as follows:

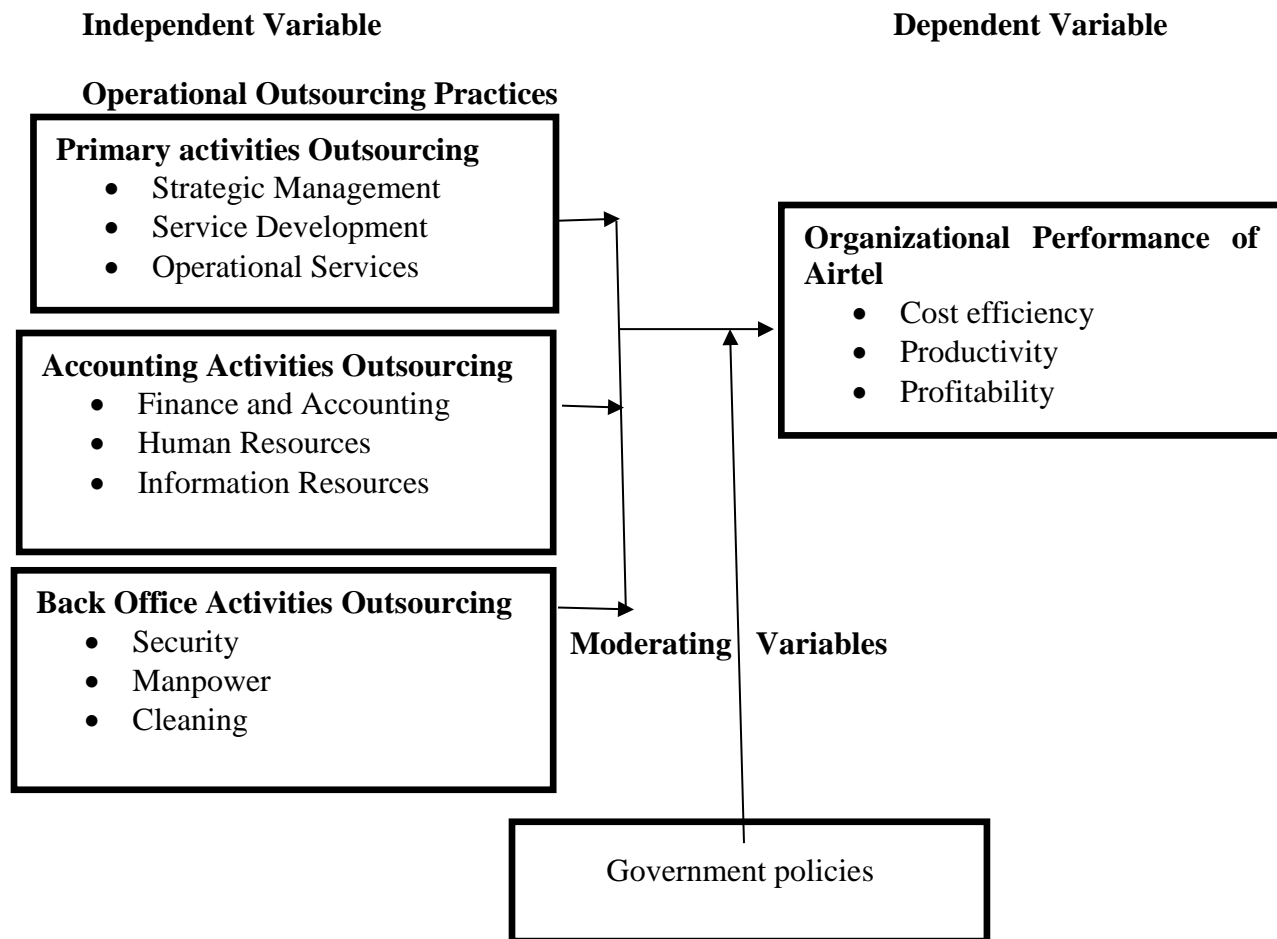


Figure 1: Conceptual Framework

Source: Researcher (2023)

The present research that operational outsourcing practices (independent variable), organization performance (dependent) variable and facilitating factors as intervening variables. Indicators of operational outsourcing practices that will be measured by the present study were core duties to be outsourced, accounting and financial duties, and supporting activities (back-Office activities). The primary activities outsourcing is conceptualized by strategic management, service development, and operational services. The accounting and finance activities outsourcing was conceptualized by finance and accounting, human resources, and information Resources. The back office activities outsourcing were conceptualized by security, manpower, and cleaning. The organization performance was a dependent variable and has been conceptualized in term of efficient costs, level of productivity and net profit or income. Both dependent and independent variables were moderated using intervening variables in the context of government policies, policies of outsourced service providers and regulatory framework for labor.

3.0 Materials and Methods

This study used a descriptive with both qualitative and quantitative approaches. This guaranteed understanding is improved by incorporating various methods of knowing. The study denotes the group of elements, subject’s things for explaining the subject under the research process (Jackson, 2016). This research had targeted 287 persons working at Airtel Rwanda Plc

4.0 Results and discussion

This paper provides results according to three specific research objectives. The first part contains primary activities outsourced on organization performance of Airtel Rwanda. Secondary, the researcher assessed effect of the outsourced accounting and financial services on organizational success with reference to Airtel Rwanda Plc. The third part assessed relationship between back office outsourced and organizational success of Airtel Rwanda Plc.

4.1 Effect of Primary Activities Outsourced on Organizational Performance of Airtel Rwanda Plc.

Table 1 summarizes the results of primary activities outsourced

Table 1: Application of Primary Activities Outsourcing at Airtel Rwanda Plc.

Primary Outsourcing	Activities Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
	%	%	%	%	%		
Strategic Management	3.0	1.3	11.4	36.9	47.5	2.83	0.98
Service Development	7.2	12.7	4.7	14.0	41.7	3.66	0.81
Operational Services	2.1	3.2	20.3	36.9	37.3	3.16	1.16

Source: Primary Data (2023)

Data on the application of strategic management in Airtel Rwanda Plc. Results show that strategic management (mean of 3.666) was used as an outsourcing practice in Airtel Rwanda Plc. In this regard, a clear discrepancy was found. For moderate responses, service development (mean of 3.1666), was application of primary activities outsourcing in Airtel Rwanda Plc. The study assessed the relationship between primary activities outsourcing and organizational success (efficient costs, higher level of production and net income or profit. The Pearson correlation analysis and inferential statistics were adopted to introduce the relationship between study variables. Table 2 includes the discussion of correlation between primary activities outsourced and organizational performance of Airtel Rwanda Plc.

Tale 2: Correlation Analysis between Outsourcing Primary Activities and Organizational Performance in Airtel Rwanda Plc.

		Cost efficiency	Productivity	Profitability
Strategic Management	Pearson Correlation	.119*	.049	.074
	Sign (2-tailed)	.048	.414	.223
	N	164	164	164
Service Development	Pearson Correlation	.025	.007	.098
	Sign.(2-tailed)	.683	.910	.105
	N	164	164	164
Operational Services	Pearson Correlation	.121*	.102	.005
	Sig.(2-tailed)	.044	.091	.939
	N	1.64	164	164

Source: Primary Data (2023)

Results demonstrated the association between research variables. For strategic management, there is a positive insignificant relationship between strategic management and cost efficiency ($r=0.49$, $p=0.414$), strategic management, profitability ($r=0.074$, $p=0.223$). For service development, there is positive and significant relationship between service development and cost efficiency ($r=0.119^*$, $p=0.049$). There is statistically effect the degree of significance was less 0.05 suggesting that improvement was service development leads to increase in cost efficiency and vice versa. Contrary to non-significant relationship between service development and productivity ($r=0.025$, $p=0.685$), service development with profitability ($r=0.007$, $p=0.910$). Results on the correlation between operational services and organizational success, insignificantly associated with operational services with profitability ($r=0.005$, $p=0.919$). Meaning that increase of operational services did not affect profitability. However, operational services are positively correlated with cost efficiency ($r=0.121$, $p=0.044$) and productivity ($r=0.102$, $p=0.091$), meaning a statistically effect of operational services on cost efficiency or on productivity ($r=0.119^*$, $p=0.048$).

4.2 Effect of Accounting and Finance Services Outsourcing on Organizational Performance of Airtel Rwanda Plc

Table 3 includes the discussions of Accounting and Finance Services Outsourcing in telecommunication project

Table 1: Accounting and Finance Services Outsourcing

Accounting & Finance activities Outsourcing	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Std
	%	%	%	%	%		
Finance and Accounting	0.0	3.0	19.1	28.8	49.2	3.33	.51
Human Resources	1.3	10.6	27.5	19.9	40.7	4.40	.54
Information Resources	1.7	7.6	6.4	37.3	47.0	4.00	1.26

Source: Primary Data (2023)

Findings in Table 3 give evidences on Accounting & Finance activities Outsourcing. In this regards, results demonstrated that finance and accounting (mean of 3.33), human resources with a mean of 4.400, information resources with a mean of 4.00 were adopted by Airtel Rwanda Plc.

Table 4 Correlation Analysis between Accounting & Finance Activities Outsourcing and Organizational Performance at Airtel Rwanda Plc.

		Cost efficiency	Productivity	Profitability
Finance Accounting	and Pearson Correlation Model	.215	0.244	.0512*
	(Sig.2-tailed)	.047	0.346	.036
	N	164	164	164
Human Resources	Pearson Correlation Model	-0.308	0.680**	0.31**
	Sign.2-(tailed)	0.229	.003	.000
	N	164	164	164
Information Resources	Pearson Correlation Model	-0.523*	-0.637	.986**
	Sig.(2-tailed)	0.031	.006	.000
	N	164	164	164

*Correlation is significant at the 0.5 Level (2-tailed)

**Correlation is Significant at 0.011(2-tailed)

Source: Primary Data (2023)

From correlation results through the use of statistical product and service solutions, significant degree at 5 percent and 10 percent. As reflected in Table 4.6, there are significant correlations found between finance and accounting and cost efficiency ($r=0.215$, $p\text{-value}=0.048$), finance and accounting and profitability ($r=0.512$, $p\text{-value}=0.036$). These relationships were positively significant owing to the $p\text{-value} < 0.05$ proposing that a change in finance and accounting increased the cost efficiency and profitability and vice versa. There is insignificant relationship between

finance and accounting and cost efficiency (0.244, p-value=0.346). It means that a change in finance and accounting did not affect automatically productivity and vice versa. For human resources and profitability (r=0.931, p-value=0.000) human resources and productivity (r=0.680*, p-value=0.003) are associated with human resources and cost efficiency. Since the p –value was more than 0.05 proposing that a change in human resources did not stimulate cost efficiency. There was a significant correlation found between information resources and cost efficiency (r=-0.523*, p-value=0.031). Therefore, a statistically significant relationship was established between information resources and profitability (r=0.986*, p=0.000), as well as the degree of correlation was <0.05 meaning that any adjustment in information resources improved profitability and the vice versa.

4.3 Effect of Back Office Activities on Organizational Performance of Airtel Rwanda Plc.

Table 5 includes the results of Back Office Activities practices for sustainability of telecommunication

Table 2: Back Office Activities

Back Office Activities	Strongly Disagree %	Disagree %	Not Sure %	Agree %	Strongly Agree %	Mean	Sdv
Outsourcing							
Security	37.3	10.2	10.6	27.1	14.8	3.33	1.032
Manpower	30.1	14.4	19.9	11.0	24.6	3.33	1.632
Cleaning	14.4	1.7	5.5	8.1	70.3	2.83	1.169

Source: Primary Data (2023)

Data presented in Table 4.8, results found that outsourcing security activities (mean score of 3.833) was the assessment that the highest level of adoption in Airtel Rwanda Plc to the high extent. Outsourcing manpower activities (mean of 3.333), outsourcing cleaning activities (mean of 2.833), low price (3.333) were adopted and used by Airtel to a moderate level.

Table 6: Correlation Analysis between Back Office Activities Outsourcing and Organizational Performance of Airtel Rwanda Plc

		Cost Efficiency	Productivity	Profitability
Security	Pearson Correlation	.167	.393**	.560
	Sig.(2-tailed)	.078	.000	.056
	N	164	164	164
Manpower	Pearson Correlation	-.050	-.159	.167
	Sig.(2-tailed)	.602	.093	.078
	N	164	164	164
Cleaning	Pearson Correlation	.032	.058	-.041
	Sign.(2-tailed)	.741	.545	.669
	N	164	164	164

**Correlation is Significant at the level 0.01(2-tailed)

Information in Table 6 indicated, significant correlations were established outsourcing security activities and cost efficiency ($r=.167^*$, $p=.078$), outsourcing security activities and productivity ($r=0.393^{**}$, $p\text{-value}=0.000$), with profitability ($r=-0.560^{**}$, $p\text{-value}=0.056$). Therefore, relationship was positively significant provided that the p-value was 0.05 was suggesting that a variation in outsourcing security duties increase cost efficiency, productivity and profitability and vice versa. A negative correlation was discovered outsourcing manpower activities and cost efficiency ($r=0.50^*$, $p\text{-value}=0.602$), productivity ($r=-0.159$, $p\text{-value}=0.093$), therefore, it was positively associated with profitability ($r=0.167^*$, $p\text{-value}=0.078$). The first two were not statistically correlated significantly thus, the p-value was 0.05) meaning that any variation in outsourcing manpower duties increase cost efficiency and productivity. Furthermore, a statistical significant association was established between outsourcing cleaning services and cost efficiency ($r=0.032$, $p\text{-value}=0.741$), outsourcing cleaning activities and productivity ($r=0.058^*$, $p\text{-value}=0.549$), outsourcing cleaning services with profitability ($r=0.041^*$, $p\text{-value}=0.669$). Therefore, all measurements are statistically positively associated since the p-value was <0.05 meaning that a change in outsourcing cleaning activities increase cost efficiency, productivity and profitability and the vice versa.

4.4 Discussion of the Results

This research did not contradict with Data from this research concurs with the observation from a research done by Muweesi (2011) when he specified that the culture of outsourcing had led to high performance un the Ugandan telecommunication sector by reducing operational cost, increasing production and transaction but also improving net profit. Results indicated that banks could subcontract a variety of activities for different reasons and challenges. Some of the reasons and challenges given by Pujals (2013) were cost control, reduced risks, accessibility to innovation technologies, focus on core functions, quality amelioration. This study assessed risks were associated with outsourcing of financial functions that were service and product follow up, losses, risk for operational service, internal knowledges and practices, dynamic losses, issues in cultural and social problems, challenges, quality and competitive advantages, implications from the study are there were positively association between outsourced practices and success of organizations. These results relate to some of the previous researches like Wachida *et al.* (2013), utilizes a purposive sampling technique on the role of outsourced services on net profit and income among companies in Nairobi. This study discovered that to outsource some services may produce highly insignificant results relying on challenges met in business conditions and the ability of willingness to do transaction.

This research did not contradict the work of Kamanga and Ismail (2014) in a revision of previous studies on impact of outsourcing on success of Delmonte Kenya. Results showed that cost, quality, process transition, value addition and technology adoption have a positive correlation with the organizational success. Research comprises that there is unclear correlation between challenges and success. Mohamud and Iravo (2015) undertook research on impact of sourcing on non-key activities to the success of organizations. The results from the present study concur with the research carried out by Musubika (2010), this researcher asserted that to outsource some services contributed to the success of companies. Information were collected in order to assess its contribution to financial success. Results indicated that firms are using outsourced, reduce expenses and obtain sufficient time to rely on core duties, the researcher proposes that firms would procure their services.

This study did not contradict the work of Shih and Chiang, (2011), investigated the role of outsourced services and the success of firms in Kenya using a descriptive and correlation research design. The research argued that outsourcing contributed to high success of telecommunication companies. This study did not contradict the work done by Richard *et al.* (2011) which they specified that the success of firms was seen as its capacity to accomplish its mission via sound coordination, adequate management and crucial reduction of attaining expected outcomes. Adequate private organizations were goal oriented, obtainable, client based, and self-employment. The success of institution project is planned to support firms to provide responses to the growing problem of uncertainty that backdrops their mission statements. This initiative relies on supporting firms in all sectors, government, non-government organizes and business companies. Therefore, Bonasia (2010) suggests that institutional success is linked to opinion of adequacy. Firms would generate the right things and it would generate them utilizing few probable resources whether is to attain a strong institutional success. These attempt to attain its target in term of return on investment. This implies that firms may offer their assets to generative activities unsupported and therefore to improve its success (Fraye *et al.* 2010). Finally, the performance execution of outsourcing strategies were endorsed with supporting to reduce cost (Lau & Hurley, 2017).

5.0 Conclusion

Regarding the first objective, the study investigated the effect of scope design practices on the The study concludes that Airtel Rwanda Plc in Rwanda have outsourced primary activities. To the objective, the researcher concluded that Airtel Rwanda outsourced primary activities through strategic management, service development and operational services. These activities have affected positively the Airtel success.

Airtel Plc had outsourced accounting and financial services which play a pertinent role to the organizational success. The accounting and finance activities outsourced were finance and accounting, human resources, and information resources. The telecommunication sector in Rwanda outsourced accounting and finance activities had affected positively Airtel success.

Airtel has outsourced back-office activities that contribute to organizational performance. In this regards, outsourcing security, manpower, and clearing activities. The performance was problematic to organization future, doing to the fact that outsourcing back-office activities would be planned to give higher organizational performance. The study shows that outsourcing primary activities is more to increase organizational performance followed by outsourcing financial and accounting services outsourcing back office service outsourcing.

6.0 Recommendations

There is a need to rely on obtaining primary activities outsourcing, therefore telecommunication companies operating on Rwanda market should consider this and improve its organizational performance. The firm should adopt also the back-office activities outsourcing in means for enhancing suppleness, powers or decreasing challenges, accessibility to market or technology, that may be adequate outsourcing activities on small market in Rwanda. Additionally, for improving the level of completion, the government should revise competition policy, and contract duration for outsourcing activities. Future studies should consider conducting similar research in different types of companies for comparison of results with the aim of coming into consensus on

the generalization of the results. Future research should be done in order to make comparison with other telecommunication companies to know whether results will be similar. Therefore, the same research should reveal different content. This study measured only three variables, however, there are many variables that may influence organizational performance growth, and other studies should assess effect of variables such as corporate governance, resource allocation and so forth on organizational performance in telecommunication sector.

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