

# **A Review Paper on the impact of Product Outsourcing in Private Telecommunication companies in Afghanistan**



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## Abstract

This research focus on telecommunication product or equipment that has outsourced a range of activities to suppliers including assembly operation, manufacturing, Logistics and design. Telecommunication companies outsourced their products to save the cost, control the market and focusing on core business activities.

This strategy has resulted in the company becoming a “System Integrator” in which it manages and coordinate a network of best production and service providers. There is considerable focus on evaluating capability of activities in the value chain in relation to potential suppliers. The findings in this research challenge the value of using the core competence concept as basis for outsourcing.

The global trend of outsourcing in telecommunication industry demonstrates the reduction in overall costs and a need to be more competitive in the international market. This paper analyzes the outsourcing phenomenon and its impact on the cost of doing business in telecommunication business.

Scholars, practitioners and policy-makers need to understand whether and how outsourcing benefits the firm. However, no comprehensive review of empirical evidence has been published so far that can address this question. This study reviews 25 empirical research articles that investigated the outsourcing of telecommunications performance relationship in 25 peer-reviewed scholarly journals over a 16-year time-span (2003–2019). The articles differ widely in research scope, context, level of analysis, data source, time-span, industry sector, extent of outsourcing.

**Keywords: Outsourcing, Telecommunications.**

## INTERDUCTION

Outsourcing activity in the telecom sector has been around for the past couple of decades. Outsourcing was first recognized as a business strategy in 1989 and became an integral part of business economics throughout the 1990s.

**Outsourcing** is a transfer of Business (Products / services) are hired out to a second party on a contract or ongoing basis. **Stephanie Overby, (2022)**

Outsourcing is the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in house by the company's own employees and staff. Outsourcing is a practice usually undertaken by companies as a cost-cutting measure. **Stephanie Overby, (2022)**

Outsourcing is a transfer of services or products are hired out to a second party on a contract or ongoing basis. In Telecommunication, an outsourcing initiative with a technology provider can involve a range of operations, from the entirety of the Telecommunication function to discrete, easily defined their products or services. **Stephanie Overby, (2022)**

Outsourcing the product or services of telecommunications industries has been focus of many studies. Telecommunication companies have a direct impact on the environment on which they performed their operations. Their impact is on the economic field, because they provide telecommunication services and products, such as telephone communications and Internet.

The mobile communication sector is the most vibrant in the industry and has been growing tremendously over the last couple of years witnessing a lot of dynamics in the sector and tough economic times due to global recession and rivalry from the key players.

A lot of changes in terms of service delivery, communication and quality of the service have been witnessed in the sector. Mobile money transfer, SMS, email and internet services, video conferencing as well as voice services are offered by the mobile service operators.

**Wanjugu, (2016)** noted that one of the most crucial outcomes of the technological innovations is Outsourcing of business processes is. Because of its intensive technology processes (IT based processes), business processes that are driven by outsourcing mechanisms are elevated in the telecom and banking sector (**Wanjugu, 2016**).

**Gewald and Dibbern (2015)** both observed that, this trend is more reiterated since information and data in the telecommunication industry are in raw digital form supported by high use of the internet.

**Okongo, (2012)** Africa' success in the outsourcing industry, such as South Africa, Egypt, Morocco, Kenya, Ghana, and Mauritius, has encouraged the building of outsourcing capabilities in recent years as inspired by India. When you look at countries like Ghana, they have a key strategy towards being the Business Process Outsourcing hub for the whole of Africa.

**Murua, (2010)** observed that outsourcing had changed the security sector. This sector deals with unique challenges in information technology on security matters. It is concerned with specialized attention to information technology and therefore it is vital to hire such a unique service to handle information security challenges in the organization. However, outsourcing practices are not a guarantee to a lifetime security solution.

The structure of this review paper consists of five sections: Introduction, Review Method, Conclusion, Acknowledgement, and References.

## REVIEW METHOD

This paper will go through some previous studies discussing about the outsourcing practices. Then the researcher discussion about the challenges and risk management for the product outsourcing of telecommunication companies. This exercise included review and study number of research papers, case studies, market research reports. The concept matrix is created based on the literature review.

### ➤ **Outsourcing Practices**

**Qulin and Duhmel, (2013)** outsourcing is the process of the transferring or shifting an activity which was done within the company to an outside service provider or supplier through a contract (long-term or short-term). **Carbaughn (2010)** reiterated that increasingly, all top management across many companies entirely focused on their major strengths in the businesses, i.e. the areas that the main strengths of the company are and which determine the factual success or failure of the organizations. **Carbaughn (2010)** continued that therefore there is a necessity to minimize management time and effort spent in carrying out more marginal activities. Outsourcing practices that have continued to be adopted by the telecommunication companies in Kenya includes but not limited to, Business Process Outsourcing (BPO), Managed Service Provision, Out-tasking, Tactical Outsourcing and Transformational Outsourcing among others (**Okongo, 2012**).

**Business Process Outsourcing (BPO)** according to **Kakumanu, and Portanova, (2016)** defined as the whole process of shifting particular or all company functions such as accounting or human resource to a supplier or service provider. Non-core functions such as administering travel activities, management of payroll processes,

accounts receivable/payables, HR administration issues, and numerous call center applications are similar across different businesses.

The processes require constant operating expenses to maintain their utility and thus represent a significant potential for efficient and effective, improvement and cost savings. Telecommunications industry is challenging its conventional wisdom as it continually struggles in the face of significantly reduced growth, market entry, entry of cheap products and services, spare capacity, a collection of fresh technology, and murky financial projections. Industry players are sourcing for ways of cutting costs, productivity improvement, and in diverse system integration while ensuring quality brand sustainability.

**Managed Service Provider (MSP)** according to **Gewald, and Dibbern, (2015)** defined as a firm that undertakes the responsibility of a client's IT activities and end-user systems purely on proactive basis and subscription model. **Gewald, and Dibbern, (2015)** contend that the MSP subscription model provides all size customers and market niches' the advantage of predictable IT maintenance costs, and because MSPs take a proactive approach towards solving problems, they may be able to prevent IT problems from occurring and therefore from disrupting business operations. A MSP data service centers and managed network services are very strong as compared to enterprise information technology services.

**The out tasking (OT)** according to **Hirscheim, Heinzl, and Dibben, (2012)** the out tasking approach relies on the engagement of a service provider who can deliver a certain activity on a short term basis. Out-tasking requires a much lower level of organizational commitment and linkage (resources wise) and intertwining of organizational links between the client and the service provider.

**Tactical outsourcing (TO)** according to **Brown and Wilson (2015)**, observed that, the need for organizations to address unique problems experienced by tactical outsourcing leads to adoption of Tactical Outsourcing. Such problems may include deficiency of financial resources to make working capital and capital investments, inadequate in-house managerial competences or a need to right size, amalgamate and streamline.

The tactical outsourcing according to **Brown and Wilson (2015)**, results in evident and clear benefits in the form of improved cash savings, minimizing the requirement for future investments and undertaking staffing issues.

**Transformational Outsourcing practice (TOP)** according to **(Murua, 2013)**, is a unique approach of outsourcing and aimed to achieving a steady, self- driven and sustainable step-change advancement in enterprise-level performance. **Murua** observed that transformational outsourcing has continued to emerge as a practice, but the track record of companies that have engaged in it is quite inspiring.

### ➤ **Risk and Challenges for the product outsourcing of telecommunication companies.**

There has been a serious discussion on risks involved in outsourcing as several surveys indicate that there are number of problems in execution stage of the contracts ( Aron and Singh(55), Jerez and Narayanan(4), Jurison (35), Lacity et al (36), Segar and McFarlen (2), Quinn (8), Weeks and Feeny (27), Cronk et al (33), Ghelfi et al (38), Mvlvor (53), Fjermestad et al (54)).Some of these issues are not meeting SLA's, delays involved, lack of Innovation, instability in projects due to several socioeconomic factors, and exploitation by vendors. Realizing that outsourcing is here to stay, clients have come up with a partnership model. Clients are looking for collaborative relationship where risk and rewards are shared as it has to be a win-win relationship. This is helping clients in reducing their Capex while vendors can get benefitted by rewards (revenue sharing) coming out of delivering promised products and services to users on time.

## Discussions of Findings

It is extremely important to identify a set of relevant metrics while reviewing vast amount of literatures that was published by researchers across the world in the domain of Telecommunications outsourcing.

**Table 1: Concept of Literature Review Matrix**  
Literature review matrix from 2019 – 2003 (List in Chronological Order)

Author/s (Year)	Topic/ Title of the paper	Type of Research	Source of Data/ Intervention area	Research Tools	Research Methodology
Tarun Jain, 2019	Vendor's Strategic Investments Under IT Outsourcing Competition.	A qualitative approach.	Major India-based IT vendor, Wipro Limited.	- Annual Reports - Websites - Information Service Department.	- Annual Reports - A document study of formal management.
Ndungu Purity Wanjiku 2016	Outsourcing in telecommunication companies.	A Descriptive & qualitative Approach.	A comparative study of Airtel Kenya and orange telecom.	- The data of Airtel Kenya and orange telecom. Documents Survey. - Interview - Judgmental sampling Staffs.	- The data of Airtel Kenya and orange telecom. Documents Survey. - Interview - Judgmental sampling 10 Staffs.
Artur Alves Pessoa 2015	Robust Network Design with Uncertain Outsourcing Cost.	A Descriptive & qualitative Approach.	Telecommunications Network Design and Service provider.	- Websites - Researchers - Books	- A document study of formal management.
Ozer Uygun 2015	An integrated DEMATEL and Fuzzy ANP techniques for evaluation and selection of outsourcing provider for a telecommunication company.	A Descriptive & qualitative Approach.	GSM communication Company in Turkey.	- Websites - Books - Online Version	- A document study of formal management.
Somnath Lahiri 2015	Does Outsourcing Really Improve Firm Performance?	A quantitative approach.	Empirical Evidence and Research Agenda.	- Research Sampling - Websites - Information Service Department.	- Research Sampling - A document study of formal management.
Sunil Patil 2014	A review on outsourcing with a special reference to telecom Operations.	A qualitative approach.	Special reference to telecom Operations. Case Study of Eastman Kodak.	- Set Parameters (Concept Matrix). - Books / Journals - Websites	- Set Parameters (Concept Matrix). - A document study of formal management.

Rezwan Raheem Ahmed 2014	The business outsourcing in telecommunication industry: Case of Pakistan.	A Quantitative Approach.	The telecommunication industry of Pakistan.	- Closed-ended questionnaire 61. - Purposive sampling 261 Employees. - Primary data was collected from previous research.	- Interview Closed-ended questionnaire 61 respondents. - Purposive sampling 261 Employees
Ogunsanmi Olabode Emmanuel 2013	Outsourcing Practice and Performance of Mobile Telephone Service.	A qualitative approach.	Performance of Mobile Telephone Service Providers In Nigeria.	- Random sampling techniques 40 Questionnaires. - Book / Journals.	- Random sampling techniques 40 Questionnaires.
Hsiao-Hui Lee 2012	Outsourcing a Two-Level Service Process.	A qualitative approach.	National Health Service of England and Wales.	- Research Sampling - Websites - Information Service Dept.	- Research Sampling - A document study of formal management.
Ligita Vasiliauskiene1, 2012	Statistical evaluation of different kinds of outsourcing activities.	A Descriptive & comparative Approach.	The Lithuanian Department of Statistics and the Central Bank of the Republic of Lithuania.	- The data of Lithuanian institutions documents Survey. - Websites - Information Service Department	- The data of Lithuanian institutions documents Survey. - Websites - Information Service Department
Jörg Claussen 2012	Performance Implications of Outsourcing in Mobile Telecommunication Industry.	A Qualitative Approach.	The four suppliers of network operation services, namely Ericsson, Nokia Siemens Network, Alcatel-Lucent and Huawei.	- Interview with Suppliers of companies. - Mobile network operators using data from 50 operators.	- Interview with Suppliers of companies. - Mobile network operators using data from 50 operators.
Amir Reza Khaki 2011	Outsourcing and its impact on operational objectives and performance.	A Qualitative Approach.	Iranian telecommunication industries	- Questionnaires between staff members. - Survey 38 active companies of Telecommunication. - Research Project.	- Questionnaires between staff members. - Survey 38 active companies of Telecommunication
Debabrata Dey, 2010	Design and Analysis of Contracts for Software Outsourcing.	A Qualitative Approach.	Software Outsourcing. Case of Real-World Contracts.	- Books / Journals - The Real World Documents Survey 15 Contracts. - The strategic plan	- The Real World Document Survey 15 Contracts.

Staffan Brege 2010	Sourcing, insourcing and two times outsourcing Four phases of procurement of telecommunications services	A Qualitative Approach.	Sweden and public procurement of telecommunications services.	- Interviews - Swedish Government Open Telecommunications Systems Interconnection Profile. - (Electronic public procurement of telecommunications services).	- Interviews - Swedish Government Open Telecommunications Systems Interconnection Profile. - Research Project.
Mark F. Thouin 2009	IT outsourcing and firm-level performance: A transaction cost perspective.	A Descriptive & Quantitative Approach.	Healthcare Delivery Systems (IHDSs).	- Primary data from Dorenfest Institute for Health Information Research and Education. - Annual survey report. - Questions from 1444 Staffs of Healthcare Industry.	- Annual survey report of IT usage in the U.S. Healthcare Industry. - Questions from 1444 Staffs of Healthcare Industry.
Rajan Varadarajan 2009	Outsourcing: Think more expansively.	A Descriptive & Quantitative Approach.	Newspaper agencies. Advertising agencies, sales promotion agencies. Market research agencies.	- Websites - Books / Articles - Online Version	- A document study of formal management.
O. Zeynep Aksin, (2008)	Call Center Outsourcing Contract Analysis and Choice.	A Qualitative approach.	Mobile telecommunications Service provider (operator) in Europe.	- Websites - Researchers - Books - Online Version	- A document study of formal management.
Z. Justin Ren 2008	Call Center Outsourcing: Coordinating Staffing Level and Service Quality.	A Qualitative Approach.	Dell and Lehman Brothers India.	- Websites - Researchers - Books - Online Version	- A document study of formal management.
Donna Marshall 2007	Influences and outcomes of outsourcing: Insights from the Telecommunications industry.	A Quantitative & qualitative Approach.	EquipCom UK.	- Interview with Staffs - Company Achieves. – Annual Report, Internal company magazine article. - Semi-structured interviews Approx. 94 employees.	- Interview with Staffs - Semi-structured interviews Approx. 94. – Annual Report, Internal company magazine article.

Donna Marshall 2005	The development of an outsourcing Process model.	A Qualitative Approach.	Three large telecommunications companies: EquipCom, PhoneCom, MobiTell.	- Interview - Semi-structured interviews Approx. 80. - Company Achieves. - Video and Media.	- Interview - Semi-structured interviews Approx. 80. - Company Achieves. - Video and Media.
Christine Koh, 2004	IT Outsourcing Success. A Psychological Contract Perspective.	A qualitative and quantitative approach.	A Psychological Contract Perspective.	- Interview - Questionnaires. - Sampling Size 370 Managers. - Online Version	- Interview - Questionnaires. - Sampling Size 370 Managers.
Khalid S. Soliman 2003	A framework for global IS outsourcing by application service providers.	A Qualitative Approach.	Global Application service providers (ASP).	- Journal Articles. - ASP Website. - Research Project.	- Journal Articles. - ASP Website. - Research Project.
Ronan Macivor 2003	Outsourcing: insights from the telecommunications industry	A Qualitative Approach.	SCI – System and Solectron (Two Large US-based Telecommunications Specialist Manufacturer.	- Interviews with Sr. Managers of 12 Companies. - Meeting with Suppliers and Customers. - Questionnaires.	- Interviews with Sr. Managers of 12 Companies. - Meeting with Suppliers and Customers. - Questionnaires.

### The Findings

As the result of this review, the outsourcing of products is very effective for telecommunication companies, and they used outsourcing strategy to controlling the cost, increasing efficiency, and focusing on core business activities.

The findings suggest that outsourcing can produce positive, negative, mixed, moderated or no significant impact on the telecommunication companies.



## CONCLUSION

It is noticed in the extensive literature survey that was undertaken by the authors that the level of innovation in outsourced contracts has been much lower. The concept matrix as presented in the **Table 1** validates that. As the trend in outsourcing is multi-sourcing, collaborative innovation needs to happen where all the vendors work together, innovate together with the client team and implement innovations. Innovations can be in different domains such as technology, processes, products and services, and forward looking areas. This research focus on telecommunication product or equipment that has outsourced a range of activities to suppliers including assembly operation, manufacturing, Logistics and design. Telecommunication companies outsourced their products to save the cost, control the market and focusing on core business activities.

This paper analyzes the outsourcing phenomenon and its impact on the cost of doing business in telecommunication business.

Scholars, practitioners and policy-makers need to understand whether and how outsourcing benefits the firm. However, no comprehensive review of empirical evidence has been published so far that can address this question. This study reviews 25 empirical research articles that investigated the outsourcing of telecommunications performance relationship in 25 peer-reviewed scholarly journals over a 16-year time-span (2003–2019). The articles differ widely in research scope, context, level of analysis, data source, time-span, industry sector, extent of outsourcing.

This strategy has resulted in the company becoming a “System Integrator” in which it manages and coordinate a network of best production and service providers. There is considerable focus on evaluating capability of activities in the value chain in relation to potential suppliers. The findings in this research challenge the value of using the core competence concept as basis for outsourcing. This study also provides useful directions for future research on outsourcing in telecommunication companies.

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