



**ST.MARRY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MASTER OF BUSINESS ADMINISTRATION**

**THE EFFECT OF VOUCHER CARD SELLING SERVICE  
OUTSOURCING PRACTICES OF DISTRIBUTORS ON  
SERVICE QUALITY: FROM EMPLOYEES' PERSPECTIVE OF  
ETHIO TELECOM**

**BY**

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ID:-SGS/0413/2015A**

**JULY 2024**

**S.M.U**

**ADDIS ABABA, ETHIOPIA**

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**SCHOOL OF POST GRAGUATE STUDIES  
MASTERS OF BUSINESS ADMINISTRATION PROGRAM**

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## DECLARATION

I, Yetemwork Degu, the undersigned person declare that the thesis entitled “*The Effect of Voucher Card Selling Service Outsourcing Practices Of Distributors on Service Quality: From Employees’ Perspective of Ethio Telecom*” is my original work and submitted for the award of Master of Arts Degree in Business Administration, St. Mary University at Addis Ababa and it hasn’t been presented for the award of any other degree. Under this study, the fellowship of other similar titles of any other university or institution of all sources of material used for the study has been appropriately acknowledged and noticed.

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### ENDORSEMENT

This is to certify that this thesis prepared by Yetmwork Degu entitled “*The effect of voucher card selling service outsourcing practices of distributors on service quality: from employees’ perspective of Ethio telecom*” has been submitted to SMU with my approval as university advisor.

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Date: 10/07/2024

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## **ACRONYMS/ABBERIVATIONS**

<b>AAMI</b>	Advancement of Medical Instrumentation
<b>ANNOVA</b>	Analysis of Variance
<b>CAGR</b>	Compound annual growth rate
<b>ERP</b>	Enterprise Resource Planning
<b>HKSQ</b>	Hong Kong Society for Quality
<b>ICT</b>	Information Communication Technology
<b>IT</b>	Information Technology
<b>PoS</b>	(Point of Sale) devices
<b>RBV</b>	Resource-Based View
<b>S.M.U</b>	St. Marry's University
<b>SD</b>	Standard Deviation
<b>SERVQUAL</b>	Service Quality
<b>SPSS</b>	Statistical Package for Social Science
<b>TQM</b>	Total Quality Management
<b>USD</b>	United State Dollar
<b>VIF</b>	Variance Inflation Factor

## ABSTRACT

*Telecom service providers heavily depend on customer perceptions and expectations of quality, a challenging metric to gauge accurately. Surveys are widely employed to gather customer feedback on service quality, with SERVQUAL being a recognized tool in this domain. Research consistently links improved service quality to higher customer satisfaction. Previous studies have explored service quality across various industries, focusing notably on the telecom sector. This study specifically examines the impact of distributor outsourcing practices in voucher card sales on service quality, as perceived by Ethio Telecom employees, using an explanatory research design. Quantitative methods guided by SPSS software were employed, utilizing descriptive statistics such as mean and standard deviation, alongside correlation matrices and multiple regression analysis. The study encompassed 324 randomly selected individuals from Ethio Telecom, achieving a remarkable 100% response rate with 179 completed self-administered surveys from sampled employees. Findings underscored a robust, positive correlation between cost efficiency, responsiveness, reliability, empathy, certainty, and user satisfaction. The study concludes that optimizing telecom service cost-effectiveness while preserving core aspects like reliability, empathy, and responsiveness significantly enhances service quality and thereby boosts customer satisfaction. It advocates for the integration of advanced service quality management approaches tailored to telecom industry standards and effective, quality-focused service protocols.*

***Keywords: Ethio Telecom, Distributors, Service Outsourcing, Service Quality, Voucher Card Selling***

# CHAPTER ONE

## INTRODUCTION

The primary goal of this thesis's introduction chapter is to introduce the study topic, which is the evaluation of the caliber of mobile telecommunications services, by outlining its objectives and the pertinent questions that will be investigated further. It also provides an overview of the report's format.

### 1.1. Background to the Study

Traditional network-centric telecom monitoring has evolved into customer-centric telecom service quality management (SQM) facilitated by Service Quality Management (SQM). Understanding consumer perceptions of service quality is crucial for effective telecom SQM (Nguyen et al., 2022). SQM enables proactive control over telecom service quality by leveraging predictive maintenance and trend analysis to prevent service issues before they impact customers (Woldemichael, 2024). Telecom companies, such as Ethio Telecom, enhance customer support by partnering with specialized service providers, allowing them to focus on core operations (Shava, 2021). Outsourcing, also known as strategic outsourcing, plays a pivotal role in meeting increasing customer demands and improving service quality while reducing costs and enhancing flexibility (Tesfaye, 2021). Public and private sector collaborations have emerged globally to optimize service delivery amidst economic challenges (Woldemichael, 2024). For instance, outsourcing revenue collection regionally has shown potential in enhancing customer service and workforce flexibility (Zhou et al., 2019).

Research by Oliveira and Farisa (2019), as well as Tesfaye (2021), underscores that outsourcing improves service quality and customer satisfaction by leveraging specialized expertise. The global telecom outsourcing market was projected to reach USD 149.62 billion in 2022 and is expected to grow at a CAGR of 6.98% to USD 253.82 billion by 2030 (Nguyen et al., 2022). In Africa, the IT outsourcing market is forecasted to expand significantly, reaching US\$12.95 billion by 2029 (Larsen et al., 2023). In Ethiopia, outsourcing is anticipated to grow by 15.41% annually, reflecting its increasing importance (Woldemichael, 2024).

Despite these benefits, challenges such as insufficient top management support and bureaucratic hurdles hinder the full potential of outsourcing, often resulting in inefficient service provision by inadequately skilled firms (Fan et al., 2022). Effective service quality management demands a cohesive system integrating communication channels, financial resources, and diverse skills, which outsourcing can provide when internal capabilities are limited (Burnes, 2004). Service quality, as emphasized by Skaggs & Galli Debicella (2012), involves continuous improvement through customer engagement, effective product design, timely delivery, and rigorous evaluation for enhancement. Both public and private sectors aim for consistent service quality through streamlined organizational structures and efficient service delivery mechanisms (Fan et al., 2022). In brief, while outsourcing offers substantial advantages in enhancing service quality and operational efficiency, its optimal implementation requires careful consideration of organizational dynamics and strategic alignment with core competencies (Sullivan et al., 2013). Future studies should explore empirical evidence to establish best practices for achieving excellence in service delivery within the public sector context (Karia, 2014).

## **1.2. Statement of the Problem**

Voucher cards, unlike traditional goods, represent intangible assets with monetary value. Research by Carter et al. (2020) underscores the critical role of secure logistics infrastructure in preventing theft and ensuring traceability of voucher cards across the supply chain. This study aims to explore how outsourced logistics providers utilize technologies such as track-and-trace systems and secure packaging solutions to meet these requirements. Timely delivery is paramount for customer satisfaction, as emphasized by Christopher (2016), who highlights the pivotal role of efficient logistics networks in achieving optimal delivery speeds. Investigating how distributors can collaborate with outsourced logistics providers to optimize delivery routes and ensure prompt fulfillment of voucher card orders will enhance service quality (Woldemichael, 2024).

Accurate inventory management is essential to prevent stockouts and seamlessly fulfill customer orders. Studies by Simchi-Levi et al. (2004) delve into demand forecasting techniques. This research will examine how distributors can leverage IT and collaborate with outsourced logistics



providers to develop precise demand forecasts and optimize voucher card inventory management.

There is a significant knowledge gap regarding the impact of outsourcing voucher card selling services on service quality delivered by distributors. One key deficiency is the lack of comprehensive models that encompass various aspects of service quality affected by outsourcing (e.g., reliability, responsiveness, assurance, empathy, tangibles) (Parasuraman, Zeithaml, & Berry, 1988). While the Gaps Model of Service Quality by Parasuraman et al. (1988) provides a solid framework for analyzing service quality, its application to the specific context of voucher card sales and the unique dynamics associated with outsourcing in this domain remains largely unexplored.

Ethio Telecom's 2023 annual report indicates that outsourcing is often driven by cost-cutting motives but presents common challenges such as loss of control, data security risks, hidden costs, prioritization of quantity over quality, and cultural barriers. The report outlines the "LEAD" strategy plan (2022-2025) aiming to transition from traditional to value-added digital services to boost revenue. Potential negative impacts on employee productivity and workplace satisfaction are also noted, including the possibility of employees leaving to start competing businesses due to perceived unfair treatment or inadequate compensation (Tesfaye, 2021).

The decision to outsource voucher card selling services presents a complex landscape with several critical research gaps. While outsourcing offers potential benefits like cost reduction and access to specialized expertise (Jahre & Bråten, 2014), its impact on service quality for distributors remains a significant area of inquiry. One major gap lies in the scarcity of empirical studies measuring the performance outcomes of outsourcing in the voucher card service context. Extensive research exists on outsourcing within other industries, such as studies by Masaba & Pule (2015) that identify key variables affecting service quality in maintenance service outsourcing, but similar research specifically focused on voucher card selling services is lacking.

Telecom service institutions heavily depend on customers' perceptions and expectations of quality, which are challenging to quantify. When tasks previously handled by internal staff are outsourced to external parties, over whom the company has limited control, concerns arise about potential quality degradation, disruptions to production schedules, and contract disputes.

Addressing these issues requires well-crafted customer surveys to gauge expectations and opinions on service quality, integrating aspects such as SERVQUAL, a recognized tool in this domain. This study aims to investigate the effect outsourcing voucher card selling services on service quality, focusing on distributors' perspectives within Ethio Telecom. It seeks to fill gaps in existing literature by examining potential risks associated with outsourcing, such as high defect rates in voucher activation or fulfillment, which can lead to customer dissatisfaction (Fan et al., 2022).

### **1.3. Research Questions**

1. What is the effect of reliability on service quality with the context of voucher card selling service outsourcing practices
2. What is the effect of cost reduction on service quality with the context of voucher card selling service outsourcing practices
3. What is the effect of responsiveness on service quality with the context of voucher card selling service outsourcing practices
4. What is the effect of assurance on service quality with the context of voucher card selling service outsourcing practices
5. What is the effect of empathy on service quality with the context of voucher card selling service outsourcing practices

### **1.4. Research Objective**

#### **1.4.1 General Objective**

The primary objective of this study is to study the effect of voucher card selling service outsourcing practices of distributors on service quality from employees' perspective of Ethio Telecom.

#### **1.4.2 Specific Objectives**

1. To examine the effect of reliability of on service quality with the context of voucher card selling service outsourcing practices

2. To analyze the effect of cost reduction on service quality with the context of voucher card selling service outsourcing practices
3. To investigate the effect of responsiveness on service quality with the context of voucher card selling service outsourcing practices
4. To assess the effect of assurance on service quality with the context of voucher card selling service outsourcing practices
5. To examine the effect of empathy on service quality with the context of voucher card selling service outsourcing practices

## **1.5. Significance of the Study**

This study aims to contribute significantly to the understanding of how outsourcing voucher card selling services impacts the service quality provided by distributors. By exploring this relationship, the research intends to generate new insights and knowledge in the realms of service quality, customer satisfaction, and customer loyalty. Businesses stand to gain valuable insights from this study, as it sheds light on the potential effects of outsourcing voucher card selling services on the service quality offered by distributors. Such understanding can empower businesses to make informed decisions regarding their outsourcing strategies, thereby potentially enhancing customer satisfaction and loyalty.

Moreover, this research is a crucial step in the researcher's career development in business administration, particularly within the framework of an MBA program. Conducting this study not only contributes to the ongoing academic discourse on the impact of outsourcing on service quality but also enriches the researcher's own knowledge base. It positions the researcher to make substantive future contributions to the field. Policy makers can also leverage the findings of this study to inform regulations and policies pertaining to outsourcing practices in the service industry. By comprehending how outsourcing influences service quality, policy makers can formulate policies that foster positive outcomes for both businesses and consumers.

Furthermore, this study adds to the existing literature by providing empirical evidence and insights into the relationship between outsourcing practices and service quality. Building upon the SERVQUAL model, it offers a quantitative analysis of how service quality affects customer loyalty and satisfaction. This quantitative approach enriches the current body of knowledge and

provides a deeper understanding of the dynamics at play. In brief, this study is poised to advance scholarly understanding, guide business decisions, inform policy development, and contribute valuable empirical evidence to the field of service quality in the context of outsourcing voucher card selling services.

## **1.6. Scope of the Study**

This study concentrated on investigating the impact of outsourcing voucher card selling services on the service quality of distributors using a quantitative research approach. The methodology involved the collection and analysis of numerical data to explore the relationship between outsourcing practices and service quality. Surveys, questionnaires, and statistical analyses were employed to gather and interpret data, enabling a comprehensive assessment of outsourcing's impact on service quality.

The study focused on Addis Ababa, Ethiopia, where voucher card selling service outsourcing is prevalent. This included areas with a significant concentration of distributors and businesses engaged in voucher card sales. By examining the regional dynamics of outsourcing's impact on service quality, the study aimed to uncover how geographical factors might influence outsourcing outcomes. The study was grounded in established conceptual frameworks pertaining to service quality, outsourcing motivations, and the effects of outsourcing on business operations. The SERVQUAL model, which assesses customer perceptions of service quality, provided a foundational framework for evaluating how outsourcing influences distributor service quality. Additionally, the study drew on conceptual models that explore motivations for outsourcing and their implications for business functions, along with the extent to which outsourcing are integrated into specific business operations.

The study also focused on a contemporary period to ensure the relevance of its findings to current business practices. By examining recent trends in voucher card selling service outsourcing, the study aimed to provide timely insights into the ongoing impact of outsourcing on service quality. Moreover, acknowledging the dynamic nature of outsourcing practices, the study considered temporal variations in outsourcing strategies and their effects on service quality over time. In brief, this study employed a quantitative approach to investigate the impact of voucher card selling service outsourcing on distributor service quality in Addis Ababa, Ethiopia.

## **1.7. Limitation of the Study**

Several limitations affected this study and its data collection efforts. Firstly, obtaining necessary data was hindered by the company's reluctance to provide access and by data that was unavailable due to the recent adoption of an electronic voucher system. Many sampled respondents were initially disinclined to participate because they did not see how the research would directly or indirectly benefit them. However, after the researcher clarified the objectives, academic potential and potential benefits of the investigation, respondents were persuaded to contribute.

Additionally, the study relied on optional surveys and information provided voluntarily by participants. This voluntary nature could introduce bias or limit the comprehensiveness of the data collected. To ensure clarity and facilitate cooperation from management, the researcher focused exclusively on a select group of public organizations. This decision was made to mitigate potential misunderstandings and to obtain sufficient details about the research study. Furthermore, the study's geographic scope was restricted to areas within Addis Ababa due to constraints such as time, budget, and logistical factors. While this focus was necessary for practical reasons, it limits the generalizability of the findings beyond this specific region. In brief, while efforts were made to address and overcome these limitations, they nonetheless influenced the study's scope and data collection processes.

## **1.8. Organization of the Study**

This study is organized into five chapters: chapter one has the introduction of the study, problem statement, main objectives guiding the study, significance of the study scope the study and limitation. Chapter two covers four main theories related to the study, review of empirical literature and conceptual framework in regard to main teams of the study are also detailed in this chapter. Chapter three present research methodology capturing details of sample design employed, data collection instruments, validity and reliability of study instruments, data collection and analysis methods and ethical consideration. Chapter four give detail discussion on results and analyses of data collected. Finally chapter five gives conclusion of the findings regarding the three outsourced functions: security, revenue collection and repair and maintenance. The chapter also gives recommendations as per the findings of the study.

## **CHAPTER TWO**

### **RELATED LITERATURE REVIEW**

#### **2.1. Introduction**

In this chapter, various theories as propagated by various authors of service quality and strategic outsourcing are outlined. It also discusses various studies that have been done in the discipline of outsourcing by different scholars, Conceptual Framework and research gaps of the study are also established.

#### **2.2. Theoretical Literature Review**

This section tries to illuminate and discuss the various theories relevant to the study. The study was supported by five main theories: Agency Theory, Resource dependency theory, Resource-based View model, Transaction Cost of Economics and Core Competency Theory.

##### **2.2.1. Concept and Definitions**

###### **2.2.1.1 What is Voucher Card?**

A gift card is a prepaid stored-value money card that is typically provided by a merchant or bank and is used as an alternative to cash for purchases made within a certain store or connected businesses. It is also referred to as a gift certificate in North America and as a gift voucher or gift token in the UK (Muneeb et al., 2020). Employers and groups may also send out gift cards as presents or incentives. In order to encourage the recipient to visit or return to the store, retailers and marketers may also give these cards out as part of a promotion (Masaba & Pule 2015). These cards are occasionally referred to as cash cards. Typically, gift cards can only be used for transactions at the associated retail location; they cannot be redeemed for cash and under some circumstances, they might be subject to an expiry date or fees. Generic gift cards are available from American Express, MasterCard, and Visa. They can be used for cash back marketing tactics and do not need to be redeemed at specific retailers. These cards have the characteristic of being mostly anonymous and being destroyed when the stored value runs out (Woldemichael, 2024).

A gift card can be a plastic card the size of a credit card that has a particular theme on it or it might look like a credit card. Anybody can use the card because it is uniquely identified by a

code or number rather than a specific name. An online electronic permission system supports them. Certain gift cards allow for several uses by allowing for reloading through payment. A magnetic stripe, barcode, or serial number on a card can be read by an electronic credit card reader. Until they are sold, many cards are worthless. At that point, the cashier inputs the amount the consumer wants to put on the card (Manning, 2013).

Rarely is this amount kept on the card; instead, it is recorded in the merchant database and cross-linked with the card ID. Hence, gift cards are typically not stored-value cards like those found in many public transportation systems or photocopiers in libraries, where the value is solely stored on the card itself in a basic, non-networked system (Sullivan et al. 2013). To prevent forgeries, the information is encrypted. Moreover, credit cards' magnetic strips are frequently positioned differently, making it impossible to read or write on them using conventional tools. Certain gift cards might have a fixed amount and require a phone call to activate. Additionally, gift cards can be specially made for each recipient to fit their needs. One can personalize the card by writing a name or message on the front or one can use it to express our gratitude to an employee (Karia, 2014).

#### **2.2.1.2 Voucher Card in Telecom Sector**

A solution called the Voucher Management System System makes it simpler to generate and manage the entire recharge code life cycle for vouchers. This digital voucher management system may integrate and communicate with several network nodes to automate the process of managing the voucher life cycle, from generating a purchase order to print the coupons to managing/tracking distribution and finally redemption. The recharge code can be sent to the end user through SMS or in-app messaging. The system may be readily and modularly expanded to create a full e-voucher distribution system using PoS (Point of Sale) devices (Masaba & Pule 2015).

#### **2.2.1.3 What Is Outsourcing?**

The act of contracting an outside party to produce items or carry out services that were previously completed internally by the company's personnel is known as outsourcing. Companies typically engage in outsourcing as a cost-cutting strategy (Masaba & Pule 2015). As such, it can have an impact on a variety of positions, including those in the back office,

manufacturing, and customer service. The concept of outsourcing as a corporate strategy was initially established in 1989, and over the 1990s, it developed into a crucial aspect of company economics.<sup>1</sup> There is a great deal of debate about outsourcing in many different nations. Proponents assert that outsourcing encourages firms to deploy resources where they are most productive and that it contributes to the preservation of free-market economies on a worldwide basis (Muneeb et al., 2020).

Businesses can drastically cut labor costs by outsourcing. When a business engages in outsourcing, it seeks the assistance of external, unaffiliated entities to carry out certain activities. In order to accomplish the work for less money, the outside organizations usually set up separate remuneration schemes with their personnel than the outsourcing company. In the end, this helps the outsourcing company to cut labor expenses (Jahre & Bråten, 2014). Businesses can use outsourcing as a tactic to better concentrate on their core competencies while also saving money. Non-core operations can be outsourced to increase productivity and efficiency because these smaller jobs are better completed by an outside party than by the company. Moreover, this tactic might result in shorter turnaround times, more industry competition, and lower overall operating costs (Christopher 2016).

The two main benefits of outsourcing are financial and time savings. To reduce production costs, a personal computer manufacturer may choose to purchase internal parts from other businesses. A legal practice may use a cloud computing service provider to store and backup its files, providing it with access to digital technology without having to pay hefty fees to buy it outright (Rajabu, 2013). Since hiring an accounting firm to handle bookkeeping may be less expensive than hiring an internal accountant, small businesses may choose to do so. Some businesses find it advantageous to outsource HR departmental tasks like payroll and health insurance. When handled correctly, outsourcing may be a useful cost-cutting tactic and potentially provide a company a competitive edge over rivals (Muneeb et al., 2020).

#### **2.2.1.4 Service Quality**

It is described as a contrast between client expectations and service delivery. Organizations that prioritize customer satisfaction and maintain a competitive edge are those that offer high-quality services, as this enhances the firm's ability to meet market demands. Achieving high service



quality requires understanding the operating procedure, recognizing service-related issues, and developing metrics for service performances, results, and customer satisfaction. The present study offers an overview of the evolution of service quality and its significance, with a particular focus on the hotel industry. This is because customer perceptions of service quality vary significantly across various levels and services within an organization. It's common to criticize the quality service movement of being nothing more than catchphrases, fads, and "hot topics" (Jahre & Bråten, 2014),

According to Zeithaml V. (1981), guests frequently place the blame for their poor decision on themselves when they are unhappy. Workers need to understand that unhappy clients might not file complaints, so they should look for and address sources of dissatisfaction. In spite of the lack of a consensus definition, Greenrooms Christian (1982) shown that service quality is what sets apart hospitality organizations. Nonetheless, there are a few distinct approaches to defining service quality that break it down into functional, image, and technological elements. Determining if a service is suitable for usage by both internal and external clients is another technique to assess its quality.

### **2.2.1.5 Specific Dimensions of Service Quality**

Assurance, responsiveness, tangibles, empathy, and reliability are the five distinct characteristics of service quality that Parasuraman, Berry, and Zeithaml (1985) introduced and which are applicable to all service industries. They created the SERVQUAL scale because, while there are other models (scales) for measuring customer satisfaction and service quality, they are frequently too ad hoc or generic and hence difficult to use in the hospitality sector. However, because of the unique characteristics of services, including their impalpability, inseparability from both the provider and the recipient, and perishability, Total Quality Management (TQM), which started out in businesses that dealt with products, gave rise to a particular concept known as SERVQUAL (Services Quality Model) (Rajabu, 2013).

The importance of service quality in a people-oriented industry like hospitality has been discussed by academics. Additionally, a vast array of research is being done globally. Less research has been done on differences in management and employee perceptions of the principles of service quality. The study by Ross (1995) looked at the fundamentals of service quality as perceived by employees in the hotel sector, together with the main motivational and personality

factors. According to the study, there are many different ideals, including formal qualifications, understanding, apogegetic behavior, practical experience, and sincerity and candor. Significant results from the examination of the divergent ideal of genuineness were obtained, and the results were divided into two distinct groups: a negative group in which employees' ideals was surpassed by perceived management ideals, and a Positive group where employees' ideals exceeded perceived Management Service Quality Ideals on other hand (Koingera 2014).

Gap is the disparities in how customers rate the quality of the services they receive. The fundamental disparity is known as the "Consumer Gap," and it manifests itself as the difference between what customers believe the hotel offers in terms of service and what they anticipate from it (Rajabu, 2013).

One of the four gaps in service quality, known as the "customer gap," results from differences that occur between the planning and execution stages of providing customers with services. The five main differences noted by Parsuraman et al. (1985) are as follows:

- The first gap is the difference in expectations from customers and management.
- Gap 2 is the difference between management's estimation of customer needs and service quality specifications;
- Gap 3 is the difference between service manager quality requirements (quality, standards, and modes of delivery) and the real delivery of the service;
- Gap 4 - the gap between service delivery and what the company promises to the customer through external communication. All four influence the total perception of service quality and customer satisfaction;
- Gap 5 – Characterizes difference between customers' expectations regarding the service and their perception about the specific service quality of distributors.

#### **2.2.1.6 Service Quality in Distributors**

The provision of high-quality goods and services has grown in importance recently. In particular, service marketers find it challenging to assess quality since, despite extensive field study, significant methodological and conceptual flaws persist (Koingera 2014). It is suggested that a formal value approach to service quality should be transformed into a satisfaction process that matches ideal standards and experienced outcomes based on values, eliminating negative

cognitive bias in the process and incorporating negative disconfirmation of satisfaction. Additionally, the SERVQUAL instrument is used to assess the quality of the services rendered to patients with varying conditions. This involves comparing the patients' expectations and perceptions, with the patients identifying waiting times and billing accuracy as major issues. It has been discovered that there exist two distinct levels of service quality within the sample clinics. These variations can be attributed to variations in patients' expectations of service quality, rather than variations in their perceptions. It makes a strong case that a company's assessment of the quality of its services may be significantly impacted by consumer expectations (Rajabu, 2013).

## **2.2.2. Theories related to the Study**

### **2.2.2.1 Agency Theory**

To address the problem of managerial agency Adam Smith (1776) in his work, *The Wealth of Nations* highlighted problem of managerial agency. Identifying the relationship between owners and managers as critical and central in any enterprise system and that agency conflicts could have negative economic in an organization. Agency theory is concerned with the study of the problems that arise between outsourcing organization and the vendor once the principle has entered into contract to delegate work to agent (Eisenhardt, 1989: Lassar and Kerr 1996).

By contrast, modern agency theory posits that principal-agent relationship should be as a result of efficient information and have risk bearing costs (Eisenhardt, 1989). As the theory is not only significant for strategy organization governance but has also dominated in accounting, finance operations management, information systems and other departments of economies. Agency theory therefore provides a lens to the relationship between outsourcing organization and the vendor characterized by clear information on contract outcome uncertainty and incentives (Eisenhardt, 1989). Contract agreement is used to solve conflict by agreeing upon controls and incentives between the parties, by using contract as a process control, service quality in service management in public context have improved. Furthermore, cost efficiencies have been realized due to process control measures in outsourcing context (Barlow, Roerich & Wright 2013; Pelkonen & Valovirta 2015). Agency theory is justified for mitigating potential risks through

process control given that service quality risk is critical for any outsourcing relationship to succeed. The theory has also been applied in preparation phase of outsourcing for reconsideration of eligible vendors.

#### **2.2.2.2 Transaction Cost Theory**

Early ideas of Transaction cost theory came from Nobel Laureate R. Coase and later developed by Williamson. The theory provides the foundation to logic reason why firms exist by reducing transaction costs by weighing between in-house production and outsourcing to external providers. According to Williamson, (1985) these transactions costs comprise internal costs incurred in tendering process they include such costs as: internal costs of searching information, drafting and negotiating an agreement, and costs of safeguarding the agreement.

Porter (1990) notes the possibility that transaction costs related being influenced by environmental uncertainty, opportunism risks, bounded rationality and core resources available. Consequently, these factors may increase the external transaction costs. Therefore, in such a scenario it may be more economical to retain the function in-house rather than outsource. Previous studies have argued that outsourcing considerations in public sector have largely been influenced by policy rather than the concept of transaction theory and as a result negatively affected quality of service. Transaction cost has therefore gain relevance to an outsourcing consideration in public context from the perspective of process costs to ensure: competitive tendering process; mitigation of risks; management of transition phase and establishment of contract management practices.

#### **2.2.2.3 Core Competency Theory**

Proposed by Prahalad and Hamel (1990), Core Competency Theory was developed on the basis of resource-based theory. Simchi-Levi, Kaminisky & Simchi-Levi, (2004), defined core competency as the collective learning in the organization on how to coordinate diverse production skills and integrate multiple streams of technologies. This theory suggests that firm activities should either be performed internally or externally (make or buy decision). Noncore activities are outsourced to specialized efficient suppliers as core competencies are fully utilized. Core competencies refer to the collective knowledge of the production system concerned in particular knowledge of procedures and how to best integrate and optimize them.

The concept of this theory has become popular among outsourcing researchers to test outsourcing decisions arguing that core tasks remains in-house. Vendor's competencies are assumed to be key factors that influence success of outsourcing arrangement. An analysis of the vendor's competencies is, according to the Core Competencies Theory, the main factor that determines the success of an agreement. Previous arguments on decision-making model during the preparation phase are based on the Core Competencies Theory, researchers aimed at improving competitiveness of the organization. Also, a research by Gottschalk & Solli-Sæther (2005), examining the phases of preparation, relationship management and vendor reconsideration, concluded that the Core Competencies Theory is one of the approaches that better illustrate the success factors of the outsourcing process.

#### **2.2.2.4 Resource Dependency Theory**

The theory states that firms don't have all the resources they need therefore, to some degree they depend on their external environment for resources (Pfeffer and Salanick 1978, and Pfeffer 1984). There are three core ideas of the theory: organizations have strategies to enhance their autonomy and pursue interests, social context matters and power is important for understanding internal and external actions of organizations. Organizational depend on multi-dimensional resources like labor, capital and raw material. They may not able to come out with countervailing initiatives for all these multiple resources. Hence organizations should move through the principle of scarcity.

Pfeffer and Salanick (1978) come up three factors that influence the extent of dependency organizations have on certain resources. These factors include the criticality or the importance of the resource to the organization, the scarcity of the resource and the control these organization have on that resource. The strategic option of an organization is determined by the environment according to this theory. Critical resources are those the organization must have to function. Resource dependency theory has been under scrutiny in review and meta-analytic studies: (Hillman et al 2009), (Davis and Cobb 2010) and (Sharif and Yeoh 2014). They all indicate and discuss the importance of this theory in explaining the actions of organizations by forming interlocks, alliances, joint ventures, mergers and acquisitions in striving to overcome dependences and improve an organizational autonomy and legitimacy.

#### **2.2.2.5 Resource-Based View**

Resource-Based View theory emerged through Jay Barney's 1991 article "Firm Resources and Sustained Competitive Advantage." Though it is evident that the concept of RBV theory emerged earlier from 1930s and 1980s following the scholars; Birger Wernerfelt, Prahalad and Hamel, Spencer and Grant. According to Barney & Hesterly (1996), resources and capabilities vary significantly across organization, and these differences are stable and inimitable. The theory therefore suggests that if firm's capabilities and resources are appropriately mixed and deployed, they can create competitive advantage for an organization. Resource-based view in this study builds proposition that service organization lacking valuable, rare, inimitable capabilities to offer excellent service will seek external provider to overcome the weakness.

Critics say it is difficult to find a resource that is valuable, rare and inimitable. Also the fact that a firm can exploit advantageous resources and make profit in a highly competitive environment is not true (Barney, J.B. 2001). The fact resources simply exist has been criticized. Resource based View model has been used to explain preparation phase for outsourcing decision process by organization in identifying appropriate activities to be outsourced. The model has also ensured appropriate resources are in-sourced to complement available resources.

### **2.3. Empirical Review**

#### **2.3.1. The Effect of Reliability in Service Outsourcing on Service Quality**

In Africa, the business process outsourcing (BPO) industry is evolving, with interactions between providers, multinationals, and the state playing a crucial role. Larsen, Mkalama, and Mol (2023) discuss the Kenyan BPO cluster's evolution and the challenges faced, such as the informal nature of local suppliers and the intermittent support from the government. The study implies that reliable service outsourcing can contribute to the industry's growth, provided there is consistent policy support and commitment from multinational corporations.

Ethiopian research provides a more focused view on the impact of service outsourcing. Mariyam (2022) examined the effects of service outsourcing on service quality in Ethiopian Cargo & Logistics Services. The study revealed that while outsourcing enabled the company to concentrate on core business functions and reduce operational costs, it also presented challenges

in enhancing service quality and customer satisfaction. This indicates that the reliability of the outsourcing partner is crucial for maintaining service quality.

Globally, the relationship between service quality and firm competitiveness has been extensively studied. Sun and Pang (2017) found that service quality significantly drives global competitiveness, particularly for large service firms and in environments characterized by low munificence, high dynamism, or high complexity. This suggests that outsourcing services to reliable providers can enhance a firm's competitive edge on a global scale.

### **2.3.2. The Effect of Cost Reduction in Service Outsourcing on Service Quality**

A study by Andersson, Jordahl, and Josephson (2019) reviews the literature on public sector outsourcing and finds that for services without severe contracting problems, outsourcing outcomes are generally favorable in terms of costs and quality. However, the results are mixed for services with more complex contracting issues, where public provision is often favored. Feng, Ren, and Zhang (2019) explore the design of service outsourcing contracts and highlight the importance of considering the correlation between capacity cost and quality cost in contract design. Ikenwa & Olusegun (2021) examined the impact of outsourcing on cleaning service quality and found significant improvements post-outsourcing. Another study on strategic outsourcing namely Sun and Pang (2017) indicated that cost-driven outsourcing improved organizational performance by reducing costs and risks while increasing operational efficiency. A study focusing on Ethiopian Services by Belay (2024) revealed that outsourcing of cargo handling services had an adverse effect on service quality, with a majority of respondents indicating that the quality did not improve post-outsourcing. This suggests that while outsourcing can lead to cost savings, it may also result in diminished service quality if not managed effectively.

### **2.3.3. The Effect of Responsiveness in Service Outsourcing on Service Quality**

Globally, the relationship between service quality and outsourcing has been extensively studied. Sun and Pang (2017) explored this relationship within global service firms, finding that service quality significantly drives global competitiveness, especially for large firms in dynamic, complex, or less munificent environments. This suggests that responsiveness in service

outsourcing can be a strategic asset for firms operating on a global scale. Another study by Žitkienė and Dudė (2018) highlighted the importance of strategic and economic factors as internal drivers for the growth of outsourcing practices among service companies. These findings underscore the role of responsiveness in outsourcing as a means to adapt to market changes and maintain service quality. In the African context, service outsourcing is gaining traction as a business strategy. Mabaka (2019) revealed that reliability, responsiveness, assurance, empathy, and tangibles are key measurements for service quality. This aligns with the global perspective, emphasizing the importance of responsiveness in maintaining high service quality standards. Furthermore, Mkalama, and Mol (2023) found that responsiveness had a positive and significant effect on customer satisfaction. This indicates that the responsiveness of outsourced services is crucial for achieving customer satisfaction in the African market. Ethiopian studies have also contributed valuable insights into the discourse. Mariyam (2022) investigated the effect of service outsourcing on service quality in the case of Ethiopian Cargo & Logistics Services, providing data-based justification on the benefits and downsides of subcontracting services to third parties. The study's findings are instrumental for companies considering outsourcing as a strategy to improve service quality. Maryam (2022) utilized the SERVQUAL model, which includes responsiveness as a dimension. The study concluded that service quality dimensions, including responsiveness, significantly impact customer satisfaction.

#### **2.3.4. The Effect of Assurance in Service Outsourcing on Service Quality**

Globally, the outsourcing of assurance services is often seen as a means to achieve cost efficiency and service quality improvement. McIvor (2010) posits that outsourcing can lead to significant enhancements in service quality by leveraging specialized expertise and advanced technologies that may not be available in-house. This view is supported by a study published by Cambridge University Press, which suggests that outsourcing, when managed effectively, can lead to improvements in service quality and global competitiveness.

In the African context, the outsourcing of assurance services is still an evolving practice. Larsen, Mkalama, and Mol (2023) discuss the interactions between providers, multinationals, and the state, and how these contribute to the evolution of the business process outsourcing (BPO)



industry in Africa. Their study highlights the potential for African suppliers to grow and become more attractive to foreign multinationals, thereby improving service quality through outsourcing.

Focusing on Ethiopia, Mariyam (2022) conducted a comprehensive study on the effect of service outsourcing on service quality in the case of Ethiopian Cargo & Logistics Services. The research found that outsourcing has a significant impact on service quality, suggesting that companies need to focus on the areas of subcontracting services to third parties to ensure benefits outweigh the downsides. Another Ethiopian study by Belay (2024) revealed that assurance as a dimension of service quality had a negative and insignificant effect on customer satisfaction, indicating that not all aspects of service quality are improved through outsourcing.

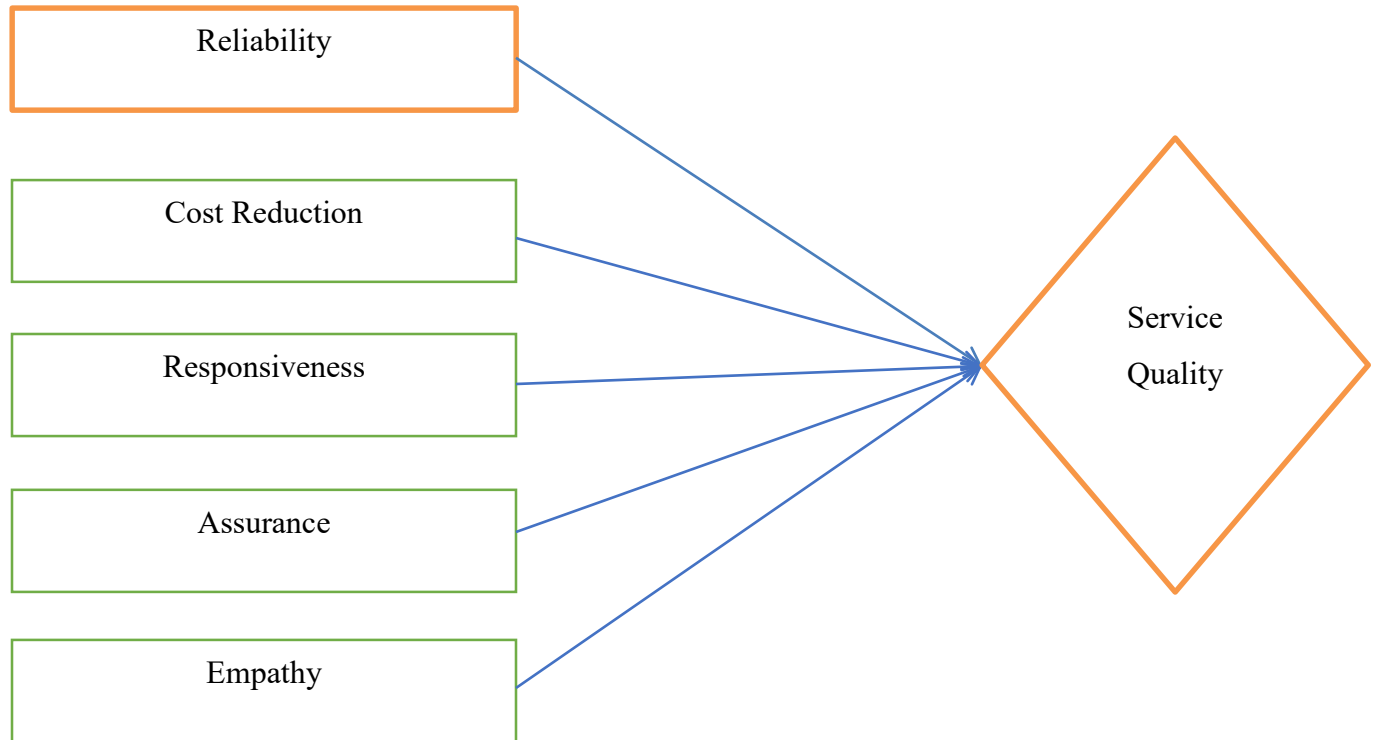
### **2.3.5. The Effect of Empathy in Service Outsourcing on Service Quality**

Empathy, defined as the ability to understand and share the feelings of another, is increasingly recognized as a critical component in the service industry. A study by Tan, Muskat, and Johns (2019) highlights the role of empathy in the service experience, suggesting that both cognitive and affective components of empathy are essential for a high-quality customer experience. This is corroborated by research indicating that empathy is a key driver in achieving customer satisfaction and loyalty, with significant effects on trust and satisfaction during customer-employee interactions.

In the African context, the influence of service quality dimensions, including empathy, Mkalama, and Mol (2023) found that outsourced cleaning service empathy significantly predicts service delivery quality. Similarly, Žitkienė and Dudė (2018) revealed that empathy, along with other service quality dimensions, had a positive and significant effect on customer satisfaction. Mariyam (2022) examined the effects of service outsourcing on service quality within local industries and proved that the impact of service outsourcing on service quality, providing insights into the perceived benefits and challenges of service outsourcing from an Ethiopian perspective. Belay (2024) also assessed the effects of service quality on customer satisfaction and found that empathy, among other factors, positively influences customer satisfaction.

## 2.4. Conceptual Framework

This framework explores the relationship between voucher card selling service outsourcing and the service quality perceived by distributors' customers. It incorporates five independent variables representing key aspects of service quality (Parasuraman et al., 1988).



**Figure 1 Conceptual Framework**

Source: Mariyam (2022)

In order to give businesses enough information about current practices and areas to pay attention to when subcontracting services to third parties, as well as data-based justification on perceived benefits and drawbacks in service quality, Mariyam (2022) looked at the effects of service outsourcing on service quality in Ethiopian Cargo and Logistics Services. The study aims to quantify the impact of service outsourcing on service quality and identify the main advantages and difficulties associated with service outsourcing. Accordingly, this examines the literature on public sector outsourcing, outsourcing results are typically good in terms of costs and quality for services without significant contracting issues. This study included five independent variables and one dependent variable namely service quality.

## Hypothesis

The consistency and accuracy of voucher card selling services delivered by the outsourced provider (Lee & Rha, 2017). This includes aspects like on-time delivery, accurate fulfillment of orders, and minimal errors in voucher activation.

- H1 – Reliability has a positive and significant effect on service quality.

The potential cost savings achieved by a distributor through outsourcing voucher card selling services (Jahre & Bråten, 2014). This can encompass reduced labor costs, infrastructure expenses, and overhead associated with in-house voucher card management.

- H2 – Cost Reduction has a positive and significant effect on service quality.

Responsiveness is the willingness and speed with which the outsourced provider reacts to customer inquiries and resolves voucher-related issues (Anderson et al., 2017). This includes timely customer support and efficient problem-solving mechanisms.

- H3 – Responsiveness has a positive and significant effect on service quality

Assurance is the knowledge and courtesy of the outsourced provider's staff, as well as the distributor's confidence in the provider's ability to deliver a high-quality service (Carter et al., 2020). This can involve aspects like qualified personnel, robust security measures for voucher cards, and clear communication protocols.

- H4 – Assurance has a positive and significant effect on service quality.

Empathy is related to the individualized attention and understanding provided to distributors by the outsourced service provider (Cao et al., 2013). This includes catering to specific needs, offering flexible solutions, and demonstrating a willingness to go the extra mile for customer satisfaction.

- H5 – Empathy has a positive and significant effect on service quality.

It is related to the overall customer satisfaction with the voucher card selling services offered by the distributor (Parasuraman et al., 1988). This encompasses perceptions of reliability, responsiveness, assurance, empathy, and tangibles (e.g., the user-friendliness of the voucher activation platform).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Approach**

Many particular topics were investigated by the researcher including probable correlations between two variables, namely, service outsourcing and the service quality. This study used quantitative research methods that was mainly used to ensure impartiality. To do statistical computations and make conclusions, data must be gathered and converted to numerical form. Similarly, Andersson et al., (2019) used the same method to address the typically beneficial in terms of costs and quality for services that do not have significant contracting issues.

Various methods are used to gather data, which is then processed for statistical analysis in accordance with rigorous guidelines. Quantitative method was used to evaluate objective hypotheses by analyzing the connection between variables. It is possible to measure these variables, often using equipment, and then do statistical analyses on the numerical results (Creswell, 2008). When employing a quantitative approach to data collection and analysis, it is necessary to have a firm grasp on the linkages between service outsourcing and service quality using an inferential statistical method.

#### **3.2. Research Design**

According to Cooper, Pamela and Schindler (2004), a research design provides the framework to be used as a guide in collecting and analyzing data. Considering the purpose of the research and the nature of the phenomenon, explanatory research design is chosen for this study. This explanatory research design provides explanations of observed phenomena, problems or behavior, answers to why and how types of questions and indicate the causal relationship between the independent and dependent variable.

As an explanatory study, it examined the relationship between a service outsourcing and its corresponding metric, service quality, in the context of Ethio Telecom. It was carried out in order to determine the amount and nature of the association between the two variables. Ethio Telecom's workers and management was asked to complete surveys in order to gather quantitative primary data. Larsen et al. (2023) talked about how the state, corporations, and providers interact and

how this helps shape the development of the business process outsourcing (BPO) sector in Africa.

### **3.3. Sampling Design**

#### **3.3.1. Target Population**

Population consists of the entire group of events, elements and individuals that have a common observable characteristic (Lewis, 2015). The target population is the population that the researcher is interested in to participate in the study as they had the requisite knowledge which was used in responding to the research questions. The HR records at Ethio Telecom showed that there are 324 permanent employees working in the company.

#### **3.3.2. Sampling Technique**

In order to choose the sample, a non-probability sampling method is used to select people from the intended population. Purposeful selection of certain units from the universe is used to create a representative sample (Kothari, 2004). Using the Convenience sampling approach, the population components was picked in the sample based on their accessibility, or respondents was selected because they happened to be in the appropriate location at the right time for the research project. Researcher target element in Addis Ababa was contacted by the researcher.

#### **3.3.3. Sample Size**

Sample size is determined using Slovin's method, with a 95 percent confidence level and a 5 percent error margin. If you want to use Slovin's formula to estimate a population percentage, you'll need to use a 95 percent confidence coefficient (Tejada & Punzalan, 2012). The sampling formula used to obtain the sample size for Ethio Telecom workers and managers is as follows:

$$\text{Thus, } n = \frac{N}{1 + Ne^2}$$

Where, n = is the sample size

N = is the population size (324)

e = error tolerance (0.05)

$$n = \frac{324}{1 + 324(0.05)^2} \approx 179$$

Based on Slovin's formula, the sample of 179 respondents has drawn from target population of 324 employees.

### 3.4. Type and Sources of Data

For the current study, the researcher used both primary data sources. In this regard, the primary data was collected from the employees and head of office who are working Ethio Telecom in the time of data collection period 2024. The 179 respondents as determined to be selected using simple random sampling technique, was addressed via survey questionnaire regarding on the impact of voucher card selling service outsourcing on service quality of distributors.

### 3.5. Data collection Techniques

The primary method used to gather data is through questionnaires. The questionnaires are self-administered, meaning that they are handed out to the respondents for them to fill out on their own. To provide respondents the option to fully describe issues, the questionnaire included both closed-ended and open-ended questions. The survey was administered to 179 Ethio Telecom employees.

The questionnaire is organized as follows:

- **Section 1:** Started with asking the general information about each respondent. The collected information incorporated gender, academic status, rear of experience and of the participant where they belong.
- **Section 2:** The participants was asked to rank the impact of voucher card selling service outsourcing on service quality of distributors. There are 35 questions whereby respondents were expected to rate based on their importance. the impact of voucher card selling service outsourcing on service quality of distributors study was made by classifying factors in to five broad categories (Reliability, Cost reduction, Responsiveness, Assurance, and Empathy). They rated each of the identified factors based on the severity which was categorized on five-point scale as strongly disagree, disagree, neutral, agree and strongly agree on a 5-point Likert.

### 3.6. Definition of the Research Variable

There are a number of factors that potentially affect service quality of the Ethio Telecom as exhaustively discussed in *Chapter One* based on various literatures. However, the researcher decided to assess the major and common factors that influence service quality in Ethio Telecom. Therefore, in this particular study, the

***Dependent variable:*** Service quality is the dependent variable

***Independent variables:*** after extensive review of literature, five dimensions of different factors (Reliability, Cost reduction, Responsiveness, Assurance, and Empathy) are drawn as independent variable of the study.

### 3.7. Method of Data Analysis

In this study, quantitative data collected via survey questionnaire was analyzed using the descriptive statistics as well as inferential statistics. The specific data analysis techniques was employed are presented below:

#### 3.7.1 Descriptive Statistics

The descriptive statistics was employed in order to analyze data to be collected via survey questionnaire, specifically the respondents' profile to describe their characteristics using frequency and percentile; and, the remaining data was analyzed by measuring the central tendency and dispersion (viz . mean and standard deviation), to measure and identify the perception of respondents regarding on factors affecting service quality of Ethio Telecom.

#### 3.7.2 Inferential Statistics

The inferential statistics, on the other hand, was utilized to determine with what validity data can be said to make conclusion or conclusions with inference, and summarizing sources of numerical data in to meaningful form (Kothari, 2004) In this study, in order to identify the relationship between service quality as dependent variable and the independent factors (i.e., Reliability, Cost reduction, Responsiveness, Assurance, and Empathy), Pearson's correlation was employed via using SPSS. As Pearson product-moment indicates, the relationship of variables is expressed by correlation coefficient ( $r$ ) value within the range of -1.00 to +1.00 (Sekaran & Bougie, 2016). Besides, Multiple Linear Regression analysis was also used in order to establish the effects of the

different factors on the service quality at Ethio Telecom as illustrated the variables in the following equation:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

**$Y_i$**  = *Service quality* (Dependent Variable)

**$\beta_0$**  = *Constant*

**$X_1$ - $X_4$**  = *Independent Variables*

**$X_1$**  = *Reliability*

**$X_2$**  = *Cost reduction*

**$X_3$**  = *Responsiveness*

**$X_4$**  = *Assurance*

**$X_5$**  = *Empathy*

**$\beta_0$**  = Coefficient of the model

**$\beta_1$ - $\beta_4$**  = Beta Coefficient of Determination

**$\epsilon$**  = Stochastic Error Term

Thus, the aforementioned two statistical analysis methods (*i.e., both descriptive and inferential statistics*) was applied to evaluate the current status of service quality, and to measure and determine the relationship and effects that exists between dependent and independent variables by employing the data to be collected and analyzing using statistical package for social sciences (SPSS V. 24).

### **3.8. Reliability and Validity**

#### **3.8.1 Validity**

To assure the validity of the measurement tool of the questionnaire, the researcher collected comments on the items of the questionnaire from research advisor and employees working at Ethio Telecom in order to improve the items based upon their comments. Additionally, prior to starting the distribution of the questionnaire, the researcher carried out a pre-test (*i.e., pilot study*) on randomly selected respondents from one of the Ethio Telecom for the sake of checking whether the items of the questionnaire are feasible, clear, consistent and understandable to the respondents.

#### **3.8.2 Pilot Test**

In addition, a pretest of the survey was conducted concurrently with the participation of fifteen (15) workers of Safaricom in order to ascertain whether the questionnaires could produce the



required amount of data to match the study's objectives and hypotheses. A pilot test was conducted. A pilot study is a preliminary investigation or a scaled-down version of a bigger research endeavor. A plan, initiative, or other strategy is said to be in a "pilot" state when it is tested before being more widely implemented throughout an organization. When a product or software release is involved, a pilot test is typically carried out prior to beta testing.

### 3.8.3 Reliability

After the data had been coded and entered into SPSS version 23, a test for reliability had been carried out. Reliability is the degree to which a measurement can be repeated and provide the same findings. For this study, a Cronbach's alpha coefficient, a common measure of internal consistency, was determined. Scale correlations may be evaluated using Cronbach's alpha, a reliability metric that measures the correlation between item answers produced from the scale. The value of this variable ranges from 0 to 1 (Shelby, 2011).

**Table 1 Reliability Test**

Variables	Cronbach's Alpha	N of Items
X1 = Reliability	.844	5
X2 = Cost reduction	.781	4
X3 = Responsiveness	.734	4
X4 = Assurance	.824	4
X5 = Empathy	.908	5
Y = Service Quality	.801	5

#### Survey Results, 2024

There is little doubt that the internal consistency of Malhotra and Birks' (2007; Malhotra & Birks (2007)) findings show an unacceptable level of internal consistency. Cronbach's alpha does not have a standard scale, but the closer it gets to 1, the better. Previous research have employed a minimum Cronbach's alpha score of 0.4 to 0.9. (George & Mallery, 2003; Gregory,1999; Houser & Bokovoy, 2008; Kline, 2000; Makhitha & Dlodlo, 2014; Nunnally, 1978; Nunnally & Bernstein, 1994). Consequently, it implies that the instrument of choice measures the variables

selected with accuracy and that the scales' reliability was fairly high, demonstrating a high degree of internal consistency among the assessment items.

### **3.9. Ethical Consideration**

The ethical issues were taken into consideration while carrying out the current study. Hence, the permission was obtained from management of the Ethio Telecom, informants and respondents who are working in the study area before any sort of data collection is started. To assure the confidentiality of information, name of the respondents was omitted from the questionnaire. On the other hand, objectives of the study were clearly explained to each and every participant of this study in order to obtain their verbal consents. Besides, the respondents of the questionnaire was also vividly told that the whole process of the questionnaires' administration would be set up with great confidentiality, and their involvements and/or their information provided for the current study would be kept and used anonymously.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1. Introduction

The following is a general outline for the structure of this chapter: It includes a reliability test for the measures employed, as well as an analysis of the demographics of the respondents. Pearson's correlation coefficient and descriptive analyses were provided sequentially in order to make it easier to do the empirical analysis.

#### 4.2. Samples and response rate

With 179 out of the 179 questioners distributed in this study being returned, the return rate was 100%. A great return rate was achieved in this study, as 179 out of the 179 questioners that were distributed were returned. After six invalid forms were eliminated, more valid questionnaires were accepted, yielding a superior response rate. As a result, every single participant returned valid surveys out of the 179 that were distributed. This shows the rate increases with the number of respondents. Better results are typically the result of higher answers. It might also be applied to evaluate the veracity of the data obtained from the campaign.

#### 4.3. Demographic characteristics of respondents

Table 2 Demographic Profile

Variables		Frequency	Percent
Gender:	Male	119	66.5%
	Female	60	33.5%
Age (in year):	Below 35	66	36.9%
	36 - 55	92	51.4%
	Above 56	21	11.7%
Educational Status:	High school completed and below	20	11.2%
	Diploma	42	23.5%
	Degree	71	39.7%
	MA and above	46	25.7%

Survey Results, 2024

Table 2 presents statistical data indicating that 33.5 % of research participants were female and 66.5% were male. Given that men made up the majority of respondents to the voucher selling

practices survey, it is imperative that women have greater opportunities and assistance to participate in this profession.

The number of respondents who are less than 35 years old is 66, which represents 36.9 % of the total respondents. This is the second smallest group among the respondents. The majority of the respondents fall into the 36 -55 years age group. There are 92 respondents in this category, accounting for 51.4 % of the total. This suggests that the study's findings are most representative of this age group's experiences and perceptions. The number of respondents who are older than 56 years is 21, making up 11.7 9% of the total respondents. This is a significant portion, but less than the below 35 years group.

The number of respondents who completed High school completed and below is 20, which represents 11.2 % of the total respondents. This is the smallest group among the respondents. There are these respondents who completed high school, accounting for less of the total.

There are 42 respondents who hold a diploma, which represents 23.5 % of the total respondents. The majority of the respondents hold a first degree. There are 71 respondents in this category, accounting for 39.7 % of the total. In addition, the master's degree holds account 25.7 % or 46 in number. This suggests that the study's findings are most representative of this education level's experiences and perceptions.

The study has a diverse range of respondents in terms of age and education level, but it is heavily skewed towards those aged 18-25 years and those holding a first degree. Signifying the impact of outsourcing on service quality as found in this study is most reflective of the perspective of these groups in the context of Ethio Telecom, Ethiopia.

#### **4.4. Descriptive statistics of the level of agreement of the respondent's Perception towards different variables of the research**

An itemized rating scale is used to create a range by the researcher. Respondents' attitudes regarding each variable were gauged with the use of this range. The range is constructed using the following formula (Shrestha, 2015). The mean scores of each variable were employed in this study's analysis, which was done using descriptive statistics or central tendency. Assessment of the average replies of respondents to each question contained in each dimension of the predictor variable and the grand mean of the dimensions was the primary purpose of this measurement.

Finally, the grand mean of each independent dimension is used to arrive at the study's partial research objectives.

$$\begin{aligned}\text{Itemized rating scale: } & \frac{\text{Max} - \text{Min}}{5} \\ & = \frac{5 - 1}{5} \\ & = 0.80\end{aligned}$$

The mean of each individual item ranging from 1- 5 falls within the following interval: 1.00 – 1.80 for Strongly Disagree, 1.81 – 2.60 Disagree, 2.61 – 3.40 Neutral, 3.41 – 4.20 Agree and 4.21 – 5.00 Strongly Agree.

#### 4.4.1. Cost Reduction

The mean values indicate the average level of agreement with each cost reduction aspect, while the standard deviations reflect the variability or dispersion of responses around the mean. A lower standard deviation suggests more consistency in responses, indicating a higher level of agreement regarding the impact of outsourcing on cost reduction.

The table covers four distinct aspects related to cost reduction through outsourcing services, each with its respective mean and standard deviation. The mean values reflect the perceived effectiveness of outsourcing services in achieving cost reduction across different dimensions.

**Table 3 Cost Reduction**

<b>Cost Reduction</b>	<b>Mean</b>	<b>Std. Deviation</b>
Outsourcing voucher selling service saves time and cost.	3.70	1.212
Outsourcing voucher selling service allows focusing on core business functions.	3.91	.927
Outsourcing voucher selling service reduce budget allocation	4.14	.694
Outsourcing has reduced costs such as overheads and other fixed costs in the airlines	4.14	.840
<b>Grand Mean</b>	<b>3.9742</b>	

#### Survey Results, 2024

The mean score for the statement “Ethio Telecom has modern looking equipment” is 3.70 with a standard deviation of 1.212. This suggests that respondents generally agree that the company has modern equipment, but there is some variability in their responses. The mean score for the statement “Ethio Telecom’s physical facilities are visually appealing” is 3.91 with a standard

deviation of .927. This indicates that respondents generally find the physical facilities of the company visually appealing, with less variability in responses compared to the equipment aspect.

The mean score for the statement “Ethio Telecom’s reception desk employees are neat appearing” is 4.14 with a standard deviation of .694. This is the highest mean score among the statements, suggesting that respondents highly agree that the employees at the reception desk have a neat appearance. The lower standard deviation indicates less variability in responses, showing a strong consensus among respondents on this aspect. The mean score for the statement “Materials associated with the service (such as welcome, no smoking statements) are visually appealing at Ethio Telecom” is 4.14 with a standard deviation of .840. This suggests that respondents generally find the service materials visually appealing, but there is some variability in their responses. The study shows that respondents generally have a positive attitude towards the cost reduction aspect of outsourcing at Ethio Telecom, with the neat appearance of reception desk employees and visually appealing service materials receiving the highest ratings. These findings provide valuable insights into customer perceptions, which can inform strategies to improve outsourcing and customer satisfaction.

#### 4.4.2. Reliability

The table provided presents the respondents’ attitudes towards the reliability aspect of outsourcing at Ethio Telecom in Ethiopia. Reliability refers to the ability to perform the promised service dependably and accurately.

**Table 4 Reliability**

<b>Reliability</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company has quality network and speed service	4.00	.972
The company keep customer record correctly	4.16	.792
The company provide service at the designed and promised time	4.13	.817
The company inform any failure ahead of time	4.05	.966
The company has speedy service	4.11	.709
<b>Grand Mean</b>	<b>4.0891</b>	

Survey Results, 2024

Quality Network and Speed Service (Mean: 4.00, Std. Deviation: 0.972). The mean value suggests a high level of perceived reliability in providing quality network and speed service, with some variability in responses. Accurate Customer Record Keeping (Mean: 4.16, Std. Deviation:

0.792). This aspect received the highest mean score, indicating a strong consensus on the company's reliability in keeping customer records accurately. Service Delivery at the Designated Time (Mean: 4.13, Std. Deviation: 0.817). The high mean value, coupled with a relatively low standard deviation, indicates a significant consensus on the reliability of the company in delivering services as promised. Advance Notification of Failures (Mean: 4.05, Std. Deviation: 0.966). The mean score suggests a high level of perceived reliability in informing customers of any failures ahead of time, with some variability in responses.

Speedy Service aspect received a high mean score, indicating a strong consensus on the company's reliability in providing speedy service. The grand mean of 4.0891 reflects a generally high level of perceived reliability across the various aspects of the company's services, with relatively low variability in responses. This suggests that the company is perceived as highly reliable in delivering quality network and speed services, maintaining accurate customer records, adhering to promised service delivery times, and promptly addressing any service failures.

#### 4.4.3. Responsiveness

The table provided presents the respondents' attitudes towards the responsiveness aspect of outsourcing at Ethio Telecom in Ethiopia. Responsiveness refers to the willingness to help customers and provide prompt service.

**Table 5 Responsiveness**

<b>Responsiveness</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company employees provide punctual service	4.14	.800
The company employees willingness to help customers	4.01	.964
The company employees are never busy to respond to customer request	4.09	.922
The company employees give quick response when ether is problem	3.99	.876
<b>Grand Mean</b>	<b>4.0578</b>	

#### Survey Results, 2024

The high mean value suggests a strong perception of the company's employees providing punctual service, indicating a consistent agreement among respondents regarding the punctuality of service delivery. This aspect underscores the reliability and timeliness of the company's employees in fulfilling their service commitments, contributing to a positive customer experience.

While the mean score indicates a perceived willingness of the company's employees to help customers, the relatively higher standard deviation suggests some variability in responses. This may reflect differing perceptions among respondents regarding the extent of employee willingness to assist customers. Further exploration of specific scenarios or interactions could provide insights into the varying perceptions within this aspect. The high mean score reflects a strong perception of the availability and responsiveness of the company's employees to customer requests. Despite some variability in responses, the consensus on the employees' availability to respond to customer needs underscores the importance of prompt and accessible customer service, contributing to overall customer satisfaction and loyalty.

The mean value indicates a relatively positive perception of the company's employees giving quick responses when there is a problem. While the standard deviation suggests some variability in responses, the overall positive sentiment towards the employees' ability to address problems promptly signals a proactive approach to resolving issues and mitigating customer concerns. The grand mean of 4.0578 reflects a generally high level of perceived responsiveness across the various aspects of the company's employees, with relatively low variability in responses. This suggests that the company's employees are perceived as highly responsive in providing punctual service, willingness to help customers, availability to respond to customer requests, and addressing problems promptly.

#### 4.4.4. Assurance

**Table 6 Assurance**

<b>Assurance</b>	<b>Mean</b>	<b>Std. Deviation</b>
Outsourced staffs provide good quality voucher selling service.	3.80	1.055
The outsourced staff handles shipments good.	3.77	.952
There is no problem of controlling outsourced staff during working hours.	3.77	1.065
The outsourced staff consistently provides adequate support voucher selling staff	3.72	1.079
<b>Grand Mean</b>	<b>3.7611</b>	

Survey Results, 2024



The table provided presents the respondents' attitudes towards the assurance aspect of outsourcing at Ethio Telecom in Ethiopia. Assurance refers to the knowledge and courtesy of employees and their ability to inspire trust and confidence.

Outsourced staffs provide good quality voucher selling service: The mean score of 3.80 suggests that on average, respondents agree that outsourced staff provide good quality voucher selling service. However, the standard deviation of 1.055 indicates a significant spread in the responses. This could mean that while some respondents strongly agree with the statement, others may only somewhat agree or even disagree. The outsourced staff handles shipments good: The mean score of 3.77 is slightly lower than the first statement, suggesting a slightly lower level of agreement that outsourced staff handle shipments well. The standard deviation of .952 is also lower, indicating less variability in responses. This could suggest that respondents are more consistent in their views on this aspect of outsourcing.

There is no problem of controlling outsourced staff during working hours: The mean score of 3.77 is the same as the second statement, suggesting a similar level of agreement. However, the standard deviation of 1.065 is higher, indicating more variability in responses. This could mean that respondents have differing experiences or views on the ease of controlling outsourced staff during working hours.

The outsourced staff consistently provides adequate support for voucher selling staff: The mean score of 3.72 is the lowest among the four statements, suggesting the lowest level of agreement. The standard deviation of 1.079 is the highest, indicating the greatest variability in responses. This could suggest that respondents have the most diverse views on this aspect of outsourcing.

The Grand Mean of 3.7611 suggests a general agreement with the statements about assurance provided by outsourcing. However, the grand standard deviation of .68850, being the second highest among the standard deviations, indicates a moderate level of variability in the responses across all statements. This could suggest that while there is a general agreement on the benefits of outsourcing, experiences and views on specific aspects of outsourcing can vary significantly among respondents.

#### 4.4.5. Empathy

The table presents the respondents' attitudes towards the empathy aspect of outsourcing at Ethio Telecom in Ethiopia. Empathy involves giving customers individual attention and understanding their specific needs.

**Table 7 Empathy**

<b>Empathy</b>	<b>Mean</b>	<b>Std. Deviation</b>
The outsourced staff give individual attention and commitment.	3.71	.954
The service hours are convenient and respected by the outsourced staff.	3.45	1.188
The employees assist customers with the best interests and willingness at heart.	3.85	.898
The outsourced staff understand specific service needs & deliver the quality of service.	3.58	.977
Demonstrate professional etiquette and manners while handling customer inquiries.	4.01	.895
<b>Grand Mean</b>	<b>3.6462</b>	

Survey Results, 2024

The outsourced staff gives individual attention and commitment: The mean score is 3.71 with a standard deviation of .954. This suggests that respondents generally agree that outsourced staff provide individual attention and commitment. However, the standard deviation indicates a moderate variability in the responses.

The service hours are convenient and respected by the outsourced staff: The mean score is 3.45 with a standard deviation of 1.188. This statement has the lowest level of agreement among the five, and the highest variability in responses. This could suggest that respondents have diverse views on the convenience and respect of service hours by outsourced staff.

The employees assist customers with the best interests and willingness at heart: The mean score is 3.85 with a standard deviation of .898. This statement has a higher level of agreement than the previous two, and less variability in responses. This could suggest that respondents generally agree that the employees assist customers with their best interests and willingness.

The outsourced staff understand specific service needs & deliver the quality of service: The mean score is 3.58 with a standard deviation of .977. This statement has a lower level of

agreement than the third statement but higher than the second, and a moderate variability in responses. This could suggest that respondents have varying views on the understanding and delivery of service quality by outsourced staff.

Demonstrate professional etiquette and manners while handling customer inquiries: The mean score is 4.01 with a standard deviation of .895. This statement has the highest level of agreement among the five, and less variability in responses. This could suggest that respondents strongly agree that outsourced staff demonstrate professional etiquette and manners while handling customer inquiries.

The Grand Mean of 3.6462 suggests a general agreement with the statements about empathy provided by outsourcing. However, the grand standard deviation of .82654, being the second highest among the standard deviations, indicates a moderate level of variability in the responses across all statements. This could suggest that while there is a general agreement on the empathy provided by outsourcing, experiences and views on specific aspects of outsourcing can vary significantly among respondents.

#### 4.4.6. Service Quality

The table provided presents the mean and standard deviation of respondents' attitudes towards various aspects of trust in Ethio Telecom, Ethiopia.

**Table 8 Service Quality**

<b>Service Quality</b>	<b>Mean</b>	<b>Std. Deviation</b>
Outsourcing of the voucher card selling service decreased delivery time of activities.	3.9415	.66805
Outsourcing of the voucher card selling service increased on time performance of voucher selling.	4.1365	.66078
The supplier provides prompt service for your requests at the right time.	3.9443	.60465
Customer complaints and claims are decreased after outsourcing of the voucher card selling service.	3.9359	.88046
Considering the time, effort and money Ethio Telecom spent on the outsourcing, it can be concluded the company is benefited.	3.9721	.59730
<b>Grand Mean</b>	<b>3.9861</b>	

#### Survey Results, 2024

Outsourcing of the voucher card selling service decreased delivery time of activities: The mean score is 3.9415 with a standard deviation of .66805. This suggests that respondents generally

agree that outsourcing has decreased the delivery time of activities. However, the standard deviation indicates a moderate variability in the responses.

Outsourcing of the voucher card selling service increased on time performance of voucher selling: The mean score is 4.1365 with a standard deviation of .66078. This statement has the highest level of agreement among the five, and a moderate variability in responses. This could suggest that respondents strongly agree that outsourcing has increased the on-time performance of voucher selling. The supplier provides prompt service for this requests at the right time: The mean score is 3.9443 with a standard deviation of .60465. This statement has a similar level of agreement as the first statement, but less variability in responses. This could suggest that respondents generally agree that the supplier provides prompt service.

Customer complaints and claims are decreased after outsourcing of the voucher card selling service: The mean score is 3.9359 with a standard deviation of .88046. This statement has a slightly lower level of agreement than the previous ones, and the highest variability in responses. This could suggest that respondents have diverse views on the impact of outsourcing on customer complaints and claims. Considering the time, effort and money Ethio Telecom spent on the outsourcing, it can be concluded the company is benefited: The mean score is 3.9721 with a standard deviation of .59730. This statement has a slightly higher level of agreement than the fourth statement but lower than the second and third, and less variability in responses. This could suggest that respondents generally agree that Ethio Telecom has benefited from outsourcing.

The Grand Mean of 3.9861 suggests a general agreement with the statements about service quality provided by outsourcing. However, the grand standard deviation of .44436, being the lowest among the standard deviations, indicates a low level of variability in the responses across all statements. This could suggest that while there is a general agreement on the service quality provided by outsourcing, experiences and views on specific aspects of outsourcing are relatively consistent among respondents.

#### **4.5. Inferential Statistics**

The researcher used regression analysis to determine the impact of outsourcing on service quality in a case study of Ethio Telecom, Ethiopia. The results of Correlation, ANOVA, and regression coefficients are provided in the following sections.

### 4.5.1. Correlation Analysis

The researcher used Pearson's Correlation analysis in order to examine the relationship between the five dimensions of service quality (Cost reduction, Reliability, Responsiveness, Assurance, and Empathy) and service quality. Pearson's correlation coefficient was used as a statistical tool. Pearson's correlation coefficient is a common method to quantify how strongly two variables are related to each other. It assumes that the variables have a linear association and that they are randomly sampled from a population (Kothari, 2004). The results of the correlation analysis between the independent variables (cost reduction, reliability, responsiveness, assurance, and empathy) and the dependent variable (service quality) are presented in the following section. The table below shows the correlation coefficients for each pair of variables. The coefficients range from moderate (.3 to .7) to high (above .70 or from .7 to 1), indicating that there is a significant relationship between the service quality aspects and the service quality.

**Table 9 Correlation Matrix Analysis**

		Reliability	Cost reduction	Responsiveness	Assurance	Empathy	Service Quality
Reliability	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	180					
Cost reduction	Pearson Correlation	.426**	1				
	Sig. (2-tailed)	.000					
	N	180	180				
Responsiveness	Pearson Correlation	.348**	.601**	1			
	Sig. (2-tailed)	.000	.000				
	N	180	180	180			
Assurance	Pearson Correlation	.459**	.613**	.784**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	180	180	180	180		
Empathy	Pearson Correlation	.435**	.539**	.437**	.495**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	180	180	180	180	180	
Service Quality	Pearson Correlation	.595**	.678**	.628**	.676**	.635**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	180	180	180	180	180	180

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Survey Results, 2024

A positive, moderate and significant relationship between the dependent variable, service quality, and the independent variable, cost reduction, was found through correlation analysis. At a significance level of  $p < 0.05$ , the Pearson correlation value between cost reduction and service quality was found to be 0.678. This is in line with other research in the subject, such as Shava (2021) and Fan et al.'s (2022) study.

The results of the correlation study showed a positive, moderate and significant relationship between the dependent variable, "service quality," and the independent variable, "reliability." At a significance level of  $p < 0.05$ , the Pearson correlation value between "reliability" and "service quality" was found to be 0.595. This is consistent with other studies conducted on the topic, including the study of Fan et al. (2022) and Nguyen et al. (2022).

The correlation value indicates a moderate positive and significant relationship between the responsiveness ( $r = .628$ ) of voucher selling service and service quality. In essence, as the responsiveness of the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive relationship on service quality. This is in line with other research in the subject, such as Shava (2021) study.

The correlation value indicates a moderate positive and significant relationship between the assurance ( $r = .676$ ) provided by voucher selling service and service quality. In essence, as the level of assurance in the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive relationship on service quality. This suggests that when customers perceive the voucher selling service as trustworthy, and capable of meeting their needs, it is likely to influence their service quality in a positive manner. This is in line with other research in the subject, such as Tan et al., (2019) study.

The results show a somewhat positive link at a significance level of  $p < 0.05$  between the constructs of "Empathy" and "Service quality," with a significant Pearson correlation of 0.635. This is consistent with other studies conducted in the field, like the one by Fan et al. (2022), which discovered that aspects of outsourcing, such as system design, intelligent fulfillment, security assurance, and interactive service, have a positive impact on service quality. The relationship between these aspects and service quality is mediated by customer trust and perceived risk.

## **4.6. Regression Analysis**

### **4.6.1. Assumptions Testing in Multiple Regression**

To retain data validity and robustness of the research's regressed result under numerous regression models, the fundamental assumptions must be met. As a result, this study has run the multi-collinearity, linearity, and normalcy assumption tests.

#### **4.6.1.1. Sample size**

The sample size requirement for multiple regression analysis with a specific formula proposed by Tabachnick and Fidell (2011). According to the formula, the minimum required sample size is  $N > 50 + 8m$ , where  $m$  is the number of independent variables. In this particular study, there were five independent variables, and the sample size was 179. Therefore, the study met the minimum sample size requirement. The importance of having an adequate sample size in multiple regression analysis cannot be overstated. Small sample sizes may lead to unreliable estimates of regression coefficients and fail to capture the true relationship between the dependent and independent variables, resulting in incorrect or misleading conclusions (European Journal of Clinical Investigation, 2019).

#### **4.6.1.2. Multicollinearity**

The table provided below shows the results of a multicollinearity test for a study on the effect of service quality on service quality in Ethio Telecom in Ethiopia. The variables tested are aspects of service quality: Cost reduction, Reliability, Responsiveness, Assurance, and Empathy.

Multicollinearity refers to a situation in which two or more explanatory variables in a multiple regression model are highly linearly related. In this context, the Variance Inflation Factor (VIF) and Tolerance are used to check for multicollinearity.

Tolerance is a measure of the influence of one independent variable on all other independent variables; it is calculated as  $1 - R^2$  for a given independent variable. Lower tolerance values indicate higher multicollinearity. Generally, a tolerance value below 0.1 is a cause for concern, indicating that the variable under consideration is almost a perfect linear combination of the independent variables already entered into the equation.

Variance Inflation Factor (VIF) is a measure of how much the variance of the estimated regression coefficient is increased due to multicollinearity. VIF is calculated as the reciprocal of

Tolerance. As a rule of thumb, a VIF value that exceeds 5 or 10 indicates a problematic amount of multicollinearity.

**Table 10. Collinearity Statistics**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Reliability	.716	1.396
Cost reduction	.512	1.954
Responsiveness	.359	2.783
Assurance	.324	3.083
Empathy	.635	1.575

**Source: Survey Result, 2024**

**Cost reduction:** The VIF is 1.954 and the tolerance is 0.512. This suggests that there is no significant multicollinearity with the other variables.

**Reliability:** The VIF is 1.396 and the tolerance is 0.716. This also suggests that there is no significant multicollinearity with the other variables.

**Responsiveness:** The VIF is 2.783 and the tolerance is 0.359. This suggests that there is no significant multicollinearity with the other variables.

**Assurance:** The VIF is 3.083 and the tolerance is 0.324. This suggests that there is no significant multicollinearity with the other variables.

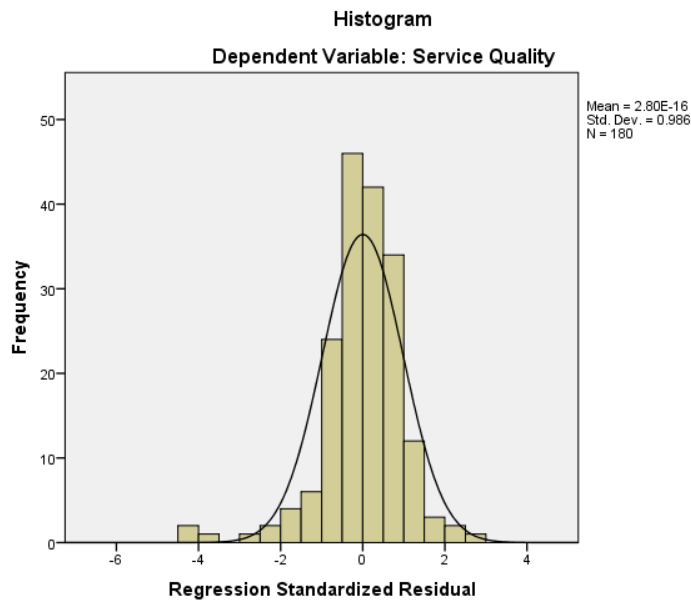
**Empathy:** The VIF is 1.575 and the tolerance is 0.635. This suggests that there is no significant multicollinearity with the other variables.

None of the variables in the model have a VIF greater than 5 or a tolerance less than 0.1. Therefore, it can be concluded that there is no significant multicollinearity among the variables in the model. This means that these variables can provide unique and independent information to the predictive model. This is a good sign for the validity of the model.



#### 4.6.1.3. Normality

When analyzing data using SPSS, it is important to check for normality of the distribution of the dependent variable and the residuals to ensure that the assumptions of the statistical tests are being met. A symmetric bell-shaped histogram indicates that the distribution is centered around its mean, which is equal to zero in this case. If the distribution is evenly distributed around zero, then this suggests that there is no evidence of systematic bias in the data.



**Figure 2: Histogram Plot of Regression Standardized Residual**  
**Source: Survey Result, 2024**

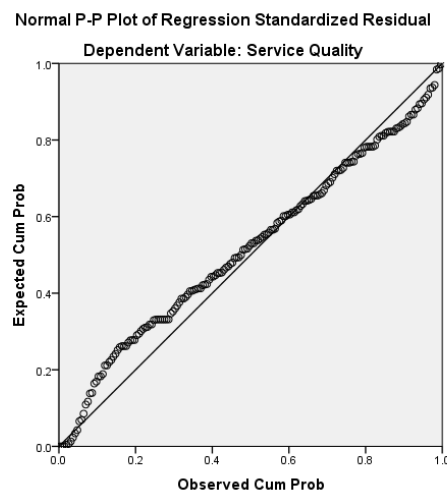
The bell-shaped curve overlaying the histogram bars suggests that the residuals are normally distributed. This is a good indication that the regression model assumptions of normality are met. The mean of the residuals is approximately 2.870E-16, which is effectively zero. This indicates that the model's predictions are unbiased on average. The standard deviation of the residuals is 0.986, which implies that the residuals are spread out around the mean, but most of them fall within the expected range for a normal distribution. The sample size (N) is 179, which provides a sufficient amount of data to assess the model's performance.

The histogram suggests that the regression model for predicting service quality based on service quality in Ethio Telecom in Ethiopia is well-fitted, with residuals that are normally distributed

and centered around zero. This implies that the model does not systematically overestimate or underestimate the dependent variable “service quality.”

Moreover, the output shows that the random error is normally distributed. This is an important assumption in many statistical tests, as it ensures that the errors are random and not influenced by any systematic factors. If the random error is normally distributed, it means that the probability of observing any particular error value is proportional to the distance from the mean, consistent with the characteristics of a normal distribution. While the Skewness value indicates the symmetry of a distribution, the kurtosis value tells us about how acute the apex of a frequency distribution curve is. Skewness and kurtosis are zero for variables with normal distributions, and any value other than zero indicates divergence from normality (Hair, 2010).

#### 4.6.1.4. Linearity



**Figure 3 Normal p-p plot of Regression Standardized Residual**

**Source: Survey Result, 2023**

The P-P plot provided is a graphical tool used to assess the normality of residuals in regression analysis. Here’s an interpretation of the P-P plot:

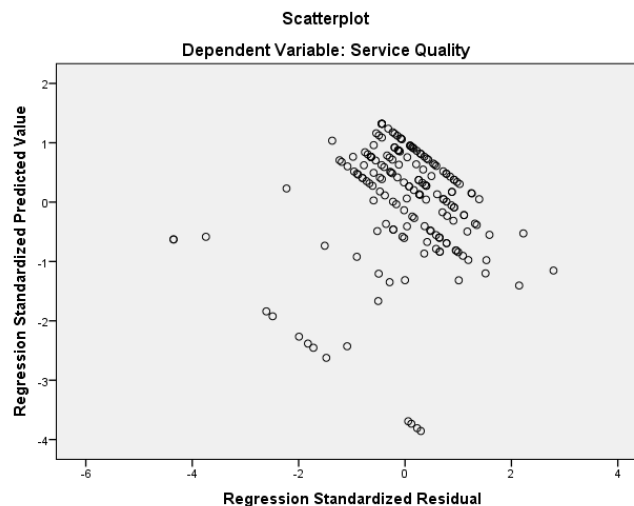
- **Observed vs. Expected Cumulative Probabilities:** The dots represent the observed cumulative probabilities of the residuals, plotted against the expected cumulative probabilities if the residuals were perfectly normally distributed.
- **Diagonal Line:** The diagonal line represents the expected relationship if the residuals were perfectly normally distributed.

- **Alignment:** The close alignment of the dots with the diagonal line suggests that the residuals are normally distributed. This indicates that the regression model's assumption of normality is likely met.
- **Outliers:** Any substantial deviations of the dots from the diagonal line would indicate potential outliers or a departure from normality.

The P-P plot suggests that the residuals from the regression model, with service quality as the dependent variable, are normally distributed, which is a desirable property for a well-fitted model. This implies that the model's predictions are consistent with the observed data and that the standard statistical tests on the model's coefficients are likely valid.

#### 4.6.1.5. Homoscedasticity

The standardized residual plot is a diagnostic plot used to evaluate the homoscedasticity assumption of the linear regression model. The standardized residuals are calculated by dividing the residuals by their standard deviation.



**Figure 4 Scatterplot of Standardized Residuals**  
Source: Survey Result, 2024

The scatterplot provided examines the relationship between the Regression Standardized Predicted Value and the Regression Standardized Residual for the dependent variable “service quality.”

- **Central Clustering:** The data points are primarily clustered around the center, particularly near the (0,0) coordinate. This suggests that for most observations, the predicted values are close to the actual values, and the residuals (differences between observed and predicted values) are small.
- **Spread of Data Points:** The spread of data points away from the center appears random and does not show any distinct patterns, such as a funnel shape, which would indicate heteroscedasticity.
- **No Clear Trend:** There is no clear trend or systematic pattern in the residuals as they are scattered across the range of predicted values. This is a good indication that the regression model is appropriately capturing the relationship without bias.

The scatterplot suggests that the regression model for predicting service quality based on service quality in Ethio Telecom in Ethiopia is performing well, with residuals that are randomly distributed and centered around zero, indicating no obvious violations of the assumptions of homoscedasticity and linearity.

#### 4.6.1.6. No Auto Correlation

The Durbin-Watson statistic is used to test for independent of residuals. The value of the Durbin-Watson statistic ranges from 0 to 4.

**Table 11 Autocorrelation**

Model Summary <sup>b</sup>	
Model	Durbin-Watson
1	1.541

a. Predictors: (Constant), Empathy, Reliability, Responsiveness, Cost reduction, Assurance

b. Dependent Variable: Service Quality

Source: Survey Result, 2024

Generally, the residuals are independent (not correlated) if the Durbin-Watson statistic \*1.541) is approximately 2, and an acceptable range is between 1.50 - 2.50. In this case, Durbin-Watson is 1.541, within the acceptable range. We can assume independence of residuals.

#### 4.6.2. Model Summary

Multiple regression analysis was employed to examine the influence of service quality (Empathy, Cost reduction, Assurance, Reliability, and Responsiveness) on Service quality.

**Table 12. Model Summary**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.825 <sup>a</sup>	.681	.672	.595

a. Predictors: (Constant), Empathy, Reliability, Responsiveness, Cost reduction, Assurance

b. Dependent Variable: Service Quality

**Source: Survey Result, 2024**

The table provided is a model summary of a multiple regression analysis, with service quality as the dependent variable and Empathy, Cost reduction, Assurance, Reliability, and Responsiveness as the predictors. The R value is 0.825, which represents the correlation between the observed and predicted values of the dependent variable, service quality. This value ranges from 0 to 1, with 1 indicating a perfect positive correlation. An R value of 0.825 suggests a moderate to strong correlation.

The R Square value is 0.681. This represents the proportion of variance in the dependent variable, service quality that can be explained by the independent variables (Empathy, Cost reduction, Assurance, Reliability, and Responsiveness). In this case, about 68.1 % of the variability in service quality can be explained by the model. The Adjusted R Square value is 0.652. Unlike R Square, the Adjusted R Square takes into account the number of predictors in the model and adjusts the statistic based on this number. It is particularly useful when comparing the fit of different models. In this case, after adjusting for the number of predictors, about 65.2 % of the variability in service quality can be explained by the model.

The standard error of the estimate is 0.595. This statistic provides a measure of the standard deviation of the error term, and thus a measure of the “typical” distance between the observed values of the response variable (service quality) and the values predicted by the model. The

model appears to have a moderate to strong fit, explaining about the variance in the dependent variable, service quality. The residuals show no signs of autocorrelation, and the standard error of the estimate suggests a reasonable level of accuracy in the prediction of service quality from the independent variables.

### 4.6.3. Analysis of Variance (ANOVA)

**Table 13. ANOVA Table**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	131.419	5	26.284	74.241	.000 <sup>b</sup>
	Residual	61.602	174	.354		
	Total	193.021	179			

a. Dependent Variable: Service Quality

b. Predictors: (Constant), Empathy, Reliability, Responsiveness, Cost reduction, Assurance

### Source: Survey Result, 2024

The table provided a multiple regression analysis, with Service quality as the dependent variable and Empathy, Cost reduction, Assurance, Reliability, and Responsiveness as the predictors.

The sum of squares for regression (131.419) represents the variation explained by the model, while the sum of squares for residual (61.602) represents the unexplained variation or error. The Total sum of squares (193.021) is the total variation in the dependent variable. The degrees of freedom for Regression is 5 (the number of predictors), and for Residual is 174 (the number of observations minus the number of predictors minus one). The mean square is 26.284 , and for Residual, it's 0.354.

F (F-statistic) is calculated by dividing the Mean Square Regression (26.284) by the Mean Square Residual (0.354). The F-value is 74.241 in the model. A small p-value (less than 0.05) indicates strong evidence that the null hypothesis is invalid and that the predictors are having an effect on the outcome. In this case, the p-value is 0.000, indicating that at least one of the predictors is significantly related to the dependent variable, Service quality.

The ANOVA table suggests that the regression model is statistically significant and that it explains a significant amount of the variance in the dependent variable, Service quality. This

means that the predictors (empathy, cost reduction, assurance, reliability, responsiveness) are useful for predicting service quality.

#### 4.6.4. Regression Coefficients

The coefficient value in a regression analysis represents the amount of change in the dependent variable for a one unit change in the independent variable, while holding all other independent variables constant. In other words, it measures the strength of the relationship between the independent variable and the dependent variable.

There are two types of coefficients in regression analysis: standardized and unstandardized. Unstandardized coefficients, also known as beta coefficients, represent the amount of change in the dependent variable per unit change in the independent variable. Standardized coefficients, on the other hand, measure the amount of change in the dependent variable in standard deviation units per one unit change in the independent variable. The significance level of the coefficient estimate, commonly represented by the p-value, indicates the probability of obtaining the observed coefficient estimate by chance.

**Table 14. Regression Coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.821	.297		-2.767	.006
	Reliability	.305	.061	.255	5.036	.000
	Cost reduction	.357	.088	.243	4.052	.000
	Responsiveness	.174	.080	.156	2.179	.031
	Assurance	.174	.078	.168	2.234	.027
	Empathy	.206	.046	.242	4.502	.000

a. Dependent Variable: Service Quality

**Source: Survey Result, 2024**

##### 4.6.4.1. Constant

The constant (intercept) is -.821 . This is the expected value of Service quality when all predictors are zero. The t-statistic is – 2.767 and the p-value is 0.006, indicating that the intercept is significantly different from zero.

#### **4.6.4.2. Cost Reduction**

The unstandardized coefficient (B) is 0.357, meaning that, if all other factors remain constant, we should anticipate an average gain in service quality of 0.357 units for every unit increase in cost reduction. A one standard deviation rise in cost reduction is correlated with a 0.243 standard deviation increase in service quality, according to the standardized coefficient (Beta) of 0.243. Given that the p-value is 0.0001 and the t-statistic is 4.052, it can be concluded that cost reduction is a useful indicator of service quality. A study conducted on the role of Cost reduction in service quality and its impact on external customer satisfaction in the hospital and hospitality sectors found that cost reduction had a significant impact on customer satisfaction (Panda & Das, 2014). This aligns with this study's finding on the significance of Cost reduction in predicting Service quality.

#### **4.6.4.3. Reliability**

The unstandardized coefficient (B) is 0.305, meaning that, assuming all other variables remain constant, we should anticipate an average gain in service quality of 0.305 units for every unit increase in reliability. A one standard deviation increase in reliability is correlated with a 0.255 standard deviation rise in service quality, according to the standardized coefficient (Beta) of 0.255. According to the t-statistic of 5.036 and the p-value of 0.0001, there is a strong correlation between reliability and service quality. A study conducted in South Africa on the relationship between service quality and customer satisfaction in the mobile network telecommunications industry found that reliability, among other service quality dimensions, had a major unique contribution towards enhancing customer satisfaction (Shava, 2021). This finding is consistent with this study, reinforcing the importance of Reliability in predicting service quality.

#### **4.6.4.4. Responsiveness**

The unstandardized coefficient (B) is 0.174, meaning that, assuming all other variables remain constant, we should anticipate an average gain in service quality of 0.174 units for every unit increase in responsiveness. A one standard deviation improvement in responsiveness is correlated with a 0.156 standard deviation rise in service quality, according to the standardized coefficient (Beta) of 0.156. With a p-value of 0.031 and a t-statistic of 2.179, responsiveness is clearly a significant predictor of service quality. A study conducted on the effect of service quality on



customer satisfaction at Ethio Telecom found that all five service quality dimensions, which include Responsiveness, positively and significantly influenced customer satisfaction (Tesfaye, 2021). Although the study did not provide specific coefficients for Responsiveness, the overall finding aligns with this study in that Responsiveness is a significant predictor of customer satisfaction.

#### **4.6.4.5. Assurance**

The unstandardized coefficient (B) is 0.174, meaning that, assuming all other variables remain constant, we anticipate an average gain in service quality of 0.174 units for every unit increase in assurance. A one standard deviation improvement in assurance is correlated with a 0.168 standard deviation rise in service quality, according to the standardized coefficient (Beta) of 0.168. With a p-value of 0.027 and a t-statistic of 2.234, it can be concluded that assurance is a strong predictor of service quality. A study conducted on the role of service quality in the internationalization of service firms found that assurance was one of the key factors influencing supplier-perceived service quality in international markets as of Shi (2020). This aligns with this study's finding on the significance of Assurance in predicting Service quality.

#### **4.6.4.6. Empathy**

The unstandardized coefficient (B) is 0.206, meaning that, assuming all other variables remain constant, we should anticipate an average increase in service quality of 0.206 units for every unit rise in empathy. A one standard deviation rise in empathy is correlated with a 0.242 standard deviation improvement in service quality, according to the standardized coefficient (Beta) of 0.242. Empathy is a significant predictor of service quality, as shown by the t-statistic of 4.502 and the p-value of 0.0001. A study conducted on the effect of service quality on customer satisfaction at Ethio Telecom found that all five service quality dimensions, which include Empathy, positively and significantly influenced customer satisfaction (Tesfaye, 2021). Although the study did not provide specific coefficients for Empathy, the overall finding aligns with this study in that Empathy is a significant predictor of customer satisfaction.

$$CB = \alpha + \beta_1 (T) + \beta_2 (R) + \beta_3 (Re) + \beta_4 (A) + \beta_4 (E) + e$$

$$BP = - .821 + 0.357T + 0.305R + 0.174 Re + 0.174 A + 0.206 E + e$$

Where;

- **CB** = Service quality
- **T** = Cost reduction
- **R** = Reliability
- **Re** = Responsiveness
- **A** = Assurance
- **E** = Empathy

## **4.7 Discussions**

### **4.7.1 Cost Reduction**

The correlation analysis revealed an interesting correlation between the independent variable cost reduction and the dependent variable service quality. The Pearson correlation value for cost reduction was found to be 0.678 in relation to service quality at a significance level of  $p < 0.05$ . This correlation value indicates a moderate positive relationship between the cost reduction of voucher selling service and service quality. In other words, as the cost reduction of the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive impact on service quality. This suggests that the more tangible and perceptible the voucher selling service is to the customers, the more likely it is to influence their service quality in a positive manner. The significance level of  $p < 0.05$  further strengthens the validity of this correlation, indicating that the observed relationship between cost reduction and service quality is unlikely to have occurred by chance. Therefore, it provides statistical evidence to support the notion that cost reduction plays a meaningful role in shaping service quality in the context of outsourcing provided by the Ethio Telecom in Ethiopia.

Comparatively, other studies have also found positive relationships between various dimensions of outsourcing and service quality. For instance, a study conducted by Fan, Shao, and Dong (2022) on community e-commerce platforms found that outsourcing, encompassing system design, intelligent fulfillment, security assurance, and interactive service, positively affects service quality. Moreover, they found that customer trust and perceived risk play a mediating role between outsourcing and service quality. Similarly, Nguyen et al. (2022) investigated the impact of outsourcing on customer intention to use video teller machine services in Vietnam, revealing that responsiveness, security, and interface quality significantly influence customer perceptions and attitudes towards using such services. These studies suggest that tangible elements of

voucher selling service, like website design and user interface, play a crucial role in shaping service quality.

The unstandardized coefficient (B) is 0.357, indicating that for each one-unit increase in Cost reduction, we expect an average increase of 0.357 units in Service quality, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.243, indicating that a one standard deviation increase in Cost reduction is associated with a 0.243 standard deviation increase in Service quality. The t-statistic is 4.052 and the p-value is 0.0001, indicating that Cost reduction is a significant predictor of Service quality. A study conducted on the effect of service quality on customer satisfaction in the Ethiopian Electric Utility found that all five service quality dimensions (Cost reduction, Reliability, Responsiveness, Assurance, and Empathy) positively and significantly influenced customer satisfaction (Woldemichael, 2024). Although the study did not provide specific coefficients for Cost reduction, the overall finding aligns with the study in that Cost reduction is a significant predictor of customer satisfaction.

A study conducted in South Africa on the relationship between service quality and customer satisfaction in the mobile network telecommunications industry found that cost reduction, among other service quality dimensions, had a major unique contribution towards enhancing customer satisfaction (Shava, 2021). This finding is consistent with this study, reinforcing the importance of Cost reduction in predicting service quality. The finding on the significance of Cost reduction in predicting Service quality is consistent with findings from other studies conducted in Ethiopia, Africa, and abroad. This consistency across different contexts and industries underscores the importance of Cost reduction in service quality and its influence on service quality or satisfaction.

#### **4.7.2 Reliability**

The correlation analysis revealed a significant correlation between the independent variable "Reliability" and the dependent variable "service quality." The Pearson correlation value for "Reliability" was found to be 0.595 in relation to "service quality" at a significance level of  $p < 0.05$ . This correlation value indicates a moderate positive relationship between the reliability of voucher selling service and service quality. Specifically, as the reliability of the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive impact on service quality. This suggests that the more dependable and consistent the voucher selling service is

perceived to be by the customers, the more likely it is to influence their service quality in a positive manner. The significance level of  $p < 0.05$  further strengthens the validity of this correlation, indicating that the observed relationship between reliability and service quality is unlikely to have occurred by chance. Therefore, it provides statistical evidence to support the notion that reliability plays a meaningful role in shaping service quality in the context of outsourcing provided by the Ethio Telecom in Ethiopia.

In comparison, other studies have also found positive relationships between the reliability of outsourcing and service quality. For instance, a study conducted by Fan, Shao, and Dong (2022) on community e-commerce platforms found that outsourcing, which includes reliability as one of its dimensions, positively affects service quality. Moreover, they found that customer trust and perceived risk play a mediating role between outsourcing and service quality. Similarly, a study in the telecom industry by (Zhou et al., 2019) found a positive relationship between outsourcing, which includes reliability, and customer satisfaction and loyalty. The study developed a scale consisting of five user experience dimensions (functional completeness, performance, interface and interaction quality, content and information, support or service) to measure e-SQ in the telecom industry.

The unstandardized coefficient (B) is 0.305, indicating that for each one-unit increase in Reliability, we expect an average increase of 0.305 units in Service quality, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.255, indicating that a one standard deviation increase in Reliability is associated with a 0.255 standard deviation increase in Service quality. The t-statistic is 5.036 and the p-value is 0.0001, indicating that Reliability is a significant predictor of Service quality. A study conducted on the effect of service quality on customer satisfaction at Ethio Telecom found that all five service quality dimensions, which include Reliability, positively and significantly influenced customer satisfaction (Tesfaye, 2021). Although the study did not provide specific coefficients for Reliability, the overall finding aligns with this study in that reliability is a significant predictor of customer satisfaction. A study conducted on the role of service quality in the internationalization of service firms found that reliability was one of the key factors influencing supplier-perceived service quality in international markets. This aligns with this study's finding on the significance of Reliability in predicting Service quality.

### 4.7.3 Responsiveness

The correlation value indicates a moderate positive relationship between the responsiveness ( $r = .628$ ) of voucher selling service and service quality. In essence, as the responsiveness of the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive relationship on service quality. This suggests that the promptness and agility in addressing customer needs and inquiries through voucher selling service channels are likely to influence service quality in a positive manner. The significance level of  $p < 0.05$  further strengthens the validity of this correlation, indicating that the observed relationship between responsiveness and service quality is unlikely to have occurred by chance. Therefore, it provides statistical evidence to support the notion that responsiveness plays a meaningful role in shaping service quality in the context of outsourcing provided by the Ethio Telecom in Ethiopia.

Comparatively, a study by Fan et al. (2022) on community e-commerce platforms found that outsourcing dimensions such as system design, intelligent fulfillment, security assurance, and interactive service positively affect service quality, with trust and perceived risk playing a mediating role. Similarly, Rita, Oliveira, and Farisa (2019) identified website design, security/privacy, and fulfillment as significant outsourcing dimensions influencing service quality in online shopping, with overall outsourcing being significantly related to service quality.

The unstandardized coefficient (B) is 0.174, indicating that for each one-unit increase in Responsiveness, we expect an average increase of 0.174 units in Service quality, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.156, indicating that a one standard deviation increase in Responsiveness is associated with a 0.156 standard deviation increase in Service quality. The t-statistic is 2.179 and the p-value is 0.031, indicating that Responsiveness is a significant predictor of Service quality. A study conducted in South Africa on the relationship between service quality and customer satisfaction in the mobile network telecommunications industry found that responsiveness, among other service quality dimensions, had a unique minor contribution towards enhancing customer satisfaction (Shava, 2021). This finding is consistent with this study, reinforcing the importance of Responsiveness in predicting service quality.

A study conducted on the role of service quality in the internationalization of service firms found that responsiveness was one of the key factors influencing supplier-perceived service quality in

international markets. This aligns with this study's finding on the significance of responsiveness in predicting Service quality.

#### **4.7.4 Assurance**

The correlation value indicates a moderate positive relationship between the assurance ( $r = .676$ ) provided by voucher selling service and service quality. In essence, as the level of assurance in the voucher selling service provided by Ethio Telecom increases, there is a corresponding positive impact on service quality. This suggests that when customers perceive the voucher selling service as reliable, trustworthy, and capable of meeting their needs, it is likely to influence their service quality in a positive manner. The significance level of  $p < 0.05$  further strengthens the validity of this correlation, indicating that the observed relationship between assurance and service quality is unlikely to have occurred by chance. Therefore, it provides statistical evidence to support the notion that assurance plays a meaningful role in shaping service quality in the context of outsourcing provided by the Ethio Telecom in Ethiopia.

This is consistent with other research in the field, such as a study by Fan et al. (2022), which found that outsourcing dimensions, including assurance, significantly influence service quality in community e-commerce. Similarly, Nguyen et al. (2022) reported that dimensions of outsourcing, like responsiveness, security, and interface quality, positively impact customer intention to use services, reinforcing the importance of assurance in customer interactions.

Comparatively, the Ethio Telecom study's correlation coefficient is slightly lower than what is reported in some other studies, indicating that while assurance is important, other factors may also play a significant role in influencing service quality. For instance, trust and perceived risk have been identified as mediating factors between outsourcing and service quality, suggesting that customers' perceptions of security and their trust in the service provider are crucial for their engagement. This aligns with the findings from the banking sector in Ethiopia, where e-banking service quality was found to significantly affect customer satisfaction.

The unstandardized coefficient (B) is 0.174, indicating that for each one-unit increase in Assurance, we expect an average increase of 0.174 units in Service quality, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.168, indicating that a one standard deviation increase in Assurance is associated with a 0.168 standard deviation increase in

Service quality. The t-statistic is 2.234 and the p-value is 0.027, indicating that Assurance is a significant predictor of Service quality. A study conducted on the effect of service quality on customer satisfaction at Ethio Telecom found that all five service quality dimensions, which include Assurance, positively and significantly influenced customer satisfaction (Tesfaye, 2021). Although the study did not provide specific coefficients for Assurance, the overall finding aligns with this study in that Assurance is a significant predictor of customer satisfaction. A study conducted in South Africa on the relationship between service quality and customer satisfaction in the mobile network telecommunications industry found that assurance, among other service quality dimensions, had a major unique contribution towards enhancing customer satisfaction (Shava, 2021). This finding is consistent with this study, reinforcing the importance of Assurance in predicting service quality.

#### **4.7.5 Empathy**

The finding reveals a significant Pearson correlation of 0.635 between the construct of 'Empathy' and 'Service quality', indicating a moderate positive relationship at a significance level of  $p < 0.05$ . This finding suggests that as the perceived empathy of the outsourcing increases, so does the positive service quality towards the service. This is in line with other research in the field, such as the study by Fan et al. (2022), which found that outsourcing dimensions like system design, intelligent fulfillment, security assurance, and interactive service positively affect service quality, with customer trust and perceived risk mediating this relationship. Similarly, Nguyen et al. (2022) demonstrated that responsiveness, security, and interface quality as dimensions of outsourcing have a positive impact on customers' perceived ease of use and usefulness, which in turn influences their attitude and intention to use e-banking services.

These studies collectively underscore the importance of outsourcing in shaping service quality and engagement. The empirical evidence from these studies supports the notion that higher outsourcing can lead to enhanced customer satisfaction and loyalty, which are critical for the success of online services. It is evident that there is a consistent pattern across different studies, highlighting the pivotal role of outsourcing in influencing service quality in the digital landscape.

The unstandardized coefficient (B) is 0.206, indicating that for each one-unit increase in Empathy, we expect an average increase of 0.206 units in Service quality, assuming all other variables are held constant. The standardized coefficient (Beta) is 0.242, indicating that a one standard deviation increase in Empathy is associated with a 0.242 standard deviation increase in Service quality. The t-statistic is 4.502 and the p-value is 0.0001, indicating that Empathy is a significant predictor of Service quality. A study conducted in South Africa on the relationship between service quality and customer satisfaction in the mobile network telecommunications industry found that empathy, among other service quality dimensions, had a major unique contribution towards enhancing customer satisfaction (Shava, 2021). This finding is consistent with this study, reinforcing the importance of Empathy in predicting service quality. A study conducted on the role of empathy in the service experience found that both students and staff alike evaluate empathy as important in the co-created service experience. The provision of individualized attention to students to positively influence student experience in learning was deemed important by both staff and students (Tan et al., 2019). This aligns with this study's finding on the significance of Empathy in predicting Service quality.



## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of Findings**

The study had a 100% return rate for distributed questionnaires, showing that all questionnaires were completed and returned by respondents. Most respondents were aged 36 to 56, indicating that the findings are most relevant to young adults. The study revealed that respondents generally have a positive attitude towards cost reduction through outsourcing at Ethio Telecom, with reception desk appearance and service materials receiving high ratings. Overall, there is a high perceived level of reliability and responsiveness in the company's services, with some variability in responses. There is also general agreement on assurance, empathy, and service quality provided by outsourcing, with varying levels of variability in responses

- The Pearson correlation value for cost reduction was found to be 0.678 in relation to service quality at a significance level of  $p < 0.05$ . The unstandardized coefficient (B) is 0.357, indicating that for each one-unit increase in Cost reduction ( $b=.357$  and  $\text{Sig.}=.0001$ ) has a positive and significant effect service quality, assuming all other variables are held constant.
- There is a positive and significant relation between reliability ( $r= 0.595$ ) and service quality at a significance level of  $p < 0.05$ . In addition, it has a positive and significant effect on service quality ( $B= 0.305$  and  $\text{Sig.}= 0.0001$ ).
- The correlation value indicates a moderate positive relationship between the responsiveness ( $r= .628$ ) of voucher selling service and service quality. Moreover, this study found that responsiveness has a positive and significant ( $B= 0.174$  and  $\text{Sig.}= .031$ ) effect on service quality, assuming all other variables are held constant.
- The correlation value indicates a moderate positive relationship between the assurance ( $r= .676$ ) provided by voucher selling service and service quality. Further, there is a positive and significant effect of assurance ( $B = 0.174$  and  $\text{Sig.}- 0.027$ ) on service quality.

- The finding reveals a significant Pearson correlation of 0.635 between the construct of 'Empathy' and 'Service quality', indicating a moderate positive relationship at a significance level of  $p < 0.05$ . This also found that it ( $B = 0.206$  and  $\text{Sig.} = 0.0001$ ) has a positive and significant effect on service quality.

## 5.2 Conclusions

A company can increase customer satisfaction by cutting costs and offering its goods and services at a reduced cost without compromising quality. By cutting expenses, a business can boost its profit margins and gain a competitive edge. Reducing costs can also assist free up cash flow, which can be utilized to pay down debt or make investments in other company ventures. Thus, this study concluded that cost reduction will increase service quality.

The capacity to consistently and precisely deliver the promised service is what is meant by reliability. Keeping company's word and completing tasks on schedule are crucial to earning their customers' satisfaction. Thus, this study comes to concluded that reliability will enhance service quality.

Assurance gauges a service provider's capacity to communicate trust to clients, which is critical to gaining clients' confidence to choose the company over rivals. Assurance can be demonstrated in a variety of ways; the first could be brand loyalty. Thus, the study concludes that improved service quality will result from assurance.

One aspect of service quality is responsiveness; a business is said to be highly responsive if it offers a clear and varied program, a set waiting time for customers, quick assistance, and accurate and comprehensive information services. Accordingly, the study concludes that responsiveness will lead to better service quality.

By fostering strong bonds between the client and the service provider, empathy raises the standard of customer care. For instance, showing empathy or behaving like a friend to consumers will probably make them feel important and valued. The study comes to the conclusion that empathy will lead to better service quality..

### **5.3 Recommendations**

- Given that cost reduction has a negative impact on service quality, this study recommends that Ethiopian Telecom should reduce warranty, redesign, and scrap expenses in order to improve service quality. The company should also explore cost-saving measures without compromising service quality. Furthermore, Ethio Telecom should strengthen network infrastructure and minimize service disruptions. Regular maintenance, redundancy planning, and robust backup systems contribute to improved reliability.
- As this study comes to concluded that reliability will improve service quality, this study suggests that Ethio telecom should maintain information exchanged both ways, preemptively manage the expectations of its customers, utilize checklists and templates to stay on task, check in frequently with client input and create a helpful workplace culture.
- The study comes to the conclusion that assurance will lead to better service quality. Accordingly, this study recommends that this company define its support vision and goals in order to implement customer service quality assurance in this organization.
- The study advises that this firm must first set clear expectations since it concludes that responsiveness will lead to enhanced service quality by establishing clear expectations with its workforce is the first step towards being responsive.
- Given that the study finds that empathy leads to greater service quality, it is advised that this company develop more cordial relationships with its clients, pay attention to their requirements, and handle disagreements more skillfully. It needs to achieve better results in terms of customer satisfaction, customer compliance, and voucher sales.

### **5.4 Implications**

Suppliers with superior goods and services will probably have happier clients, which can lead to a rise in client retention and loyalty. In terms of competitive advantage, businesses that place a high priority on quality of experience (QoE) can outperform their rivals by offering superior customer service. As previously said, service quality dimensions enable companies to gauge the caliber of the services they provide. As a result, they are crucial for enabling market research and raising client happiness. Good service quality matters since it has a good effect on patron loyalty and satisfaction. Good service quality aids in both attracting new business and keeping existing

clients. A high level of service quality also lowers the price of bringing in new clients. Frameworks and standards for service quality are collections of rules, values, standards, or best practices that describe and gauge the caliber of services provided. Independent groups, professional associations, regulatory bodies, and industrial associations can all create them.

## **5.5 Recommendation for Further Studies**

This study suggests future research could explore the impact of service quality on sales through enhancing customer satisfaction and fostering repeat business. Additionally, investigating how superior customer service can reduce marketing costs by retaining customers would be beneficial. Furthermore, examining the factors influencing customer retention as opposed to customer acquisition could provide valuable insights into optimizing business strategies. Moreover, studying the long-term effects of customer loyalty programs or personalized customer experiences on overall business profitability would contribute to a comprehensive understanding of customer relationship management strategies.

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## APPENDIX – QUESTIONNAIRE

### St. Mary's University Masters of Business Administration (TO BE FILLED BY EMPLOYEES')



Dear Sir/Madam

First and foremost, I would want to thank you in advance for taking the time to share your opinions and suggestions with me regarding the survey questions. The main objective of this question's design is to obtain the primary data needed to investigate *“The Effect of Voucher Card Selling Service Outsourcing Practices of Distributors on Service Quality: From Employees’ Perspective of Ethio Telecom”*. Your thoughtful response therefore aids me in carrying out this inquiry.

I appreciate your assistance in advance.

#### Overall Guidance

- Avoid writing your name on any section of the survey.
- Your honest feedback is essential to the study's success. Please indicate your selections with a "✓"
- Respond succinctly and precisely to inquiries that are followed by a void
- Do not hesitate to get in touch with me.

If you have any questions or comments, please email me at [yetemdegu@gmail.com](mailto:yetemdegu@gmail.com) using this address:

With gratitude in advance.

Sincerely yours,

Yetem Degu

## Part I- Personal Demographic Information of Respondent

**Directions-** Please, tick or circle the relevant answer for each choice question and write your comment on the space provide for demanding.

	Variables	Mark here
Gender:	Male	<input type="checkbox"/>
	Female	<input type="checkbox"/>
Age (in year):	Below 35	<input type="checkbox"/>
	36 - 55	<input type="checkbox"/>
	Above 56	<input type="checkbox"/>
Educational	High school completed and below	<input type="checkbox"/>
Status:	Diploma	<input type="checkbox"/>
	Degree	<input type="checkbox"/>
	MA and above	<input type="checkbox"/>

## Part II- Voucher Card Selling Service Outsourcing and Service Quality

**Directions-** Please indicate the level of implementation of the above activities by circling numbers and grades, and provide your score based on the service you received at Ethiopian Telecom. Note: 1 = Strongly Disagree (SD), 2 = Neutral (N), 5 = Strongly Agree (SA), and 4 = Agree (A).



	Code	Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)
<b>Cost Reduction</b>	CR1	Outsourcing voucher selling service saves time and cost.					
	CR2	Outsourcing voucher selling service allows focusing on core business functions.					
	CR3	Outsourcing voucher selling service reduce budget allocation					
	CR4	Outsourcing has reduced costs such as overheads and other fixed costs in the airlines					
<b>Reliability</b>	R1	The company has quality network and speed service					
	R2	The company keep customer record correctly					
	R3	The company provide service at the designed and promised time					
	R4	The company inform any failure ahead of time					
	R5	The company has speedy service					
<b>Responsiveness</b>	RE1	The company employees provide punctual service					
	RE2	The company employees willingness to help customers					
	RE3	The company employees are never busy to respond to customer request					
	RE4	The company employees give quick response when ether is problem					
<b>Assurance</b>	A1	Outsourced staffs provide good quality voucher selling service.					
	A2	The outsourced staff handles shipments good.					
	A3	There is no problem of controlling outsourced staff during working hours.					
	A4	The outsourced staff consistently provides adequate support voucher selling staff					
<b>Empathy</b>	E1	The outsourced staff give individual attention and commitment.					
	E2	The service hours are convenient and respected by the outsourced staff.					
	E3	The employees assist customers with the best interests and willingness at heart.					
	E4	The outsourced staff understand specific service needs & deliver the quality of service.					
	E5	Demonstrate professional etiquette and manners while handling customer inquiries.					
<b>Service Quality</b>	SQ1	Outsourcing of the voucher card selling service decreased delivery time of activities.					
	SQ2	Outsourcing of the voucher card selling service increased on time performance of voucher selling.					
	SQ3	The supplier provides prompt service for your requests at the right time.					
	SQ4	Customer complaints and claims are decreased after outsourcing of the voucher card selling service.					

	SQ5	Considering the time, effort and money Ethio Telecom spent on the outsourcing, it can be concluded the company is benefited.					
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**Thank You !**