

**FACTORS INFLUENCING OFFSHORE BUSINESS
PROCESS OUTSOURCING AMONG INTERNATIONAL
BANKS IN KENYA**

BY

ANNE KIKONI KARANJA

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

FALL 2016

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**A Research Proposal Submitted to the Chandaria School of Business in Partial
Fulfillment of the Requirement for the Degree of Global Executive Master of
business administration (GeMBA)**

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

FALL 2016

DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This Proposal has been presented for examination with my approval as the appointed supervisor.

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ACKNOWLEDGEMENT

I would like to acknowledge my supervisor Prof. Francis Wambalaba for the guidance and wise counsel during the development of this proposal.

I would also like to acknowledge my family and friends for their unwavering support.

DEDICATION

I dedicate this project to my parents, my husband Karanja and my daughters Leilani and Imani.

Your unwavering love, support and encouragement provided the inspiration for this.

ABSTRACT

The purpose of this study was to assess the factors influencing offshore business process outsourcing implementation among international commercial banks in Kenya. To achieve this purpose, the study was guided by three research questions: What is the significance of offshore business process outsourcing implementation among international banks in Kenya? What are the challenges encountered by international banks in Kenya in offshore business process outsourcing implementation? And how does monitoring and evaluation affect offshore business process outsourcing implementation among international banks in Kenya? This study used descriptive survey design which necessitated the collection of both qualitative and quantitative data. The study focused on 20 international commercial banks operating in Kenya and targeted 6 employees from each international bank making a sample of 120 respondents. Structured and closed ended questionnaires were used to collect primary data and were distributed by research assistants. Statistical package for social sciences (SPSS) version 21 were used for analysis where means, frequencies and percentages for each variable were analyzed. The results of the study were then presented in bar graphs, tables and pie charts.

The study determined that the reasons for offshore business process outsourcing included cost cutting, increase an organizations' profitability index and lead to better service quality. The study further ascertained that off shoring the non-core business activities to outsiders is typically handled by highly skilled labour force and dynamic ICT systems leading to better service and resulting in higher output.

The study ascertained that the challenges encountered during offshore business process outsourcing include the lack of data privacy as information is shared with another company and confidentiality isn't guaranteed. Other challenges noted in the study include loss of control and autonomy; fear of loss of jobs, increase in transportation costs due to tariffs and the taxes levied.

The study also determined that monitoring and evaluation is important in business process outsourcing (BPO) as it ensures that all activities are executed according to set expectations. The study further observed that successful monitoring and evaluation applied on offshore business process outsourcing delivers timely, relevant information

enabling one to track the progress of the whole process. The study also found out that monitoring and evaluation enables the management to make informed decisions on how best to utilize resources so as to achieve maximum outputs while identifying disasters and resolving them.

The study determined that the reasons for Offshore Business Process Outsourcing included majorly cutting costs, increase profitability and lead to better service quality. The study recommends that the management in an organization should do a thorough scrutiny of organization they are outsourcing to in an effort to meet these objectives. The expectations should also be clearly outlined in a contract between the two companies. As this is a profitable venture that is also effective, then the government and other stakeholders should come up with policies to protect the two companies.

The key challenge mentioned in the study is loss of autonomy and control resulting from the sharing of information especially on matters like strategy, business culture and information on human resource. The study therefore recommends that all organizations must act on 'utmost good faith' so that information shared isn't misused. Due diligence should be done of the offshore partners internal control processes prior to outsourcing to determine their efficacy.

The study recommends that organizations must set up a robust monitoring and evaluation team to ensure that the offshore business company outsourced to carry out certain functions performs the functions in good time and provides quality service delivery. A Service Level Agreement (SLA) defining the performance criteria against which the agreed services will be provided, measured and monitored should be put in place. The defined performance criteria should be periodically reviewed throughout the term of the SLA to allow for the incorporation of any new services.

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ABBREVIATIONS AND ACRONYMS

BPO:	Business Process Outsourcing
HR:	Human Resources
ICT:	Information and Communication Technologies
IPR:	Intellectual Property Rights
SPSS:	Statistical Package for Social Sciences
SLA:	Service Level Agreements

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The dynamic environment in which businesses operate today requires that they constantly think of ways to gain and remain competitive in their respective industries. Developments in information communication and technology (ICT), internationalization of firms and globalization have affected the way organizations operate and compete. Organizations have realized it is more strategic to concentrate on their core competencies and hand over non-core functions to vendors. Many organizations have resorted to outsourcing of non core activities so that they concentrate their energies on their core businesses for efficient service delivery. Organizations have also realized the cost saving benefits of outsourcing their non-core activities to external firms.

The Williamson's transaction cost theory studied the mechanisms that can be used to achieve economic efficiency and proposed that the optimal organisation structure is that which minimises transaction costs or the costs of exchange. Williamson proposed four variables that affect such costs, namely: frequency of exchange; asset specificity; environmental uncertainty; and threat of opportunism. Transaction costs are important when analysing how managers make the outsourcing decision, but the evidence from this case was that not all transaction costs are included in the decision, and that such costs are more complex than can be included in the type of analysis often undertaken by decision-makers (Anderson & Weitz, 1986). Taking into account Williamson's variables, the research showed that the outsourcing of services did not comply solely with the levels of transaction frequency or the requirement of asset specificity. In addition, opportunistic behaviour was evident on the part of all parties and was used in some cases as a reason for outsourcing, and in others to sway the decision to the manager's predisposed choice (Williamson, 1981).

Globally, Lee, Vári-Kovács and Yu (2014) established that the business process outsourcing (BPO) industry had contributed significantly to economic development of Philippines in Asia to the extent that the government branded BPO as a “sunshine

industry”. Outsourcing can either be done locally which is within the national boundaries or outside the country which is commonly referred to as offshore.

The concept of offshoring has been defined differently by different scholars and researchers. For instance, according to Lee et al. (2014), it refers to the relocation of a business process from one country to another. According to Kakabadse and Kakabadse (2002), outsourcing was previously termed contracting out and dates back as Romans, efficient and systematic contracting out that was undertaken for the purpose of tax collection. According to Rahul (2012), outsourcing began when society began to trade goods, services and other items amongst themselves. Rahul (2012) further argued that outsourcing started with workers outsourcing different activities to other workers during the industrial age where production of tools and household appliances took place. Since then the practice has evolved and the strategy been practiced all over the world.

In another study González, Llopis and Gascó (2013) examined information technology offshore outsourcing in financial services. They acknowledge the importance of ICT outsourcing among financial institutions in their quest to keep operational costs low and improve on service quality. They identified the changes in the operating environment including: pressure brought about by the regulatory authorities, high level of competition following high degree of globalization and the need for organizations to keep their operational costs low.

Gewald and Dibbern (2009) argued that perceived benefits have a significant impact on an organization’s decision about BPO. The strongest and most consistent perceived benefit of BPO is the opportunity to refocus the bank on its core competences. Costs advantages are not the primary concern when evaluating BPO. According to Heneman and Judge (2009), there are several forces that motivate organizations to enter into outsourcing arrangement including search for lower costs from the availability of less expensive labor, accessibility to specialized skill and expertise that may not be economically generated in-house, reduced amount of capital that an institution must invest to start a business, and outsourcing functions that are highly cyclical to avoid hiring workers to perform tasks that will not be needed in the future.

Nazeri, Damavand, Gholami, Ilam and Rashidi (2012) studied outsourcing and its impact on operational performance. The study deals with the perception of the managers of the

telecommunication industry sector on the effects of outsourcing on operational strategy and especially on the issues associated with cost reduction, developed quality, flexibility and better service. The results indicated that outsourcing could lead to reduced cost, improved quality, increased flexibility, better financial and non-financial performance and services. Giustiniano and Clarioni (2013) conducted an empirical analysis of the impact of outsourcing on business performance. Results showed that outsourcing could contribute to giving companies a sustainable competitive advantage. It was however found that return on equity was the only indicator to worsen between variables of business performance.

Gonzalez, Gasco and Llopis (2005), analyzed the impact of business process outsourcing on the firm level performance of German manufacturing firms in the period between 1992 and 2000 using a large dataset of 43,000 firm-year observations. Cost cutting remains the primary explanation for business process outsourcing. Firms evaluate business process outsourcing to determine whether current-operating costs can be reduced and if saved resources can be reinvested in more competitive processes.

Rajee and Hamed (2013) conducted a study on outsourcing services as a strategic tool for organizational performance in the Nigerian food, beverage and tobacco industry. Results showed that outsourcing allows companies to enhance expertise, improve service quality, reduce staff, streamline the process, lower costs and reduce the administrative burden and saving time. A study by Kaul (2009) stated that in Africa, outsourcing started in North Africa and South Africa followed close behind however as stated by Amrinder (2012), North Africa's attractiveness as an outsourcing destination took a hit during the protocol upheaval in 2011.

Additionally, Amrinder (2012) noted that in Egypt, Vodafone New Zealand withdrew operations while in Tunisia, French technology firm transferred its call centre to Morocco which was one of the few countries not affected by the Upheavals which made it play host to over 20,000 employees in two outsourcing parks which offered call center and IT outsourcing (Amrinder, 2012).

Regionally, Muweesi (2011) conducted a study on the effects of outsourcing on organizational performance in private organizations in Uganda: a case study of Uganda

Telecommunication Limited and identified that outsourcing comes along with a lot of benefits. The study further identified that in today's context it is very difficult for a firm to manage all of its activities depending on its own expertise. Despite undergoing challenges the study explains that most firms in Uganda have adopted outsourcing as a way of scaling up their performance.

Mugassa (2015) conducted an analysis of outsourcing hotel services in Tanzania and identified that hotels in Tanzania mainly conducted outsourcing to cut on costs. Most hotels did not also have the full expertise to carry out all their core and non-core activities in-house. Some hotels however did not have knowledge about outsourcing or perceived many difficulties as compared to benefits. The study conclusively stated that the main cause of poor performance in most of the hotels was striving to carry out all their activities in-house.

Locally, Wachira, Brookes and Haines (2016) sought to establish the impact of outsourcing practices conducted by organisations in Nairobi and established that outsourcing yielded both positive and /or negative outcomes depending on the prevailing circumstances like risks prevailing in the business environment, organizational policies and regulations, business functions outsourced, and the competence and commitment of the outsourcing vendor. The success of the BPO depended on how well the service level agreement was executed and internal employee management.

Muga (2012) studied the effect of business process outsourcing on the financial performance of commercial banks in Kenya. The results suggested that the inherent costs and risks brought by business process outsourcing do not exceed the positive effects such that business process outsourcing might enhance banks' performance. Kimulu (2014) studied logistics outsourcing and performance of commercial banks in Kenya. The results established that the commercial banks were outsourcing transportation management, warehouse management and material handling management. The commercial banks opted to outsource their services due to its advantages and its possible influence on organizational performance, as it enables the commercial banks to focus on their core competencies.

Kathuni (2009) studied call center outsourcing practices by Zain (Kenya) limited and found out that outsourcing this activity, the organization laid off 79 members of staff who were employed in call center. This confirms fears normally raised by employees during outsourcing. The study also confirmed that the outsourcee was required to meet 99% of the standards set by the outsourcer. The findings also revealed that reduction of overhead cost was primary factor in the outsourcing.

Maina (2009) studied outsourcing services in the Mobile Phone industry in Kenya and found out that major reasons for outsourcing were search for local expertise, market knowledge, language issues, cost effectiveness, focus on core business, market dynamics, effective coverage, special expertise, head count issues, market unique and acceptability. Other findings were that data base management and marketing were the least outsourced in Nokia Kenya because of their sensitivity.

1.2 Statement of the Problem

Rapid changes in the business environment require senior management to adopt strategies that focus on both current success and to invest in those activities that will promote a competitive advantage for future success. One widely recommended technique for improving one's competitive position is outsourcing (Maiga & Jacobs, 2004). Business process outsourcing ensures that an organization has adequate time to focus on its core business. By focusing on core competencies and utilizing qualified vendors to provide process that are not one of the organization's core competencies, organization's risk are minimized through being shared with its suppliers.

Several studies have examined the factors influencing offshore business process outsourcing implementation. For instance, González, Llopis and Gascó (2012) identified the importance of ICT outsourcing among financial institutions in operational efficiency whereas Nazeri et al. (2012) established that outsourcing could lead to reduce cost, improve quality, increase flexibility, better financial and non-financial performance and services. Giustiniano and Clarioni (2013) established that outsourcing could contribute to giving companies a sustainable competitive advantage whereas Rajee and Hamed (2013) established that outsourcing allows companies to enhance expertise, improve service

quality, reduce staff, streamline the process, lower costs and reduce the administrative burden and saving time.

Locally, Muga (2012) established that the inherent costs and risks brought by business process outsourcing do not exceed the positive effects such that business process outsourcing might enhance banks' performance. Kathuni (2009) confirmed that the outsourcee was required to meet 99% of the standards set by the outsourcer. Maina (2009) established that major reasons for outsourcing were search for local expertise, market knowledge, language issues, cost effectiveness, focus on core business, market dynamics, effective coverage, special expertise, head count issues, market unique and acceptability.

A review of these studies indicates that they concentrated on local outsourcing of business processes in different contexts from that of the current study. This therefore creates a research gap that this study would like to fill by assessing the factors influencing offshore business process outsourcing implementation among international banks in Kenya.

1.3 Purpose of the Study

The purpose of the study was to assess the factors influencing offshore business process outsourcing among international banks in Kenya.

1.4 Research Questions

The study was guided by the following research questions:

1.4.1 What are the reasons for offshore business process outsourcing among international banks in Kenya?

1.4.2 What are the challenges encountered by international banks in Kenya Limited in offshore business process outsourcing?

1.4.3 How does monitoring and evaluation affect offshore business process outsourcing among international banks in Kenya?

1.5 Significance of the Study

The study is of importance to a number of groups of people including: international bank managers, banking industry regulators, bank customers as well as future researchers and academicians.

1.5.1 International Banks' Managers

Managers working with international banks in Kenya will find the results of this study relevant in informing their outsourcing strategies in quest for efficiency. The study will identify the key reasons for international banks' business processes offshoring which will influence their justification for business process offshoring. The study will also identify the challenges in offshore of business processes so as to inform their decision making process for efficient business process offshoring.

1.5.2 Policy Makers

The findings of this study will be relevant to the Ministry of Finance and more especially the Central Bank of Kenya in ensuring a stable banking industry in Kenya. Through the findings of this study, policy makers at the Central Bank of Kenya will find a basis for formulating rules and regulations guiding the offshore business processes among international Banks operating in Kenya.

1.5.3 Banking industry Customers

The banking customers will learn how international banks strive to achieve operational efficiency in order to keep their operating costs low. This will enable customers adjust their expectations on service quality and turnaround time among international banks as they continue transacting with them. This will help improve the level of their satisfaction with the various services offered by the international Banks.

1.5.4 Researchers and Academicians

To future researchers and academicians, the findings of this study will play a key role in informing their future studies especially on subjects related to BPO. This study will first serve as an empirical source in their future research work besides suggesting areas for further research.

1.5.5 Banking Industry

The Banking industry in general both in Kenya and other African countries will find the results of this study important in assessing competitive advantage strategies adopted by different international commercial banks in the African market. The findings will outline the reasons why international banks engage in BPO and how it has affected their competitiveness on the African market.

1.6 Scope of the Study

This study focused on all international banks in Kenya. The variables of study covered reasons for offshore BPO, challenges and how they conduct monitoring and evaluation. The study focused on the entire population of 20 international banks with interviews of 120 employees, 6 from each bank. The study was undertaken in the Month of October 2016.

The study espoused a number of challenges including reluctance among the target respondents in giving information fearing that the information sought may be used to for other purposes other than academic purposes or be used to intimidate them or print a negative image about their Bank. This was likely to make some target respondents reluctant to take part in the study. In order to overcome this challenge, the researcher got an introduction letter from the USIU University confirming that the data requested would be used for academic purposes only.

The study further foresaw situations where respondents may delay or completely decline to participate in the study owing to their busy day to day schedule. In order to overcome this challenge, the researcher applied the drop and pick later method to limit the level of interruptions in the schedule of respondents.

1.7 Definition of Terms

1.7.1 Off shoring

This is the relocation of a business process from one country to another (Lee et al., 2014).

1.7.2 A business process or business method

This is a collection of related, structured activities or tasks that produce a specific service or product (serve a particular goal) for a particular customer or customers (González et al., 2012).

1.7.3 Outsourcing

This involves the contracting out of a business process to another party (compare business process outsourcing). Outsourcing sometimes involves transferring employees and assets from one firm to another, but not always. Outsourcing is also the practice of handing over control of public services to for-profit corporations (Rahul, 2012).

1.8 Chapter Summary

This chapter has given the background of the study in relation to business process outsourcing from a global, continental and local context. It has also discussed the gaps in previous research and the need for operational efficiency to build a case for the study. It further highlighted the purpose of the study, research questions, significance, scope and definition of key terms.

The next chapter presents literature review which will discuss studies conducted in the past that are related to outsourcing. Chapter three will present research methodology which will be used to achieve the research questions of the study. Chapter four will present research results and findings while chapter five will cover discussions, conclusions and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature by different scholars. The reviews are based on the specific research questions; reasons for offshore business process outsourcing among international banks; challenges encountered by international banks in offshore business process outsourcing; monitoring and evaluation effect of offshore business process outsourcing among international banks. In addition, the chapter presents a summary which clearly illustrates the research gap to be filled by this study.

2.2 Reasons for Offshore Business Process Outsourcing

2.2.1 Maximize Profits and Cut on Costs

Tate, Ellram, and Brown (2009) conducted a study on offshore outsourcing of services: a stakeholder perspective. The study which was conducted in the United States identified that offshore outsourcing decisions are usually made and motivated by a desire to maximize on profits and reduce the cost of labour. Most of the offshore movement that happens in businesses is usually aimed at minimizing costs by offshoring activities that are not major to outside countries with lower labour costs as compared to domestic workforce. The study identified cost reduction or cost saving as the primary reason for outsourcing.

Westner and Strahringer (2010) stated that high labour costs in countries drive businesses to save costs by offshoring. Most projects or activities that are usually offshored are more successful than they could have been if they were done locally. Bottini, Ernst and Luebker (2007) stated that most companies carry out offshoring to take advantage of better or less costly resources and assets. This drives and explains most offshoring decisions.

Muweesi (2011) identified that operating costs definitely reduce when carrying out BPO. Cost management also becomes easier since the costs are predictable due to fixed contracts, sharing risks on various investments like technology and also being relieved off

part of the labour costs. Sharma and Loh (2009) stated that cost saving was the primary motive of the beginning of offshoring among companies. This turned out to be a success and it caught on since most companies obtained huge amounts of cost savings. The study findings also revealed that outsourcing had a positive correlation with company profits.

Szuster (2010) stated that outsourcing is mostly carried out to reduce on costs be it administration or production. Companies that have adopted offshore BPO have reported significant amount of cost savings and maximized profits. Most outsourcing partners usually conduct their activities at lower rates than it could have been done domestically. This translates into huge cost savings for companies. Companies also save on operational costs such as administrative costs, payroll, HR, rentals, power, and utilities.

2.2.2 Need for Intellectual Capital

Goyal and Sahay (2007) undertook the study offshore outsourcing of business processes: understanding intellectual property rights (IPR) implications and stated that intellectual capital comprises of skills, insights, brains, and potential of those in an organization. Intellectual capital is characterized by the fact that it is rare and that it can't be substituted. Good intellectual capital leads to a consequent increase in overall firm performance. Organizations today search for intellectual capital in a broader way; delving into different countries to look for the best people to handle their preferred business activities.

Tate et al., (2009) also stated that businesses usually offshore non-core business activities to outside countries so that they can be done by highly educated labour pools. This enables services to be done by professionals and to be of good quality. Service offshoring is further identified to be done by high skilled white collar workers in low cost countries to provide sophisticated services to customers.

Baldia (2007) in the paper on key issues in offshore BPO -In the paper ; the author found out that offshore BPO transaction involved the transfer of technical and business knowledge concerning the outsourced business process to an offshore vendor or to a third party. This transfer can be complex and involve added costs not initially baked into the

financial model. Therefore it is important for the management of any organization to plan carefully before starting the BPO outsourcing starts. It involves the transfer of knowledge, culture of the corporate and systems in an effort to improve the productivity of an organization. Whenever knowledge is transferred then productivity is improved and the service quality will be increased so that customers are best satisfied by the products and services (Baldia, 2007).

2.2.3 Better Quality Outputs

Better quality outputs are usually as a result of enhanced efficiency, expertise and better technology. Offshoring especially of services makes use of the best and most dynamic information and communication technologies (ICT). This encourages innovation and allows companies to secure larger market share than their competition. Muweesi (2011) states that firms consider outsourcing mostly because they are assured of their supporting functions being completed faster, cheaper and better by an external firm. Outsourcing is usually associated with improved and increased capacity and quality.

Tasks are usually outsourced to people that have specialized in their fields and have specific equipment and technical expertise. Typically, they can handle the outsourced activities better than the organization providing the tasks. The outcome is usually faster processes and better quality output. Westner and Strahringer (2010) stated that offshoring provides expertise and knowledge which usually resulted in quality products and services. Outsourcing partners usually bring loads of experience in the specific business practice and expertise. They tend to do a better job using their knowledge, understanding and connections and deliver complete and quality outputs.

Outsourcing partners usually have very skilled and highly educated human resources that can handle just about anything in the field of specification. They have a lot of experience and offer world class facilities and practices. Quality of output is therefore usually guaranteed. The lead time to produce the product also reduces significantly since ideas are converted into products or action faster and better.

2.2.4 Concentration on Core Business Activities.

Manning (2008) stated that outsourcing allows the client organizations to refocus on their core business activities as they obtain the necessary competence from the vendor. Outsourcing is usually done on the supporting processes of a business and they allow the business to concentrate on the remaining business objectives therefore strengthening the business. Outsourcing business processes usually frees up previously used energies and enables businesses to build on their brands, investing more and providing bigger and better services.

Szuster (2010) stated that reduced administration allows the attention of management to be fixed on value adding activities and the core business activities. This allows for improved customer service and more focus on generating company profits. Outsourcing enables a company to focus on its core competencies and redirect the company resources towards achieving the mission and the vision of the organization. The primary concern of the business now becomes the centre of the organization.

Iqbal and Dad (2013) stated that many of the firms today are taking up outsourcing decisions by setting aside some factors of the organization to focus on core competencies. The study further identified that companies outsource their non-core business activities in order to focus on the business core competencies. This enables companies to focus on the company's strategy and the main company objective. Michaeva (2010) further stated that firms that carry out offshoring have the advantage of focusing on their main capabilities and focus on increasing their competitiveness through better quality and customer service.

Muweesi (2011) stated that mostly when an organization decides to carry out all its activities it may lose focus and efficiency. Outsourcing some of the company's processes allows a company to focus on its main activities. This ensures that the activities that remain fall within the company's main competencies and expertise. Focusing on core business activities allows the company to improve effectiveness and flexibility by having an outsourcing partner that has qualified and specialized personnel at a cheaper cost.

Chakrabarty (2007) in the study on strategies for business process outsourcing: An analysis of alternatives, opportunities and risks. The study looked at the issues that are closely related to business process outsourcing (BPO) strategies. This was done in aid to managers while making the decision on whether to outsource or not. The managers must also beforehand understand the impact that the decision to outsource will have on their competitiveness at the market place. While focusing on outsourcing as a strategy the management must put into consideration the impact of multi-client or multi-vendor relationships; the role of vendors in helping the firm achieve its set strategies, contracting and sub-contracting and business process migration. At the bottom line, the paper mentions that the organization use outsourcing to achieve competitiveness in the market and aim to achieve sustainability (Chakrabarty, 2007).

2.3 Challenges Encountered in Offshore Business Process Outsourcing

2.3.1 Security and Data Privacy

One of the challenges encountered in offshore BPO is the issue of data privacy. When an organization decides to outsource its activities it relinquishes its data to another company and exposes the confidentiality of the company. Some of the processes that can be outsourced and provide the risk of lack of confidentiality include Human Resources (HR), Payroll and Recruitment services. They all involve exposing the confidential information of a company to other parties.

Gottschalk (2005) identified that the risk of loss of strategic information is a strategic challenge of outsourcing. It is therefore very important to learn about knowledge management in order to counter the threat of loss of strategic information and also to know how to manage the firm's knowledge. Mayer and Nickerson (2003) stated that loss of control over the outsourced activity is also considered one of the most commonly cited inhibitors to outsourcing. It is usually inevitable and companies have to risk their private information.

Beaumont and Sohal (2004) concurred that with outsourcing, the loss in control over the outsourced activity is also considered one of the most commonly cited inhibitors to

outsourcing. Many organizations are hesitant to practice business process outsourcing of some of its activities to another vendor or to a third party organization. It is therefore important to align employee behaviour with the organization's objectives often in an effort to facilitate increased organizational performance. This is evident through the management process. In the outsourcing environment, it is impractical to apply the traditional performance management process (Beaumont & Sohal, 2004).

Mugassa (2015) stated that loss of control and autonomy was one of the reasons why companies did not engage in BPO. The relinquishing of information and data as they outsourced their supporting activities was a huge risk that most companies associated outsourcing with. Information and data is a company resource which is characterized by delicacy and must be handled with utmost care and by professionals. The study reported that this was one of the reasons that made some companies not to engage in outsourcing.

Iqbal and Dad (2013) stated that security and privacy risk is a very great risk when offshoring. Companies have to share very sensitive data with the outsourcing partner and the ability of the partner to maintain confidentiality is not guaranteed. Customer and organization data protection therefore becomes a huge issue. Human resources data and accounts data is especially very sensitive and companies may face great implications when their confidentiality is compromised.

2.3.2 Loss of Jobs

Olsen (2006) stated that there is a rising fear of loss of jobs due to the increase in offshoring practices. The rate of job creation is evidently lower than the rate of job destruction which is getting very high. Offshoring is increasingly becoming a trade since business, technical and professional services are constantly being exported and imported in and out of countries. High quality jobs are created for some countries due to offshoring and this provides large economic benefits to them. Job opportunities however decrease in the country offshoring its jobs to the outside world.

Houseman, Kurz, Lengermann and Mandel (2010) identified that despite a strong growth in output, the United States (US) manufacturing sector has recorded very high

employment declines. Offshoring usually prevents countries from investing in their local human capital. Offshoring practices make it less worthwhile for organizations to make long-term investments in their best and skilled workers and opt for cheaper labour elsewhere. This creates a problem of unemployment to the county's population. Offshoring tends to batter unskilled workers in low-end manufacturing jobs. The fact that just about anything can be outsourced threatens most of the existing jobs.

According to Kabagashi (2007) in offshore outsourcing there is an issue of staff turnover in the outsourcer companies. The companies keep on replacing or laying off their employees. This inhibits the build-up of employee knowledge and keeps quality at a low level. Mugassa (2015) identified one of the main disadvantages of outsourcing as employee layoffs. If a process was being conducted in-house, the employees in charge of the process become obsolete and are in most cases laid off to cut off labor costs.

Inadequate capabilities of service provider results in loss of competitive advantage and loss of market share (Jennings, 2002). Service providers who form the major backbone of business process sourcing are faced with key challenges, ranging from; organizing and designing the work, facilitating employee transitions, managing performance, managing turnover and legal obligations (Aron, Clemons and Reddi, 2005). "Lack of capable service providers" is a major problem of outsourcing which includes inability to provide effective transportation networks, poor transportation tools, old -designed warehousing facilities, lack of qualified staff, and lack of IT capability

Fear of job loss results in increased resistance to change and lower staff morale as posited by Hsuan and Mahnke (2011) in the research and development paper on outsourcing R&D: a review, model and research agenda. The paper further mentions that pre and post-outsourcing costs increases occur in areas such as office expenditure. Administration costs increase due to a lot more monitoring and evaluation, in processing and over-seeing the post-outsourcing measurements and activities (Hsuan & Mahnke, 2011).

In areas where more machines are used to handle most activities of the organization and as more activities are outsourced to other vendors, then the fear of job loss is real as the organization will have to let off some employees. This is further made a reality since the

outsourced actions have also to be paid for by the organization. This implies that any employee that is deemed redundant will be let off (Kabagashi, 2007).

2.3.3 Custom Tariffs

Bottini et al. (2007) stated that tariffs can be a great barrier to off shoring especially where there are trade barriers in every border and they accumulate making production fragmentation harder. Production fragmentation means how production is organized and falls into different stages of production according to the suppliers in different countries. Some countries have however reduced their tariffs and others agreed on free-trade agreements that have often encouraged offshoring. Some countries however continue to have difficulty in offshoring due to these custom tariffs.

Kabagashi (2007) stated that barriers, especially those on country's borders greatly affect the transportation of items across countries. They may carry along the challenge of hidden transportation costs that had been included while budgeting for the transportation costs. These may translate to delays in the time that the items are supposed to be received by the transporting partner. Consequently, the whole production process may be delayed.

2.3.4 Transportation Costs

Bottini et al. (2007) stated that whichever the means of transport, whether air, water rail or road, each may come with its fair share of challenges. Taxes levied may cause a rapid increase in transportation costs and may affect the budget of the offshoring process. The cost of some means of ocean transport have also risen over the years presenting a challenge to businesses who may want to transport bulky goods.

Houseman, Kurz, Lengermann and Mandel (2010) identified that costs savings are usually the primary shifter of people sourcing goods and services from foreign countries. Developing economies especially have become the new low cost suppliers of various products. Business are increasingly becoming price sensitive and finding a lower production cost abroad prompts most business to engage in offshoring.

Iqbal and Dad (2013) stated that although outsourcing is cost-effective most of the time, there might emerge hidden costs that were not in the signing of the contract. This is especially evident in conducting offshore outsourcing across international boundaries. This may pose a serious threat as these costs are usually not budgeted for and they may cause a delay in transportation.

2.4 Monitoring and Evaluation Effect of Offshore Business Process Outsourcing

2.4.1 Tracking Progress and Quality

Iqbal and Dad (2013) stated that monitoring and evaluation is important in BPO to ensure that all activities taking place are all according to your expectations. Although these expectations are clearly outlined and dictated in the contract there is no way to identify whether these conditions are being met except by monitoring the outsourcing activities in compliance with the expectations.

CIU (2013) identified that successful monitoring and evaluation delivers timely and relevant information that allows you to track progress towards outcomes and make adjustments to implementation arrangements as necessary. Progress is tracked in a move to ensure that activities are done in a successful manner and at the right intervals. The quality may also be monitored and if the company is not satisfied with the outcomes of the outsourcing process, they can present their concerns to their outsourcing partner for consideration and rectification.

2.4.2 Make Appropriate Decisions and Plans

CIU (2013) on its report stated that it can be difficult to make various plans when it is difficult to understand how processes will deliver outcomes. Monitoring and evaluation identifies all the components of a certain initiative and allows an organization to make the appropriate decisions and plans. Evaluations usually provide information on how to improve processes, emerging issues and also ensure accountability. Monitoring and evaluation helps to provide the necessary information that will help to guide strategic planning, to design and implement tasks within outsourcing.

Iqbal and Dad (2013) stated that among the effects of monitoring and evaluation is the influencing of outsourcing decisions. Firms usually aim to create a balance between what has been outsourced and what is left in the organization. This will enable the management of the company to make wise and appropriate decisions based on the information they collect from the monitoring and evaluation process. Muweesi (2011) stated that monitoring and evaluation outsourcing activities can help a manager to set priorities more clearly and make the best decisions for the company.

2.4.3 Ensure Effective and Optimal use of Resources

McIvor, Wall, Humphreys and McKittrick (2009) stated that monitoring and evaluation allows an organization to utilize the resources that they have effectively and to achieve maximum value. It enables an organization to know what they need and don't need and they can then make decisions based on that. It also helps to make sure that resources are used effectively to get quality outputs.

Muweesi (2011) identified that every business has limited resources and business management has limited time and attention. Monitoring and evaluation could therefore help management to monitor offshoring processes and ease the work of managing their resources to fit the unlimited needs of their customers. Managing resources is very important in enhancing profits and improving the productivity of the organization.

Jiang and Qureshi (2006) identified that evaluating outsourcing decisions is made to ensure that available resources can be invested to gain profits. Monitoring and evaluation also helps to find out the most valuable resources and how efficiently resources are being used. This is very critical to ensure that conclusions are reached regarding outsourcing success. Monitoring and evaluation helps to generally allocate, and re-allocate resources in better ways.

Iqbal and Dad (2013) stated that creating a balance between outsourced resources and those in the organization goes a long way in ensuring effective and optimal use of resources. The evaluation of available resources will enable an organization to make maximum use of resources for the benefit of the organization. Optimizing resources can

help a company to increase profits, satisfy customers and improve company performance and productivity.

2.4.4 Risk Management

Bandyopadhyay and Pathak (2007) stated that monitoring and evaluation is usually done to identify disasters and help come up with strategies to recover from them in case they happen. Monitoring and evaluation of BPO processes enables organizations to get protection from natural calamities, accidents, market fluctuations, or technical crises. Organizations can then come up with disaster recovery mechanisms and detailed back up plans that will help in responding rapidly and get the activities running as quickly as possible.

Michaeva (2010) identified that monitoring and evaluation allows integration of different activities of offshoring and presenting them as one. This enables a company to identify operational risks or any other risks that may be lurking within the offshoring processes. Identification of these risks makes sure that they are curbed and rectified in time so that they do not affect the offshoring activities and processes. Risk management is very important in making sure that all businesses activities run very smoothly with no interruption or failure. Muweesi (2011) identified that trusting a well qualified and specialized workforce also goes a long way to help organizations control their business risk.

Sahajpal, Agrawal, Kishore and Rao (2006) in the study on Business Process Offshoring to India: An overview. The paper states that offshore outsourcing allows users of IT Services to benefit from favorable conditions in the offshore location – such as lower labor costs, ample supply of well-educated labor and quality of service. One of the greatest benefits of offshore outsourcing is the ability to monitor the whole system through the use of IT programs and systems. The offshore model thrives based on the division of labor in a region where capital is low while labour costs are low and the labor is in high supply. Services are disaggregated and those service components that need to

remain in the mother-organization are retained onsite while those that need not be are shipped offshore to be produced by another company-or the vendor company.

2.5 Chapter Summary

This chapter reviews empirical literature reviewed by different scholars. It is guided by the three research questions which have been broken down into four different subtopics. The empirical literature is well aligned with the study topic to properly identify the factors influencing offshore business process outsourcing among international bank in Kenya. The next chapter will look at the research methods that will be used in collecting data, the instruments that will be used and how the data will be analyzed and presented.

CHAPTER THREE

3.0 Research Methodology

3.1 Introduction

This chapter covers the study's research design. It also covers the target population and the sample procedure that will be adopted to determine the sample size. Lastly it looks at the research instruments to be used, data collection methods, research procedures and the data analysis methods that will be applied to analyse and interpret the data collected.

3.2 Research Design

This study will use descriptive survey design which necessitates the collection of both qualitative and quantitative data. The respondents were expected to describe the factors influencing offshore business process outsourcing among international banks in Kenya. Descriptive research usually portrays an accurate profile of people, events or situations. According to Mugenda and Mugenda (2003), a descriptive research design determines and reports the way things are. A descriptive research is designed to obtain information concerning the current situation and other phenomena and wherever possible to draw valid conclusion from the facts discussed. Thus the design will be used to explain the current position of business process outsourcing as being practiced by the 20 international banks operating in Kenya. Maxwell (2012) observed that a descriptive research design is used when data is collected to describe persons, organizations, settings or phenomena. According to Harris, Cartwright, Torok, Holden, Brown, Ogilvy-Stuart and Peacock (2013), it is important to investigate the phenomenon systematically so that the results will portray the holistic picture of the lives of the people under investigation. According to Paulin (2007), descriptive research studies are based on some previous understating of the nature of the research problem. The design seeks to capture both qualitative and quantitative aspects.

3.3 Population and Sampling Design

3.3.1 Population

The study's target population will include employees of the 20 international banks in Kenya. According to Mugenda (2008) a population is a complete set of individuals, cases

or objects with some common observable characteristics. Amin (2005) describes target population as the entire group of individuals or objects to which researchers are interested in generalizing the conclusions.

3.3.2 Sampling Design

The sampling design of a study specifies the possibility of a particular sample from being drawn from a whole population. Any statements made about the sample should also be true of the population (Mugenda & Mugenda, 2003).

3.3.2.1 Sampling Frame

The sampling frame of the study will include all the management staff from all the international banks in Kenya. According to Turner (2003) a sampling frame is the set of items from which a sample size is selected. According to the Kenya Bankers Association report of 2015; the number is at 675 management staff in all the 20 international banks.

3.3.2.2 Sampling Technique

The study will adopt simple random sampling to select 6 senior management employees from each of the 20 international banks in Kenya will be selected to participate in the study. The employees are all located in Nairobi where the headquarters of the banks are located. In simple random sampling each member of the population has an equal probability of being selected to be part of the sample. Sampling technique involve the procedures applied to get the representative sample from the target population.

3.3.2.3 Sample Size

The sample size of the study will be 120 respondents drawn from the 675 total target population of senior level management staff in all the 20 international banks. 6 senior management staff were selected from each of the international banks. The six employees are drawn from the six main departments within the banks i.e. HR department; Operations department; Credit department; Administration and Customer care department; Legal department and IT department within the banking system. Sample size is defined as a part of the total persons involved on the basis which judgment is made.

No of respondents from each bank	6
No of international banks in Kenya	20
Total respondents	120

3.4 Data Collection Methods

According to Ngechu (2004) there are many methods of data collection. Creswell (2013) defines data collection as a means by which information is obtained from the selected subjects of an investigation. The choice of a tool and instrument depends mainly on the attributes of the research topic, research questions, objectives, design and expected data and results. The study will collect primary data using questionnaires. According to Saunders (2012) a questionnaire includes all methods of data collection in which each person is asked to respond to the same set of questions in a predetermined order.

The questionnaires will be structured and closed ended to enable the researcher create data that is easily quantifiable. Structured questionnaires according to Marshall and Rossman (2014) entail several questions that have structured response categories whose main aim is to learn about the distribution of characteristics, attitudes or beliefs. The questionnaires will be divided into four sections covering the demographic information and the three research questions that the study has chosen to cover.

3.5 Research Procedures

The questionnaires will be delivered to the respondents at the banks they work in. To ensure that information is provided more freely and quicker, the researcher shall carry along an introductory letter from the university which will confirm to the respondents that the information requested would be used for academic purposes only and nothing more.

Research assistants will provide guide and clarify the respondents where necessary on delivery of the questionnaires. The respondents will then be given a week to fill the questionnaires upon which they will be picked up by the research assistants. The

researcher will use phone calls to monitor the filling progress of the questionnaires once within the week and to answer any questions that the respondents may have or may want clarified.

3.6 Data Analysis Methods

According to Kothari (2004) data analysis and interpretation involves cleaning up collected research data before undertaking to deduce it so as to give meaningful interpretation and explanation. The filled questionnaires will be checked for completeness and consistency and errors and omissions corrected and then coded and analyzed qualitatively and quantitatively. Qualitatively the data will be sought into themes, patterns and categories. This will enable the researcher to make general statements in terms of the observable attributes. Data from questionnaires will be summarized, coded, tabulated and analyzed. Editing will be done to improve the data quality for coding.

Coded data will then be fed into the statistical package for social sciences (SPSS) version 21 for analysis. This version of SPSS has been selected for analysis since it offers a more user friendly interface and can easily be linked with Microsoft office utility programs. The study will derive the mean, frequencies and percentages from the data analysis for each variable. Results of the study will then be presented in bar graphs, tables and pie charts.

3.7 Chapter Summary

The chapter looks at the research design to be used for the study. The chapter also explains the target population and the sampling design which will include the sampling technique to be used to get the sample size for the study. The data collection methods and the research procedures to be used are explained and finally the method on how to analyze and interpret data is explained.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and the results of the finding of the study. The study sought to establish the factors influencing offshore business process outsourcing among international banks in Kenya. The data was gathered exclusively from questionnaire as the research instrument which was designed in line with the objectives of the study.

4.1.1 Response Rate

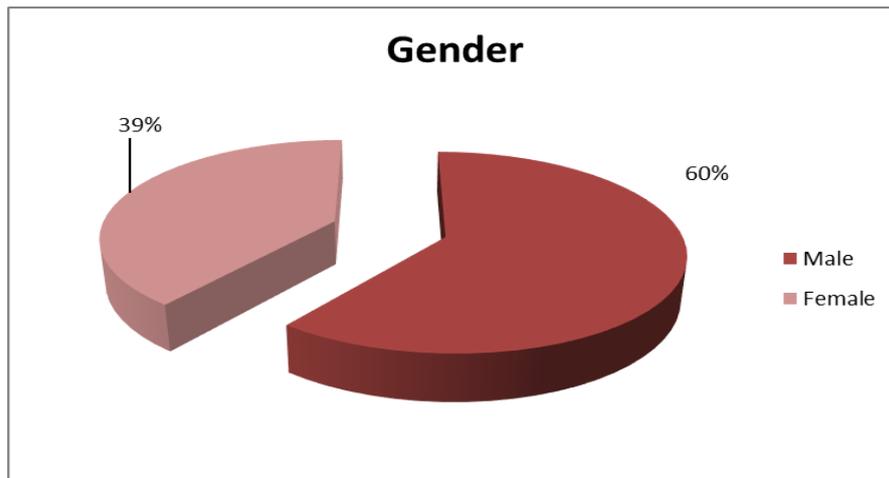
The study targeted a sample of 120 respondents working in the 20 international banks, 93 of the questionnaires were filled and returned making the response rate of 77.5%. This response was good enough and representative of the population and conforms with Mugenda and Mugenda (2003) who posit that a response rate of 70% and above is excellent.

4.2 General Information

4.2.1 Gender of the Respondents

The study sought to know the gender of the respondents. The findings are as shown on Figure 4.1

Figure 4. 1: Gender of Respondents



From the findings in Figure 4.1, the majority at 60% of the respondents are males while female respondents were 39%. This implies that the respondents wasn't biased and involved both genders in the study.

The overall response rate was 77.5% with responses received from 93 of the total of 120.

4.2.2 The Department

The study sought to know in which department the respondent worked in. The findings are as indicated in Table 4.1

Table 4. 1: Department

Department	Frequency	Percent
HR department	8	9
Operations department	13	14
Credit department	21	22
Admin and Customer care Department	25	27
Legal department	16	17
IT Department	10	11
Total	93	100

Table 4.1 shows that 8 respondents were from the HR department; 13 from Operations department; 21 were from the credit department; 25 respondents recorded that they were Admin and Customer care Department; legal department had 16 respondents and 10 respondents were from the IT Department. This findings show that the respondents are

from various departments in the bank and that proves that the whole organization was represented in the study.

4.3 Reasons for Offshore Business Process Outsourcing

Several statements on the reasons for offshore business process outsourcing among international banks in Kenya. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= Not At all 2= Little extent 3=Moderate Extent 4=Great Extent 5=Very Great extent. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

Table 4. 2: Reasons for Offshore Business Process Outsourcing

	Mean	Std. Deviation
Cost reduction is a primary reason for offshore outsourcing by international banks	4.13	.901
Offshore outsourcing decisions are usually motivated by a desire to maximize on profits	3.65	.756
Most companies carry out off shoring to take advantage of better or less costly resources like assets	3.32	1.534
Good intellectual capital leads to a consequent increase in overall firm performance	3.42	1.758
Businesses usually offshore non-core business activities to outside countries so that they can be done by highly educated labour pools	3.36	1.308
Offshoring of services makes use of the best dynamic ICT	4.21	.937
Offshoring services leads to better service quality by the banks	3.89	.843
The tasks that are outsourced are handled by people with specialized knowledge	3.76	1.236
Outsourcing as it frees up people to concentrate on the business objectives	3.81	1.347
The freed up energy help the business build their brand name by providing better services	3.47	1.879
Firms that carry out offshoring have the advantage of focusing on their main capabilities	3.93	1.230

From Table 4.2 the respondents agreed that Cost reduction is a primary reason for offshore outsourcing by international banks with a mean of 4.13 and standard deviation of .901; offshore outsourcing decisions are usually motivated by a desire to maximize on profits having a mean of 3.65 and standard deviation of .756; on the statement of most companies carry out off shoring to take advantage of better or less costly resources like assets, respondents agreed at a mean of 3.32 and standard deviation of 1.534 and on good intellectual capital leads to a consequent increase in overall firm performance having a Mean of 3.42 and standard deviation of 1.758.

The respondents also agreed that businesses usually offshore non-core business activities to outside countries so that they can be done by highly educated labour pools at a mean of 3.36 and standard deviation of 1.308; while off shoring of services makes use of the best dynamic ICT at mean of 4.21 and standard deviation of .937, on offshoring services leads to better service quality by the banks, respondents agreed at a mean of 3.89 and standard deviation of .843 and on the tasks that are outsourced are handled by people with specialized knowledge, having a mean of 3.76 and standard deviation of 1.236.

On the statement on outsourcing as it frees up people to concentrate on the business objectives, the respondents agreed at a mean of 3.81 and standard deviation of 1.347, while the freed up energy help the business build their brand name by providing better services was agreed at a mean of 3.47 and standard deviation of 1.879 and the statement on firms that carry out off shoring have the advantage of focusing on their main capabilities with a mean of 3.93 and standard deviation of 1.230.

4.3.1 Extent of Reason of Offshore Business Process Outsourcing

The study sought to know, the extent in agreement in general terms that the respondents had on the reasons for offshore business process outsourcing. Literature review has shown that the main reasons for offshoring included profit maximization and cost cutting as well as enabling the organization to focus on core business activities. The findings are as indicated in Table 4.3

Table 4. 3: Extent of Reason of Offshore Business Process Outsourcing

	Frequency	Percent
Not At all	5	5
Little extent	15	16
Moderate Extent	11	12
Great Extent	38	41
Very Great extent	24	26
Total	93	100.0

According to the findings in Table 4.3; majority at 41% of respondents agreed to a great extent on the reasons for offshore business process outsourcing. 26% agreed to a very great extent; 12% agreed to a moderate extent, 16% agreed to a little extent and only 5% did not agree at all with the reasons for offshore business process outsourcing.

According to these findings many of the respondents at a frequency of 62 from the total 93 respondents and at 67% agreed on the reasons for off shoring as cutting costs, increasing the profitability index, increase of quality of service, outsource to experts who can translate their knowledge into higher outputs. Furthermore, organizations gain from low cost of production resulting from the economies of scale existent in the outsource partner. The use of advanced technology also results in better quality outputs.

4.4 Challenges Encountered in Offshore Business Process Outsourcing

Several statements on the challenges encountered in offshore business process outsourcing among international banks in Kenya. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= Not At all 2= Little extent 3=Moderate Extent 4=Great Extent 5=Very Great extent. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

Table 4. 4: Challenges Encountered in Offshore Business Process Outsourcing

	Mean	Std. Dev
Data privacy is one of the challenges offshore BPO encounters as data is shared to another company	4.27	1.043
The risk of loss of strategic information is a strategic challenge in offshore outsourcing.	3.94	1.430
Firms lose control and autonomy while engaging in offshore outsourcing.	3.65	1.200
Security is a very great risk when off shoring as companies have to share very sensitive data with the outsourcing partner	3.73	1.178
There is a rising fear of loss of jobs due to the increase in off shoring practices	4.12	.742
Off shoring tends to batter unskilled workers in low-end manufacturing jobs.	3.64	.916
Tariffs can be a great barrier to off shoring especially where there are trade barriers tariffs	3.45	1.124
Taxes levied may cause a rapid increase in transportation costs that may affect the budget of the off shoring process.	4.22	1.438

Table 4.4 shows the findings of the challenges encountered in offshore business process outsourcing. The respondents agreed Data privacy is one of the challenges offshore BPO encounters as data is shared to another company at mean of 4.27 and standard deviation of 1.043; The risk of loss of strategic information is a strategic challenge in offshore outsourcing had a mean of 3.94 and standard deviation of 1.430, while firms lose control and autonomy while engaging in offshore outsourcing having a mean of 3.65 and standard deviation of 1.200 and security is a very great risk when offshoring as companies have to share very sensitive data with the outsourcing partner was agreed at a mean of 3.73 and standard deviation of 1.178.

On the statement of there is a rising fear of loss of jobs due to the increase in offshoring practices was agreed with a mean of 4.12 and standard deviation of .742, Offshoring tends to batter unskilled workers in low-end manufacturing jobs had a mean of 3.64 and standard deviation of .916, while tariffs can be a great barrier to offshoring especially where there are trade barriers tariffs was agreed at mean of 3.45 and standard deviation of 1.124 and taxes levied may cause a rapid increase in transportation costs that may affect

the budget of the offshoring process was agreed by the respondents at a mean of 4.22 and standard deviation of 1.438.

4.4.1 Extent of Challenges Encountered in Offshore Business Process Outsourcing

The study sought to understand, the extent in agreement of the challenges encountered in offshore business process outsourcing. Literature review has shown that the main challenges are largely related to the loss of autonomy and control and data privacy resulting from sharing of confidential information. The loss of jobs in the outsourcing organisation is also a key challenge that has economic and social ramifications. The findings are shown in Table 4.5

Table 4.5: Extent of Challenges Encountered in Offshore Business Process Outsourcing

	Frequency	Percent
Little extent	14	15
Moderate Extent	16	17
Great Extent	42	45
Very Great extent	21	23
Total	93	100.0

The findings on Table 4.5 show that majority of the respondents agreed on the challenges that are encountered in offshore business process outsourcing; great extent had 45% while very great extent had 23% and 15% and 17% agreed on little extent and moderate extent respectively. It is evident that the practice of offshore business process outsourcing is facing a lot of challenges including loss of privacy of information as this same information is shared to another company and in a highly competitive world; this could lead to great losses if such information is misused. There is also fear of loss of jobs as works are outsourced to third party companies. Other challenges include lack of skilled labour and high tariff rates

4.5 Monitoring and Evaluation Effect of Offshore Business Process Outsourcing

Several elements of monitoring and evaluation were identified and the respondents were requested to indicate the extent to which monitoring and evaluation affected offshore

business process outsourcing in the international banks in Kenya. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= Not At all 2= Little extent 3=Moderate Extent 4=Great Extent 5=Very Great extent. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

Table 4.6: Monitoring and Evaluation effect of Offshore Business Process Outsourcing

	Mean	Std. Dev
Monitoring and evaluation is important in BPO in ensuring all activities are all according to set expectations	4.16	.858
Successful monitoring and evaluation delivers timely, relevant information enabling one to track the progress as well as outcome	3.91	.982
Monitoring and evaluation enables the firm in making appropriate decisions for implementation of plans	3.49	1.093
The effect of monitoring and evaluation is the influencing of outsourcing decisions.	4.25	.990
Monitoring and evaluation allows an organization to effectively utilize resources to achieve the maximum output	4.08	1.230
Evaluating outsourcing decisions is made to ensure that available resources can be invested to gain profits	3.78	1.643
Monitoring is done to identify disasters and resolve them.	3.99	1.903
Monitoring and evaluation of BPO processes enables organizations to get protection from natural calamities	3.14	.914
Operational risks are identified through monitoring and evaluation of the outsourced vendors	3.28	1.227
Monitoring helps creates strategies to resolve organizational problems	3.57	1.013

Table 4.6 shows the findings as: Monitoring and evaluation is important in BPO in ensuring all activities are all according to set expectations was agreed at a mean of 4.16 and standard deviation of .858, on successful monitoring and evaluation delivers timely, relevant information enabling one to track the progress as well as outcome having a mean of 3.91 and standard deviation of .982, while monitoring and evaluation enables the firm in making appropriate decisions for implementation of plans having a mean of 3.49 and standard deviation of 1.093, the statement on the effect of monitoring and evaluation is

the influencing of outsourcing decisions was agreed at a mean of 4.25 and standard deviation of .990 and on monitoring and evaluation allows an organization to effectively utilize resources to achieve the maximum output was agreed with a mean of 4.08 and standard deviation of 1.230

The statement on evaluating outsourcing decisions is made to ensure that available resources can be invested to gain profits was agreed by the respondents at a mean of 3.78 and standard deviation of 1.643; Monitoring is done to identify disasters and resolve them was agreed with a mean of 3.99 and standard deviation of 1.903. The respondents agreed that Monitoring and evaluation of BPO processes enables organizations to get protection from natural calamities with a mean of 3.14 and standard deviation of .914, Operational risks are identified through monitoring and evaluation of the outsourced vendors was agreed at a mean of 3.28 and standard deviation of 1.227 and Monitoring helps creates strategies to resolve organizational problems was agreed having a mean of 3.57 and standard deviation of 1.013

4.5.1 The Extent of Monitoring and Evaluation effect on Offshore Business Process Outsourcing

The study sought to understand the extent of monitoring and evaluation and its impact on offshore business process outsourcing. Literature review has shown several benefits of monitoring and evaluation on the efficacy of the offshoring process. The findings are shown in Table 4.7

Table 4. 7: Extent of Monitoring and Evaluation effect on Offshore Business Process Outsourcing

	Frequency	Percent
Not At all	4	4
Little extent	13	14
Moderate Extent	10	11
Great Extent	33	35
Very Great extent	33	35
Total	93	99.0

Table 4.7 shows that majority of the respondents at 70% agreed to a great and very great extent that monitoring and evaluation impacted the offshore business process outsourcing at the international banks in Kenya. 4% and 14% agreed that monitoring and evaluation had no effect and little effect on the offshore business process outsourcing. Another 11% agreed that it had a moderate impact.

Through continuous and ongoing tracking of the progress and quality of the off shored business processes, an organisation is able to make appropriate decisions and plan appropriately. This also goes a long way in ensuring risk identification and management.

4.6 Chapter Summary

This chapter has sections that show the study's response rate and the general information about the respondents that participated in the study. It has a section on the three study variables, the reasons for offshore business processing, the challenges that organizations encounter in offshore business process outsourcing and the effect of monitoring and evaluation on offshore business process outsourcing. The variables are presented in tables and discussions.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings, discussion, conclusions and recommendations of the study based on the research questions of the study. The purpose of this study was to investigate the factors influencing offshore business process outsourcing among international banks in Kenya.

5.2 Summary of the Study

The study sought out to investigate the factors influencing offshore business process outsourcing among international banks in Kenya. The specific questions the research sought to answer included: What are the reasons for offshore business process outsourcing among international banks in Kenya? What are the challenges encountered by international banks in Kenya Limited in offshore business process outsourcing? How does monitoring and evaluation affect offshore business process outsourcing among international banks in Kenya? This study adopted descriptive survey design which necessitated the collection of both qualitative and quantitative data.

The study established that cost reduction is one of the primary reasons for offshore outsourcing by international banks, as the bank cuts its costs it will be able to maximize on its profits. The banks are able to increase their profitability index by the fact that off shoring the non-core business activities to outsiders enabling the non-core activities to be handled by highly educated labour pools. And this would eventually lead to better service quality at the international banks. The study also found out that most companies carry out off shoring to take advantage of better or less costly resources like assets and good intellectual capital leads to a consequent increase in overall firm performance this is majorly due to the fact off shoring companies make usage of the best dynamic ICT systems that enables them to focus on their main capabilities.

The study further established that the major challenge encountered during offshore business process outsourcing is the lack of data privacy since data is shared with another company; there is also the risk of loss of strategic information and also the fact that firms lose control and autonomy while conducting offshore business process outsourcing.

Further challenges as noted by the study include; the fear of loss of jobs, increase in tariffs and the taxes levied may result in higher transportation costs.

The study also found that successful monitoring and evaluation applied on offshore business process outsourcing delivers timely, relevant information enabling one to track the progress of the whole process. With monitoring and evaluation the decisions that are made are informed to effectively utilize resources so as to achieve maximum outputs. Furthermore, monitoring and evaluation ensures that available resources can be invested to gain profits while identifying disasters and resolving them so that organizations are not negatively affected by natural calamities.

5.3 Discussions

5.3.1 Reasons for Offshore Business Process Outsourcing

The study established that cost reduction is one of the primary reasons for offshore outsourcing by international banks, as the bank cuts its costs it will be able to maximize on its profits. This is in line with Tate, Ellram, and Brown (2009) who stated that most of the offshore movement that happens in businesses is usually aimed at minimizing costs by off shoring activities that are not major to outside countries with lower labour costs as compared to domestic workforce. The study identified cost reduction or cost saving as the primary reason for outsourcing. It also concurs with Muweesi (2011) who identified that operating costs definitely reduce when carrying out BPO.

The banks are able to increase their profitability index by the fact that off shoring the non-core business activities to outsiders enabling the non-core activities to be handled by highly educated labour pools. And according to Szuster (2010) who stated that outsourcing is mostly carried out to reduce on costs be it administration of production leading to higher returns on the firm. And it translates into huge cost savings for companies.

This would also eventually lead to better service quality at the international banks. Organizations use their good intellectual capital leading to an increase in overall firm performance. This is in line with the study by Goyal and Sahay (2007) on offshore outsourcing of business processes: understanding intellectual property rights (IPR)

implications. The study found that good intellectual capital leads to a consequent increase in overall firm performance. Today's organizations search for intellectual capital in a broader way delving into different countries to look for the best people to handle their preferred business activities with an effort to improve their performance and increasing their output.

The study also found out that off shoring of services makes use of the best dynamic ICT, and according to Muweesi (2011), use of ICT encourages innovation and allows companies to secure larger market share than their competition. Furthermore, off shoring especially of services makes use of the best and most dynamic information and communication technologies (ICT). On the other hand Westner and Strahringer (2010) noted that off shoring provides expertise and knowledge which typically resulted to quality products and services.

On the statement; on businesses using offshore non-core business activities to outside countries so that they can be done by highly educated labour pools. This is in agreement with Manning (2008) who stated that outsourcing allows the client organizations to refocus on their core business activities as they obtain the necessary competence from the vendor or the third party organization. Outsourcing is usually done on the supporting processes of a business and they allow the business to concentrate on the remaining business objectives therefore strengthening the business. Outsourcing business processes usually frees up previously used energies and enables businesses to build on their brands, investing more and providing bigger and better services. And Chakrabarty (2007) further noted that the bottom line of using offshore business process outsourcing is to gain competitiveness in the market and aim to achieve sustainability.

5.3.2 Challenges Encountered in Offshore Business Process Outsourcing

The study further established that the major challenge encountered during offshore business process outsourcing is the lack of data privacy since data is shared with another company. This finding is in line with the study by Iqbal and Dad (2013) who posit that security and privacy risk is a very great risk when off shoring. This is due to the fact companies practicing off shoring have to share very sensitive data and information with the outsourcing partner and the ability of the partner to maintain confidentiality is not

guaranteed. Customer and organization data protection therefore becomes a huge issue while practicing business off shoring.

The study also found out that there is also the risk of loss of strategic information as noted by Beaumont and Sohal (2004) who concurred that with outsourcing there is loss in control over the outsourced activity. This is also considered one of the most commonly cited inhibitors to outsourcing. Iqbal and Dad (2013) also noted that human resources data and accounts data is especially very sensitive and companies may face great implications when their confidentiality is compromised. Furthermore, firms lose control and autonomy while conducting offshore business process outsourcing. This finding is in line with Mugassa (2015) who stated that loss of control and autonomy was one of the reasons why companies did not engage in BPO. The relinquishing of information and data as they outsourced their supporting activities was a huge risk that most companies associated outsourcing with. Information and data is a company resource which is characterized by delicacy and must be handled with utmost care and by professionals.

Further challenges as noted by the study include; the fear of loss of jobs which concurs with what Olsen (2006) stated that there is a rising fear of loss of jobs due to the increase in off shoring practices. This is evident since the rate of job creation is lower than the rate of job destruction and this gap is getting wider every single day. Off shoring is increasingly becoming a trade since business, technical and professional services are constantly being exported and imported in and out of countries. High quality jobs are created for some countries due to off shoring and this provides large economic benefits to them. Job opportunities however decrease in the country off shoring its jobs to the outside world. Kabagashi (2007) also pointed out that in offshore outsourcing there is an issue of staff turnover in the outsourcer companies as the companies keep on replacing or laying off their employees.

The study discovered another challenge as an increase in tariffs and the taxes levied may result in higher transportation costs. They may carry along the challenge of hidden transportation costs that had not been included while budgeting for the transportation costs. These may translate to delays in the time that the items are supposed to be received by the transporting partner. Consequently, the whole production process may be delayed as noted by Kabagashi (2007). Bottini et al. (2007) also stated that whichever the means

of transport, whether air, water rail or road, each may come which it's fair share of challenges. Taxes levied may cause a rapid increase in transportation costs and may affect the budget of the off shoring process. The cost of some means of ocean transport has also risen over the years presenting a challenge to businesses who may want to transport bulky goods.

5.3.3 Monitoring and Evaluation effect of Offshore Business Process Outsourcing.

The study established that monitoring and evaluation is important in BPO in ensuring all activities are performed according to set expectations. This finding is in line with Iqbal and Dad (2013) who stated that monitoring and evaluation is important in BPO to ensure that all activities taking place are all according to your expectations. These expectations are clearly outlined and dictated in the contract. Therefore through monitoring and evaluation, compliance with the expectations set in the contract can be assessed and confirmed.

It also found that successful monitoring and evaluation applied on offshore business process outsourcing delivers timely, relevant information enabling one to track the progress of the whole process. Iqbal and Dad (2013) stated that among the effects of monitoring and evaluation is the influencing of outsourcing decisions. Firms usually aim to create a balance between what has been outsourced and what is left in the organization. This will enable the management of the company to make wise and appropriate decisions based on the information they collect from the monitoring and evaluation process. Muweesi (2011) stated that monitoring and evaluation of outsourced activities can help a manager to set priorities more clearly and make the best decisions for the company.

With monitoring and evaluation the decisions that are made are informed to effectively utilize resources so as to achieve maximum outputs. It concurs with McIvor, Wall, Humphreys and McKittrick (2009) who posit that monitoring and evaluation allows an organization to utilize the resources that they have effectively and to achieve maximum value. It enables an organization to know what they need and don't need and they can then make decisions based on that. It also helps to make sure that resources are used effectively to get quality output.

Furthermore, monitoring and evaluation ensures that available resources can be invested to gain profits. This is in line with Muweesi (2011) who identified that every business has limited resources and business management has limited time and attention. Monitoring and evaluation could therefore help management to monitor off shoring processes and ease the work of managing their resources to fit the unlimited needs of their customers. Managing resources is very important in enhancing profits and improving the productivity of the organization.

The study found out that while identifying and resolving disasters, organizations can diffuse the negative effects of natural calamities. This finding is similar to the findings of Bandyopadhyay and Pathak (2007) who stated that monitoring and evaluation is usually done to identify disasters and aide in coming up with strategies to recover from them in case they happen. Monitoring and evaluation of BPO processes enables organizations to get protection from natural calamities, accidents, market fluctuations, or technical crises. Organizations can then come up with disaster recovery mechanisms and detailed back up plans that will help in responding rapidly and get the activities running as quickly as possible.

5.4 Conclusion

5.4.1 Reasons for Offshore Business Process Outsourcing

The study concludes that the reasons for offshore business process outsourcing included cost cutting, increase an organizations' profitability index and lead to better service quality. The study further concludes that off shoring the non-core business activities to outsiders is handled by highly educated labour force leading to better service and resulting in higher output. This is also made possible since companies make usage of the best dynamic ICT systems that enables them to focus on their main capabilities.

5.4.2 Challenges Encountered in Offshore Business Process Outsourcing

The study concludes that the challenges encountered during offshore business process outsourcing include the lack of data privacy as information is shared with another company and confidentiality isn't guaranteed. Another challenge noted in the study is

lose control and autonomy; other challenges are fear of loss of jobs, increase in transportation costs due to tariffs and the taxes levied.

5.4.3 Monitoring and Evaluation effect of Offshore Business Process Outsourcing

The study concludes that monitoring and evaluation is important in business process outsourcing (BPO) as it ensures that all activities are executed according to set expectations. The study further concludes that successful monitoring and evaluation applied on offshore business process outsourcing delivers timely, relevant information enabling one to track the progress of the whole process.

The study further concludes that monitoring and evaluation enables the management in an organization to make informed decisions on how best to utilize resources so as to achieve maximum outputs. And furthermore, monitoring and evaluation ensures that available resources can be invested to gain profits while identifying disasters and resolving them so that organizations are not negatively affected by natural calamities.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Reasons for Offshore Business Process Outsourcing

The study showed that the reasons for Offshore Business Process Outsourcing included majorly cutting costs, increase profitability and lead to better service quality. The study recommends that the management in an organization should do a thorough scrutiny of organization they are outsourcing to in an effort to meet these objectives. The expectations should also be clearly outlined in a contract between the two companies. As this is a profitable venture that is also effective, then the government and other stakeholders should come up with policies to protect the two companies.

5.5.1.2 Challenges Encountered in Offshore Business Process Outsourcing

The key challenge mentioned in the study is the loss of autonomy and control through sharing of information especially on matters like strategy, business culture and information on human resource. The study therefore recommends that all organizations

must act on 'utmost good faith' so that information shared isn't misused. Due diligence should be done of the offshore partners internal control processes prior to outsourcing to determine their efficacy. The study also recommends for organisations to perform materiality and risk assessment of their business processes and use the process criticality and sensitivity as a basis for determining whether or not to offshore.

5.5.1.3 Monitoring and Evaluation effect of Offshore Business Process Outsourcing

The study recommends that organizations must set up a robust monitoring and evaluation team to ensure that the offshore business company outsourced to carry out certain functions performs the functions in good time and provides quality service delivery. A Service Level Agreement (SLA) defining the performance criteria against which the agreed services will be provided, measured and monitored should be put in place. The defined performance criteria should be periodically reviewed throughout the term of the SLA to allow for the incorporation of any new services.

5.5.2 Recommendations for Further Studies

This study covered only 20 international banks that are operating in Kenya. Thus the study recommends another study to be done covering all banks (both the local and the international banks) so that the findings can be generalized to cover all banks operating in Kenya.

The study was done in the private sector, and thus it is recommended that another study be done on public sector to find out how outsourcing would benefit the government and its departments.

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APPENDICES

APPENDIX ONE: LIST OF INTERNATIONAL BANKS IN KENYA

1. African Banking Corporation
2. Barclays Bank
3. Standard Chartered Bank Kenya
4. Chase Bank (K) Ltd
5. CFC Stanbic Bank
6. Bank of Africa Kenya Ltd
7. Bank of Baroda (K) Ltd
8. Bank of India
9. Citibank NA Kenya
10. Gulf African Bank
11. Charterhouse Bank Ltd
12. Diamond Trust Bank Kenya Ltd
13. Dubai Bank Kenya Ltd
14. Ecobank Kenya Ltd
15. Commercial Bank of Africa
16. Diamond Trust Bank
17. Credit Bank
18. Guardian Bank
19. United Bank for Africa
20. Victoria Commercial Bank

APPENDIX TWO: QUESTIONNAIRE

Please fill out the questionnaire on: ASSESSING THE FACTORS INFLUENCING OFFSHORE BUSINESS PROCESS OUTSOURCING AMONG INTERNATIONAL BANKS IN KENYA.

Kindly mark [X] only one response that best represents your opinion on each of these statements

SECTION A: GENERAL INFORMATION

1. What is your gender

Male () Female ()

2. Name of the international bank(Optional)

3. Which department do you work in?

HR department ()

Operations department ()

Credit department ()

Admin and Customer care department ()

Legal department ()

IT department ()

4. How long have you worked in the banking sector? -----

5. How long have you worked at this bank? -----

SECTION B: REASONS FOR OFFSHORE BUSINESS PROCESS OUTSOURCING

Kindly indicate the extent of agreement of each of this statement on the reasons for offshore business process outsourcing among the international banks in Kenya. Use

the Likert scale which ranges from 1 -5 where 1= Not at all; 2 = Little Extent; 3= Moderate Extent; 4= Large Extent and 5= Very Large Extent

Statement	1	2	3	4	5
5. Cost reduction is a primary reason for offshore outsourcing by international banks					
6. offshore outsourcing decisions are usually motivated by a desire to maximize on profits					
7. Most companies carry out off shoring to take advantage of better or less costly resources like assets					
8. Good intellectual capital leads to a consequent increase in overall firm performance					
9. Businesses usually offshore non-core business activities to outside countries so that they can be done by highly educated labour pools					
10. Offshoring of services makes use of the best dynamic ICT					
11. Offshoring services leads to better service quality by the banks					
12. The tasks that are outsourced are handled by people with specialized knowledge					
13. Outsourcing as it frees up people to concentrate on the business objectives					
14. The freed up energy help the business build their brand name by providing better services					
15. Firms that carry out offshoring have the advantage of focusing on their main capabilities					
16. Firms increase competitiveness through better quality customer service					

17. To what extent do you agree with these reasons for offshore business process outsourcing among the international banks in Kenya?

- Not at all []
 Little Extent []
 Moderate Extent []
 Large Extent []
 Very Large Extent []

SECTION C: CHALLENGES ENCOUNTERED IN OFFSHORE BUSINESS PROCESS OUTSOURCING

Kindly indicate the extent of agreement on the challenges encountered in offshore business process outsourcing among the international banks in Kenya. Use the Likert scale which ranges from 1 -5 where 1= Not at all; 2 = Little Extent; 3= Moderate Extent; 4= Large Extent and 5= Very Large Extent

Statement	1	2	3	4	5
18.Data privacy is one of the challenges offshore BPO encounters as data is shared to another company					
19The risk of loss of strategic information is a strategic challenge in offshore outsourcing.					
20. Firms lose control and autonomy while engaging in offshore outsourcing.					
21.Security is a very great risk when offshoring as companies have to share very sensitive data with the outsourcing partner					
22.There is a rising fear of loss of jobs due to the increase in offshoring practices					
23.Offshoring tends to batter unskilled workers in low-end manufacturing jobs.					

24.High staff turnover in the outsourcer companies inhibits the build-up of employee knowledge					
25.Tariffs can be a great barrier to offshoring especially where there are trade barriers tariffs					
26.Taxes levied may cause a rapid increase in transportation costs that may affect the budget of the offshoring process.					

6. 27. To what extent do you agree that these challenges are encountered by offshore business process outsourcing among the international banks in Kenya?

Not at all []

Little Extent []

Moderate Extent []

Large Extent []

Very Large Extent []

SECTION D: MONITORING AND EVALUATION EFFECT OF OFFSHORE BUSINESS PROCESS OUTSOURCING

7. Kindly indicate the extent of agreement on the effects of monitoring and evaluation on the offshore business process outsourcing among the international banks in Kenya. Use the Likert scale which ranges from 1 -5 where 1= Not at all; 2 = Little Extent; 3= Moderate Extent; 4= Large Extent and 5= Very Large Extent

Statement	1	2	3	4	5
28. Monitoring and evaluation is important in BPO in ensuring all activities are all according to set expectations					
29. Successful monitoring and evaluation delivers timely, relevant information enabling one to track the progress as well as outcome					
30 Monitoring and evaluation enables the firm in making					

appropriate decisions for implementation of plans					
31. The effect of monitoring and evaluation is the influencing of outsourcing decisions.					
32. Monitoring and evaluation allows an organization to effectively utilize resources to achieve the maximum output					
33. Evaluating outsourcing decisions is made to ensure that available resources can be invested to gain profits					
34. Monitoring is done to identify disasters and resolve them.					
35. Monitoring and evaluation of BPO processes enables organizations to get protection from natural calamities					
36. Operational risks are identified through monitoring and evaluation of the outsourced vendors					
37. Monitoring helps create strategies to resolve organizational problems					

38. To what extent do you agree on monitoring and evaluation and its impact on offshore business process outsourcing among the international banks in Kenya?

Not at all []

Little Extent []

Moderate Extent []

Large Extent []

Very Large Extent []

THE END

APPENDIX THREE: WORK PLAN AND TIMEFRAME

Activity	Qtr 1 July-Aug 2016	Qtr 2 Aug -Sept 2016	Qtr 3 Sept 2016	Qtr 4 Oct 2016	Qtr 5 Nov 2016
Proposal development and submission					
Field Data collection					
Data Entry, Cleanup and analysis					
Report Writing					
Submission of thesis. Final Defence					

APPENDIX FOUR: BUDGET

No.	Description	Cost (KSH)
1	Printing	3,500.00
2.	Photocopying	1,800.00
3.	Typing and Type setting	1,000.00
4.	Binding the project report	2,000.00
5.	Airtime and Internet/Bundles usage	3,500.00
6.	Transport costs	2,500.00
7.	Stationery (pen and paper)	1,000.00
8.	Contingency costs	5,000.00
9.	TOTAL	<u>20,300.00</u>