FACTORS AFFECTING THE SUCCESS OF OUTSOURCING STRATEGY IN KENYA’S BANKING INDUSTRY

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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A Research Project Submitted to the School of Business in Partial Fulfillment of the Requirements for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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STUDENT’S 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.

Signed __________________________  Date __________________________

Willy Kioko Ndolo (ID No. 647868)

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

Signed __________________________  Date __________________________

Professor Peter M. Lewa

Signed __________________________  Date __________________________

Dean, Chandaria School of Business
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DEDICATION

I gladly dedicate this project to God who has been my source of inspiration, strength and wisdom. I also dedicate this project to my family for their overwhelming support and encouragement.
ACKNOWLEDGEMENT

My deepest gratitude goes to God who has provided all that was needed to complete this project. I would also like to acknowledge my supervisor, Professor Peter M. Lewa for the guidance and support while undertaking this project.
ABSTRACT

The purpose of the study was to establish the factors affecting the success of outsourcing strategy in Kenya’s banking industry. The study was guided by the following research questions, what is the meaning and scope of outsourcing in the banking industry? How does outsourcing contracts enable Kenyan banks focus on core competencies? How does technology affect the success of outsourcing strategy in Kenya’s banking industry? How does the banks management capability affect the success of outsourcing strategy? What are the recommendations arising out of the findings of this study?

The study used a descriptive research design based on quantitative data collected from twenty four banks. The target population of the study consisted of the 44 commercial banks in Kenya registered by the Central Bank of Kenya. The employees from various departments were sampled to obtain information on outsourced services in their departments. The sampling technique for this study was stratified random sampling technique based on permanent banking employees, working within the strategic level of the bank. Questionnaires were used to collect data from the selected respondents. Data collected was analyzed using descriptive and inferential statistics. Descriptive statistical analysis included methods for organizing and summarizing data such as tables and graphs to organize data, and descriptive values such as the average score was used to summarize data. Inferential statistical analysis included making valid conclusions from the data. This helped predict how a large group behaves based upon information taken from a part of the group.

The study found out that outsourcing enables Kenyan Banks reduce their operating costs, obtain expert and quality service and to focus on the core and strategic activities. It also noted the major challenge experienced by banks in Kenya while outsourcing includes cultural differences and training of new employees provided by the vendor. Other challenges noted were intellectual property protection, unrealistic expectations, low motivation of the outsourced staff and difficulty in managing the vendors.

The study experienced some limitations, such as, some respondents were not willing to provide certain information and others did not respond at all. Recommendation of the study was for banks in Kenya to pilot test sourcing options in order to mitigate risk associated with vendors not being able to fulfill their obligations, to include confidentiality clauses in their contracts to guard against leakage of information. Further
there should be stiff penalties for non-performers and those firms that deliver substandard services. Contracting procedures should be enhanced to ensure that the company gets the most competitive service and products from the outsourced firms.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Outsourcing has emerged as one of the popular and widely adopted business strategies of this globalized era (Willcocks, 2010). Research indicates that the sheer size of spending on outsourcing and active involvement of top management executives make outsourcing decisions more strategic in an organization today than ever. Since the 1980s there has been a trend of outsourcing among organizations across various industries starting with basic information systems (IS) outsourcing to advanced strategic and transformational outsourcing, which involves outsourcing of core and strategic business functions (Schniederjans et al., 2007).

According to Dun and Barometer (1998), reports indicate that the global outsourcing market in terms of total contract value has grown from US $146 billion in the year 1996 to US $1.3 trillion in 2007 (Waagstein, 2011). Several global research agencies including KPMG Report (2010), Potter (2010) and Pricewaterhouse Coopers (2010) have reported that worldwide, outsourcing engagements have been growing and will continue to grow consistently both in terms of number of contracts and their average contract value.

As the business environment becomes more competitive and turbulent, organizations seek for strategies of remaining in business. One of the most common strategies that have been adopted by many firms across the world to enable them cope with difficult financial times and remain competitive is outsourcing (Koszewska, 2004). Most firms around the globe have found it necessary to seek external experts to handle some functions that they initially handled internally. The argument for this decision is to enable firms reduce costs, develop some level of flexibility in their operations, improve their profitability, focus on core functions that define the existence of the organization and have a chance to access quality products or services from qualified experts.

Commercial banks in Kenya have experienced very stiff competition from both local and multinational banks. This has necessitated the adoption of various strategies such as outsourcing to increase their efficiency and remain competitive. There are a number of studies that have focused on outsourcing. Suraju & Hamed (2013) carried out a study on outsourcing services as a strategic tool for organizational performance among tobacco and beverage firms in Nigeria. It was revealed that the more an organization outsourced,
the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labour productivity and average production cost. Fan (2000) also conducted a study on strategic outsourcing among British companies. It was established that peripheral activities are the most commonly outsourced with cost reduction being the main driver.

The banking industry in Kenya has over the past few years enjoyed exponential growth in deposits, assets, profitability and products, mainly attributed to automation of services and branch network expansion both locally and regionally. This growth has brought about increasing competition in the sector thus encouraging adoption of strategic management tools such as outsourcing strategy to minimize cost and gain competitive advantage over other firms (Global competitive report, 2011). As many banks adopt this strategy, they overlook the unintended consequences of the outsourcing strategy. Some of the top banks in Kenya include, Barclays Bank of Kenya, KCB Bank Kenya, Standard Chartered, Cooperative Bank of Kenya, Stanbic bank and I&M Bank among others.

Various studies have been devoted to understanding this phenomenon of outsourcing and its various aspects such as the rationale for outsourcing, various manifestations of outsourcing as differentiated by the nature and scope of activities outsourced, and sourcing models in terms of the services delivery models. However, there is little study on the unforeseen consequences of outsourcing and also more often than not, more study and research has been conducted developed economies such as Western Europe, Japan and the USA. The studies do not address outsourcing from the developing country perspective. (Ravi, Natarajan, 2011)

More often than not, factors that influence outsourcing decisions for an organization based in Kenya are likely to be very different from the one which is based in a developed country such as the USA, the UK or Germany. Banking and financial services sector in Kenya is facing exponential growth at the moment. As the adoption of information technology (IT) increases in business processes, the banking industry has a huge potential for benefiting from outsourcing. In fact, industry research indicates that Banking and Financial Services Industry (BFSI) has been the largest sectoral user of outsourcing services worldwide, next only to manufacturing (Ackermann, 2003).

With the emergence of today’s global economy, high-cost service firm’s have realized that survival in a competitive marketplace requires a careful decoupling of selected
operations from a firm’s captive divisions and high-cost domestic suppliers that can be outsourced to qualified suppliers in offshore locations (Rajshekhar et al, 2013). Despite the fact that outsourcing is a good business strategy it has its own limitations and “unintended consequences” that if not addressed, can turn it into a bad business strategy.

1.2 Statement of the Problem

A great deal of literature has been devoted to studying this phenomenon of outsourcing and its various aspects such as the rationale for outsourcing, various manifestations of outsourcing as differentiated by the nature and scope of activities outsourced, and sourcing models in terms of the services delivery models and vendor location.

Further, arguably, the advanced industrialized economies such as the USA, Japan and Western Europe are the principal candidates for the origin of outsourcing transactions (Koveos and Tang, 2004). Hence the literature, though it has addressed a wide array of aspects of outsourcing, e.g. technical, motivational, cultural, organizational, strategic, operational, and performance related (as reviewed by Lacity et al., 2009), is primarily focused on understanding outsourcing phenomenon from developed countries’ perspective. The literature does not address outsourcing from the developing country perspective. This lacuna in outsourcing literature is also echoed by recent studies (Hansen et al., 2008).

As earlier mentioned, factors influencing outsourcing decisions for an organization based in Kenya are likely to be very different from the one which are based in a developed country such as France, the UK or Germany. For instance, labor cost arbitrage, due to differential labor cost in developed vis-a`-vis developing countries, which has been a predominant factor in offshore outsourcing decisions may not apply when outsourcing client(s) and vendor(s) both are based in a relatively low labor cost outsourcing destination such as Kenya. Similarly, factors that determine the perception of risks and benefits of outsourcing which further impacts the outsourcing decisions will also be different when studied in the context of a country such as Kenya. Further, with a legacy of highly restrictive regulations and prevalence of strong employee unions the banking sector in Kenya is often plagued with several roadblocks, internal and external factors which tend to exert undue influence on outsourcing decision.

While the outsourcing claims business impact and opportunity, it also represents new management and organization challenges. One of the most important challenges is
coordination and management of outsourced business processes with internal business processes and integrating information between them (Mahmoodzadeh, 2009). Firms that underestimate the importance of change management and governance in outsourcing will most probably fail in their quest. Outsourcing agreements can fail to achieve intended benefits, not because the goals were ill conceived but because of poor planning and execution, even cultural intransigence.

A study carried out by Waweru & Kalani (2009) on Commercial Banking Crises in Kenya established that banks in Kenya have since outsourced a number of non-core functions to third party providers to enable them focus on core activities of the firm. It was further clear that outsourcing is largely motivated by the need to overcome challenges and crises. Barako & Gatere (2008) carried out a study on outsourcing practices of the Kenyan banking sector. The objectives of the study included identifying the factors that motivate banks to outsource some functions and the perceived risks of outsourcing. The study took the form of a survey of 40 commercial banks and data was collected through a questionnaire. The study established that banks associate outsourcing activities with high reputational, operational, strategic and contractual risks. The study further established that the size of the bank in terms of asset base is significantly associated with outsourcing whereas the commercial banks wage bill and total operational expenses are not significant determinants of outsourcing decisions. The findings of the study indicated that the Automated Teller Machines were the most outsourced services. The findings of the study also had regulatory policy implications, and in particular the urgent need for formulating a guideline to regulate the apparent proliferation of outsourcing practices in the Kenyan banking sector. The study identified the following outsourcing benefits: freeing of resources, cost reduction, access to specialized vendors, focus on core competence, flexibility and improved services.

Some of the gaps identified in the study by Barako and Gatere include; the use of questionnaires to gather relevant information on the perceived benefits and risks on outsourcing was not fully effective. This is because, out of the 40 banks issued with questionnaires, only 19 banks responded which represents a 48% response rate. Another gap is that the research did not use interviews and observations as a means of collecting data; hence the study lacks depth and richness. Also, the study did not obtain or use internal bank documents such as board minutes, policies and procedures which could have provided more insight into the operations and strategic thinking of the management.
The study by Barako and Gatere was conducted in the year 2008 which is more than eight years ago. Significant changes have taken place in the banking industry and there is need to establish the current position as far as outsourcing practices among banks in Kenya is concerned.

This study therefore sought to address the current status of outsourcing practices in commercial banks in Kenya and the factors affecting the success of outsourcing in Kenya’s banking industry. The use of questionnaires as a method of collecting data is more effective and accurate when the questions are relevant and the response rate is high. Vital and relevant data can be obtained through observations and interviews as these information reflects a real picture of the banks practices on the ground. The use of internal bank documents such as board minutes, policies and procedures could provide more insight into the operations and strategic thinking of the management, however obtaining such documents may not be possible as this may breach bank’s privacy and confidentiality policies and also unwillingness by banks to disclose such information that may reveal its competitive advantage and strategy.

1.3 Purpose of the Study

The purpose of this study is to investigate the factors affecting the successful implementation and benefits of an outsourcing strategy in Kenya’s banking industry.

1.4 Research Questions

This study will have the following research questions:

1. What is the meaning and scope of outsourcing in the banking industry?
2. How do outsourcing contracts enable Kenyan banks focus on core competencies?
3. How does technology affect the success of outsourcing strategy in Kenya’s banking industry?
4. How does a bank’s management capability affect the success of outsourcing strategy?

1.5 Importance of the Study

1.5.1 Bank Managers

The research study focuses on realizing the factors that affect the success of an outsourcing strategy to give knowledge and guidance to Banks in Kenya. Through
information and data collected in this paper, bank managers will be able to determine the factors affecting outsourcing strategy and therefore make informed decisions.

1.5.2 Regulatory Bodies

The study will also enable regulatory bodies like the Kenya Bankers Association (KBA) to put in place supportive frameworks and policies that will guide banks while adopting an outsourcing strategy.

1.5.3 Academicians

The study will provide knowledge and information to the other strategic management scholars on the area of outsourcing in the Kenyan Banking Sector.

1.6 Scope of the Study

This study focuses on the banking industry in Kenya. The Kenyan banking industry is regulated by the Central Bank if Kenya Act, Banking Act and the Companies Act among other regulations. As of December 2008, there were 44 commercial banks in Kenya (Kenya business review, 2016)

1.7 Definition of Terms

1.7.1 Outsourcing:

Outsourcing is a management strategy that helps organizations to save time, to gain a competitive advantage, to focus on their core competences and to provide non-core functions with efficient vendors with a high quality level (The Outsourcing Institute, 1999).

1.7.2 Business Process outsourcing:

Business process outsourcing (BPO) is the contracting of a specific business task, such as payroll, human resources (HR) or accounting, to a third-party service provider.

1.7.3 Strategic management:

Strategic management is the management of an organization’s resources to achieve its goals and objectives. Strategic management involves setting objectives, analyzing the competitive environment, analyzing the internal organization, evaluating strategies and ensuring that management rolls out the strategies across the organization (Quinn & Hillmer, 1994).
1.7.4 Competitive Advantage:
This is a business concept that describes the attribute of allowing an organization to outperform its competitors. Michael Porter defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or differentiation. This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. Strategic management should be concerned with building and sustaining competitive advantage (Porter, 1985).

1.7.5 Capability Management
Capability Management refers to activities that build organizational competency and capability in the organization, typically below the senior leadership levels. This process identifies organizational capabilities required to meet strategic goals and ensures continual alignment of employee development, career progression, and talent management to evolving business needs (Center of Talent Reporting Inc, 2016).

1.7.6 Change Management
Change Management (CM) refers to any approach to transitioning individuals, teams, and organizations using methods intended to re-direct the use of resources, business process, budget allocations, or other modes of operation that significantly reshape a company or organization. Organizational Change Management (OCM) considers the full organization and what needs to change (International Organizational Change Management Institute, 2015).

1.8 Chapter Summary
This chapter has outlined the background of the study, problem statement, purpose of the study, research questions, and importance of the study, scope and the definition of key terms used in the research. Chapter 2 of the research project will cover the literature review, Chapter 3 outlines the research methodology followed in the study, and Chapter 4 will present and explain the data collected while Chapter 5 will cover the study discussion, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter is structured based on the specific research questions. It reviews the relevant literature available that focuses on how technology, management capability and change management affects the outsourcing strategy in the Kenyan banking industry.

2.2 Meaning and scope of outsourcing in the banking industry

Rob (2006) Defines outsourcing as the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. Outsourcing is a strategy by which an organization contracts out major functions to specialized and efficient service providers, who become valued business partners.

Despite the current steady growth in the financial services industry, the growing regulatory policies on the other hand has led banks to recognize that even as the economy grows and performance improves, financial services institutions will need to work much harder to achieve steady revenue growth. The increase in required regulatory capital and the subsequent need to implement more robust processes and transparent governance is driving institutions towards cost reduction strategies that are both innovative and sustainable. In addition, financial services institutions have been put under increased pressure by the growing expectations of customers. Customers increasingly expect unprecedented quality and availability of service and transparency from financial institutions, a trend already observed in other industries (Trends in Outsourcing in the Financial Services Industry, 2013).

From a demand perspective this is driving changes in the way financial services are looking at outsourcing as part of the toolset to address these market changes:

In their search for value, financial services institutions are increasingly looking for services which span the value chain whilst taking a multi-sourcing approach as their maturity in managing outsourced services grows

Financial services institutions continue to see outsourcing as a means of cutting costs, however they are also looking for increased value aligned with their long-term business strategies including new capabilities, reduced capital investments in infrastructure and improved services
The increasing demands on financial services institutions from global regulators means third party service providers will be expected to support their customers by implementing greater transparency and more robust control frameworks.

**2.2.3 Trends and performance of outsourcing in the banking industry**

According to Trends in Outsourcing in the Financial Services Industry report (2013) outsourcing in the financial sector is continuing to grow and the key and trends identified were as follows;

**2.2.3.1 The labour arbitrage model is no longer the only key driver**

Every year, above-average inflation and resultant increasing wages in established offshore outsourcing destinations are driving costs upwards and reducing potential cost savings. Despite this, outsourcing continues to grow year on-year, demonstrating that cost is no longer necessarily the primary driver. Organisations are looking for: flexibility and scalability of resources, guaranteed price, even if this is not necessarily a lower price, higher levels of service and expertise and lower capital investment.

**2.2.3.2 Innovation & Technology**

Innovation and technology are disrupting the way outsourcers provide and sell their services; online is becoming the norm: this requires companies to maintain multi-channel solutions as customers move away from face to face interactions (i.e. online banking), greater demand for big data analytics to drive revenue growth, cost reduction, and running robust Customer Relationship Management (CRM) systems and cloud applications and services are allowing companies to buy based on usage and eliminate large upfront costs.

**2.2.3.2 New outsourcing destinations: rise in near shore and alternative lower cost destinations**

According to Trends in Outsourcing in the Financial Services Industry report (2013), due to increasing labour costs and real estate costs in developing countries, firms wishing to outsource have responded in two ways; Exploring alternative offshore destinations that can deliver continued cost savings, for example Sri Lanka or Colombia, instead of traditional outsourcing destinations such as India or the Philippines and increasing automation is reducing the need for large numbers of low skilled workers, leading to near
shoring of outsourced services to gain access to more highly skilled workforces and better customer service

2.3 Implementation and managing of Outsourcing Contracts

Organizations across the globe have entered into outsourcing contracts without fully understanding the potential benefits, risks or contract terms. More often than not, these organizations are met with varying degrees of success. Companies who understand all of the factors impacting outsourcing are the most successful.

A successful outsourcing strategy can provide benefits and cost-savings, process improvements, expanded talent pools, cost containment, improved focus on core business, and reduced time-to-market to name a few. However, the inherent risks in an unsuccessful offshore project can compromise the anticipated benefits. (Bromlow, 2009)

2.3.1 Define clear outsourcing objectives.

A successful outsourcing strategy begins with clearly defined objectives and measurable goals. Objectives define the reasons for an outsourcing program, describes its business value and provides a framework for making decisions about which vendor to work with, which outsourcing model to use, what projects to outsource, and what levels of risk to assume. Objectives also provide the context in which to evaluate how successful or unsuccessful your strategy is. Measurable goals are the events and functional metrics by which management can monitor progress, take corrective action, and project future performance. (Bromlow, 2009)

Outsourcing is not the solution to every business problem or opportunity. Initiating an offshore strategy without carefully defined business objectives can lead to ambiguous or miscalculated management decisions, uncertain performance characteristics, and unrealized business value. In fact, an unfocused or mismanaged outsourcing strategy can lead to higher IT costs, wasted resources, and lost business opportunities.

One measure of how prepared you are is to see how well you can represent your current baseline performance using the same metrics you plan to use to measure your future outsourcing performance. This baseline not only provides a point of reference for future measurement; it also clarifies which metrics are important in achieving specific goals and business objectives.
2.3.2 Set Realistic Expectations

An organization planning to outsource needs to ensure that the set objectives are realistic. Replace those fabulous claims of saving 40 to 50 percent on IT labor costs by humbler projections of 15 to 30 percent, and then only after an initial startup period. Forty percent savings or greater have rarely been attained, and vendor selection costs, increased communications costs, redundant oversight, lessons learned, infrastructure, and a host of other “hidden” costs will minimize your first-year performance. This doesn’t mean your outsourcing program is unsuccessful. Rather, it means you need to consider this a long-term investment with considerable long-term benefits.

Unfortunately, unrealistic expectations of large immediate savings have spoiled many outsourcing engagements. It’s important to realize that there’s a delayed and compounded effect. A cautious, realistic set of expectations ensures continued support for your offshore strategy. You need a careful return on investment (ROI) analysis reflecting a conservative approach and timing of the benefits.

An ROI analysis can become a very complex calculation that brings together many variables and attempts to predict how those variables will interact with each other. In its simplest form, an ROI reflects how much a company must invest in total costs (including compounded interest), the timing of those investments, and the value and timing of all benefits that come from those investments over a fixed period of time.

2.3.3 Count the costs

Organizations planning to outsource need to account for all related costs in this process. With so much pressure from senior management to cut costs by putting expensive skilled labor positions or services offshore, it’s easy to underestimate the true costs involved. These hidden costs add to those of the actual work, choosing a vendor; this process may take the organization several months, transitioning work and business processes: knowledge transfer and loss, and process refinement, attrition of existing workforce: costs associated with removing existing staff, dealing with cultural differences: cultural training in the organization should be undertaken, ramping up: firms should expect initial projects to be learning tools and should not forget about organizational change management.
Having redundant management, infrastructure, and communications costs: initially, many more layers of management, servers and communications systems to purchase and install, and ongoing infrastructure maintenance costs

When managing an offshore contract: the costs of maintaining a finished contract can be surprisingly high, Hidden costs can range from 15 to 60 percent of the outsourcing contract itself. Firms can minimize these costs with careful management and the right approach, but must account for them in the total cost of an offshore outsourcing strategy before declaring the savings.

It is best to centralize the majority of your overhead costs rather than to distribute them to individual project budgets. This approach provides a degree of insulation between the execution teams and the decision to embrace a certain business model. It encourages projects to take advantage of the benefits and cost savings of reduced labor rates without burdening early adopters with an inordinate share of the startup costs. If you don’t allocate these overhead costs away from individual project efforts, few of the early pilot projects will be initiated based on the merits of their own performance, team moral can deteriorate when hard workers feel penalized by the decisions of senior management, and precious time and experience will be lost.

2.3.4 Understand and actively manage the risks

A successful outsourcing strategy is well informed and employs an aggressive risk-mitigation strategy. It’s not enough to simply keep a list of potential risks and be aware that things might go wrong along the way. Rather, firms need to prioritize and aggressively manage their risks based on their expected impact.

An aggressive risk-mitigation plan is thorough, well thought-out, and time-consuming to produce and manage, but it is well worth the investment when major risks are effectively managed. An aggressive risk-mitigation plan begins with a thoughtful strategy to identify risks. After the risks are carefully defined, described, and categorized, their potential impact on the outsourcing strategy should be fully documented. Then, these risks should be carefully rated on a fixed scale in each of the following categories; How greatly can each particular risk affect the desired outcome of the strategy, how likely is each risk to materialize?, to what extent can the risk be controlled if it materializes, what is the team’s level of effectiveness in actually controlling the risk.
From these rating factors, a calculation will produce the amount of exposure that your offshore strategy has for each risk. This exposure value lets you prioritize the risks and give the most attention to mitigating the greatest risks. The final aspect of a risk-mitigation plan is a clearly defined course of action to prevent the risk from materializing, minimize its impact, and work within this context if it materializes.

Some risks, such as geopolitical instability and global economic conditions, are probably beyond your control. But the majority of the risks to a successful offshore outsourcing strategy selecting the right vendor, negotiating a favorable contract, receiving high-quality deliverables, and controlling cost and schedule tolerances are well within a company's control through careful planning, management, and adoption of an aggressive risk-mitigation strategy.

2.3.5 Objectively measure and track the benefits.

The corollary to counting costs is to objectively measure benefits. It’s tempting to inflate benefit claims or assign unrelated benefits to your offshore strategy, but don’t do it! Let the numbers speak for themselves. If benefits are short of expectations, you need to know that to take corrective action. If performance is extraordinary, don’t downplay those results, either.

If you separate overhead costs from regular project costs, it’s important to recombine those costs when you communicate the actual benefits. Some organizations prefer to level out the highs and lows in an offshore strategy and only communicate the mean results. Of course, the overall result is what contributes to the bottom line, but failing to recognize the highs and lows is a critical misstep. You need to be able to identify and maximize best practices while you take corrective action to optimize offshore benefits and limit liability for long-term results.

2.3.6 Keep it personal

Although the advice to maintain a degree of separation between onshore and offshore resource teams may seem reasonable, it will result in suboptimal performance for both groups. The most important aspect of achieving offshore outsourcing success with a particular vendor is to keep the relationship personal. In a process-intensive activity, such as offshore outsourcing, it’s easy to lose sight of the personal aspects of offshore engagements. While processes are useful to constrain risks and ensure consistency in performance, ultimately it is the people that make an engagement successful or not.
The greater the extent to which personal relationships are fostered among onshore and offshore team members, as well as project and executive management, the more chance you have for success. Any personal weaknesses on the team can be addressed and compensated for only if they are identified. A process might identify such a problem, but people working together are much more aware of the relative strengths and weaknesses that relate to performance. When engagements face difficult times, as they all do, it’s unlikely that teams will dig deep, make personal sacrifices, and find additional motivation out of loyalty to a process. But personal relationships, built upon mutual trust and respect, warrant that kind of loyalty, especially when all parties are personally committed to the same end goals.

2.3.6 Challenges faced while implementing the outsourcing strategy

There are several challenges that may face organizations that consider outsourcing as a strategy. One of these challenges includes failure by the organization to consider outsourcing as an alternative organizational strategy. Just like any other business strategy, outsourcing some of the noncore business activities or functions can greatly improve the company’s competitive advantage. The competitive advantage stems from the fact that outsourcing has the potential of drastically reducing the overall business costs. Organizations may choose to outsource with certain business aims in mind. The aim might be the need to improve on financial performance (McIvor, 2008).

2.3.6.1 Change Management

Lack of buy-in from people inside the company may be a challenge when embarking on outsourcing certain functions, which may take the form of active or passive resistance. The prospect of outsourcing also creates uncertainty for existing employees, who may decide to look elsewhere for employment. The best way to address both these problems is to implement an effective change management strategy as soon as the outsourcing contract has been signed.

A comprehensive communication programme should be developed and disseminated to all stakeholders who will be affected by the outsourcing process. The message should be personalized for different levels of employees.

2.3.6.2 Unrealistic Expectations

Another challenge to the success of outsourcing is the expectation by clients that the outsourcing service provider will take care of everything. If the expectations of
outsourcing, especially by the management of a company, are too high, this will soon lead to overcritical feedback and disappointment.

It is important that a company’s executive management team is informed about the reasonable risks of an outsourcing project, the potential costs and the mitigation strategies. Equally, employees, customers and other stakeholders should also be kept informed as the project unfolds. Managing expectations is not difficult, but it is frequently overlooked as a risk, because it involves confronting problems before they arise. However, if handled effectively, managing the expectations of outsourcing can create a great deal of goodwill among stakeholders for the venture.

2.3.6.3 Intellectual property

The intellectual property of companies includes business plans, trade secrets and other proprietary knowledge. Outsourcing presents a considerable risk of theft or hacking of this property to client companies. In addition there is the challenge of securing the confidential information of companies’ customers and, in some instances, patients when outsourcing business processes.

In order to mitigate this risk, it is necessary to develop stringent safeguards and protocols when outsourcing. Technical safeguards include the protocols governing access to information; physical safeguards will protect buildings and equipment from unauthorized access; and administrative safeguards stipulate policies and procedures for operations, the conduct of employees and the use of security controls.

2.4 The influence of technology on the outsourcing strategy in Kenyan banks.

Outsourcing has gained increasing importance in today’s global economy as organizations have been transferring responsibility for entire functions such as human resources, logistics, customer contact, and information technology (IT) services to both local and offshore vendors. ICTs have facilitated the dis-aggregation of business processes into smaller standardized tasks, which has facilitated outsourcing to lower cost vendors (Sako, 2009). Due to the rapid change in technology, the attractiveness of outsourcing has increased in today’s modern world.

In 1999, Federal Reserve Bank of New York conducted survey on banking industry practices for outsourcing arrangements. Findings suggest that banks outsource financial services for a number of reasons, such as, enhanced performance; costs reduction; access to superior expertise; and strategic reasons. In recent years, advances in information
technology has revolutionized the way companies conduct business. Outsourcing of business processes is one of the key outcomes of the technological advancement. Due to its IT intensive business processes the potential for outsourcing appears to be particularly high in the banking industry. Outsourcing is increasingly being used as a means of both reducing costs and achieving strategic goals (Basle Committee, 2005). Regulators are concerned how banks manage risks associated with a third party offering certain key services. As much as IT outsourcing has many benefits, it equally expose firms to serious risks.

In Kenya, there is significant rise in outsourcing activities in the banking sector. Surprisingly, in a survey conducted by the Central Bank of Kenya, a number of financial institutions have no risk management frameworks (Central Bank of Kenya, 2005).

2.4.1 The Influence of Internet Connectivity to Outsourcing strategy

Internet connectivity is widely considered to be a game changer for knowledge economies of developing countries. Information and communication technology (ICT) is evolving quickly in Kenya and this has attracted the attention of actors from the banking industry. Kenya became a role model for its wide-spread adoption of mobile money services and a burgeoning ICT application development sector.

2.5 The capability management and outsourcing strategy;

This area will cover the effects and impact of capability management on the outsourcing strategy, as well as the relation between capability management and outsourcing strategy. The proponents of knowledge management (KM) argue that the failure of BPO can be attributed to the low KM capability of outsourcers based on the concept of BPO as a process of creating, transferring, integrating, and using knowledge (Blumenberg et al., 2009; Beverakis et al., 2009). Numerous studies have examined the types and effectiveness of KM capability within an organization (Tanriverdi, 2005), but minimal research has attempted to categorize KM capability and investigate its effect in the context of BPO in at least two organizations. Understanding the dimensions of KM capability and the patterns or trends that these dimensions may follow in different types of organizations is critical because managers can formulate appropriate KM strategies in BPO by taking advantage of potentially high KM capability to improve BPO performance.
2.5.1 Evaluating Outsourcing Partners’ Capability

Outsourcing as an opportunity to create a strategic alliance by bringing the appropriate partner into a bank’s process and allowing that partner to exercise some degree of management and control over a process or function that was formally managed by the bank. To evaluate the banks outsourcing partner, the banks need to evaluate the service provider’s technical know-how, competence, experience and how well the partners understands the bank and its customers. Once a bank has this information it should apply some innovative thought as to how you can create a solid partnership by leveraging your core competencies and a measure of entrepreneurial spirit. A major challenge that may lead to failure in the outsourcing process is the inability to carefully select the outsourcing partner. Organizations that consider implementing outsourcing as a strategic tool need to select their outsourcing partners based on their level of expertise and experience in the function being outsourced.

2.6 Kenyan Banks and Outsourcing

2.6.1 Management of outsourcing strategy in Kenyan banks

Despite the adoption of outsourcing tool, the banking industry has neglected an important factor, of implementing and managing outsourcing to achieve the desired objectives of the strategy. Across a number of industries, rapidly changing technologies have been changing the competitive dynamic. Web and communications technologies are spurring ways of creating products and reaching customers, as well as opening doors to more efficient and effective ways of delivering products and services. They are also giving rise to entirely new business models.

2.6.2 Deciding on what is to be outsourced

There are several functions that can be outsourced by in the bank. The main determinant of the activity to outsource is whether the activity is strategic or not strategic to the organization. Organization may outsource activities that are not core to the business and retain the ones that are core to the organization. One of such activities that can be outsourced is the human resource function in an organization. Firms can outsource the transactional human resource activities so that they may have more time to focus on the strategic aspect of human resource management. This implies that most firms may not opt to outsource all the activities in the human resource function but rather engage in partial outsourcing where some activities are outsourced whereas those strategic ones are left for
the organization to handle (CIPD, 2009). The extent to which an activity is outsourced largely depends on the size of the organization. Smaller organizations are more likely to engage in full outsourcing than larger organizations. For instance some functions in human resources such as recruitment and selection and training may be fully outsourced thus leaving the firm with more strategic issues to handle (CIPD, 2009).

Worrel (2014) notes that, it is not cost effective for an organization to have a fully functional finance department in an organization especially the small organizations that are struggling to survive in business. He further argues that some finance functions within the organization such as taxation may be carried out annually and may not be logical to have in place a full time accountant in the firm. As a result it may be significant to outsource several positions within the finance department in order to cut down on several costs of running a department that is staffed with full time employees. Outsourcing some of the activities within the finance department may be beneficial to small companies that aim to add some strategic skills to their business since they may not afford to have in place highly paid professionals in their payroll. It is however important to note that the extent to which a firm outsources its finance department depends on the volume of transactions, the complexity of finances, and the amount of management information the firm requires.

According to Kemibaro (2010), in the year 2010, Kenyan banks outsourced credit card processing services in an outsourcing partnership with Universal Payment Services (UPS) a leading transaction service provider of payment card services in the Middle East and Africa. Through UPS, banks will have the choice to choose the Visa or MasterCard International banking cards which are accepted globally, plus a host of other card solutions. (Kemibaro, 2010)

2.6.3. Outsourcing as an alternative business strategy

Sometimes banks may fail to realize that outsourcing firms my offer them an opportunity to work cheaply through efficient technology and economies of scale. Firms may also fail to realize that by minimizing costs, organizations can achieve their economic related goals and this enhances their organizational performance. If banks are able to reduce costs through outsourcing, the extra amount that would have been passed to the consumers in form of higher prices for the goods and services is absorbed as consumers pay less for their commodities. Lack of identification of outsourcing as an alternative business
strategy may not allow businesses to compete favourably based on price and this is likely to be a disadvantage the business (McIvor, 2008). Although outsourcing of some functions may provide great reprieve to an organization thus saving it from losses, outsourcing others may also cause serious damage to the business if careful evaluation is not conducted. Lack of frequent communication among cross-functional areas and all stakeholders when implementing the outsourcing strategy can be a challenge to most organizations. Communication enables the organization to pass the required information to all the concerned parties and this makes it possible to implement the strategy swiftly. Failure to communicate may lead to negative effects of outsourcing projects such as reduced morale and performance of the employees.

2.6.4 Post Contract Management

One of the biggest problems faced by banks in Kenya is a lack of understanding of post-contract processes and decision rights. Simply put, clients and service providers are not operationally prepared to work together after contract signing. The results are that services simply aren’t performed, implementation activities get stalled, client stakeholders and service provider staff are both frustrated, and the entire schedule for achieving expected business benefits is delayed.

2.7 Chapter Summary

In this chapter, an introduction of the literature review was given. This included the understanding of the outsourcing strategy used by banks in the effort of improving the service delivery. This chapter has explored the proposed strategies detailing the challenges faced by the banks and the benefits of adopting these strategies. Chapter 3 will cover the methodology followed in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology to be used in the study including the design, the population of the study, sample size, sample frame, data collection methods, research procedures and data analysis and presentation of the research findings.

3.2 Research Design

The research design used in this study is descriptive correlation. Descriptive correlation design will be adopted since it helps to establish the pertinent facts that the research intended to establish without necessarily manipulating the variables of the study. According to Yin (2013), a descriptive design describes an intervention or phenomenon and the real-life context in which it occurred. Descriptive design seeks to find out who, what, which and how of a Phenomenon (Pamela, 2009). The process of relating an empirical test to affirm or refute a knowledge claim involves making decisions on the type of data required, where that data will be found, techniques used during data collection, analysis of the collected data and interpretation. This will therefore be appropriate for this study which seeks to establish the factors affecting the success of outsourcing strategy in Kenyan banks.

3.3 Population and Sampling Design

3.3.1 Population

Coopers (2014) population is the total collection of elements about which we wish to make some references. The target population of the study will consist of all the commercial banks in Kenya. According to the Central Bank of Kenya, there are 44 commercial banks in Kenya. The study will be based on the operating commercial banks as at November 2016.

3.3.2 Sampling Design

This section describes the sampling frame and technique to be used for the study and the actual sample size to be drawn from the target population.
3.3.2.1 Sampling Frame

Suitable sampling frame will be required for the selection of the sampling units. According to Cooper and Schindler (2014), a sampling frame is a list of elements from which sample is actually drawn and is closely related to the population. The target population of the study will consist of all employees in all of the 44 commercial banks in Kenya. The sampling frame will consist of the registered commercial banks as at November 2016 and employees of various departments. The list of registered banks in Kenya will be obtained from the Central Bank of Kenya. Further, a list of the employees will be obtained from the respective banks.

3.3.2.2 Sampling Technique

According to Molenberghs (2013), sampling techniques is the process of selecting some elements from a population to represent that population. The sampling technique for this study will be stratified random sampling technique. The employees will then be placed in strata based on the departments they manage i.e. Human Resource, Finance, Information Technology, Marketing, Procurement, Risk, Treasury, Legal, Facilities, Relation & Customer service, Retail Banking and Corporate Banking. Systematic random sampling will then used to draw the samples across the stratas. This will involve selecting the Kth employee from the list of the banks obtained.

3.3.2.3 Sample Size

A selected sample enables the researcher to make a generalization about a given population. A sample is a subset of a population (Blumberg, 2014). However, the sample size should be accurate in terms of representing the larger population. To ascertain that the selected sample is representative of a given population, a researcher need to clearly define the characteristics of the population, establish the required sample size, and choose the appropriate method for selecting members from the population. For this study, the sample size will be selected using the rule of thumb for determining the sample size i.e. where a given population is beyond a certain point (N=5000), the population size is almost irrelevant and a sample size of 400 – 500 may be adequate. This is because of the large size of the population across the stratas. Distribution of the respondents is as detailed below:
### Table 1 Distribution of Respondents

<table>
<thead>
<tr>
<th>Departments/Stratas</th>
<th>Population/Employees</th>
<th>% Sample size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Banking</td>
<td>42,237</td>
<td>The population across each strata is more than 5000, use rule of thumb</td>
<td>500</td>
</tr>
<tr>
<td>Corporate Baking</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Human resources</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Information Technology</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Procurement</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Risk</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Treasury</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Legal</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Client Relationship &amp; Customer service</td>
<td>500</td>
<td></td>
<td>500</td>
</tr>
<tr>
<td><strong>Respondents</strong></td>
<td></td>
<td></td>
<td><strong>1,600</strong></td>
</tr>
</tbody>
</table>

#### 3.4 Data Collection Method

Data collection instrument to be used by the researcher for this study will be a questionnaire which will be developed and organized on the basis of the research questions to ensure relevance to the research problem. Likert measurement scale will be used. Based on the three research questions, the questionnaire will be divided into four sections, section A, B, C and D where section A will capture the demographic information of the respondent while section B, C and D will capture information relating to the variables under the study.
3.5 Research Procedures

The questionnaire will be developed by the researcher and will be tested for validity and reliability. Reliability of the questionnaire will also be tested through piloting using 10 questionnaires which will be submitted to randomly selected employees and whom their responses will not be included in the final study sample. Validity will be tested by submitting the questionnaire to the supervisor of this project to confirm whether the questions will capture the objectives of the research.

The researcher will seek consent from the university prior the research. The researcher will also request permission from the management of the banks to carry out a research selected to participate in the study. The researcher will collect the data through the use of research assistants, who will use the ‘drop and pick method’. The assistants will then make follow ups on the fully completed questionnaires.

3.6 Data Analysis Methods

Cooper and Schindler (2014), define data analysis as the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. The data collected will first be reviewed to detect any possible errors and omissions. In the instances where the provided data will be deemed incomplete or noted errors, the respondents will be re-contacted over the phone for further clarification. Data will then be prepared in readiness for analysis using statistical package for social sciences (SPSS) computer software. SPSS will generate descriptive statistics.

Data collected will be analyzed using descriptive and inferential statistics. Descriptive statistical analysis will include methods for organizing and summarizing data such as tables and graphs are to organize data, and descriptive values such as the average score will be used to summarize data. Inferential statistical analysis will include making valid conclusions from the data. This will help predict how a large group will behave based upon information taken from a part of the group. For this study, data analysis tool to be used will be statistical package for social sciences (SPSS) computer software.

3.7 Chapter Summary

This chapter included the research design and the sample size and sampling design that was used. It also outlines the data collection method, which was primary data, and the data analysis techniques used.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The chapter analyses data collected from the field. The results and findings of the study are presented in figures and tables. Descriptive and inferential statistics have been used to analyze the data. The chapter is divided into sections where the first section presents demographic information, the next sections present results and findings according to the research questions. The chapter ends with a chapter summary.

4.1.1 Response Rate

Forty four questionnaires were distributed but only twenty four questionnaires were filled and returned. This represents a 55% response rate. According to Mugenda and Mugenda (2003), a response rate of 50% and above is good. Therefore, a response rate of 55% was adequate for data analysis.

![Response Rate](image)

**Figure 4.1: Response Rate**

4.2 Demographic Information

This section presents the results and analysis of the respondents’ background information such as gender, age, period of time worked in the banking industry, and level of education.
4.2.1 Gender

Gender aspect is becoming increasingly important in our daily lives. There is a shift towards gender balance considerations in all undertakings. The results on figure 4.2 indicate that the majority of the respondents were male. These were 58% of the respondents. Female respondents were 42% of the respondents. These results did not affect the study since gender was not a major determinant of the results of the study.

![Gender Pie Chart]

Figure 4.2: Gender

4.2.2 Age

The age of an individual is an indicator of several things. Age can be used to determine the maturity of a person or experience of a person. According to the results in figure 4.3, respondents within the age 26 and 40 were the majority. These were 63% of the respondents. The study further revealed that 33% of the respondents were between the age of 41 and 55 while 4% of the respondents were under the age of 25. This shows that most of the respondents were young people. This may imply that outsourcing strategy is a fairly new concept to Kenyan banks better understood and implemented by young people.
Figure 4.3: Age

4.2.3 Length of Time in Banking Industry

The length of time an employee has worked in a banking industry is useful in determining the knowledge of the employee in respect to various functions within the banks and those outsourced or not. Also this information is useful to determine the level of experience of the employee with respect to outsourcing. The results in figure 4.4 reveal that majority of the respondents at 43% have been in the banking industry for more than 10 years. 35% of the respondents have been in the banking industry for 3 to 5 years, 13% of the respondents have been in the banking industry for 6 to 10 years, while the category with the least respondents had 9% of the respondents and these, have been in the banking industry for 2 years or less.
4.2.4 Academic Level

The academic level of a person in a business or a company is useful in data collection. This information has enabled the study determine how well the employees are conversant without sourcing as a strategy and as a tool. An individual with a Master’s degree in strategy would more likely give strategic approach of an organization while individuals with degrees are more likely to give details on the operational information. According to the results in figure 4.5, majority of the respondents at 46% were undergraduates. 25% of the respondents were diploma holders, 21% of the respondents had masters, and the least were respondents with other academic qualifications at 8%.

![Academic Level Chart]

Figure 4.5: Academic Level

4.2.5 Cross Tabulation between Age and Gender

The results in table 4.1 show that majority of the respondents were male between the ages of 26 and 40. The study revealed that there were no female respondents under 25 years old.
Table 4.1: Cross Tabulation between Age and Gender

<table>
<thead>
<tr>
<th>Age</th>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 or under</td>
<td></td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>26 - 40</td>
<td></td>
<td>10</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>41 - 55</td>
<td></td>
<td>3</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>14</td>
<td>10</td>
<td>24</td>
</tr>
</tbody>
</table>

4.2.6 Cross Tabulation between Length of Time in Banking Industry and Academic Level

According to the results on table 4.2, majority of the respondents were undergraduate degree holders who have been in the banking industry for 3 to 5 years and more than 10 years. These categories had 4 respondents each. Of the 24 respondents, one respondent did not answer the academic level and length of time in banking industry questions.

Table 4.2: Cross Tabulation between Length of Time in Banking Industry and Academic Level

<table>
<thead>
<tr>
<th>Length of Time in Banking Industry</th>
<th>Academic Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Diploma</td>
<td>Degree</td>
</tr>
<tr>
<td>2 or under</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3 - 5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>6 - 10</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>10 or above</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total Responses</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total Non-Responses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3 How Outsourcing Contracts Enable Kenyan Banks Focus on Core Competencies

The study sought to determine how outsourcing contracts enable Kenyan banks focus on core competencies. Several statements on outsourced functions and activities were identified. In order to determine how much the respondents agreed with the statements, a five point likert scale was used where; 1= Strongly Disagree, 2= Disagree, 3= Not Certain, 4= Agree, and 5= Strongly Agree.

4.3.1 Outsourced Functions and Activities

The results on table 4.3 show that majority of the respondents at 65% strongly disagree that account opening services should be part of the outsourced functions and activities, 52% of the respondents disagree that procurement services of the bank should be part of the outsourced functions and activities, 48% of the respondents strongly agree that security services of the bank should be part of the outsourced functions and activities.

The results further indicate that, 43% of the respondents strongly agree that transportation services should be part of outsourced functions and activities, 43% agree that information technology services should be part of outsourced functions and activities, and 41% of the respondents agree that facilities & premises management services should be part of the outsourced functions and activities.
Table 4.3: Outsourced Functions and Activities

<table>
<thead>
<tr>
<th>Outsourced Functions and Activities</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Not Certain</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Management Services</td>
<td>14%</td>
<td>23%</td>
<td>26%</td>
<td>14%</td>
<td>23%</td>
<td>100%</td>
</tr>
<tr>
<td>ATM Management Services</td>
<td>9%</td>
<td>30%</td>
<td>9%</td>
<td>17%</td>
<td>35%</td>
<td>100%</td>
</tr>
<tr>
<td>Advertisement &amp; Marketing</td>
<td>4%</td>
<td>9%</td>
<td>18%</td>
<td>30%</td>
<td>39%</td>
<td>100%</td>
</tr>
<tr>
<td>Account Opening Services</td>
<td>65%</td>
<td>26%</td>
<td>5%</td>
<td>4%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Staff Recruitment Services</td>
<td>13%</td>
<td>26%</td>
<td>18%</td>
<td>30%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>Procurement Services</td>
<td>13%</td>
<td>52%</td>
<td>26%</td>
<td>9%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Facilities &amp; Premises Management Services</td>
<td>9%</td>
<td>27%</td>
<td>18%</td>
<td>41%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>Information Technology Services</td>
<td>9%</td>
<td>26%</td>
<td>13%</td>
<td>43%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Security Services</td>
<td>%</td>
<td>9%</td>
<td>4%</td>
<td>39%</td>
<td>48%</td>
<td>100%</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>%</td>
<td>9%</td>
<td>9%</td>
<td>39%</td>
<td>43%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.4 How Technology Affects the Success of Outsourcing Strategy in Kenya’s Banking Industry

The study sought to determine how technology affects the success of outsourcing strategy in Kenya’s banking industry. Several statements on extent of outsourcing were identified. In order to determine how much the respondents agreed with the statements, a three point likert scale was used where: 1=Not Outsourced at all, 2= Partially Outsourced, and 3= Fully Outsourced.
4.4.1 Extent of Outsourcing

The results on table 4.4 indicate that majority of the respondents at 96% feel that account opening services should not be outsourced at all. 71% of the respondents feel that security services should be fully outsourced, 69% of the respondents feel that advertisement & marketing should be partially outsourced, 69% feel that facilities & premises management services should be partially outsourced, 65% of the respondents feel that procurement services should not be outsourced at all.

The results further indicate that 57% of the respondents feel that information technology services should be partially outsourced, 54% of the respondents feel that transportation services should be partially outsourced, and 52% of the respondents feel that staff recruitment services should partially be outsourced.

**Table 4.4: Extent of Outsourcing**

<table>
<thead>
<tr>
<th>Extent of Outsourcing</th>
<th>Not Outsourced at all</th>
<th>Partially Outsourced</th>
<th>Fully Outsourced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Management Services</td>
<td>35%</td>
<td>35%</td>
<td>30%</td>
<td>100%</td>
</tr>
<tr>
<td>ATM Management Services</td>
<td>30%</td>
<td>44%</td>
<td>26%</td>
<td>100%</td>
</tr>
<tr>
<td>Advertisement &amp; Marketing</td>
<td>9%</td>
<td>69%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Account Opening Services</td>
<td>96%</td>
<td>4%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Staff Recruitment Services</td>
<td>35%</td>
<td>52%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>Procurement Services</td>
<td>65%</td>
<td>31%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>Facilities &amp; Premises Management Services</td>
<td>22%</td>
<td>69%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Information Technology Services</td>
<td>17%</td>
<td>57%</td>
<td>26%</td>
<td>100%</td>
</tr>
<tr>
<td>Security Services</td>
<td>%</td>
<td>29%</td>
<td>71%</td>
<td>100%</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>%</td>
<td>54%</td>
<td>46%</td>
<td>100%</td>
</tr>
</tbody>
</table>
4.5 How the Banks Management Capability Affects the Success of Outsourcing Strategy

The study sought to determine how the banks management capability affects the success of outsourcing strategy. Several statements on challenges of outsourcing strategy were identified. In order to determine how much the respondents agreed with the statements, a five point likert scale was used where; 1= No Extent, 2= Small Extent, 3= Moderate Extent, 4= Great Extent, and 5= Very Great Extent.

4.5.1 Challenges of Outsourcing Strategy

The results on table 4.3 show that majority of the respondents at 54% feel that resistance to change has a great extent on outsourcing strategy. 48% of the respondents feel that failure to recognize outsourcing as a strategy has a great extent on outsourcing strategy, 46% of the respondents feel that lack of top management support has a very great extent on outsourcing strategy, and 46% of the respondents feel that lack of employees with right skills has a moderate extent to outsourcing strategy.

The results further indicate that 42% of the respondents feel that lack of clear communication to stakeholders has a very great extent to outsourcing strategy, 42% of the respondents feel that inability to develop clear objectives has a great extent to outsourcing strategy, 38% of respondents feel that lack of resources has a great extent to outsourcing strategy, 37% of the respondents feel that absence of performance measures has a great extent on outsourcing strategy, and 33% of the respondents feel that inadequate supporting infrastructure has a great extent on outsourcing strategy.
Table 4.5: Challenges of Outsourcing Strategy

<table>
<thead>
<tr>
<th>Challenges of Outsourcing Strategy</th>
<th>No Extent</th>
<th>Small Extent</th>
<th>Moderate Extent</th>
<th>Great Extent</th>
<th>Very Great Extent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Top Management Support</td>
<td>4%</td>
<td>8%</td>
<td>9%</td>
<td>33%</td>
<td>46%</td>
<td>100%</td>
</tr>
<tr>
<td>Resistance to Change</td>
<td>%</td>
<td>%</td>
<td>17%</td>
<td>54%</td>
<td>29%</td>
<td>100%</td>
</tr>
<tr>
<td>Lack of Employees with Right Skills</td>
<td>%</td>
<td>13%</td>
<td>46%</td>
<td>33%</td>
<td>8%</td>
<td>100%</td>
</tr>
<tr>
<td>Inability to Develop Clear Objectives</td>
<td>%</td>
<td>8%</td>
<td>25%</td>
<td>42%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Absence of Performance Measures</td>
<td>%</td>
<td>17%</td>
<td>29%</td>
<td>37%</td>
<td>17%</td>
<td>100%</td>
</tr>
<tr>
<td>Lack of Resources</td>
<td>4%</td>
<td>13%</td>
<td>24%</td>
<td>38%</td>
<td>21%</td>
<td>100%</td>
</tr>
<tr>
<td>Lack of Clear Communication to Stakeholders</td>
<td>%</td>
<td>8%</td>
<td>29%</td>
<td>21%</td>
<td>42%</td>
<td>100%</td>
</tr>
<tr>
<td>Inadequate Supporting Infrastructure</td>
<td>%</td>
<td>17%</td>
<td>25%</td>
<td>25%</td>
<td>33%</td>
<td>100%</td>
</tr>
<tr>
<td>Failure to Recognize Outsourcing as a Strategy</td>
<td>%</td>
<td>%</td>
<td>13%</td>
<td>48%</td>
<td>39%</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.6 Correlation

Correlation analysis was carried out to establish the strength and direction of the relationship between outsourced functions and activities, extent of outsourcing, and challenges of outsourcing. The results in table 4.6 reveal that there is a strong positive linear relationship between outsourced functions and activities and challenges of outsourcing where $r$ is 0.655; $P \leq 0.01$. This means that, as outsourced functions and activities in an organization increase, challenges of outsourcing in the organization
increase as well. The study also revealed that extent of outsourcing and challenges of outsourcing had a strong positive linear relationship where r is 0.564 P≤ 0.01. This means that, as the extent of outsourcing in an organization increases, the challenges of outsourcing in the organization also increase.

Table 4.6: Correlation

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Outsourced Functions and Activities</th>
<th>Extent of Outsourcing</th>
<th>Challenges of Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourced Functions and Activities</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.399</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.060</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Extent of Outsourcing</td>
<td>Pearson Correlation</td>
<td>.399</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.060</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Challenges of Outsourcing</td>
<td>Pearson Correlation</td>
<td>.655**</td>
<td>.564**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.004</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>23</td>
<td>24</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.7 Chapter Summary

The chapter has provided the results and findings of the study. The chapter was divided into sections based on the research questions which were: How does outsourcing contracts enable Kenyan banks focus on core competencies? How does technology affect the success of outsourcing strategy in Kenya’s banking industry? And how does the banks management capability affect the success of outsourcing strategy? The next chapter which is chapter five presents the discussions, conclusions, and recommendations of the study.
CHAPTER FIVE
DISCUSSION, CONCLUSION AND RECOMMENDATIONS OF THE STUDY

5.1 Introduction
This chapter is a continuation of chapter four on data analysis and interpretation. The chapter provides a summary of the findings, discussion of the findings and recommendations of the study. The discussions sections provides the findings of the study and a cross examination with the previous studies to generate more understanding of the findings.

5.2 Summary of the study
The study sought to examine the factors affecting the success of outsourcing strategy in Kenya’s banking Industry.

To achieve this, the researcher studied the various outsourced functions in Kenyan banks, how technology and the bank’s management capability affect the success of the outsourcing strategy and the challenges of implementing a successful outsourcing strategy and conclusions made.

The major findings of the study were useful in achieving the purpose of the study on the extent of outsourcing in Kenya’s banking industry. The findings of the study on the extent of outsourced services in Kenyan banks revealed that most banks at 96% do not feel that account opening services should be outsourced. This is because account opening is the first line of contact with its customers, therefore banks will still prefer to have personal and direct contact with its customers to increase to benefit from more business, to provide firsthand support and improve relations among the customer and the bank. 71% of the banks feel that security services should be fully outsourced. Security services are not considered to be core to the banking industry hence majority of banks will outsource this services to firms such as G4S, Bob Morgan Security, KK Security and Wells Fargo. This is because security is capital and labour intensive and requires expert or professional skills. Hence banks would opt to outsource this service. 69% of the respondents feel that advertisement & marketing should be partially outsourced. Again most banks would opt to outsource marketing and advertising services but still maintain some degree of this function in-house. Most Banks in Kenya use marketing and advertising agents such as Ogilvy, Squad, Nation Media and The Standard
Group. However, banks still maintain a marketing and advertising function in-house to help drive innovation, creativity and ultimately sales. 69% feel that facilities & premises management services should be partially outsourced. Most Kenyan banks have huge asset bases comprised of property in form of land, buildings and premises. Due to the high numbers of properties owned, most banks are unable to single handedly manage these properties. Thus most banks will outsource facilities & premises management services to firms such as Knight Frank Ltd, JLL, Lloyd Masika Ltd and Broll Kenya. 65% of the respondents feel that procurement services should not be outsourced at all. Procurement services in most Kenyan banks are not outsourced mainly because most banks prefer to have a dedicated team working in-house that will be able to procure unique goods & services to the bank. Banks have diverse needs and wants in the attempt of gaining competitive advantage; hence most banks will have a dedicated team working to achieve this.

The results further indicate that 57% of the respondents feel that information technology services should be partially outsourced. Most Kenyan banks partially outsource IT services whilst still maintain a significant amount of the function in-house. This is because of privacy policy regulations and data security. Banks maintain confidential information of their clients which are held or saved in electronic format in servers and cloud storage. Due to the risk of losing such information to third parties, most Kenyan banks will have internal IT teams. 54% of the respondents feel that transportation services should be partially outsourced. Majority of banks outsource Transportation services as it is not core to their business and 52% of the respondents feel that staff recruitment services should partially be outsourced. Staff recruitment is a delicate matter of which at times needs subjectivity, objectivity as well as face to face contact.

5.3 Discussions of the findings

5.3.1 Focus on banking core competence through outsourcing

The study found that banks consider several factors in order to determine what to outsource and what not to outsource. The main factors considered are the nature of activity to be outsourced; Is it a core activity or a non-core? How critical to the bank is the function to be outsourced? Mostly, banks in Kenya outsource non-core activities so that the bank management can focus on the core activities. This enables banks to focus on the more strategic activities.
The competitiveness of the activity to be outsourced is also considered; the cost per unit of outsourcing such services is compared to the cost of carrying out the activity in-house. If the cost of outsourcing the service is lower than the cost of performing the function internally, the bank can consider outsourcing the service. This can be seen with banks outsourcing some of its back office activities. Most of the activities outsourced are simple and routine jobs that are not so critical in the bank’s operations. The bank therefore, outsources this so as to benefit from cheaper labour as compared to the bank hiring its own staff. If banks were to hire their own staff for such minor services, it would be more expensive to the bank since it will have to incur the expense of salaries and other benefits that include, medical, pension and even remuneration stipulated in Collective Bargaining Agreement and other union requirements.

Banks also outsource some of their activities in order to take advantage of the expertise of the vendor. Some services are better performed by the vendor instead of being done by the bank. For instance, security services and most of the noncore activities, the bank benefit from expertise services. Banks are also able to adopt new innovations in different fields as a result of outsourcing. This makes Kenyan banks more advanced in terms of technology and other fields. Since technology is the backbone of most banks operations, the bank is able to have an edge over its competitors.

Outsourcing of services has enabled the bank to streamline its organization structure and to have fewer head count. This has enabled banks to reduce its wage bill and to have the desired organization structure. In outsourcing of services such as transport, printers/photocopiers/scanners, banks are able to control their expenditure and pay only for the services used. This has further reduced operational cost and other costs associated with maintenance of such machines. Costs associated with having machines stay idle and therefore not in use is also eliminated. Kenyan banks are able to benefit from quality services offered by the vendors.

5.3.2 How technology affects the success of outsourcing strategy in Kenya’s banking industry?

In today’s world it is impossible not to acknowledge the impact of technology in development and organizational growth. The use of technology is simply indispensable. It is present in every sector and industry, in small, medium or large enterprises. In the banking industry, technology has helped improve speed in various aspects such as
communication and sharing information. Some banks in Kenya have outsourced their customer contact centers to firms in India. With the ease and speed brought by technology, these banks are able to gain from outsourcing these services. The speed and efficiency of money transfer has also drastically improved, thanks to technology.

Ease of sharing and storing information has greatly been improved through technology. Technology eliminates the need to double entry systems and reduces the need to file large amounts of paperwork. Some banks in Kenya store information in cloud servers which can be accessed in minutes, anywhere in the globe. These systems allow data to be shared more quickly and with fewer resources.

Technology has also brought about mobile technology in form of Mobile banking Apps such as KCB App, Barclays Timiza App and Equity’s Ezzy Banking among others. Also mobile technology has brought about money mobile transfer platforms such as Mpesa and Airtel Money. The main benefits of mobile technology are its agility and efficiency.

The technology in Kenya is sufficient to support outsourcing of various services across many industries. Kenya’s technology scene is steadily growing over the 1st half of the decade. Behind this steady growth lies the emergence of tech hubs, government support and the emergence of different technologies. The emergence of tech hubs and labs and institutions like mlab East Africa, iHub, Nailab, Emobilis, amongst many others have proved to be great initiatives in terms of accelerating growth in the ICT sector. Also the availability of steady, fast and reliable internet and Wi-Fi has enable firms to outsource services within and across their boarders.

5.3.3 The Influence of a bank’s management capability on success of outsourcing strategy

The findings of the study on the influence of bank’s management capability while implementing the outsourcing strategy in Kenyan banks revealed that most banks at 46% view lack of top management support as a great risk to the success of an outsourcing strategy. Hence most outsourcing strategies in Kenyan banks are led and steered by top management staff. Resistance to change by staff or top management has a great impact at 54% on the success of outsourcing. Lack of employees with the right skills within the banks is seen to have a moderate impact at 46% on the success of outsourcing. This is because the firm being the outsourced to, has the skills lacking from the bank. Inability to
Develop Clear Objectives is viewed to have a moderate impact at 42% on the success of an outsourced strategy. Absence of Performance Measures and lack of resources also have a significant impact of 37% and 38% respectively on the success of outsourcing. Also lack of adequate infrastructure and failure to Recognize Outsourcing as a Strategy can hinder the success of an outsourcing strategy in most Kenyan banks.

5.4 Conclusion of the study

In conclusion it can be stated that the study has been able to fulfill the stated purpose. The research indicates that Kenyan Banks have been able to use outsourcing as a strategy of competitive advantage since outsourcing enables them to reduce operating costs, benefit from expertise services and also use much of the management time to focus on more strategic activities. Banks in Kenya outsource a number of functions such as security services, transportation services, Automated Teller Machine management services, and staff recruitment services. Some functions are core to the banks and are not outsourced and they include account opening services, procurement function and cash management services. The challenges of outsourcing among banks in Kenya include, resistance to change, inability to develop clear outsourcing objectives, lack of proper communication to stakeholders; lack of top management support and lack of supporting structures.

5.5 Recommendations of the study

From the research findings, banks in Kenya face the challenge poor quality service and goods through outsourcing. In order to mitigate risks associated with outsourcing, pilot testing of new outsourcing options is necessary. Banks needs to explore new outsourcing options in terms of new suppliers, new services, or new engagement models with existing suppliers as well as extensive research. Banks should also enhance inbuilt quality control mechanisms and closely monitor the outsourced operations to improve on quality and service delivery. There should be stiff penalties for non-performers and those firms that deliver substandard services. Contracting procedures should be enhanced to ensure that the company gets the most competitive service and products from the outsourced firms.

The study also reveals that top management support is a challenge facing outsourcing strategy among banks in Kenya. It is therefore important to seek the support of the top management before engaging in outsourcing activities.
Lack of proper communication to stakeholders is also a challenge to outsourcing strategy among banks in Kenya. Thus it is important to involve all stakeholders in outsourcing to reduce chances of resistance.
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APPENDIX I: DATA COLLECTION INSTRUMENTS

Kindly answer the following questions. The researcher would like to assure you that the information gathered will be kept confidential and used strictly for the purpose of this research only. The usefulness of the information to the researcher will solely depend on your honesty.

Please tick [✓] where appropriate or fill the information as necessary

SECTION A: Demographic Information

1. What is your gender?
   
   Male [ ]  Female [ ]

2. What is your age?
   
   25 or under [ ]  26 – 40 [ ]  41 – 55 [ ]  56 or older [ ]

3. For how long (in years) have you worked in the banking industry?
   
   2 or under [ ]  3 – 5 [ ]  6 – 10 [ ]  10 or above [ ]

4. What is your highest academic qualification
   
   Diploma [ ]  Degree [ ]  Masters [ ]  Other [ ]
Section B: Outsourced Functions and Activities

Kindly indicate the extent to which you agree with the following statements concerning the outsourced functions and activities in the bank

KEY: 1=Strongly Disagree 2=Disagree 3=Not Certain 4=Agree 5=Strongly Agree

<table>
<thead>
<tr>
<th>No.</th>
<th>Function</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash management services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>ATM management services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Advertisement and marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Account opening services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Staff recruitment services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Procurement services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Facilities and premises management services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Information technology services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Security Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Transportation services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section C: Extent of Outsourcing

Please indicate the level of outsourcing adopted by the bank for the functions listed in the table below.

KEY: 1= Not outsourced at all 2= Partially outsourced 3= Fully outsourced

<table>
<thead>
<tr>
<th>No.</th>
<th>Function</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash management services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>ATM management services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Advertisement and marketing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Account opening services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Staff recruitment services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Procurement services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Facilities and premises management services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Information technology services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Security Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Transportation services</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Section D: Challenges of Outsourcing Strategy**

Indicate the extent to which you consider the following as challenges of outsourcing strategy.

KEY: 1= No extent 2= Small extent 3= Moderate extent 4= Great Extent 5= Very great extent

<table>
<thead>
<tr>
<th>No.</th>
<th>Function</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of top management support</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Resistance to change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Lack of employees with right skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Inability to develop clear objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Absence of performance measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Lack of Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Lack of clear communication to stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Inadequate supporting infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Failure to recognize outsourcing as a strategy</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
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</table>

THANK YOU VERY MUCH FOR YOUR SUPPORT IN THIS STUDY PROJECT
## APPENDIX II: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>Budget Line Items</th>
<th>Cost in (Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Proposal Development</td>
<td></td>
</tr>
<tr>
<td>• Materials</td>
<td>10,000.00</td>
</tr>
<tr>
<td>• Printing</td>
<td>4,000.00</td>
</tr>
<tr>
<td>• Photocopying</td>
<td>2,000.00</td>
</tr>
<tr>
<td>2. Data Collect (Fieldwork)</td>
<td></td>
</tr>
<tr>
<td>• Photocopying</td>
<td>2,000.00</td>
</tr>
<tr>
<td>• Travelling</td>
<td>15,000.00</td>
</tr>
<tr>
<td>• Research Assistant</td>
<td>10,000.00</td>
</tr>
<tr>
<td>3. Data Analysis &amp; Interpretation</td>
<td></td>
</tr>
<tr>
<td>• Data Analysis</td>
<td>20,000.00</td>
</tr>
<tr>
<td>• Interpretation</td>
<td>10,000.00</td>
</tr>
<tr>
<td>4. Report Writing &amp; Dissemination</td>
<td></td>
</tr>
<tr>
<td>• Report Writing</td>
<td>20,000.00</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>93,000.00</strong></td>
</tr>
</tbody>
</table>
APPENDIX III: IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Project Activities</th>
<th>Time Frame</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start</td>
<td>Finish</td>
<td>Duration</td>
<td></td>
</tr>
<tr>
<td>1. Proposal Development</td>
<td>01 February 2017</td>
<td>01 April 2017</td>
<td>59 Days</td>
<td></td>
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<td>2. Data Collection (Fieldwork)</td>
<td>15 April 2017</td>
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<td>3. Data Analysis &amp; Interpretation</td>
<td>01 June 2017</td>
<td>30 June 2017</td>
<td>30 Days</td>
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<tr>
<td>5. Report Dissemination</td>
<td>05 August 2016</td>
<td>15 August 2017</td>
<td>10 Days</td>
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