BUSINESS PROCESS OUTSOURCING STRATEGIES AND COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

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DECLARATION

This research project is my original work and has not been presented for award of any degree in any other University.

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This research project has been submitted with my approval as university supervisor.

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DEDICATION

I dedicate this project to my dear Wife –Malaika Kioko, Daughter – Nia Kioko and Son Leshan Kioko. I Love you all. If there be a place somewhere after this life, I'll be looking for you.

To my mother – Brigid Muinde, who did without the basics of life to see me through school and to my late father– Simeon Muinde, who sacrificially laid down my educational foundation.

To my younger brother Thomas Kiilu and my friends Charles Kinyua and Sam Mugacha for standing by me every inch of the way.

To you all, I dedicate this project

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I register my appreciation to all those who, in one way or another, made a contribution to my life during this period.

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ABBREVIATIONS AND ACRONYMS

BPO	Business Process Outsourcing
CA	Competitive Advantage
CBK	Central Bank of Kenya
GDP	Gross Domestic Product
GoK	Government of Kenya
HR	Human Resources
ICT	Information and Communication Technology
IT	Information Technology
MNCs	Multinational Corporations
RBV	Resource-Based View
SPSS	Statistical Package for Social Sciences
TQM	Total Quality Management
KES	Kenya Shillings

ABSRACT

Business process outsourcing proved to be an important instrument in an organization's business strategies. There has been gradual growth in the financial sector in as far as BPO is concerned and the growth has mainly been witnessed in terms of nature and scope of activities outsourced with a focus to survive in today's business environment. Despite, financial institutions using outsourcing to drive efficiency, deliver compliance, reduce costs, standardize processes, automate processes and transform fixed costs to variable costs, commercial banks still face substantial challenges in evaluation of outsourcing process suitability. This study sought to answer the question of the aspect of how business process outsourcing strategy provides competitive advantage to commercial banks in Kenya. The study adopted descriptive survey design. The survey was cross-sectional in nature since it covered all the 42 commercial banks which were in operation in Kenya as at 31st December 2016. The collection of primary data was done by use of a semi-structured questionnaire while that of secondary data was from financial statements of all the commercial banks under study as at December 2016. The data was analyzed descriptively. The findings produced conflicting results where test of individual strategies on competitive advantage provided a positive and significant effect, while estimations of joint effect indicated that only software development and benefit administration were statistically significant towards competitive advantage of commercial banks in Kenya. However, logistics and distribution, research and development, human resource, and contact centers seem not to have significant effect on competitive advantage of commercial banks in Kenya. The study revealed that business process outsourcing affected competitive advantage of commercial banks in Kenya positively. The study recommends that there is need for top level management to make diligent decisions on business process outsourcing as a strategy for gaining competitive advantage. Furthermore, the banking industry in Kenya should adopt viable practices of business outsourcing where possible in a bid to improve on their service delivery and ensure quality.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

As organizations engage in their day to day commercial activities, it is worth noting that outsourcing is increasingly becoming a vital tool especially in the present years (Krstić & Kahrović, 2015). Business Process Outsourcing (BPO) Strategy is the long-term transfer of responsibility to an external supplier for activities that were previously carried out by an organization. BPO proved to be an important instrument in organizations' business strategies. Many organizations have resolved to look far and beyond their old business boundaries in order to improve performance and therefore reducing costs (Javalgi, Joseph, Granot, & Gross, 2013). The phenomenon of BPO has been growing as organizations transfer responsibilities of activities like finance management, human resource, as well as information services to other companies' and service providers (Kohlbacher & Reijers, 2013).

Financial institutions use outsourcing to drive efficiency, deliver compliance, reduce costs, standardize processes, automate processes and transform fixed costs to variable costs (Beck, *et. al.*, 2010). A competitive advantage of any given organization can be achieved in production of goods and services in an efficient and effective manner when outsourced to professionals (Weske, 2012). Many firms both large and small have either outsourced or are starting to outsource in a bid to ensure sustainability with a focus on costs and overhead management and control, easier access to external professional services as well as restraining payroll. Knowledge of outsourcing has transformed banks to efficiently utilize their resources in an effective way through application of best practices of the industry as well as improvement of business processes, thus entering and creating new markets (Kolawole & Agha, 2015). BPO service providers are competent in business process management, technology competence accompanied by other competencies which are essential to success or failure of banks' BPO projects (Beck, *et. al.,* 2010). Besides concentration of BPO service providers to their products and services, the recipient firms' interest is in the competencies of service providers, such as, service provider's accessibility and flexibility (Shi, 2007; Trkman, 2010).

This research is founded on Resource-Based View (RBV) and Stakeholders' theories. According to Shekell (2010), institutions operating under the banking industry are faced by changes brought about by dynamic business environment. Therefore, concept of business outsourcing strategy in commercial banks has shifted from product (and/or service) focus to that of differentiation and speed-to-market. Due to increasing global competition and declining profit margins, most corporations are pursuing different operations strategies to keep market share and improve profits (Awino & Mutua, 2014). Therefore, the main aim to be focused on by this study will be to investigate the influence of BPO on competiveness of commercial banks in Kenya.

1.1.1 Business Process Outsourcing Strategies

The conception of strategy is therefore derived from the Greek word *stratego*, which means "to plan the destruction of one's enemies through the effective use of resources" (Shapiro, 2009). Strategy can mean to create unique or important position that involve various sets of undertakings, which are required by the company in choosing an option, based on either cost leadership, or differentiation, or both

(Thompson, Strickland & Gamble, 2010). Another definition of strategy is by referring to it as being a course or action plan which helps a firm to allocate its limited resources to help in achievement of specific goals and objectives (Westner & Strahringer, 2010).The requirement of organizations to be selective in making choices in a competitive range of activities is to help firms seek better competitive advantage which could include being focused, different and cost leaders (Rost, 2016).

The concept of Business Process Outsourcing (BPO) has been defined differently by different scholars and researchers. For instance, according to Lacity and Willcocks (2013), "BPO is the long-term transfer of responsibility to an external supplier for activities that were previously carried out by a client – organization". Lee *et. al.* (2014) refers BPO to the "relocation of a business process from one country to another". According to Kakabadse and Kakabadse (2002), "outsourcing was previously termed as contracting out and it dates back to the days of the Romans where the task of tax collection was managed via orderly and regular contracting out of the task to enable efficiencies". According to Rahul (2012), outsourcing began when society began to trade goods, services and other items amongst themselves. He further argued that "outsourcing started with workers outsourcing different activities to other workers during the industrial age where production of tools and household appliances took place". Since then the practice has evolved and the strategy has been practiced all over the world.

According to Kaiba (2016), "some of the services being outsourced by financial institutions include management of human resources, accounting and finance management as well as customer interactions". Kohlbacher and Reijers (2013) ascertained that the "implication in approach of business process management is that there is a focus in the process of businesses, without insisting on hierarchical structures or functions of a company”. Harmon (2003) classified business processes in various categories: management processes, enabling processes and core processes. Based on Keen (1997) argument, “processes which are termed to be relevant should have the aspects of value creation, options provision, as well as sustainability”. According to Obiageli, Uzochukwu and Agbomma (2015), the classifications are based either on perspective of service provider or that of client. As pointed out by Honess (2003), there are three categories of business process which include: i) non-core or non-critical cores, ii) core or critical cores, and iii) business critical non-core. It is further argued that outsourcing of core processes is hardly done due to their fundamental nature to business. Meaning, business processes in the other categories can be outsourced easily.

1.1.2 Competitive Advantage

The existence of competitive advantage comes in place when an organization offers a service or a product which customers in the market place see as good compared to that of its rivals. Porter (1996) defines competitive advantage as “the center of performance of a given company in competitive business environment”. He adds that competitive advantage could also imply that a given organization has a successful focus strategy, differentiation advantage, or low costs. Mohanty and Gahan (2015) stated that competitive advantage is sustained above normal returns. Lankford and Parsa (1999) refer competitive advantage to the results achieved from the effective performance of business processes from suppliers externally. In addition, Thompson and Strickland (2010) refer to competitive advantage as “a section of business strategy which handles plans of management that helps in successful competition in enhancing sustainability”.

The force of business competition has put pressure to organizations to objectively analyze critical business processes. Among the activities which are being outsourced by many organizations include: business services, manufacturing operations, as well as other lines of businesses (Graf & Mudambi, 2005). Porter (1996) notes that “to cope with the five competitive forces; there are three potentially successful generic approaches to outperforming other firms in an industry: overall cost leadership, differentiation and focus”. The key measure of competitive advantage is the costs of physical assets. Ndungu (2010) asserts that competition strength in the banking industry can determine the potential profit as well as competitive advantage.

Chiteli (2013) noted that “competitive advantage can lead an organization to gain high returns economically as compared to other businesses in the same business competition market”. Variety of competitions in business environment could either imply that a company is able to produce a particular product or service valued by its customers as compared to that of their competitors, or rather is the production of this service or product done at a cost which is lower than its rivals. He further adds that for any given organization to maintain its prosperity, the aspect of value addition should be put in place to ensure sustainability of its competitive advantage. A unique competence can only be said to have a competitive advantage upon its application to the industry or when it’s available on market.

1.1.3 The Banking Industry in Kenya

The Kenyan banking industry is constitutes of banks, insurance firms, microfinance institutions, stock brokerage firms as well as non-bank financial institutions. The role played by the banking sector is essential in the process of intermediation between savers and investors. This industry leads both in size and development in the East African community and has therefore experienced stable improvement in the past decade (CBK, 2014). In Kenya, this sector is controlled by the Central Bank of Kenya (CBK) whose duty is to foster the proper functioning, solvency as well as liquidation of a financial institution in the market. CBK deals with development of appropriate guidelines, regulations and laws governing the firms in banking industry. The banking industry is composed of non-bank financial institutions, commercial banks, deposit taking microfinance institutions, credit reference bureaus, building societies, foreign exchange bureaus, as well as mortgage finance companies (CBK, 2016).

According to CBK (2015) annual report, "the Kenyan banking sector realized steady advancement in the present years which has enabled its great expansion across the region of East African". The sector is involved in automation and outsourcing of both essential and non-essential services thus a shift from old ways of banking to the current dynamic ways that enable them meet the needs of customer and challenges of globalized world. As such the Kenyan banking sector remains sound and resilient, developing and deepening faster. From the time the government introduced liberalization, the current operation of banking industry finds itself in a business environment that is challenging and competitive as compared to olden days. It has led to flooding of financial services from many institutions providing same services/products as that of the banks, thus an increased rivalry. This most challenging and dynamic business environment has made many banks to undergo major restructuring which come along with changes in the look and feel of the entire industry.

1.1.4 Commercial Banks in Kenya

There are 42 commercial banks operating in Kenya and controlled by multiple rules such as the Central Bank of Kenya Act, Companies Act, the Banking Act, as well as other several policies and guidelines given by the CBK. In 1995, the exchange controls governing the financial sector in Kenya were repealed allowing for a freer flow of foreign currency (Central Bank of Kenya report, 2014). Various financial institutions have shifted from main processes of transaction like document management, benefits administration and payroll to include other key processes like better management in local government, mortgage processing, and procurement in banking sector.

The BPO was attached to Vision 2030 by the Kenyan government which is identified as one of the major sectors of the economic pillar. The BPO is "grouped among the other key economic development programs in Vision 2030 from which should be exploited in its possibility to increase Gross Domestic Product (GDP)" (GoK, 2007). In order for GoK to attract investors, it pledged the creation of a business environment which is conducive and enabling for many willing business people, the environment which can enable joint ventures as well as the stand-alone operators to thrive thus becoming more attractive to investors.

The pressures of globalization tend to affect commercial banks' competitiveness as compared to non-banking financial institutions. This has created a dynamic market which keeps on demanding for banks to be more creative and innovative through application of new ways which can add value to the current services offered. The inquiry ‘what drives competitiveness?’ should be a priority to the local policy makers and management. In the first step banks have to understand and ensure its superiority in performance and strive for it (CBK, 2014).

1.2 Research Problem

The present dynamic business environment is faced with challenges of stiff competition and advancement in technology as well as communication. Therefore, organizations can ensure their survival throughrealizing the wide-spread adoption of BPO which is brought about by the quality and cost improvements (Sople, 2016). This has raised concerns on whether the benefits perceived by BPO are viable among commercial banks. BPO has a substantial long-term impact on the competitive advantage of businesses since it affects their costs, quality as well as associated risks of the operation of outsourced activities (Armstrong, 2009).However, in some financial institutions, BPO does not lead to attainment of competitive advantage but can be a cause which may lead to organization disregarding internal weaknesses at the expense of external suppliers (Awino & Mutua, 2014).

Despite the fact that there is prominent increase in outsourcing in both offshore and local organizations, commercial banks still face substantial challenges in evaluation of outsourcing process suitability (Karanja, 2016). For instance, BPO adoption within the public institutions came into existence to satisfy the need of complying with the policy limiting operations and therefore finding it difficult to survive in the competitive and dynamic business environment (GOK, 2013). The decision to outsource comes along with some complex issues which comprise of the essential level of processes to the organization; capability of institutions as well as selection of service provider and suppliers.

A number of scholars carried out studies on BPO, for instance, a study carried out by Rupčić and Ziković (2010) on business outsourcing context with focus on implications and consequences for competitive advantages of firms in Croatia, found that for outsourcing to fit the organization's needs, strategic approach should be put in place to achieve the balance between vertical integration and the use of outside supply. Kolawole and Agha (2015) did a research titled achieving organizational performance through business process outsourcing. Their study revealed that outsourcing plays a vital role in most firms in Nigeria and it helps them in ensuring competitiveness, competitive advantages, increase efficiency as well as effectiveness. Furthermore, a study on the factors influencing offshore business process outsourcing among international banks in Kenya by Karanja (2016) discovered that offshore business process outsourcing is faced with some challenges such as lack of data privacy, loss of control and autonomy; fear of loss of jobs, increase in transportation costs due to tariffs and the taxes levied.

There have been local studies undertaken on banks before but not on the topic proposed by this study. For instance M'kuma (2015) researched on strategic positioning and competitive advantage in banking Industry in Kenya with focus on banks in private sector the outcome of which revealed that the banking sector is affected by its capability to transform and clinch technology so as to yield high results. Another research done by Kaiba (2016) focused on competitive strategies and performance of commercial banks in Kenya. Her study revealed that there exists several opportunities in banking industry which can be exploited only if they re-examine their employee training needs with an aim of equipping them with appropriate skills to guide the organization to fully automation of services. A study on customer relationship management as a strategy to gain competitive advantage in the banking industry by Githaiga (2013) discovered that the major benefits perceived from the use of customer relationship management are that it leads to better organization performance, enhances market productivity, enhances market effectiveness and enhances organization competitiveness.

According to studies and researches reviewed in this proposal, the researcher was not able to find any research on BPO and competitive advantage of commercial banks in Kenya. Most of the scholars either carried out researches on outsourcing among other entities or tested its relationship with other variables other than competitive advantage. This study therefore sought to fill this gap by providing answers to the question; does business process outsourcing strategy provide competitive advantage to the commercial banks in Kenya?

1.3 Objectives of the Study

i. To identify BPO strategies of commercial banks in Kenya
ii. To establish the effect of BPO strategies on the competitive advantage of commercial banks in Kenya

1.4 Value of the Study

The study contributed information that added to theories and knowledge related to outsourcing and competitive advantage. More knowledge on the concepts of BPO and competiveness was added thus making it of value to scholars, students and researchers. This study sought to provide additional knowledge in strategic management and act as a reference source for the upcoming scholars on different topics pertaining to strategic management while also able to assist other researchers undertaking a similar or equivalent study. This study further pointed out vital associations' and relationships that require further study on the management strategies used by the financial institutions.

This research therefore can act as a source of reference by policy makers in charge of formulating regulations that control financial institutions in Kenya in the area of outsourcing. Banks in demand of BPO will be able to come up with BPO decisions which are right in the outsourcing process and take into account the precise potential risks and benefits that are involved in outsourcing and perceived economic consequences.

The study findings are of great importance in helping both established and upcoming commercial bank managers in finding out important considerations in a BPO decision. This study can guide them in making informed decisions in BPO. The findings will also help BPO vendors in having a glimpse of what outsourcers look for when selecting a BPO vendor. This can drive the vendors to improve on products offered to increase their competitiveness in the BPO field and also to improve their effectiveness in service provision. The discoveries of the study are beneficial in making inferences in other labor intensive production sectors of the banking industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the notions from which the study was anchored on. This include the literature review on the concepts of business process outsourcing used by the commercial banks in Kenya in their bid to gain competitive advantage, empirical review, knowledge gaps, as well as the conceptual model used by this study.

2.2 Theoretical Review

This section summarized the theories that were the formation of the foundation of this study. They included the resource based view and stakeholder theory.

2.2.1 Resource-Based View

The resource-based view (RBV) is found to be a better instrument used to describe the reasons some firms outperform others, since they offer limited (normative) guidance to managers and stakeholders (Butler, 2001; Freeman, 1984). In principle, the analysis of RBV is normally expressed in universal terms and its applicability can be on whichever resource found in a given organization. This wide generality can be taken as both a strength and weakness. Barney (1991) states that the resource is very limited, its substitutes are few, or had to mimic, it helps organizations in exploiting available opportunities, and it enhances sustainability of competitiveness of an organization. Companies will compete on the basis of resources they possess. According to Krogh and Roos (1999) the firm's resources must have four fundamental characteristics in order to create sustainable competitive advantage. Thus the resources must be valuable, lack strategically equivalent substitutes, perfectly inimitable and rare among competitors. Amit and Shoemaker (1993) have given a list of eight criteria of complementary, scarcity, inimitability, limited substitutability, durability and overlap with strategic industry factors. Fahy (2005) emphasizes three attributes of such resources, that they must be valuable, have barriers to duplication and be appropriable.

The resource based view can help influence this study to come up with strategies that emphasize on economic growth through distinctive capabilities. Economic value added is what banks need over and above the cost of the capital employed in their business. The resource-based view can also assist banks in understanding their underpinning resources on the supplementing of positioning strategy before being put into consideration by the organization (Moller & Broderick, 1998).

The resource-based view has been criticized for weaknesses. For instance, Kraaijenbrink, et. al. (2010) observed that the theory does not have implication manager, its implication poses infinite regress, there is limited applicability of RBV, lack of achievable and sustainable competitive advantage, the theory does not put a firm into consideration, and lastly, lack of clarity in resource definition. Miller (2003) also noted that the resources needed by a firm to establish a competitive advantage which is sustainable are basically those whose acquisition is difficult. In addition, the argument of Miller is that organizations which already have the resources are the only ones with the ability to acquire and apply additional resources; otherwise competitors would acquire them with equal ease. Currently, businesses environment is ever changing and the idea of coming up more innovative is mandatory. RBV helps in sustaining the competitive edge of a given business but only if there is proper utilization of resources.

2.2.2 Stakeholder Theory

The establishment of the stakeholder theory was by Freeman (1984), its argument is based on applicability to managers of firms in modern day, with an implication on the linkage to shareholders as well as stakeholders. De Villiers and Van Staden (2011) contend that a compliance platform is set up by regulation of reporting. Kock, Santalo and Diestre (2012) reasoned that if compliance is enforced, such reporting frameworks personally held managers accountable and responsible should they misbehave. Further argument is based on intervention of government organs viable policies adding energy to an organization to adopt and initiate related practices of good corporate governance (De Villiers & Van Staden, 2011).

Just like any other firms, stakeholder management can help this study formulated the creation of ways to manage various groupings as well as relationships formulated strategically. From Freeman's (1984) viewpoint, the stakeholders' notions or management of stakeholders or their approaches to business management are formulated and implemented through process of satisfaction of various groups and individuals with business stake. The essential duty is the management and integration of the interests and relationship of employees, shareholders, suppliers, communities, customers as well as other business related groups. Thus, the approach of stakeholder is focused on active management of various business relationships and business environment as well as promotion of interests shared to enable the development of business strategies.Stakeholder theory is therefore, essential to this study as it challenges the usual analysis frameworks by suggesting putting stakeholders' needs first before any action.

In respect to stakeholder’s theory, a firm’s success solely depending on maximization of wealth of the shareholders is not enough since the organization is recognized as a link of implicit and explicit contracts among the organization with its stakeholders. Nonetheless, Mansell (2013) argues that application of the concept of politics to stakeholder theory, contradicts the entire principle based on market economy. Harrison, Wicks, Parmar & De Colle (2010) also criticised on stakeholder theory by arguing that it assumes that the welfares of some stakeholders are balanced or compromised among each other.

2.3 Empirical Review

BPO is a major element whose utilization has been applied in many organizations residing in several industries (Vagadia, 2012). Several researches have been carried out on the concepts of outsourcing and competiveness of firms. For instance, study by González, Llopis and Gascó (2013) on investigation of information technology offshore outsourcing in financial services, realized that the ICT outsourcing was a key aspect among financial institutions in their quest to keep operational costs low and improve on service quality. They identified the changes in the operating environment including: pressure brought about by the regulatory authorities, high level of competition following high degree of globalization and the need for organizations to keep their operational costs low. Nazeri, Damavand, Gholami, Ilam and Rashidi (2012) studied on how outsourcing is impacting the performance operations. Their research dealt with the managers’ opinions based on outsourcing issues affecting telecommunication industry on strategies used in operations, more specifically, based on the aspects related to flexibility, better service, cost reduction, as well as developed quality. The results indicated that outsourcing might lead to greater flexibility, production of higher quality goods, cost reductions, improved financial and non-financial performance and a whole lot better service experience. Giustiniano and Clarioni (2013) conducted an empirical analysis of the impact of outsourcing on business performance. Results showed that outsourcing could contribute to giving companies a sustainable competitive advantage. It was however found that return on equity was the only indicator to worsen between variables of business performance.

Suraju and Hamed (2013) conducted a study on services of outsourcing as a strategy instrument for performance of organizations in the Nigeria. Results showed that outsourcing services enabled firms to boost capability, help in improvement of service quality, staff reduction, streamlining of the processes, and reduce costs and administrative loads as well as saving time. A study by Kaul (2009) stated that in Africa, outsourcing started in North Africa and South Africa followed close behind however as stated by Amrinder (2012), North Africa's attractiveness as an outsourcing destination took a hit during the protocol upheaval in 2011. Muweesi (2011) conducted a study on the effects of outsourcing on organizational performance in private organizations in Uganda: a case study of Uganda Telecommunication Limited and identified that outsourcing comes along with a lot of benefits. The study further identified that in today's context it is very difficult for a firm to manage its entire suite of activities against full reliance on its own suite of skills and capabilities. Despite undergoing challenges the study explains that most firms in Uganda have adopted outsourcing as a way of scaling up their performance.

A study on the factors influencing offshore business process outsourcing among international banks in Kenya by Karanja (2016) discovered that the reasons for offshore business process outsourcing included; cost cutting, increase in an organizations' profitability index, and lead to better service quality. A research done by Wachira, Brookes and Haines (2016) on the impact of outsourcing practices conducted by organizations in Nairobi, established that outsourcing yielded both positive and /or negative outcomes depending on the prevailing circumstances like risks prevailing in the business environment, organizational policies and regulations, business functions outsourced, and the competence and commitment of the outsourcing vendor. The success of the BPO depended on how well the service level agreement was executed and internal employee management.

M'kuma (2015) researched on strategic positioning and competitive advantage in banking Industry in Kenya with focus on banks in private sector. A survey research design was used by this study with an estimated sample size of 250 executive bank managers. Data estimations were by use of correlation analysis where the outcomes of the study showed that strategic positioning and competitive advantage of the banking sector is affected by the sectors ability to invent and embrace technology as a means of yielding high results. Another research done by Kaiba (2016) focused on competitive strategies and performance of commercial banks in Kenya. This research was quantitative in nature and data was analyzed through regression analysis method. Her study revealed that there exist of several opportunities in banking industry which can be exploited only if they re-examine their employee training needs with an aim of equipping them with appropriate skills to guide the organization to fully automation of services. Based on a sample size of 60 employees of Kenya Commercial bank, Githaiga (2013) did a research on customer relationship management as a strategy to gain competitive advantage in the banking industry. Descriptive research design was employed in this study and respondents were picked using stratified random sampling technique. The study discovered that the major benefits perceived from the use of customer relationship management are that it leads to better organization performance, enhances market productivity, enhances market effectiveness and enhances organization competitiveness.

2.4 Knowledge Gaps

The studies reviewed in this research presented findings on the topic of outsourcing and competitive advantage arising from different methodologies used by scholars, definition of variables or contextual factors, the findings of the reviewed studies, knowledge gaps as well as ways of addressing them. These studies have not tested the underlying linkages of BPO and its contribution to competitive advantage among the commercial banks in Kenya. Gaps in other studies have been identified as shown in Table 2.1 and these will be addressed by this study.

Table 2.1: Summary of Knowledge Gaps

Author(s) / Year	Objectives	Methodology	Findings	Knowledge Gap/ (Nature of gap)	Gaps Addressed by this Study
Nazeri, Damavand, Gholami, Ilam & Rashidi (2012)	Outsourcing and its impact on operational performance.	Used a sample of38 active companies in the field of telecommunication equipment production in Iran and inferential statistics were used to test hypotheses.	The results indicated that outsourcing could lead to greater flexibility, production of higher quality goods, cost reductions, improved financial and non-financial performance and a whole lot better service experience.	This study looks into outsourcing and organizational performance telecommunication equipment production in Iran.	The current study will concentrate on BPO and competitive advantage of commercial banks in Kenya
Muweesi (2011)	Effects of outsourcing on organizational performance in private organizations in Uganda: a case study of Uganda Telecommunication Limited	Case study research design. Quantitative data was analysed using descriptive statistics	Identified that outsourcing comes along with a lot of benefits. The study further identified that in today's context it is very difficult for a firm to manage all of its activities depending on its own expertise.	This study looked at outsourcing in general perspective and performance of organizations. Based on case study research design. Quantitative data was analysed using descriptive statistics	The present study will look at BPO and Competitive Advantage of commercial banks in Kenya. Quantitative data was analysed using both inferential and descriptive statistics

Author(s) / Year	Objectives	Methodology	Findings	Knowledge Gap/ (Nature of gap)	Gaps Addressed by this Study
Karanja (2016)	Factors influencing offshore business process outsourcing among international banks in Kenya.	Data was collected through qualitative and quantitative. The study focused on 20 international commercial banks operating in Kenya.	Discovered that the reasons for offshore business process outsourcing included; cost cutting, increase in an organizations' profitability index, and lead to better service quality.	The study focused only on factors that influence offshore business process outsourcing among 20 international commercial banks operating in Kenya.	The present research focuses measurement of BPO and competitive advantage among the 42 commercial banks operating in Kenya.
Githaiga (2013)	Customer relationship management as a strategy to gain competitive advantage in the banking industry.	Descriptive research design was employed in this study and respondents were picked using stratified arbitrary sampling procedure to pick a sample of 60 employees of Kenya Commercial bank.	The study discovered that the major benefits perceived from the use of customer relationship management are that it leads to better organization performance, enhances market productivity, enhances market effectiveness and enhances organization competitiveness.	Githaiga's study only focused on one bank (Kenya Commercial bank) and relied on descriptive analysis.	This will be countered through involvement of all commercial banks currently operating in Kenya. The effect of BPO on competitive advantage will be estimated by use of regression analysis.

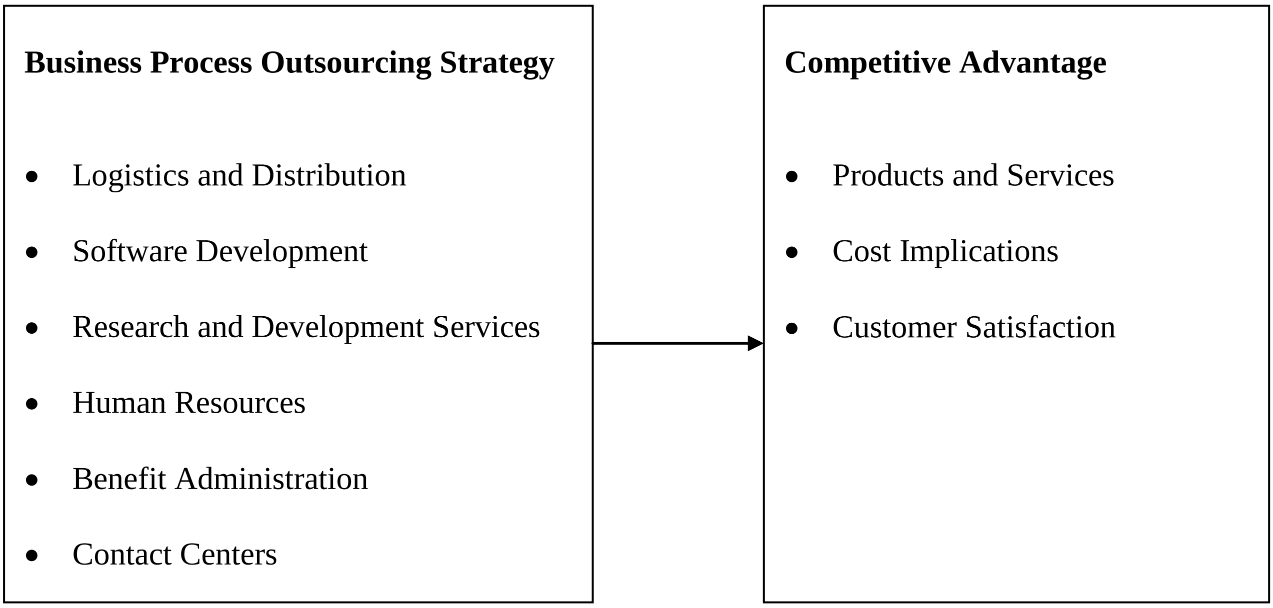
Author(s) / Year	Objectives	Methodology	Findings	Knowledge Gap/ (Nature of gap)	Gaps Addressed by this Study
Kaiba (2016)	Competitive strategies and performance of commercial banks in Kenya.	This research was quantitative in nature and data was analyzed through regression analysis method.	Her study revealed that there exists of several opportunities in banking industry exploited only if they re-examine their employee training needs.	Relied on the testing the linkage between competitive strategies and performance of commercial banks in Kenya.	The present study focuses on testing the relationship between BPO and competitive advantage of commercial banks in Kenya.
M'kuma (2015)	Strategic positioning and competitive advantage in banking Industry in Kenya with focus on banks in private sector.	A survey research design was used by this study with an estimated sample size of 250 executive bank managers. Data was estimated by use of correlation analysis	Strategic positioning and competitive advantage of banking sector is affected by their capability to transform and encirclement technology so as to yield high results.	This research only focused on banks in private sector and tested competitive advantage based on strategic positioning of banks	The current research will involve all commercial banks operating in Kenya. effect of competitive advantage will be tested by use of BPO

Source: Author (2017)

2.5 Conceptual Framework

The study variables were conceptualized through the framework presented in Figure 2.1. The model illustrates two key variables which comprise of Business Process Outsourcing strategy portrayed as the independent variable of the study and competitive advantage of commercial banks in Kenya presented as the study's dependent variable.

Figure 2.1: Conceptual Model



Source: Author (2017)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Here, the chapter outlines the procedures to be utilized by the research in establishing the research topic. The section also provided details of carrying out proposed research. It covered the design adopted in conducting the study, the target population, how data was gathered and eventually analyzed to generate research findings for reporting.

3.2 Research Design

This study adopted the descriptive survey design. The survey was cross-sectional in nature since it covered all commercial banks in Kenya. This was important to enable comparison regarding business processes that are outsourced and competitive advantage achieved from outsourcing in the banking industry. The comparison was done among commercial banks operating in Kenya that fell in different categories such as ownership and size (large, medium and small). This design was appropriate because it enabled the collection of a broad category of data (Blumberg, Cooper & Schindler, 2014). The data assisted in describing the pattern of BPO strategies in these commercial banks and also related BPO to competitiveness. According to Collis & Hussey (2009), this technique gains its massive efficacy from its ability to be applied both widely and broadly.

3.3 Target Population

Population can be described as an entire group of individuals, happenings or objects having common characteristics that conform to a given specification (Saunders, Lewis& Thornhill, 2009). The population of interest for the study consisted of all the licensed commercial banks operating in Kenya. As at 31st December 2016, there were 42 commercial banks registered under the Banking Act (see appendix II). The research employed a census method due to the small size of the population which did not validate sampling.

3.4 Data Collection

The collection of data was done from both secondary and primary sources. Primary data was gathered by use of a semi-structured questionnaire which was the main instrument for data collection. On the other hand, secondary data was extracted from the financial statements of all the commercial banks under study as at December 2016. The secondary data was used to estimate the number of branches as well as bank size in terms of assets. The distribution of the questionnaires was done on the personnel in charge and who are in-charge of aspects related to formulation of strategies in the banks. The intention of this questionnaire was to achieve the objectives of the research.

This instrument was split into four different sections namely; I, II, III and IV. In particular, section I addressed the general background and bank features. Section II addressed the specific objective of establishing the outsourced services of Kenyan commercial banks. Section III addressed the competitiveness of banks gotten through involvement of BPO. While section IV dealt with questions on competitive advantage of commercial banks. The questions were both open and close-ended questions. The questionnaire further consisted of Likert scale questions whose intention was to weigh the respondents' opinions subject being investigated.

The researcher distributed the questionnaire to the said personnel through contact persons in the banks and with aid of research assistants. To ensure authenticity to the research, an introductory letter explaining the purpose of the survey was availed. The copies of questionnaire were distributed to all the commercial banking entities through drop and pick method.

3.5 Data Analysis

The consistency and comprehensiveness of the primary data obtained was ensured before analysis process. The coding and entry of collected data was done by use of statistical package for social sciences (SPSS) which aided in analysis. The data was then analyzed descriptively. The percentages, mean scores, as well as ratios were measured descriptively.

In order to estimate the relationship found between the independent and dependent variables, the study employed use of inferential statistics. Specifically, regression analysis was used to make inferences from the data collected to a more generalized conditions. Each inferential analysis was linked to address objective two of this study. Thus, the regression analysis was applied based on the following model:

$$CA = \alpha + \beta_1 LD_1 + \beta_2 SD_2 + \beta_3 RD_3 + \beta_4 HR_4 + \beta_5 BA_5 + \beta_6 CC_6 + \varepsilon$$

Where:

CA = Competitive Advantage

α = Constant

β_1 = Regression beta coefficient

LD_1 = Logistics and distribution

SD_2 = Software development

RD_3 = Research and Development

HR_4 = Human Resource

BA_5 = Benefit Administration

CC_6 = Contact centers

ε = Error margin

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This research looked into business process outsourcing strategy and competitive advantage of commercial banks in Kenya. This chapter therefore presents the research findings based on the proposed methodology and procedures. The chapter is comprised of the following sub-sections: response rate, respondents' background, banks' background information, services outsourced by the bank, business process outsourcing strategies and competitive advantages as well as inferential analysis.

4.2. Response Rate

This study targeted 84 respondents anticipated to respond to survey questionnaire. However, out of the estimate figure, only 68 responded by filling in and returning the questionnaires. Thus, the projected response rate translated to 81 percent as stated in Table 4.1.

Table 4.1: Distribution of Response Rate

Responses	Frequency (N)	Percentage (%)
Responded	68	81
Not responded	16	19
Total	**84**	**100**

Source: Author (2017)

For that reason, the rate of response documented by the study was found to be fit for analysis since it is supported by Mugenda and Mugenda (2010) that any response rate 70% and above is considered excellent for analysis and making conclusions.

4.3 Respondents' Background

4.3.1 Respondents' Gender

The study established the distribution of gender and the results are as indicated in Table 4.2. From the outcomes given, it can be construed that 63.3 percent of the respondents were male. On the other hand, the female respondents had a representation of 36.7 percent. This has implication that there was a fair balance in representation of respondents in terms of gender though the male gender seems to have a higher percentage.

Table 4.2: Percentage Distribution of Respondents' Gender

Gender	Frequency (N)	Percent (%)
Male	43	63.3
Female	25	36.7
Total	**68**	**100**

Source: Research Data

4.3.2 Respondents' Age

The research sought to establish the number of years of respondents. This was done through sub-division of years into reasonable age groups as follows: 20 - 30 years, 31 - 40 years, 41-50 years and above 50 years. From the results given in Table 4.3, it can be deduced that majority (38.2%) of the respondents belonged in the age bracket of between 31 and 40 years. An estimate of 32.4% of them was in the age group ranging from 41 years to 50 years. Those who were in the age bracket ranging from 20 - 30 years had a representation of 19.1%, while those who fall in the age brackets of above 50 years had a representation of 1.9%. This is an indication that there was fair distribution of the respondents who participated in this study in terms of age.

Table 4.3: Percentage Respondents' Age

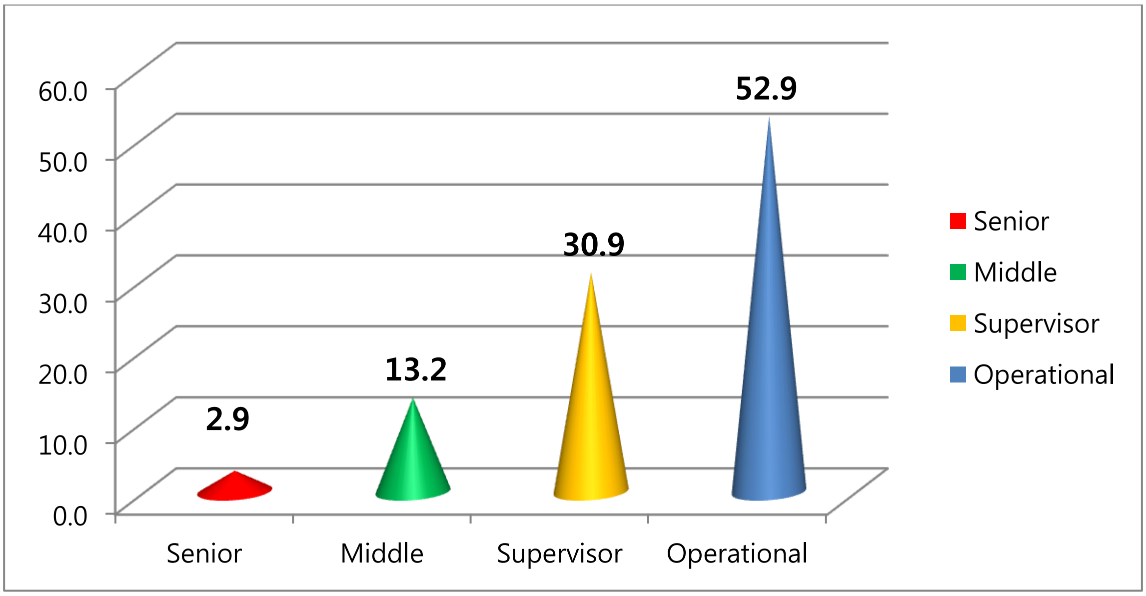
Age in Years	Frequency (N)	Percent (%)
20 - 30 years	13	19.1
31 - 40 years	26	38.2
41-50 years	22	32.4
Above 50 years	7	10.3
Total	**68**	**100**

Source: Research Data

4.3.3 Management Level

The results on respondent's level of management are as indicated in Figure 4.1. From the output given, it can be construed that majority of the respondents (52.9%) were found to be in operations. About 30.9% belonged to supervisory level. An estimate of 13.2% of those who responded to survey questionnaire were ranked in middle level management, while only 2.9% resided from level of senior management. These results could indicate that the respondents who participated in this research are managers who are likely to take part in decision making and therefore, understood the concepts under study.

Figure 4.1: Management Level



Source: Research Data

4.4 Banks' Background Information

4.4.1 Duration of Banks' Operation

The research resolved to ascertain the duration of which the various commercial banks have operated. The responses in Table 4.4 reveal that an overwhelming majority (76.5%) of the respondents said that their respective banks had been in operation for a period ranging from 5 to 10 years. Approximately 14.7% of them indicated that the banks from which they operate from had been into existence for a time length of less than a year, while a few (8.8%) of them stated that they had operated for a period ranging from 10 – 15 years. This could mean that most of the banks have been in operation for a sizeable number of years and therefore a sign of sustainability.

Table 4.4: Duration in Years

Duration	Frequency (N)	Percent (%)
Less than 5 years	10	14.7
Between 5-10 years	52	76.5
Between 10-15 years	6	8.8
Total	**68**	**100**

Source: Research Data

4.4.2 Number of Branches

The outputs on the number of branches which commercial banks had as at December 2016 are as indicated in Table 4.5. There were a total of 42 banks, with a minimum of three (3) branches and a maximum of 198 branches countrywide. In addition, all banks recorded an average of 39 branches.

Table 4.5: Number of Branches

Descriptive Statistics					
Branches	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Number of Branches	42	3.00	198.00	39.35	47.753851

Source: Research Data

4.4.3 Size of Bank in Assets

The study also established to verify the size of banks based on their annual total assets as at December 2016. This was only gathered from 39 banks which were in operation given that three banks namely Chase bank, Imperial bank and Fidelity commercial bank were either closed or put on receivership. According to results given in Table 4.6, the commercial banks in Kenya recorded a minimum annual asset size of KES 5,233.52 million and a maximum of KES 504,777.67 million, with an average asset value of KES 94,767.77 million.

Table 4.6: Size of Bank in Assets

Descriptive Statistics					
Size	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Bank size	39	5,233.52	504,777.67	94,767.77	121,198.53

Source: Research Data

4.5 Services Outsourced by the Banks

4.5.1 Practice of Business Process Outsourcing

On the inquiry on whether commercial banks had practiced business process outsourcing, it was ascertained that the entire response rate (100%) disclosed that their respective banking institutions had practiced BPO as shown in Table 4.7. This indicates presence of BPO strategies among the investigated banks.

Table 4.7: Whether Banks Practiced BPO

Responses	Frequency (N)	Percent (%)
Yes	68	100.0
No	0	0.0
Total	**68**	**100**

Source: Research Data

4.5.2 Logistics and Distribution

The services outsourced on the BPO strategy of logistics and distribution, mostly deals with organization, storage, warehousing, packaging, and transportation of goods. Skills sourced from personnel in this field therefore have a duty of controlling costs of transportation and methods of delivery as well as overseeing daily operations of employees. Results shown in Table 4.8 revealed that an overwhelming majority (91.2%) of the respondents indicated that their respective commercial banks mostly outsourced this service, while only 8.8% were found to not have outsourced this service. This has implication that a good number of commercial banks operating in Kenya rely on outsourced skills when handling logistics and distribution services.

Table 4.8: Logistics and Distribution

Responses	Frequency (N)	Percent (%)
Outsourced	62	91.2
Not Outsourced	6	8.8
Total	**68**	**100**

Source: Research Data

4.5.3 Software Development

Concerning the aspect of software development, 79.4% of the respondents acknowledged that the commercial banks where they work from prefer outsourcing this service. On contrary, 20.6% of the respondents felt otherwise as displayed in Table 4.9. This has indication that most commercial banks outsource skills to do with creation and maintenance of software products and systems that entail computer programming, documentations, tests, and bug fixing in order to sustain their competiveness.

Table 4.9: Software Development

Responses	Frequency (N)	Percent (%)
Outsourced	54	79.4
Not Outsourced	14	20.6
Total	**68**	**100**

Source: Research Data

4.5.4 Research and Development Services

Table 4.10 contains the output on whether commercial banks in Kenya outsourced strategy of research and development. It can be construed that few banks with representation of 29.4% of the respondents were found to put emphasis on research and development services. On other hand, majority (70.6%) of the respondents stated that their banks were not outsourcing this service. These results could mean that most of financial institutions tend to offer existing products or rather have their own research and development teams. It is essential for banks to research on development of new technology and products which can create a unique differentiation in product offered. This will help financial institutions in lowering the costs through use of more effective technologies that can help can enable them advance into areas of new product and service on market.

Table 4.10: Research and Development Services

Responses	Frequency (N)	Percent (%)
Outsourced	20	29.4
Not Outsourced	48	70.6
Total	**68**	**100**

Source: Research Data

4.5.5 Human Resource

The findings on the aspect of banks outsourcing employees indicate that this was not a big deal to commercial banks operating within Kenya. As shown in Table 11, it was found that majority of the respondents (73.5%) felt that their respective banks were not outsourcing workers while 26.5% of them said that their financial institutions were outsourcing workforce. This has implication that majority of banking institutions in Kenya invest in human resource by employing enough labor force to handle their daily operations.

Table 4.11: Human Resource

Responses	**Frequency (N)**	**Percent (%)**
Outsourced	18	26.5
Not Outsourced	50	73.5
Total	**68**	**100**

Source: Research Data

4.5.6 Benefit Administration

The research further revealed that most of the banks manage benefits of employees internally as shown in Table 4.12. The findings show that about 26.5% of the respondents acknowledged that the strategy of benefit administration was being outsourced by their commercial financial institutions in Kenya.

Table 4.12: Benefit Administration

Responses	**Frequency (N)**	**Percent (%)**
Outsourced	18	26.5
Not Outsourced	50	73.5
Total	**68**	**100**

Source: Research Data

On contrary, majority of commercial banks were handling services pertaining to this strategy from within as stated by 73.5% of the respondents. This could therefore imply that most of the benefits of employees such as individual retirement accounts (IRAs), maternity leave, medical insurance, vacation time, sick time, and pension plans are controlled by the employees of the commercial banks operating in Kenya.

4.5.7 Contact Centers

An overwhelming number of respondents (97.1%) acknowledged that the commercial banks which they work from were not outsourcing contact centers. However, 2.9% of them admitted that they source this service from other organizations or personnel as illustrated in Table 4.13. This could therefore be an indication that most of the commercial banks have internal setups or systems which they use for communication purposes.

Table 4.13: Contact Centers

Responses	Frequency (N)	Percent (%)
Outsourced	2	2.9
Not Outsourced	66	97.1
Total	**68**	**100**

Source: Research Data

4.5.8 Nature of BPO Strategies

This research ascertained the nature of business processes outsourced by banks and the responses are as displayed in Table 4.14. The results show that majority (36.4%, mean of 0.91176) of the respondents revealed that their respective banks outsource much in terms of logistics and distribution. This was followed by software development (31.8%, with a mean of 0.79412), then research and development services at 11.6% and a mean of 0.29412. Human resource services are also outsourced by banks since it had a representation of 11%, mean = 0.26471. In addition, benefit administration and contact centers were found to be out sourced with a representation of 8.7 percent (Mean = 0.22059) and 0.65 (Mean = 0.02941) respectively. Others included: facility appraisal, advertising, custodial services, construction, investors, internal audits, accounting, product design and transactional banking.

Table 4.14: BPO Strategies

BPO Services	Frequency (N)	Percent (%)	Mean	Std Deviation
Logistics and distribution	63	36.4	0.91176	0.285746
Software development	55	31.8	0.79412	0.407351
Research and development services	20	11.6	0.29412	0.459033
Human resource	19	11.0	0.26471	0.444457
Benefit administration	15	8.7	0.22059	0.417726
Contact centers	1	0.6	0.02941	0.170214
Total	**173**	**100**	**0.41912**	**0.364088**

Source: Research Data

4.5.9 Services Benefiting Banks

The study found out that among the services that gave the banks best benefits included: logistics and distribution, software development, research and development services, software development, cleaning, security, catering, research, office automation, strategic consultancy, cash management, recruitment and training, facility management, automated teller machines management services, credit card processing, telecommunication technology, marketing as well as M & A advisory.

4.6 BPO Strategies and Competitive Advantages

4.6.1 Profitability and Efficiency Enhancement in Banks

Respondents were required to ascertain the extent to which the statements in Table 4.15 help banks in improving profitability and efficiency. The outcome revealed that a majority 61.8% of the respondents felt that their banks recorded higher profits when they embrace better quality services offered to great extent, 25% indicated that this helped the banks' efficiency and profitability to a very great extent, while 13.2% of the respondents said that better quality services offered enabled banks to improve financially and to be efficient just to a moderate extent. On the aspect of better consumer relationship management, 69.1% of the respondents felt that this aspect contributed to the increase of banks' profitability and efficiency to a great extent. Those who rated this aspect as a contributor to efficiency and profits to a very great extent have a representation of 20.6% while 10.3% rated it to a moderate extent.

In addition, focusing on core processes was rated as an enabler of higher profit increase and banks' efficiency to a great extent by majority (86.8%) of respondents. Those who rated it to a very great extent and to a moderate extent were represented by 7.4% and 5.9% respectively. On the different note, 58.8% ranked better service and product quality to a great extent, 22.1% to a moderate extent, and 17.6% to a very great extent while 1.5% rated it to a little extent. Having access to wider skills rated to enhance profitability and efficiency to a great extent by 67.6% of the respondents. An approximate of 22.1% of them rated the same aspect to a moderate, 8.8% to a very high extent while a few (1.5%) felt that it assisted in promotion of efficiency as well as profitability just but to a little extent.

Table 4.15: Profitability and Enhancement of Efficiency

Statements on profitability and efficiency	Percentage Distribution of Responses						
	No Extent	**Little Extent**	**Moderate extent**	**Great Extent**	**Very Great Extent**	**Total**	**Mean**
Better Quality Services	0.0%	0.0%	13.2%	61.8%	25.0%	**100**	**4.1176**
Better Consumer relationship management	0.0%	0.0%	10.3%	69.1%	20.6%	**100**	**4.1029**
Focusing on Core processes	0.0%	0.0%	5.9%	86.8%	7.4%	**100**	**4.0147**
Better service and product quality	0.0%	1.5%	22.1%	58.8%	17.6%	**100**	**3.9265**
Having access to wider skills	0.0%	1.5%	22.1%	67.6%	8.8%	**100**	**3.8382**
Flexibility	2.9%	0.0%	45.6%	45.6%	5.9%	**100**	**3.5147**

Source: Research Data

The respondents had equally divided opinions on the issue of flexibility enabling banks to increase profitability and efficiency level as those who rated it to a great extent and moderate extent each had a representation of 45.6% respectively. On the same note, respondents who rated flexibility to a very great extent and no extent were represented by 5.9% and 2.9% respectively. Based on the mean results the statements can be ranked from high to lowest contributor as follows: better quality services, better consumer relationship management, focusing on core processes, better service and product quality, having access to wider skills and finally flexibility.

4.6.2 Reasons for Outsourcing

From the findings of Table 4.16, it can be construed that 67.6% of those who participated in this research acknowledged that their respective banks consider quality when outsourcing to a great extent, 17.6% to a very great extent while 14.7% to a moderate extent. Banks were found to consider reliability to a great extent as indicated by 57.4% of the respondents. About 25% consider reliability to a moderate extent while 17.6 to a very high extent. Trust is also another important aspect considered by banks when outsourcing since majority (63.2%) stated that it contributes to a great extent, 22.1% to moderate extent and 14.7% to very great extent.

Table 4.16: Rating Reasons for Outsourcing

	Percentage Distribution of Responses						
Reasons for outsourcing	**No Extent**	**Little Extent**	**Moderate extent**	**Great Extent**	**Very Great Extent**	**Total**	**Mean**
Quality	0.0%	0.0%	14.7%	67.6%	17.6%	**100**	**4.0294**
Reliability	0.0%	0.0%	25.0%	57.4%	17.6%	**100**	**3.9265**
Trust	0.0%	0.0%	22.1%	63.2%	14.7%	**100**	**3.9265**
Fairness	0.0%	0.0%	22.1%	66.2%	11.8%	**100**	**3.8971**
Honesty	0.0%	0.0%	35.3%	50.0%	14.7%	**100**	**3.7941**
Flexibility	0.0%	0.0%	32.4%	57.4%	10.3%	**100**	**3.7794**
Experience	0.0%	0.0%	29.4%	67.6%	5.9%	**100**	**3.7353**

Source: Research Data

Fairness also has a role to play given that 66.2% of the respondents indicated that it attributed to great extent in the banks' consideration of outsourcing process, 22.1% said that fairness contributes to a moderate extent and about 11.8% to a very great extent. The issue of honesty prevails among banks' outsourcing process, given that 50% and 35.3% as well as 14.7% rated its contribution to great extent, moderate extent and very great extent respectively.

Furthermore, an estimate of 57.4% of the respondents ascertained that flexibility was considered by banks in outsourcing to a great extent, 32.4% to a moderate extent and 10.3% to a very great extent. Consequently, banks focus on 67.6% of the interviewees reiterated that experience was a factor in outsourcing process to a great extent. About 29.4% rated it to a moderate extent while only 5.9% of the respondents rated experience to a very great extent. In summary, the means provided indicate the banks' consideration of these factors in outsourcing process in the following order from highest to lowest: quality, reliability, trust, fairness, honesty, flexibility, and lastly experience.

4.6.3 BPO Increasing Banks' Competitiveness

On the question of whether BPO had increased competitive advantage of the banks, the results are as tabulated in Table 4.17.

Table 4.17: Whether BPO Increased Banks' Competitiveness

Responses	Frequency (N)	Percent (%)
Yes	65	95.6
No	3	4.4
Total	**68**	**100**

Source: Research Data

It is clear that almost all of the respondents investigated agreed that BPO had a potential of increasing competitiveness. On the contrary, 4.4% felt otherwise. BPO was found to increase competitiveness in the following ways: efficiency in internal process, concentration on the core business functions, provision of quality services, cost effectiveness, cutting costs, new products development, improve customer experience, enhance digital platforms, keeping abreast on continuous change in technology, improved service delivery as well as increase in productivity.

4.6.4 Scales of Outsourcing

The study further made an inquiry to establish whether the respondents could forecast the volumes of outsourcing either increasing or decreasing. From the outputs provided in Table 4.18, it can be seen that all the respondents happened to foresee an increase in the amount of outsourced products and services. Some of the reasons to support this argument were: reduces expenditure, improves staff efficiency, enhances work specialization, ensures professionalism, guarantees positive feedback, honesty, integrity, growth in business, maximizes security, improves organization performance, saves time, and also ensures inventory accuracy.

Table 4.18: Outsourcing Scales

Responses	Frequency (N)	Percent (%)
Increasing	68	100.0
Decreasing	0	0.0
Total	**68**	**100**

Source: Research Data

4.7 Regression Analysis

In this section, the study estimated the relationship between the independent variable and the dependent variable. The results on estimations done included: test of model's goodness of fit, Analysis of Variance (ANOVA) (test of hypothesis), and beta coefficients for determination of effect of BPO on competitive advantage of commercial banks in Kenya. Rumsey (2011) recommends a smaller p – value (typically ≤ 0.05) to have strong evidence and a higher p – value (> 0.05) to indicate weak evidence.

4.7.1 The Effect of Logistics and Distribution on Competitive Advantage

Table 4.19 has the findings of the regression model testing the linear relationship between logistics and distribution and competitive advantage of commercial banks in Kenya. The results of the model summary indicate an R of 0.452 which indicates that the variable of logistics and distribution is associated to competitive advantage by 45.2%. The model further produced an R^2 value of 0.204, an implication that logistics and distribution alone can explain 20.4% of the variation in competitive advantage of a given commercial bank.

The estimations of ANOVA results provided regression sum square of 5.123 with equal regression mean square. The residual sum square is 19.935 accompanied with a mean square of 0.302. In addition, the results further presented an F- test value of 16.962 accompanied by a strong$p$ value of 0.000. This would imply that the null hypothesis that logistics and distribution has no effect on competitive advantage of commercial banks is rejected since the since the error we make by doing so, is zero (0).

Table 4.19: Effect of Logistics and Distribution on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.452[a]	0.204	0.192	0.54959
a. Predictors: (Constant), Logistics and distribution				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	5.123	1	5.123	16.962	0.000[b]
	Residual	19.935	66	0.302		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Logistics and distribution						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	3.065	.264		11.597	.000	2.537	3.592
	Logistics and distribution	.968	.235	.452	4.118	.000	.499	1.437
a. Dependent Variable: Competitive advantage								

Source: Research Data

The beta coefficients were used to indicate variance relationship while the *t* – values and *p* – values were used to determine the significance of independent variable on dependent variable. The outcomes on beta coefficient indicate that logistics and distribution board significantly increases chances of commercial banks improving their competitive advantage by 96.8% since it gave a positive coefficient value of 0.968, backed up with a strong *t* value of 4.118 and an acceptable $p< 0.05$.

4.7.2 The Effect of Software Development on Competitive Advantage

The results on the effect of board size on financial performance of microfinance banks are as displayed in Table 4.20. The model summary results produced a correlation value of 0.740 and an R^2 value of 0.548. This means that the variable of software development has the ability of explaining 54.8% of the changes in the competitiveness of commercial banks.

Table 4.20: Effect of Software Development on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.740[a]	0.548	0.541	0.41439
a. Predictors: (Constant), Software development				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	13.725	1	13.725	79.931	0.000[b]
	Residual	11.333	66	0.172		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Software development						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	2.778	0.158		17.573	0.000	2.462	3.093
	Software development	1.111	0.124	0.740	8.940	0.000	0.863	1.359
a. Dependent Variable: Competitive advantage								

Source: Research Data

The estimations of ANOVA results provided regression sum square of 13.725 with regression mean square of 13.725. The model provided a residual sum square of 11.333 together with a mean square of 0.172. In addition, the results further presented an *F*- statistics of 79.931 with an acceptable $p < 0.000$. This is an implication that the study rejects that null hypothesis that software development has no effect on competitive advantage of commercial banks.

In addition the results of beta coefficients indicate that software development can statistically influence competitiveness of commercial banks. This is because this variable provided a positive coefficient value of 1.111 and *t* value of 8.940 and an acceptable *p* value of 0.000.

4.7.3 The Effect of Research and Development on Competitive Advantage

The outputs displayed in Table 4.21 are for the effect of research and development on competitiveness of commercial banks. The model summary shows that theses two variables have associated positively as the model provided an *R* value of 0.604. With an R^2 of 0.364, it could imply that research and development is able to explain 36.4 percent of the variance in competitive advantage of commercial banks.

The ANOVA estimations provided regression sum square of 9.130 with the same regression mean square of 9.130. The model provided a residual sum square of 15.929 together with a mean square of 0.241. In addition, the results further presented an *F*-statistics of 37.827 with an acceptable $p = 0.000$. This would be interpreted that any null hypothesis that research and development has no effect on competitive advantage of commercial bank is rejected.

Table 4.21: Effect of Research and Development on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.604[a]	0.364	0.355	0.49127
a. Predictors: (Constant), Research and Development				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	9.130	1	9.130	37.827	0.000[b]
	Residual	15.929	66	.241		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Research and Development						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	2.746	.231		11.894	.000	2.285	3.207
	Research and Development	.804	.131	.604	6.150	.000	.543	1.065
a. Dependent Variable: Competitive advantage								

Source: Research Data

Furthermore, the estimation of beta coefficients revealed that research and development has a significant influence on competitive advantage of commercial banks. The evidence provided indicates that this variable gave a positive coefficient value of 0.804 (t = 6.150) and p value of 0.000.

4.7.4 The Effect of Human Resource on Competitive Advantage

The findings of the model summary of a linear relationship between the predictor variable against the dependent variable are as indicated in Table 4.22. The link of human resource to competitive advantage produced an *R* value of 0.610 and gave an R^2 estimation of 0.373. This indicated that human resourceis able toexplain 37.3% of the variation in competitiveness of a particular financial institution. Therefore, this is an indication that there exist other factors beside human resource which can help in further improvement of the model. The remaining factors could account for 62.7%.

The estimations of ANOVA results gave a regression sum square of 9.339 with same mean square and a slightly high residual sum square of 15.720 accompanied with a mean square of 0.238. However, the results further presented an *F*- test value of 39.209 together with a $p < 0.000$. Which means that the null hypothesis that human resource has no effect on competitive advantage is rejected since the significance value is less than critical value of 0.05.

In addition, the model provided results of beta coefficients which were used to indicate variance relationship while the *t* – values and *p* – values were used to determine the significance of independent variable on dependent variable. The outcomes of the study therefore revealed that human resource strategy is significantly related to competitive advantage of commercial banks operating in Kenya given that its beta coefficient value is 0.840, *t* value of 6.262 and an a recommendable *p* – value of 0.000. In other words, it can be interpreted to mean that an increase in the number of employees increases competitiveness of a financial institution by 84%.

Table 4.22: Effect of Human Resource on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.610[a]	0.373	0.363	0.48804
a. Predictors: (Constant), Human resource				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	9.339	1	9.339	39.209	0.000[b]
	Residual	15.720	66	0.238		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Human resource						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	2.660	0.240		11.074	0.000	2.180	3.140
	Human resource	0.840	0.134	0.610	6.262	0.000	0.572	1.108
a. Dependent Variable: Competitive advantage								

Source: Research Data

4.7.5 The Effect of Benefit Administration on Competitive Advantage

Table 4.23 illustrates the output on determination of the relationship between benefit administration and competitive advantage of commercial banks in Kenya. The model gave an *R* value of 0.629 accompanied with an R^2 result of 0.396. This has implication that banks' strategy of benefit administrationcan explains 39.6% of change in competitive advantage of commercial banks. Therefore, this is an indication that there exist other factors beside benefit administration ofwhich if included can help to improve the model further and these could account for 60.4%.

The estimations of ANOVA results gave a regression sum square of 9.912 with same mean square and a slightly high residual sum square of 15.147 together with a mean square of 0.230. In addition, the results of *F*- test and *p* – value were 43.188 and 0.000 respectively. Therefore, the study rejects the null hypothesis that benefit administration has no effect on competitive advantage of commercial banks. Moreover, the results of beta coefficients indicate that benefit administration strategy is positively affecting competitive advantage of commercial banks as the estimation provided beta coefficient value is 0.921, *t* value of 6.572 and a strong *p* – value of 0.000.

Table 4.23: Effect of Benefit Administration on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.629[a]	0.396	0.386	0.47906
a. Predictors: (Constant), Benefit administration				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	9.912	1	9.912	43.188	0.000[b]
	Residual	15.147	66	0.230		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Benefit administration						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	2.479	0.256		9.685	0.000	1.968	2.990
	Benefit administration	0.921	0.140	0.629	6.572	0.000	0.641	1.200
a. Dependent Variable: Competitive advantage								

Source: Research Data

4.7.6 The Effect of Contact Centre on Competitive Advantage

When the relationship between contact center and competitive advantage was estimatedas indicated in Table 4.24, the results produced model's R^2 value of0.103. Implying that contact centre is able to explain 10.3 percent of the variation in the competitive advantage of commercial banks in Kenya.

Table 4.24: Effect of Contact Centre on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.320[a]	0.103	0.089	.58368
a. Predictors: (Constant), Contact center				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	2.574	1	2.574	7.555	0.008[b]
	Residual	22.485	66	0.341		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Contact center						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	***t***	**Sig. (*p* – value)**	**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**			**Lower Bound**	**Upper Bound**
1	(Constant)	1.848	0.829		2.231	0.029	0.194	3.503
	Contact center	1.152	0.419	0.320	2.749	0.008	0.315	1.988
a. Dependent Variable: Competitive advantage								

Source: Research Data

The ANOVA results presented show that the model had a regression sum square of 2.574and a residual's sum square of 22.485with a mean square of 2.574for the regression and 0.341for the residuals. The ANOVA results further provided an *F*- test value of 7.555 and a $p< 0.008$. This would be interpreted that the null hypothesis that contact centresof financial institutions are not significance in predicting competitiveness of commercial banks is rejected.

Based on the confidence interval of 95%, the results of beta coefficients on predictor variable revealed that contact center is statistically significant in determining the competitive advantage of commercial banks given that the beta coefficient is 1.152t = 2.749) and a p – value of 0.008. Likewise, the findings gave a revelation that an increase in capital adequacy tend to increase financial performance of a commercial bank by 45.2%.

4.7.7 The Joint Effect of BPO Strategies on Competitive Advantage

The measurement on how well the variables fitted in the model, ANOVA, and beta coefficient of BPO strategies are as displayed in Table 4.25. From the outcomes provided, it is clear that the model gave an improved R^2 value of 0.762. This can be interpreted to mean that all the business process outsourcing strategies used in this study namely; logistics and distribution, software development, research and development, human resource, benefit administration, contact centers can explain 76.2% of the variation in competitive advantage of commercial banks in Kenya. This may also imply that beside BPO strategies employed in this study, there are other aspects which can be introduced in the model to help in further improvement of its goodness fit by 23.8% in determination of the competitive advantage of commercial banks.

Table 4.25: The Joint Effect of BPO Strategies on Competitive Advantage

Model Summary				
Model	***R***	***R* Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.873[a]	0.762	0.738	0.31274
a. Predictors: (Constant), Logistics and distribution, Software development, Research and Development, Human Resource, Benefit Administration, Contact centers				

ANOVA[b]						
Model		**Sum of Squares**	***Df***	**Mean Square**	***F***	**Sig. (*p* – value)**
1	Regression	19.093	6	3.182	32.536	0.000[b]
	Residual	5.966	61	0.098		
	Total	25.059	67			
a. Dependent Variable: Competitive advantage						
b. Predictors: (Constant), Logistics and distribution, Software development, Research and Development, Human Resource, Benefit Administration, Contact centers						

Coefficients[a]								
Model		**Unstandardized Coefficients**		**Standardized Coefficients**			**95.0% Confidence Interval for B**	
		B	**Std. Error**	**Beta**	***t***	**Sig. (*p* – value)**	**Lower Bound**	**Upper Bound**
1	(Constant)	1.000	0.460		2.172	0.034	0.080	1.920
	Logistics and distribution	-5.515	0.169	0.000	0.000	1.000	-0.338	0.338
	Software development	0.912	0.123	0.607	7.419	0.000	0.666	1.157
	Research and Development	0.088	0.228	0.066	0.388	0.700	-0.367	0.543
	Human Resource	-4.042	0.285	0.000	0.000	1.000	-0.571	0.571
	Benefit Administration	0.538	0.200	0.368	2.688	0.009	0.138	0.939
	Contact centers	0.462	0.238	0.128	1.943	0.057	-0.013	0.937
a. Dependent Variable: Competitive advantage								

Source: Research Data

The ANOVA estimations had a regression sum square of 19.093with its mean square being 3.182. The model's residual sum square was 5.966accompanied by a mean square of 0.098. The model's *p* - value of *F*- statistics is (32.536) 0.000. This gave a strong indication that the study rejects the null hypothesis that business process outsourcing strategies used in this study jointly, do not influence competitiveness of commercial banks and therefore, an indication that the factors used by this study were fit in determining the dependent variable.

The measurement of the individual effect of BPO strategies on competitive advantage based on beta coefficients revealed that, at a confidence interval of 95%, software development is found to be statistically significant in determining the competitiveness of commercial banks given a positive coefficient value of 0.912, *t* – value of 7.419 and a strong *p* – value of 0.000. To add on that, benefit administration has a positive influence towards competitive advantage of commercial banks where it gave a coefficient value of 0.538 ($t = 2.688$) with a *p* – value of 0.009.

On contrary, logistics and distribution, research and development, human resource, as well as contact centers, were found to be statistically insignificant where logistics and distribution provided a coefficient value of -5.515 ($t = 0.000$) with a weak *p* – value of 1.000; research and development gave a coefficient value of 0.088 ($t = 0.388$) with a $p > 0.05$; human resource had a coefficient value of -4.042 ($t = 0.000$) with an unacceptable *p* – value of 1.000; and contact center recorded a coefficient value of 0.462 ($t = 1.943$) and a *p* – value of 0.57.

Given the initial model of:

$$CA = \alpha + \beta_1 LD_1 + \beta_2 SD_2 + \beta_3 RD_3 + \beta_4 HR_4 + \beta_5 BA_5 + \beta_6 CC_6 + \varepsilon$$

Where CA was for competitive advantage, α represented constant value, LD_1= Logistics and distribution, SD_2= Software development, RD_3= Research and

Development, HR_4 = Human Resource, BA_5 = Benefit Administration, CC_6 = Contact centers, while ε meant error term, therefore, the resulting model can be as stated below:

$$CA = 1.000 – 5.515LD_1 + 0.912SD_2 + 0.088RD_3 – 4.042HR_4 + 0.538BA_5 + 0.462CC_6 + \varepsilon$$

This further led to new predictor model as stated hereunder:

$$CA = 1.000 + 0.912SD_2 + 0.538BA_5$$

The results have an indication that only software development and benefit administration affect competitive advantage of commercial banks. However, logistics and distribution, research and development, human resource, and contact centers seem not to have significant effect on competitive advantage of commercial banks. It should be noted that the estimation of regression analysis done to test individual revealed that all the BPO strategies applied in the study had positive and significant effect on competitive advantage unlike the results of the joint effect.

4.7 Discussion of the Findings

The estimates of the study findings on the influence of business process outsourcing strategies on competitive advantage of commercial banks in Kenya revealed that all the business process outsourcing strategies had ability of explaining a sizeable variation of competitive advantage of in financial institutions. Generally, tests of beta coefficients of individual strategies on competitive advantage provided a positive and significant effect. These findings corroborate with other scholars, research findings. For instance, González, Llopis and Gascó (2013) identified the changes in the operating environment including: pressure brought about by the regulatory authorities, high level of competition following high degree of globalization and the need for organizations to keep their operational costs low. In addition, Nazeri, Damavand, Gholami, Ilam and Rashidi (2012) found out that outsourcing might lead to greater flexibility, production of higher quality goods, cost reductions, improved financial and non-financial performance and a whole lot better service experience. The results of the study carried out by Giustiniano and Clarioni (2013) revealed that outsourcing could contribute to giving companies a sustainable competitive advantage.

On other hand the results provided by beta coefficients on the joint effect indicated that only software development and benefit administration are statistically significant towards competitive advantage of commercial banks. The findings are contrary to that of Karanja (2016) who discovered that the reasons for offshore business process outsourcing included; cost cutting, increase in an organizations' profitability index, and lead to better service quality. However, the research carried out by Wachira, Brookes and Haines (2016) established that outsourcing yielded both positive and /or negative outcomes depending on the prevailing circumstances like risks prevailing in the business environment, organizational policies and regulations, business functions outsourced, and the competence and commitment of the outsourcing vendor.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the study summary of the findings. Conclusions are also made with a focus on the outcomes of the study as well as recommendations and suggestion for further research.

5.2 Summary of Findings

The response rate projected by the study was 83 percent where it was found that majority of respondents were male. Great percentage of the respondents belonged in the age bracket of between 31 and 40 years and age group that ranged from 41 years to 50 years. A good number of banks' employees who participated in this research resided from operational and supervisory levels. It was revealed that most of the respondents said that their respective banks had been in operation for a period ranging from 5 to 10 years. There were a total of 42 banks that had a minimum of three (3) branches and a maximum of 198 branches countrywide where all banks had an average of 39 branches. Commercial banks in Kenya recorded a minimum annual asset size of KES 5,233.52 million and a maximum of KES 504,777.67 million with an average asset value of KES 4,767.77 million.

It was ascertained that the entire response rate disclosed that their respective banking institutions had practiced BPO. The results indicated that majority of the respondents revealed that their respective banks outsource much in terms of logistics and distribution, and software development. The outcomes further revealed that majority of the respondents felt that their banks recorded higher profits and improved efficiency when they embrace better quality services offered, better consumer relationship management, and when they focus on core processes. Based on the mean results the aspects that triggered higher profitability and efficiency were in the following order ranked from high to lowest: better quality services, better consumer relationship management, focusing on core processes, better service and product quality, having access to wider skills and finally flexibility. On a different note, it was deduced that majority of the respondents acknowledged that their respective banks considered quality and reliability when outsourcing to a great extent. Where the summary of means indicated that the banks' consideration of factors of outsourcing process were found to base in the following order from highest to lowest: quality, reliability, trust, fairness, honesty, flexibility, and lastly experience. It was clearly stated that almost all of the respondents investigated agreed that BPO had a potential of increasing competitiveness. Similarly, all the respondents happened to foresee an increase in the amount of outsources products and services.

The estimates on the relationship between independent variables and dependent variable revealed that all the business process outsourcing strategies had ability of explaining a sizeable variation of competitive advantage of in financial institutions. All the variables had acceptable ANOVA results which led rejection of all the null hypotheses that business process outsourcing strategies do not influence competitiveness of commercial banks. However, the results of beta coefficients produced conflict results where test of individual strategies on competitive advantage provided a positive and significant effect, while the beta coefficients on the joint effect indicated that only software development and benefit administration are statistically significant towards competitive advantage of commercial banks. On the other hand, logistics and distribution, research and development, human resource, and contact centers were found not to have significant effect on competitive advantage of commercial banks.

5.3 Conclusion

The findings of the study revealed that business process outsourcing influences competitive advantage of commercial banks in Kenya. In conclusion, this research therefore advocates for BPO as a strategic choice to help financial institutions compete well in dynamic business environment which should be done in line with institutions' capabilities and resources. BPO strategy can be used to create unique or important propositions that involve various sets of undertakings which are required by banks in choosing a product or service, based on either cost leadership, or differentiation, or both.

The requirement of financial institutions to be selective in making choices in a competitive range of activities can help them gain competitive advantage which could include being focused, different and cost leaders. Competitive advantage could also imply that a given financial institution has a successful focus strategy, differentiation advantage, or runs a low cost environment in their day-to-day services offering. Among the activities which can be outsourced by many commercial banks in Kenya include: business services, manufacturing operations, as well as other lines of businesses.

Presence of stiff competition in dynamic business environment could either imply that a given bank is able to produce a particular product or service valued by its customers far much better as to when compared to that of their competitors, or rather the production of this service or product is done at a cost which lower than its rivals. Therefore, for any given financial institution to maintain its prosperity, the aspect of value addition should be put in place to ensure sustainability of its competitive advantage.

5.4 Recommendations

The study made the following recommendations based on the study findings:

There is need for top level management to make diligent decision on business process outsourcing as a strategy for gaining competitive advantage. Financial institutions are also advised to embrace outsourcing more with focus on institutions goals and objectives. This can be done through setting of proper timelines on duration to be taken to effect decisions on outsourcing.

The Banking industry should also adopt BPO where possible to be able to improve their service delivery and ensure quality. Adoption of BPO can as well assist in gaining wider experience from qualified professionals.

It can further be recommended that banks should perform cost benefit analysis of business process outsourcing to their competitiveness. This can be done through proper scrutiny of outsourcing partners’ profiles based on experience and knowledge of products and services being offered.

5.5 Suggestion for Further Studies

This research examined the influence of business process outsourcing strategy on competitive advantage of commercial banks in Kenya and it is revealed that business process outsourcing has a positive impact on competitiveness of commercial banks. Therefore, there is a need for further studies whose data should be based on use of more variables, which should comprise of a larger sample size to help in further understanding and justification of results generalization.

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APPENDICES

Appendix I: Questionnaire

Business Process Outsourcing Strategy and Competitive Advantage of Commercial Banks in Kenya

SECTION A: RESPONDENTS BACKGROUND

1. **Gender of respondent**

    a) Male [ ]
    b) Female [ ]

2. **In which age bracket do you belong?**

    a) 20 to 30 years [ ]
    b) 31 to 40 years [ ]
    c) 41 to 50 years [ ]
    d) 50 years and over [ ]

3. **In what level of management hierarchy do you belong?**

Top ☐ Senior Middle ☐ Supervisor ☐ Operational ☐

SECTION B: BANK'S BACKGROUND INFORMATION

4. **Name of the Bank (Optional)**

    ____

5. **How long has your bank been in operation in Kenya?**

    Below 5 years ☐
    Between 5 years and less than 10 years ☐
    Between 10 and 15 years ☐
    Over 15 years ☐

6. **How many branches did your bank have as at December 2016?**

    ……………………………………………………………………

7. **What was the size of your bank in terms of assets as at December 2016?**

   ……………………………………………………………..……………

SECTION C: SERVICES OUTSOURCED BY THE BANK

8. **Has your bank ever practiced Business Process Outsourcing?**

   Yes [ ]   No [ ]

9. **If your answer in 8 (above) is No, Please Explain**

   ……………………..……

   ………………………………………………………………………………

   ……………………………..……………..…………………………………

   ……………………………………..…………………………………………

10. **Which of the following best describes the nature of the process your organization outsources?**

    [ ] Research and Development services

    [ ] Contact centres

    [ ] Data entry services

    [ ] Call centres

    [ ] Software development

    [ ] Human Resource

    [ ] Data transcription services

    [ ] Benefit Administration

    [ ] Logistics and distribution

    [ ] Payroll and benefit administration

Others, please specify ……………………………………………………..................

Of the services that you outsource, list the ones that give the business the best benefits?

a. ______________________________
b. ______________________________
c. ______________________________
d. ______________________________
e. ______________________________

SECTION D: BUSINESS PROCESS OUTSOURCING STRATEGIES AND COMPETITIVE ADVANTAGES

11. **Based on a scale of 1 – 5, how does the following help your bank in making higher profits and improving efficiency?**

[1] No Extent [2] Little extent [3] Moderate extent [4] Great Extent [5] Very Great Extent

(Please tick where appropriate).

	1	**2**	**3**	**4**	**5**
Focusing on Core processes					
Focusing on Core processes					
Flexibility					
Having access to wider skills					
Better service and product quality					
Better Consumer relationship management					
Better Service Quality than will be provide internally					

12. **On a scale of 1 — 5, please rate the extent to which your company considers the following reasons while outsourcing a business process.**

[1] No Extent [2] Little extent [3] Moderate extent [4] Great Extent [5] Very Great Extent.

(Please circle one that applies)

	1	**2**	**3**	**4**	**5**
Quality					
Experience					
Flexibility					
Honesty					
Reliability					
Fairness					
Trust					

Other (specify)

……………………………………………………………………..

13. **Has BPO increased your firm's competitiveness?**

Yes [ ] No [ ]

14. **If yes, in which ways?**

…………………………………………………………….

15. **In your own opinion, do you forecast an increase or a decrease in capacities of outsourcing?**

Increasing [ ]

Decreasing [ ]

16. **Please give a reason for this**: ……………………………………………….

Thank you for your input in the survey

Appendix II: List of Licensed Commercial Banks in Kenya

1. Standard Chartered Kenya
2. NIC Bank
3. National Bank of Kenya
4. Stanbic Bank
5. Victoria Commercial Bank
6. Trans National Bank Kenya
7. Spire Bank
8. Sidian Bank
9. Prime Bank (Kenya)
10. United Bank for Africa
11. Paramount Universal Bank
12. Oriental Commercial Bank
13. Middle East Bank Kenya
14. Kenya Commercial Bank
15. Jamii Bora Bank
16. Imperial Bank Kenya (In receivership)
17. I & M Bank
18. Housing Finance Company of Kenya
19. Habib Bank AG Zurich
20. Habib Bank
21. Gulf African Bank
22. Guardian Bank
23. Guaranty Trust Bank Kenya
24. Giro Commercial Bank
25. First Community Bank
26. Fidelity Commercial Bank Limited
27. Family Bank
28. Equity Bank
29. Eco-bank Kenya
30. Diamond Trust Bank
31. Development Bank of Kenya
32. Credit Bank
33. Cooperative Bank of Kenya
34. Consolidated Bank of Kenya
35. Commercial Bank of Africa
36. Citibank
37. Chase Bank Kenya (In Receivership)
38. Barclays Bank of Kenya
39. Bank of India
40. Bank of Baroda
41. Bank of Africa
42. ABC Bank (Kenya

Source: Central Bank of Kenya (2016)