

**FACTORS INFLUENCING HUMAN RESOURCE OUTSOURCING
AT KENYA COMMERCIAL BANK (KCB) LIMITED**

By

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REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
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DECLARATION

This research management study is my original work and has not been presented for a degree in any other university or tertiary institution.

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This management research project has been submitted for examination with our approval as the university supervisors.

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DEDICATION

dedicate this research project to my family and friends who are my inspiration in life.

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The process of producing this study paper was made possible by efforts of many people whom I greatly appreciate. First, my sincere thanks go to my supervisors, Mr. Owino, and Mr. Aranga and who are also my academic counselors for their patience, guidance and critical comments at every stage of the paper.

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LIST OF ABBREVIATIONS

KCB Kenya Commercial Bank Limited

HR Human Resource

HRO Human Resource Outsourcing

IT Information Technology

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FIG 4.1: Figure showing the management structure of KCB

FIG 4.2: Figure showing decisioning flow at KCB

FIG 4.3: Figure showing outsourced activities

ABSTRACT

In Sub Saharan Africa, organizations are undergoing serious human resource challenges that force them to look for optional ways to reduce costs and also ensure maximum output from the human resources used in an organization. This paper looks at the factors that influence the decisions to outsource human resources.

The research report focuses on the on managerial decisions that managers under such an organization have to deal with so as to make the right decisions in the short and long run. Its objective was to explore functions of HR outsourcing and factors influencing HR outsourcing decisions. To carry out this, Kenya Commercial Bank (K) limited has been selected as the case study. A case study methodology gives deeper understanding to the study. Data was collected using an interview Guide which allowed respondents to give personal accounts of the study data. It was then coded, interpreted, presented and analyzed using Content analysis to give detailed qualitative findings of the study.

The study found out that KCB bank has employed HR outsourcing functions in Cleaning, catering, security, IT networking, valuation, legal, training and development, recruitment and selection. On areas where outsourcing needs to be developed included the Call centers, transport and employee benefits and administration centers. All the managers were in agreement that improved service delivery will be promoted if the right outsourcing decisions were implemented. Business structure, cost and technical expertise were key factors that influenced decisions that management made to outsource human resource.

The study recommends a robust technical team to oversee the Human resource Outsourcing process and implementation. This should be made in consultation with other stakeholders in the organization such that the implementation is successfully carried out. The study found it imperative for clear guidelines and framework to be drawn for effective and efficient decision making of human resource outsourcing.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations aim to achieve efficiency and effectiveness by employing minimum resources. This is mainly achieved by effective internal control, delegation of duties, accountability for results and evaluating whether the right decisions were employed. Outsourcing of personnel has been employed in different sections to the realization of this goal. Human resource outsourcing involves delegation of one or more human resource practice(s) to an external service provider, who then owns, manages and administers the selected practices based on defined and measurable performance metric (Gupta, 1996). In recent years, companies outsource a wide range of services, all aimed at creating competitive advantages. These services include; accounting, financial services, human resource services, customer care, security and cleaning services. The growth in outsourcing human resource has been increasing over time and this change calls for best human resource practices at work place and in firms. Most organizations outsource major parts of their back office services (Human Resources Association, 2004).

As organizations seek to enhance their competitive positions, they have discovered that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core business (Sinderman, 1995). Tighter margins have pushed organizations of all sizes to consider the strategic implications of divesting more and more business functions thus the need to outsource decisively non-core functions.

1.1.1 Concept of Outsourcing

Outsourcing is a conscious decision to do without performing certain value chain activities internally and instead serve them to outside specialist and strategic allies (Thompson, 2007). He further notes that outsourcing has often been used by organizations that prefer to work on the core activities and surrounded by the network of smaller companies and individuals doing a range of auxiliary services on contractual basis. Greer et al., (1996) refers to outsourcing as the performance by outside parties on a recurring basis, of human resources tasks that would otherwise be performed in-house. The primary focus is the agreement between the supplier and the company on terms of service. These services must be performed at the highest standards and meet the acceptable quality requirements. Firms are subcontracting an ever expanding set of activities, ranging from product design to assembly, from research and development to marketing, distribution and after-sales service. Some firms have gone so far as to become "virtual" manufacturers, owning designs for many products but making almost nothing themselves (Abraham, 1996).

Although outsourcing is related to sub-contracting, contracting involves ownership or control of the operation or process being contracted with the parent company whereas in outsourcing, the control of the process is with the third party instead of the parent company. Therefore outsourcing is considered as a delegation of part of in-house operations to third party(s) who gain full control of the operations/process (Chartered institute of personal development, 2005). Most companies are realizing that outsourcing practice is necessary as it drives a firm economically, strategically and environmentally to better performance and reduced operation costs. Firms outsource functions like Human resource, IT, project management in a bid to concentrate on the core services and reduce cost (Sercm, 2003).

1.1.2 Human Resource Outsourcing

Barney (1995) describes human resource outsourcing as entailing the application of different model and techniques to new forms of activities or processes and radically redesigning them to create output of value for end users. HR outsourcing presents the option of cost reduction and the choice to hold or release control of selected HR activities. The choice depends on whether an activity is deemed a core competency within the HR department. If HR departments are to be responsive to both internal and external customers, they must look for ways to improve the quality and responsiveness of their services. Proponents argue that outsourcing offers HR an option to satisfy competing demands for improved service and responsiveness at a reasonable cost. Strategically, outsourcing provides HR with a tool for creating competitive advantage for the firm (Greer et al., 1996).

It is difficult to keep companies working properly since there are so many factors that have to be analyzed at all times. Johnson and Scholes (1999) argue that as a company gets bigger, there is a need to protect the staff and handle everything linked with human resources properly. Though often staffed by capable leaders and a well-educated workforce, most organizations lack the HR expertise to address a broad range of emerging issues, for instance, how to find and deploy skilled staff for international assignments in emerging markets or quickly absorb thousands of employees from a merger or acquisition and rapidly integrate them into a single enterprise resource planning (ERP) platform (Shrim, 2002).

To meet such challenges, a company's HR organization would need to quickly develop an understanding of business environments and local cultures as well as expertise in localized labor relations, payroll requirements and expatriate administration, among others.

In the second instance, they need technical tools and IT support to swiftly and efficiently capture record, and transfer personal employee data, histories, records and other sensitive information (Ferguson,2008).

1.1.3 The Banking Industry

The banking sector comprises 45 financial institutions, the Central Bank of Kenya (the regulatory authority), 43 commercial banks, 1 mortgage finance company and 120 foreign exchange bureaus. Out of 44 institutions, 31 are locally owned, while the remaining 13 are foreign owned. The sector witnessed an increase in Branch Network from 772 branches in June 2009 to 982 in June 2010. Further: the bank approved 45 business names for applicants seeking to operate as deposit taking micro finance institutions which is the initial stage in licensing (Central Bank of Kenya, 2012).Through financial liberalization, competition in the banking sector has increased. It has also stimulated improvements in services to customers and expansion of branch networks, this is hoped will improve the image, profitability and performance of banks.

Business organizations in the banking industry operate in complex and competitive environments. There is a need to change of strategies by banks to cope with the ever changing business environment (Oyugi, 2010).This is evident with the increase in competition as more and more applicants seek to be licensed to join the banking industry. KCB with the objective to become the best bank in the region has pursued strategics like outsourcing, rebranding, restructuring in line with its vision.

1.1.4 Kenya Commercial Bank Group (KCB) Ltd

Kenya Commercial Bank's history dates back to 1896, when National Bank of India, the predecessor opened its doors at the coastal town of Mombasa. In 1904, it extended operations to Nairobi. KCB performance has been dependent on the roles and functions that it has got to play in the sector. Over the years, these roles have changed from just mere banking services of deposits handling of transactions to custody function, trade, foreign exchange, strategy and innovation, advisory, record and risk management, training and development, customer excellence. Its focus on customer service and a strategy of expansion helped them leap from 6.3b in 2009 to 9.8b in pretax profit (Muthoka, 2010).

KCB currently has 165 branches and over 5000 employees across the region and therefore the need to strategies on how to achieve the best outsourcing practices. Among HR functions outsourced by KCB include cleaning services, Training and Development, recruitment and retirement. Security, transport, legal and valuation services. The need to focus on customers led to the development of human resource outsourcing as more service providers were contracted to provide quality service initially done by in-house like Training, Procurement, Cleaning services, Call centers, Catering, Security, Valuation and Surveying and Organizational Reviews and Strategy Preparations. This was in line with Johnson and Scholes's (1999) definition of outsourcing that "as much as some activities may be core to an organization, if they are not part of organizations core competencies, then the organization has no business insisting on offering them".

1.2 The Research Problem

Rapidly changing external environment has led to the need for organizations to put in place strategies that will enable them compete favorably in the market. Factors of production have over the years dwindled, thus the need to strategize on how companies can achieve high returns on scarce sources. Porter (1980) argues that increased competition and environment turbulence has led to the need for public organizations to seek ways and means of becoming profitable and to handle emerging HR issues to protect the employee and the company image. This is evident within the banking industry. K.CB practices human resource outsourcing within its retail and corporate divisions, this makes the bank to be able to concentrate on the core functions. Outsourcing is successful when the right decisions are made timely and thus the researcher's study on how decision making is critical when companies like KCB outsource their functions.

Scholars have explored strategies that companies use to outsource and the practices, benefits and challenges adopted by companies on their quest for outsourcing services. Ngetich (2006) and Kamau (2006) employed the survey study as their methodological approaches which enabled them to carry out their cross sectional findings, on closer examination the design employed misses out in bringing in depth analysis favorable for the banking industry. In his objective of establishing outsourced selected financial activities by large firms quoted in the Nairobi Stock Exchange, Kinyua (2001) recommended that further studies should be carried on outsourcing since companies need to conduct careful analysis before engaging in outsourcing. The proposed study gives insight to the importance of making right decisions.

Nyarandi (2001) and Serem (2002) studying outsourced practices in banking industry and hospitals respectively, found intense competition and cost reduction as reasons to outsource. The

methodological approaches used gave an extensive perspective of the subject of study but it left out the in-depth analysis necessary for understanding an important concept such as outsourcing. Makhino (2006) in identifying the benefits and challenges of outsourcing found that there are benefits that organizations received from outsourcing of their human resources although he does not point out the factors that influence such choices. Macndc (2010) in her analysis of HR outsourced practices in non-governmental organizations identifies loss of decision making control as a major challenge towards outsourcing practices although she does not elaborate further on the factors responsible for the challenge.

KCB bank in its endeavor to excel in its mission of being the preferred banking partner and employer of choice has embarked on human resource outsourcing to achieve the goals. Factors that influence such decision making were the researcher's quest of knowledge. Existing body of literature suggests that there is little empirical research to enable in-depth understanding of the concept of outsourcing and to further offer framework for decision making by managers. The study was designed to fill identified gaps in knowledge by seeking answers to the following research questions: What are the factors which influence HR outsourcing decision making at KCB? What are the HR outsourcing functions and strategies at KCB?

1.3 Objectives of the Study

The objectives of this study were:

- (i) To identify human resource outsourcing functions at KCB (K) Ltd?
- (ii) To establish factors that influence human resource outsourcing decision at KCB (K) Ltd?

1.4 Value of the study

This study on human resource outsourcing will help in maximizing efficiency, increasing service quality, reducing costs, risk avoidance, addition of expertise and variability of staffing. The study will enable the banking industry to know the decisions driving them to outsource and hence enable them make informed decisions. This will further increase their organizational performance and make them competitive in the environment.

To the government and policy makers, it will sensitize them to have a better understanding of why companies outsource human resource services. It will further enable them in the formulation of policies and regulation governing the players in the banking industry.

This study will also be beneficial in adding to the body of knowledge on outsourcing decisions. It will sensitize the researcher on the factors influencing HR outsourcing decisions. It will form a basis for further research into areas of outsourcing other than human resource.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter discusses the literature that has been studied on human resource outsourcing as well as the empirical evidence. It particularly focuses on history of outsourcing management, diversity of outsourced functions, impact of outsourcing on the organization, challenges of outsourcing on the organization, impact of HR outsourcing on the employee and HR outsourcing models.

2.2 Background to Outsourcing Management

For most of the 20th century, a successful firm was defined by its ability to own, manage and directly control all of its assets and processes (Cole, 2002). In the 1950s and 1960s, in order to protect profits, companies began to look for ways to broaden their base and take advantage of economies of scale. To broaden their base, diversification emerged as a popular strategy. As competition became more global in the 1970's and 1980's, organizations found that diversification had actually bloated their management structures. Consequently, they had lost their flexibility. To counter this undesirable development, many large companies began to consider outsourcing. Shifting focus to their core processes, they handed oIT non-critical (non-core) procedures, to be managed by third parties (Handfield, 2006).

Some common reasons for IIR outsourcing in the 21st century include: improving company focus, gaining access to world-class capabilities, freeing internal resources, cash and personnel, for other purposes, for instance R&D, requiring specific expertise for functions that are either time-consuming or are currently out of control, sharing risks and costs with a partner. It was not until the early 1990s however, when outsourcing developed. Companies now focusing on cost-

saving measures to increase revenues, realized the value of handing-off functions necessary, but not directly related, to their core businesses (Thompson, 2007). It follows that managers concern have been with the boundary of the firm, nevertheless, there have been celebrated instances of outsourcing which do allow the development of the concept to be charted.

Human resources outsourcing enables companies to properly handle HR functions. Its main characteristic is the fact that it is cost effective and much better than hiring in-house staff to handle HR problems. Organizations with no time to train staff and handle every single process related to human resources can consider outsourcing. HR outsourcing allows an organization to properly focus on the business activities that count and at the same time maintain very good HR policies.

2.3 Diversity of Outsourced Functions

Ulrich (1986) in Bettis (1992) contends that the world of HR has evolved to producing deliverables. Consequently, HR tasks, functions, and entire departments are being reexamined to see which HR activities are needed, and who can best provide them.

A company must focus its limited resources on those activities that are essential to its survival and must leverage activities that are peripheral. The result is a greater use of partnerships, collaborations, and simple buying to substitute for in-house capabilities (Insinga, 2000). Elmuti (2003) established that the top HR activities that were outsourced or decided to outsource included payroll, administration of retirement plans and benefit administration, which were repetitive in nature and so the organization had to focus on the core business it was created for. Brown (2009) asserts that functions commonly outsourced are: HR management process (recruitment, hiring, and firing of candidates), background interviews, exit interviews, and wage

reviews) Risk management (Workers' compensation, dispute resolution, safety inspection, office policies and handbooks), payroll, training and development, benefit administration and legal compliance, training and development, record-keeping, performance appraisal records, human resource policy clarification, payroll, employee compensation, safety and wellness. Greer (1999) contends that the benefits of outsourcing outweigh the costs and produce a more robust HR function.

HR outsourcing is a momentous strategic HR initiative and therefore the functions are routine HR Programs. According to Davis (1996), the third party Employee Assistance Programs, or EAPs, provide employees' access to qualified counselors. Workers seek advice on legal, financial and personal problems and family issues and life's challenges like drug testing in California state actually restrict such testing from being performed in the workplace. Background Checks function is essential and their investigations include identity verification, criminal searches, employment and confirmation of education claims. Human Resource departments outsource company benefit plans such as medical, life insurance, dental, vision and disability programs and other retirement plan administration duties are also viable outsourcing options (Mehlman, 2003).

Clott (2004) argues that the recruitment process is a fairly straightforward function to outsource. A variety of firms exist offering services that range from providing a temporary workforce to consultants who are capable of sourcing candidates for both domestic and international positions. Largely, in-house human resources personnel do not have the expertise to design sales and executive compensation programs. Outside consultants with an expertise in total compensation create customized plans that serve to motivate and drive optimum performance.

Research by Barako and Gatare (2008) showed more than one-half (56%) of organizations partially outsourced at least one HR functions, while 44% completely outsourced at least one HR function. The administration of health care benefits, pension benefits and payroll were the functions most commonly cited as partially outsourced. Temporary staffing, retirement benefits administration and recruitment of nonexecutive employees followed. These results reveal that while organizations may seek vendors to facilitate the administration of certain functions such as benefits and recruitment, they may choose to only partially outsource them in order to remain involved in these vital areas.

Factors that may influence outsourcing decisions include the technical expertise therefore, it is vital that the potential vendor knows the standard knowledge management processes and training programs. This access to technical expertise should also include knowledge transfer from the vendor to your in-house team as well. Majority of outsourcing providers have embraced industry-wide quality management processes and standards. In choosing the best provider for your organization, it is important to review how quality is being managed within that company. It is vital that the vendor has expertise in your business space to enable effective results. The overall business strategy is worth noting when considering outsourcing since the strategy is a more long-term engagement that is integral to an organization's overall business plans (Grauman and Paul, 2005). Factors to be considered in the decision making of human resource outsourcing in the banking industry are based on two questions; Whether or not there is an impact on the organization and Whether or not there is an impact on the employee.

2.3.1 Impact of Outsourcing on the Organization

The goal of companies that aggressively outsource most functions is to enhance competitiveness by achieving a higher return on assets through less capital commitment and increasing the ability to adjust quickly to a changing environment through less commitment to in-house resources (Johnson et al, 2005).

The banking industry is a very competitive industry with competitors always looking for ways to edge out the competitor. Adams and Hottmann (1996) considered that outsourcing would help in reducing the operating cost in their companies. The three key areas would be the capital investment, overhead (operating expenses) and fixed cost and space.

By outsourcing non-core operation function areas, inevitably, some portion of capital investment could be saved and the investment fund could be diverted to core business investment to bring in more revenues to the companies. The fund could also be used on researching and generating new-market segment development. The expectation that outsourcing will cut costs is consistent with the strategic management view of competitive resource allocation. This perspective holds that all activities unrelated to strategic core competencies should be outsourced since economies of scale allow specialized vendors to provide services at lower costs (Andrew, 2009).

Many outside vendors are installing integrated or enterprise software, such as PeopleSoft, with human resource information system (HRIS) components. Outsourcing provides access to technology without purchasing it. In the competitive environment of banking and evolving technological era, to enhance efficiency and productivity, cost remains a challenge to all in the banking industry. There is a need to outsource to compete with rivals in providing the best and

lower cost to customers and to secure the market share in order to add value to the shareholders (David, 1997).

Shrim (2002) contends that the need for high quality services are enhanced by the outsourcing of services to the experts who are more inclined to deal with the technicalities of the issues involved in the making of the work provided easier and be done in a much more professional and high quality standards, this will enhance efficiency and yield outputs at a higher capacity rate making it easier to compete with other organizations in the same industry'. Outsourcing helps to overcome space limitation and lack of technical content expert and support infrastructure internally. These are highly important in the conducting of the industry needs especially when the resources are highly priced and also require well trained personnel to do the job (Kessler et al., 1999). HR Outsourcing is also used when companies are operating at capacity and do not have additional staff to handle increased activity. Because such levels of business will eventually decline, companies may prefer to outsource some activities rather than hire more staff. HR outsourcing enables executives to cope with time-sensitive issues and competing demands while the risk and uncertainty is absorbed by the HR vendor, especially where rapid changes in technology or regulatory issues occur.

2.3.2 Challenges of Outsourcing on the Organization

Bettis (1992) argues that outsourcing is not the silver bullet. Outsourcing can disrupt the firm's culture if the vendor becomes a noticeable third party instead of a seamless extension of the HR function. The HR department's loss of skills or competencies can produce excessive reliance or dependence on the vendor.

Grauman and Paul (2005) assert that outsourcing HR activities can also increase the risk of losing confidential information; including reports, audit trails, and personal data. Domberger (1998) believes that in-house knowledge and skills could also be lost. Furthermore, Domberger cites that, similar to the issue of lost in-house knowledge and skills, is the issue of lost organizational innovation and knowledge when outsourcing occurs. Research has also shown that organizations may have to face decreasing productivities, as a consequence of this loss of employee skills and knowledge (Berry, 2005 and King, 2004).

The need to preserve confidentiality and an appropriate amount of control are important considerations, particularly for activities involving sensitive information. For example, in executive searches some companies outsource only the research needed to identify names of potential candidates. After the vendor supplies the names, the company performs the remainder of the recruitment activity (Bettis, 1992). Although many companies outsource wage and salary surveys or job evaluations, they often retain in-house wage and salary adjustments, performance-based pay incentives, or other sensitive aspects of compensation. Outsourcing directed by a single-minded view of competition in market position terms can result in the surrender of investment initiative in manufacturing and development (Bettis, 1992). He argues that sourcing often amounts to renting the skills and competences of a potential competitor. Renting may appear cheap relative to ownership (and a large mortgage), but the lease may not be renewed or the rent may be dramatically increased.

According to Kessler et al. (1999), organizations may face serious challenges when outsourcing HR activities if adequate attention is not paid to the remaining HR employees. Although several

manufacturing firms that outsource use different factors to decide whether or not to outsource the human resource, there are common bases and disciplines that are used altogether. The size of the organization and the maturity level of the management are the major reasons as to why manufacturing firms use these factors to make HR outsourcing decisions. When making decisions to outsource HR activities, executives need to recognize that performance is typically the most important consideration. The importance of the service quality a staff provides and the direct impact on his own job security has a relation. Problems can result from a shortsighted emphasis on cost savings, which may not be realized if employees lose confidence in vendor services or when vendors supply off-the-shelf solutions that do not fit the company's needs.

2.3.3 Impact of HR Outsourcing on the Employees

There is some evidence showing that employee perspectives, including attitudes and behavior play a significant role in organizational decision making to determine whether or not to outsource (Kessler, Shapiro & Purcell, 1999). One could speculate that in order to determine if outsourcing HR functions is a good idea, the dependencies on many situations of each organization, including employee attitudes, should be considered. Outsourcing can lead to negative feelings in employees that remain in-house (Kakabadse & Kakabadse, 2000), and these feelings can impact on organizational culture. There is some evidence to suggest that in-house employees may suffer from job insecurity, decreased productivity, decreased employee morale, decreased employee loyalty, increased absenteeism, and increased employee turnover (Kakabadse and Kakabadse, 2000; Labib and Abbelbaum, 1993). In addition, outsourcing HR can result in interpersonal and group conflict between the external and internal employee groups if not well managed (Grauman and Paul, 2005).

Mehlman (2003) postulates that outsourcing can also impact on an employee at a macro level. For instance, when organizations consider outsourcing their activities to other countries, it may lead to many problems, including community disruption, unexpected lay-offs, and displaced professionals in the home country. He further argues that if organizations shift their plants or industries to low-cost countries, significant economic flow-on effects which include an increase in the unemployment rate and a decrease in the skills of the available workforce in the long term may occur. There are three significant factors that have contributed to the successful outsourcing of HR activities.

First, it is quite clear that paying attention to organizational decision making regarding organizational core competency is a success factor for a company. An increase in the budget for the core competencies is better than investing the money in other activities. Secondly the organizations need to pay attention to their employees. The employee's representatives get involved in the outsourcing decisions that are made for the good of the firm. Significant factors that lead to the successful outsourcing of HR activities were the level of employee satisfaction with the process, benefit from the state of the art technology used by the outsourcing providers, reduced employee workload and efficient HR activities. In turn, employees had easy routine transactional HR activities and could focus on more interesting and challenging work (NHR Information Solution, 2007). This demonstrates that employee involvement is integral in determining the success on outsourcing decisions. In contrast to this, a lack of employee involvement and understanding of the outsourcing process can lead to a negative experience when it comes to outsourcing.

2.4 HR Outsourcing Models

Different models have been used for Human resource outsourcing. Doherty (2005) offers three human resources outsourcing (HRO) models: Professional Employer Organization (PEO), Administrative Services Outsourcing (ASO) and HR Navigator model to meet the needs of organizations of all sizes, with one or multiple locations. For business in need of service payroll processing, first-class employee benefits programs, plus additional or supplementary human resources expertise, Professional Employer Organization (PEO) model may be the right HRO model for use. A truly flexible model. Administrative Services (ASO) Outsourcing offers businesses many of the same services and benefits to the firm, without a co-employment agreement.

The HR Navigator model, like in the traditional human resource outsourcing relationship, the HR provider assumes responsibility for a range of administrative activities. The goal of this approach is cost reduction. The third-party provider realizes economics of scale by standardizing routine human resource services across multiple clients. Professional employer organizations form a close partnership with companies, becoming the employer of record for the workers. This contractual relationship enables the PEO to take full responsibility for human resource functions, from payroll to benefits and beyond (Doherty, 2005).

The PEO strategy is popular among small and mid-sized businesses, which use outsourcing to ensure compliance without building a costly internal HR department. With administrative functions taken care of, smaller businesses are free to devote resources to core competencies and production. Organizations that have existing payroll processing, competitive benefit packages or

functional human resources departments can enhance their IIR capabilities and return on investment (shrim, 2002).

In the designer/specialist model, the human resource outsourcing provider serves as an expert consultant, either troubleshooting specific IIR issues or overhauling the HR program design. The provider does not take over human resource processes or transactions, but supplies expert knowledge to streamline internal processes (Heineman, 2009). Therefore firms may choose a model that fits their type of organization and strategy.

2.5 Chapter Summary

Thus, it is important to set clear expectations at the outset to create safeguards that permit termination of the contract for noncompliance. This will enable a healthy alliance in which each party (HR vendor and firm) is motivated to work through problems. The reviewed studies on human resource outsourcing functions have demonstrated the diversities of outsourced functions and the impact of outsourcing, it was advisable therefore that more studies need to be done to determine factors responsible for outsourcing decision.



I

CHAPTER THREE: RESEARCH METHODOLOGY

jj Introduction

This chapter presents the description of the design used for the research to be conducted. It highlights the research design, data collection method and finally how the data was analyzed.

3.2 Research Design

A case study approach was adopted. This method is appropriate because it allows an in-depth understanding of the study (Kombo and Tromp, 2006). The design provided the researcher a deep understanding of the research topic thus enabling the case of understanding of the factors that influence the human resource outsourcing decisions and also clearly elaborated the HR outsourcing practices. The importance of a case study is emphasized by Young (1960) and Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of the type of unit under study. It is a method that narrows down a very broad field of research; it drills down rather than casts wide.

3.3 Data Collection

The study used both the primary and secondary- data. An interview guide was used to collect the data. This is a tool that enables the respondents to prepare in hand for the interview and it gives direction to the questions to be interviewed. The interview guide was administered to bring out the objectives which are essential in identifying the factors for IIR outsourcing decision. The interview guide was for top management in KCB. The study also used organizational documents, briefings and KCB publications.

3.4 Data Analysis

Content analysis was adopted to analyze the qualitative data collected. According to Mugenda (1999), it is a technique that systematically and objectively identifies specific characteristics of messages to determine related trends. It studies existing information in order to determine factors that explain specific phenomena. Content analysis was used to analyze the interviewees* views about the factors that influence Human Resource Outsourcing decisions at the bank.

CHAPTER FOUR: DISCUSSION, ANALYSIS AND PRESENTATION OF DATA

4.1 Introduction

This chapter details the findings of the study based on the analysis and interpretation of the primary and secondary data collected. The study was designed to achieve two objectives. The first objective was to identify human resource outsourcing functions at KCB. The second objective was to establish factors that influence human resource outsourcing decision at KCB. The chapter analyses in detail the findings of the study with regard to the two objectives.

4.2 Description of the Respondent

Data was collected from six key managers in KCB, who are involved in HR outsourcing decision of the company. Respondents had worked for KCB for between 15 to 20 years. Because of their varied nature of responsibilities and continuing years of service, they have a thorough knowledge of the organization, activities and programs. As shown on the Figure 4.1, 7 interviewees (managerial) level in the key departments were targeted; however 6 out of 7 interviews of targeted fully completed the interview guide .this was good enough for the study.

There was broad knowledge that outsourcing has been ongoing for the last ten years in KCB as noted by the respondents who were basically the formulators and implementers of outsourcing decision in the organization. This research supports the understanding that HR outsourcing is a common implementation strategy in most organizations in Kenya with many moving one or more HR activities to an outsourcing provider (Serem, 2002; Ngctich, 2006; Oyugi, 2010). From

this evidence, it seems that most HR professionals in organizations had HR outsourcing experience.

4.3 Strategic reasons for outsourcing

Organizations outsource various HR functions depending on their relative importance to the overall business strategies (Stroh and Treehuboff, 2003). There are many reasons why KCB chose to outsource a particular function of their business.

The primary reason for engaging in HR outsourcing is the desire to get access to expert services as well as to capitalize on the excellent quality that external vendors provide in performing the HR functions. Contrary to expectation, cost efficiency is not a primary reason why companies engage in outsourcing. This finding implies that lower cost alone is insufficient to differentiate one vendor from another in a competitive HR market. Outsourcing has enabled KCB to concentrate on core functions of the organization. Some necessary, but peripheral operations are outsourced frequently. This gives the managers the ability to provide better services on other business issues instead of getting distracted by required, yet minor matters. Most managers were of the opinion that KCB should continue outsourcing of functions like security and training to be focused on strategic goals of the company. This is corroborated with Shrim (2009) that outsourcing is perceived as a way for HR professionals to engage in roles that are more strategic to the organization's bottom line.

Issues related to seeking competitive advantage through outsourcing was the possibility of improving career opportunities. When the organization introduced outsourcing processes, it created different career opportunities for employees. In order to maintain a level of ownership

and to control the performance of the outsourcing service, internal employees were typically given more responsibility in managing the performance of the service providers. This allowed individuals to increase the range and depth of skills used in their day-to-day work practices, and thereby increased knowledge development and sharing, a key ingredient in developing a competitive advantage (Kakabadse and Kakabadse, 2002).

4.4 Economical reasons for outsourcing

To understand the reasons behind the decision to outsource and the experiences that organizations encounter while on the practice, a number of questions adapted from established studies such as Elmuti's (2003) were used. KCB's focus though not primarily on cost savings, ultimately considered cost reduction as a reason to outsource. According to KPMG International (2006), 78 percent of their respondents see cost saving as the primary reason for outsourcing the HR function. It could be said that cost saving is the first reason for many organizations to outsource their internal HR function. KCB has shown that organizations can avoid a huge investment because they can deal with cost-effective HR providers, they have managed to save due to outsourcing of security services. Oza and Hill (2007) stated that cost reduction is the reason why most organizations have outsourced their service -including, payroll, human resource activities and others- it can provide a high quality of labor pool that lead to a high quality of service with a low cost.

The expert services provided by the outsourcing vendors is a reason for KCB outsourcing decision. This is important because developing such talents in-house would take a lot of resource yet an outside vendor can perform it at a cheaper cost. This concurs with the study done by KPMG business solution (Switzer. 1997) where 72 percent of the respondents were shown to

outsource IIR functions for the same reason. The reason for the skew towards expert services could be caused by a lack of in-house experts on the part of the bank to perform the HR functions internally. Hence, they require the assistance of external vendors to design, develop and perform the functions more effectively. Outsourcing the HR function is a more efficient service. It is argued that the ability, skill and knowledge of HRO providers is better than that of in-house HR staff (Heywood, 2001).

Outsourcing yields cost savings. Given that the primary focus of any business is to make money, KCB outsourcing decision was to save cost and in the long run make money. The prices of labor and materials keep increasing and competition keeps forcing prices lower. Any outsourcing solution that can save money and overcomes the disadvantages of outsourcing was welcomed by the bank. Overhead costs would be reduced through outsourcing. Some respondents believed that some functions require a large outlay of money to get started. This expenditure could be avoided by contracting with a third party. For example, training and recruitment were costs that would be reduced significantly when outsourced.

4.5 IIR outsourced functions

A number of non-core functions were being outsourced especially: cleaning, security, IT services, courier, training and development, network and telecommunications, human resources and insurance administration, accounting, catering, marketing, security, transport, recruitment and selection, the study established.

The trend seen in outsourcing recruitment and training in the bank is driven by the existence of external training specialists that can deliver well designed training programs as well as external

experts in head hunting, the bank has continually outsourced this function for the high level managers. Another reason could be due to the inherent nature of these two functions that tends to change too quickly for internal departments to keep pace with. A viable outlet for such a scenario would then be to approach specialized vendors for help. As for payroll and HRIS, the ultimate reason for performing most of these functions in-house is the need to maintain confidentiality and the wariness over privacy issues (Hewitt Association, 2006). Moreover, the growing complexity of compliance requirements in areas of benefits, HRIS and compensations makes these activities less attractive for external vendors.

While Transport and Cleaning have been in existence from inception, this was because they were non-core and also less competitive compared to IT and Networking which pose serious threats when ignored. The latter becoming a crucial strategical issue that is keenly monitored.

The finding of this study pertaining to the recruitment function is consistent with that of Smith *et al.* (2006) where it was similarly found that a majority (68%) of the organizations outsourced that function. On training, likewise, the study by Gainey and Klaas (2002) reported a high percentage of outsourcing particularly those training functions that are closely connected to core capabilities. Outsourcing has led to improved training design and performance.

HRIS and Payroll is among the functions that are least outsourced in the bank while non-core functions such as payroll administration and benefits, and training are the popular for outsourcing. On the outsourcing of strategic HR functions, the finding of this study is consistent with past research (Smith *et al.*, 2006; Lever, 1997) where no respondent is recorded to have outsourced strategic HR functions such as HR planning and research on HRM.

The bank had reached a competitive edge to do some functions in-house. Services such as IT because of security measures involved. This was due to the global threat and concern for fraud related incidences and general loss of business which in turn would affect the corporate image of the Bank. This is contrary to Smith et al, (2004) who points that firms are accustomed to directly managing the people, processes and technologies that make up their operations, the notion of moving some of their HR functions to external vendors may very well be a hard concept for most of them to embrace. The rewards of overcoming this fear, however, can be well worth the effort.

The delivery of quality customer service is what people value in a bank. The respondents felt that the bank has enabled excellent customer service by inculcating service delivery values like professionalism, integrity, creativity and innovation. According to the respondents, the bank should consider outsourcing services like: Forex trading, employee remuneration and benefits and the call centre services which were non-core yet part of the operation costs.

4.6 Vendor's selection process

A policy framework was followed by the board on the criteria for outsourcing of services / functions. The bank followed a competitive bidding process after they had identified the services/ functions. This was seen as a way of offering objective services and ensuring best practices in the company.

More time on vendors' selection and vendors' evaluation is critical before signing an outsourcing contract. The outsourcing decision can be distorted by emotions and manipulated by company politics. A successful vendor selection process will remove the emotions and control the

company politics. A defined realistic service levels that align with business goals was a requisite for improvement of services in KCB. This was to analyze and define quality measurements and service levels, to know if the selected outsourcing vendor is performing to the set standards. In order to avoid complacency and maintain focus it was imperative to set a timetable to review the outsourcing vendor's performance. Appointing a manager or executive that will be held responsible for the follow up will also curb this practice. Staff training in vendor management skills and techniques is equally important. This strategy will also yield the ability to deal with unforeseen circumstances on a timelier basis and mitigate the risk associated with outsourcing.

4.7 Outsourcing decision making

The bank's decision making organ takes a rigorous process that is open and objective to all the shareholders. Human resource outsourcing though seemingly the work of the HR Department, have to be overseen by the Board. The decisions once passed are implemented to the rest of the members (see Figure 4.2). The decision to outsource HR functions to external vendors or perform it internally is addressed by Transaction Cost Economics (Williamson 1985). KCB uses the Transaction Cost Economics (TCE) framework which offers understanding on the conditions under which HR outsourcing is likely to benefit organizations. That is, organizations may seek lower costs by transacting with external vendors rather than building internal resources in executing the HR functions.

The above framework can be used alongside Arnold (2000) outsourcing model which illustrates that there are four components which need to be reviewed when making outsourcing decisions (see Figure 4.3): outsourcing subject, outsourcing object, outsourcing partner, and outsourcing design. Initially, the bank should focus on outsourcing the subject, which involves the decision

making process to determine if outsourcing is a viable option. It should then consider which internal activities might be outsourced. Outsourcing objects refers to the activity which might be outsourced including core activities, core-close activities, core-distinct activities, and disposable activities. Next, it should consider an outsourcing partner from all possible outsourcing providers. Finally, when outsourcing internal activities, organizations need to formulate the most appropriate outsourcing design. When the bank combines the two outsourcing models and periodically reviews the benefits of the outsourcing process, then attainment will be reached.

KCB should focus on three major governance structures when making outsourcing decision. These include the price of external services, management control, and other governances, including contracts or strategic alliances. Despite addressing specific decision making with regard to outsourcing, this model places no regard on employee involvement. Specifically, the research identified that communication regarding the outsourcing process; the choice of outsourcing partner or process and the relationship between this provider and internal employees; and the benefits that employees see as an outcome of the decision making process all play an important role in determining the success of the outsourcing decision.

First it is evident that for the outsourcing decision to be a success, the provider would have to deliver service that was uncommon. In other words, if due to its tradable nature outsourced provision does not provide market advantage, then only an outsourcing relationship that leads to market beating provision will bring measurable gains in success. Second, it is clear that outsourcing will only be successful if it meets goals on a departmental level. Whether it is the HRM department who manages the relationship or some other operational function, there will only be success where the outsourcing service meets the needs of that department.

4.8 Factors influencing HR outsourcing decisions

The business structure is a deciding factor on the need to consider outsourcing. According to the respondents interviewed, KCB offers both service and products in its structure, it is generally large and hence for it to compete effectively in the banking environment, it needs to concentrate on offering services which is its main core function. In its structure, implementation of IIR outsourcing is done from the top level management to the bottom. Various unit heads are expected to communicate the information to their members which if not well embraced may not be successful. Outsourced services like Card Production and Printer services have had serious challenges that stem from the poor structural governance and lack of review.

Size and resources available has enabled KCB to go for HR outsourcing. With its 26 billion in assets (Muthoka, 2011), the largest bank by assets, KCB is in a position to outsource functions and meet vendors' costs. Operating cost was another factor noted. Organizations have to consider factors such as cost, the management required, and interaction issues. Size of an organization is a factor that can influence the decision to embark on HR outsourcing (Arbaugh, 2003).

Several researchers have argued that smaller organizations in particular have a greater need of external expertise due to their limited scale (e.g. Cilley *et al.*, 2004; Klaas, 2003). Indeed, small organizations often lack the required economies of scale to build an effective HR system using internal resources (Heineman, 2000). Unlike larger organizations like KCB, which can afford to design and implement sophisticated HR functions in house, smaller organizations with meager resources will incur prohibitive costs if they do so (Robinson, 1982). Hence, it is argued that small organizations will outsource their HR functions in order to procure the required expertise.

KCB is a mature Organization considering the years in existence and structure, therefore outsourcing is imperative for its survival. However opinions differ on whether the maturity level of organizations impinges on decisions relating to outsourcing of HR functions. Delmotte and Sels (2008), for example, felt that the question of outsourcing has no significant relation to the maturity level of the organizations. Arbaugh (2003), on the other hand, argued the reverse.

Quality level of service offered influences decision making. The bank had not developed a clear understanding and quantification of the type and the level of service being given with the current provider, and that which will be acceptable in the future making the performance evaluation a challenge. Quantifying outsourcing goals is key in developing a clear framework. It is important to define goals explicitly. It will be impossible to quantify current results, or to define the level of service required in the future without measurable goals. The change impact is a factor that respondents felt that the decision makers had not taken a lot of consideration on. This is in regard to job loss especially in the HR department where service vendors take work that was initially done in-house.

The management's perspectives on competitive advantage of HR outsourced activities are part of outsourcing initiatives activities and become a priority discussion issue (Quinn, 1999). The management agreed that the bank offers competitive training opportunities that are exceptional and this gives it a competitive advantage from the rest in the banking industry-. Management must understand organizational expectations, and must also ensure that the outsourcing process offers a higher value than in-house activities. In other words, outsourcing processes must offer a competitive advantage to be considered an effective strategy.

Many issues related to competitive advantages were a significant factor when an organization considers outsourcing, especially relating to core competency, work load implication, workforce flexibility, cost and time efficiencies. In order to identify the benefit and threats of the outsourcing process, organizations should focus on a management method (i.e. SWOT analysis and benchmark) to make the decision.

In addition to this, making a good decision might not guarantee a successful outcome. It still can be considered a negative outcome if knowledge of the provider, attitudes of remaining employees and how to manage the process are not considered at length. Organizations should examine factor such as their characteristics, including size, budget, environment and culture when making outsourcing decisions. As organizational cultures, climates and structures differ, so will the type of outsourcing used in the organizations.

Outsourcing decisions made in the company were well in order, interviewees indicated that most of them were good except that some did not match the current competitive environment. It was preferred if the IT department would be in-house to protect vital information of the bank, while others preferred if the status quo remained the same while others felt that the process should be reviewed as unscrupulous outsourcing vendors brought in substandard material and office politics took center stage. In order to carryout HR outsourcing practices effectively, the study found out that HR outsourcing should involve all the stakeholders in the bank. It also found out that the quality of services offered should rise to meet the banking industry standards especially in regards to catering services and general cleaning services.

Human resource attainment in KCB has been remarkable as indicated by the interviewees thus making technical expertise a major factor in considering whether to outsource or not. Example is training and development where the bank has outsourced most of its training functions at KCB leadership center and they have enjoyed staff skill development strategies as indication of enhanced staff skills both internally and externally with continuous development to cope with the ever changing banking business environment. Organizations should be considering which HR activities are suitable for outsourcing. Specifically, organizations should ask two fundamental questions: (1) what will be the impact of outsourcing the HR activities on the organization? and (2) how will it impact on the activities and employees that are not outsourced?

The respondents felt that assessment of operation performance criteria was a contributing factor to decision whether to outsource or not. This was noted as some service providers could not fit into the scheme of work assigned. Other factors like impact on corporate culture, strategies on short and long term goals, quality, vendors expertise in the business space, overall business strategy, flexibility delivery, speed and reliability, qualification of outsourcers, security and legal compliance and the overall Business Strategy.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides the summary of the study finding. Challenges encountered and conclusion and recommendations. The chapter concludes with the limitation to the study and suggestions for further study.

5.2 Summary

One of the objectives of the study was to establish factors that influence human resource outsourcing decision and IIR functions that are outsourced at KCB. In order to achieve the objective of the study, the researcher interviewed the top management. The main aspects of HR outsourcing investigated include: Functions, Benefits, Factors influencing decision making and the challenges faced.

A case study methodology was used because of its incisive and detailed exploration to data. KCB was used since it has a large branch network providing a natural setting and because it has existed for over 100 years with a strong stability. Content Analysis was employed as it provided systematic description and interpretation of data collected.

The Research findings indicated that factors like Size, cost, Business Structure and Quality of functions outsourced are major factors that need to be considered to effectively decide on HR Outsourcing. KCB functions included cleaning, security, catering, IT Services, Valuation and Marketing. The study established that IIR outsourcing formulation was done in a participatory process. There was however inadequate implementation procedure and follow-ups, KCB missed out on general policy framework needed to effectively carry out IIR Outsourcing.

The researchers also established that departments were critical in the process and were the drivers of change and therefore needed to implement strategies like outsourcing. Members had clear ways to voice their complaints.

5.3 Challenges

The research findings establish that management of human resource outsourcing programme faced many challenges mainly from staff resistance. The Challenge was majorly refusal to use new system or procedures, making no effort to learn, excessive fault finding and criticism, deliberate misuse saying it has been tried before and did not work, protected discussion and requests for more information, using older system whenever possible, not attending meetings to discuss issues, linking the issues with pay or other industrial relations matters and not ready for training.

5.4 Conclusion

From the findings above, it is critical for management to identify parameters for success and sustainability of the outsourcing process. To ensure that all employees have positively participated and to 'own' the change, teamwork is encouraged. It is evident from the findings that HR outsourcing management was on going. The outsourcing process at formulation level was largely a success but the biggest challenge mainly was on implementation, monitoring and evaluation. HR outsourcing gives the company a competitive edge and brings profitability for the business overall. A business that takes advantage of human resources outsourcing assigns the critical management of all functions related to HR requirements of the company to a third-party provider that is a specialist in the field of human resources management.

In order to boost growth, productivity and competitiveness, HR outsourcing is the key. It concentrates in major areas such as partner with specialists to augment innovation, increasing the aptitude to concentrate on core competencies, cost saving, speed time to market place and improves business act. Recruitment and training are among the best options compared to other functions such as HRIS and payroll. The study also found that no organization outsourced strategic HR functions. Therefore, with this information, HR managers should be attentive about potential HR functions to be outsourced so that a positive impact on HR performance is achieved.

The study also describes the reasons for outsourcing and experience with HR outsourcing. The findings of the study could be used as reference and as a basis for HR managers for a further in-depth understanding of the size of the organization that was highly contingent on various types of IIR functions outsourced.

This study is of value to HR managers not only in facilitating their acquaintance with the concept of IIR outsourcing but also in enhancing their appreciation of HR outsourcing as actually put to practice. Banking executives must choose outsourcing providers who hold the necessary leadership capabilities. Managing outsourcing requires an understanding of outsourcing strategy, the benefits and risks of outsourcing, the evaluation process, and the methods to managing outsourcing providers. With appropriate management, strategic outsourcing should provide a viable strategy for controlling costs and maintaining quality service.

This study is therefore, timely and it provides the IIR managers a rare glimpse into how organizations can use HR outsourcing to deploy their internal capabilities. It can assist them in making more efficient decisions with regards to the option available in outsourcing.

5.5 Limitation of the Research

First, data was gathered from top management who had busy work schedules, and thus not available for the interview. Time was a constraint otherwise it would probably have given a logical flow and a wider view of the big picture.

This case study involved one bank. The study cannot be generalized to represent banking institutions in Kenya. This is because the bank is operating its different strategic programmes in a unique operating environment. The researcher recommends the need to carry out studies of other government and private banking institutions to give a better picture and comparison on decision influencing Human resource Outsourcing.

The study depended largely on the interviews and discussions with respondents who were in top management. It will be important to validate the findings with sources from interviews with employees of middle and lower level management, staff to get their perspective. In addition, the study looked at decisions made within the last 5 years. Some decisions are still being implemented, it would be important to validate the findings with the result of the ongoing changes.

5.6 Recommendation

The bank should set up and strengthen an effective monitoring system to continuously monitor and evaluate the change outcome to ensure gains achieved are not eroded and business as usual returns in the organization. It should be noted that this process is a continuous process and management should always seek for better ways of carrying out outsourcing practices.

To oversee all these processes, the researcher recommends creation of office of outsourcing management within the HR division. This office will integrate and co-ordinate activities that align the functions of IIR to the outsourcers and departmental units. The office will synchronize the various planning and control process which operate differently. In addition, the office will ensure that all the planning, execution and feedback components are in place and linked together. This office too, will guide the diverse range of existing processes, including financial management, strategy, communication, HR planning, performance management.

The bank should engage staff more in every aspect of the formulation and implementation. It should ensure that the benefits obtained especially the unquantifiable ones are documented and made known. The management should also take care in allaying fears over job loss due to outsourcing, status and career prospects. In order to develop a sense of ownership of the outsourcing process, it is important to involve users during formulation of system design and implementation. This should be complimented with setting up effective communication systems to ensure that people get information from reliable source, which will aid in ensuring that they understand and accept the new changes.

The management should also be prepared for emerging issues and come-up with strategies to tackle new challenges. As Kaplan and Norton (2008) points out, successful organizations (industry leaders) have systematic processes in place to reduce risk, prevent oversight and assure best chance of delivering results.

Further research need to be carried other banking institutions probably using census survey methodology. It would be interesting to carry- out a study on the strategies for effective HR outsourcing in KCB.

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APPENDIX Is Letter of Introduction

University of Nairobi

School of Business

Dear respondent,

I am a post Graduate Student of the Business School of The University of Nairobi, undertaking research in Factors influencing outsourcing decision for Human resource function in the banking industry and more specifically in the Kenya Commercial Bank Limited.

Your branch forms part of the population for my study. Therefore, this letter requests your assistance in providing information requested in the gathering of this information.

All responses was treated with the utmost confidentiality and shall be purely used for academic purposes. A copy of this research work was made available to you upon request.

Yours faithfully,

Dorothy Muga

MBA Student

Mr. Joseph Owino

University Supervisor

APPENDIX II: INTERVIEW GUIDE

DECLARATION: This is an academic research project aimed at establishing the factors that organization decision makers use to decide whether or not to perform the Human Resource Outsourcing. Please answer all the questions honestly and exhaustively. There is no right or wrong answers and any information given was held in confidence for academic use only. Thank you in advance for taking your valuable time to participate.

Human Resource Outsourcing (definition) - This is the transfer of professionals and functions from in-house to an outside provider. This involves new suppliers, services and technical know-how.

SECTION A: PERSONAL INFORMATION

- 1) Name (Optional)
- 2) How many years of experience do you have in KCB?
- 3) Which position do you hold in KCB?
- 4) What is your role or involvement in:
 - A) Human Resource Outsourcing formulation
 - B) Human Resource Outsourcing Implementation

SECTION B: HUMAN RESOURCE OUTSOURCING

- 5) How does KCB carry out formulation or implementation of human resource outsourcing?

- 6) State some of the Human resource outsourcing functions you practice in the KCB Ltd?
- 7) Does your company have criteria for the outsourcing of services or functions?
- 8) What are some of the key areas /considerations when deciding to outsource?
- 9) To what extent does the firm outsource? Consider the functions.
- 10) What led to human resource outsourcing by the company?
- 11) Do you agree with the decisions of outsourcing in your company?
- 12) What are the factors have contributed to outsourcing decisions in your organization?
- 13) Are all stakeholders involved in human resource outsourcing in KCB? Explain briefly.
- 14) To what extent do you agree that outsourcing decisions are made with a view to improve company's goals and strategies?
- 15) Do you think outsourcing has helped you attain your mission and vision as a company?
- 16) What are the functions or services that you would not outsource as a company?
- 17) Highlight some of the factors KCB should consider to effectively carry out outsourcing practices to excel as a company.
- 18) Would you recommend human resource outsourcing to other departments and organizations?

Thank you for your time and contributions

APPENDIX III: BOARD OF DIRECTORS

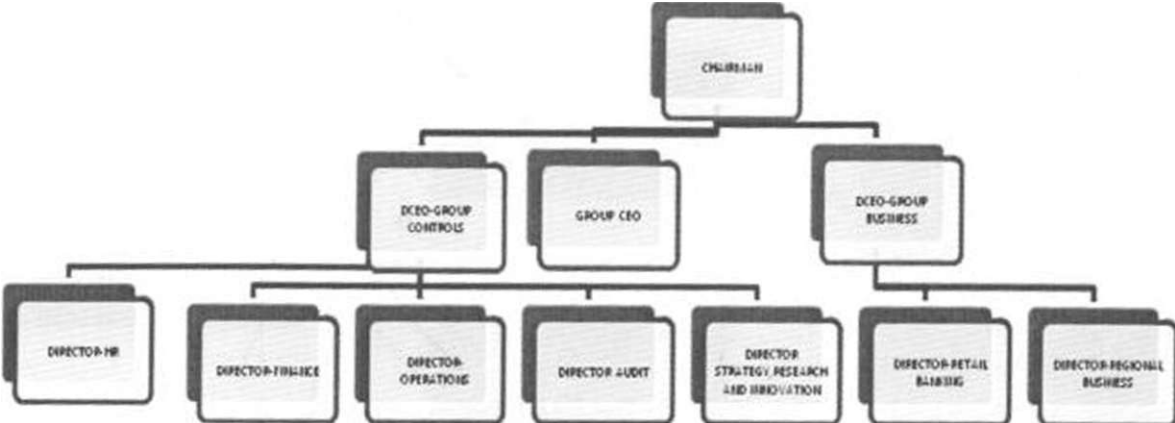


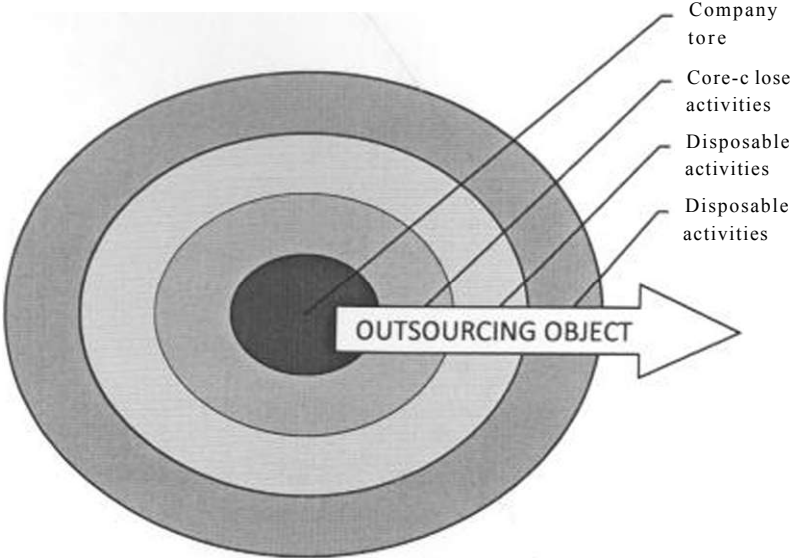
Fig 4.1: Figure showing the KCB Board of directors who are tasked with key decision making and implementation of process such as HR Outsourcing.

APPENDIX IV: KCB DECISIONING TREE



Fig 4.2: Figure showing the process and flow of decision formulation and implementation at KCB (K) LTD

APPENDIX V: OUTSOURCED ACTIVITIES



Source: (Arnold, 2000, p. 24).

Fig 4.3: Figure showing outsourced activities from the core to the disposable.