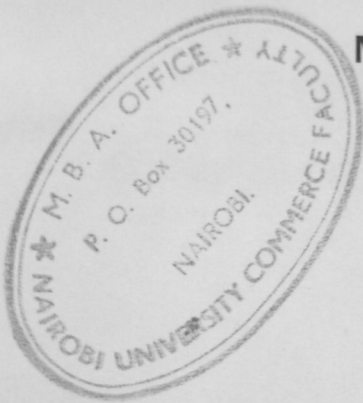


**A SURVEY OF OUTSOURCING OF TRAINING SERVICES
BY COMMERCIAL BANKS IN KENYA**

BY

MOHAMMED M. HUSSEIN



**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI.

Signed

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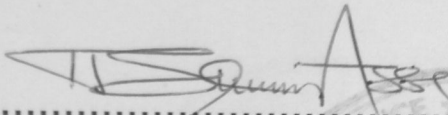
DEDICATION

DECLARATION

To my beloved father, mother, wife and my entire family for their moral support.

This research project is my original work and has not been submitted for a degree course in this, or any other University.

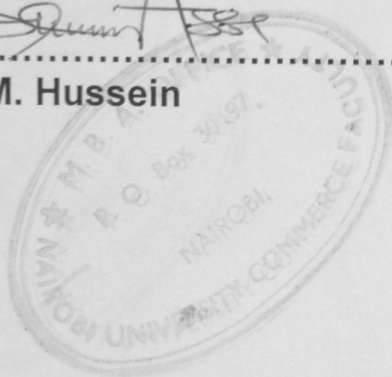
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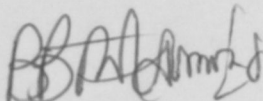
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05.06.2006



This research project has been submitted for examination with my approval as a University Superior.

Signed



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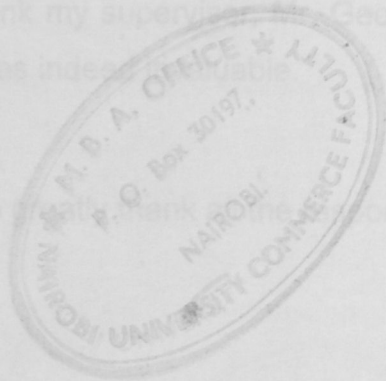
ACKNOWLEDGEMENT DEDICATION

To my beloved father, mother, wife and my entire family for their moral support. I would like to thank them for their moral support to undertake this research.

My heartfelt gratitude goes to all the people who, in their special ways, have made this study a great success.

I would like to thank my supervisor, George Omondi whose guidance, patience and encouragement was indeed invaluable.

I would also like to thank the respondents to my questionnaires.



ABSTRACT

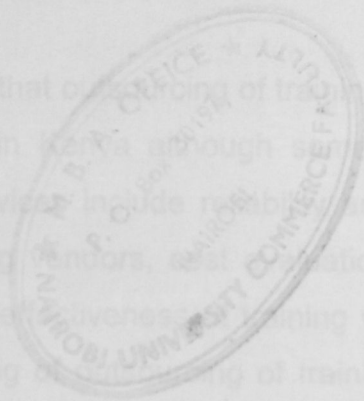
ACKNOWLEDGEMENTS

I thank Al-Mighty Allah for giving me the precious gift of life, good health and strength to undertake this research.

My heartfelt gratitude goes to all the people who, in their special ways, have made this study a great success.

I would like to thank my supervisor, Mr. George Omondi whose guidance, patience and encouragement was indeed invaluable.

I would also like to greatly thank all the respondents to my questionnaires.



Outsourcing is a trend that has been in existence for quite sometime and is not a new phenomenon in the Kenyan banking industry, as it has now been accepted by some of the commercial banks. Outsourcing is a trend found in many types of businesses today and is defined as, the practice of contracting for the provision of specific services by people outside of an organization (Stear, 1997).

1.1.2 Outsourcing of training services

Organizations around the world are increasingly considering outsourcing as a Strategic Human Resource Management (HR) tool, which can be leveraged to allow them to focus on their core competencies, (PriceWaterHouseCoopers, 1991).

1.4 Importance of the Study

The objectives of the study were to determine the extent of outsourcing of training services in the commercial banks in Kenya and to establish the factors that influence the extent among commercial banks in Kenya. The literature covered areas on of outsourcing of training services. The research methodology was a census survey. In order to meet these objectives, the pertinent primary data used in the study was collected through questionnaires directed to the head of human resource departments. The questionnaire used in this study contained both open-ended and closed questions.

2.7 Planning and implementing an outsourcing program

The study established that outsourcing of training services has posed some challenges in the banking industry in Kenya although some of the reasons that compel Banks to outsource training services include reliability and cheap. These challenges arose from identification of training vendors, cost evaluation on whether to outsource or not, staff resistance to change, effectiveness of training vendors and employee training demands and needs and aligning of outsourcing of training services to the overall organizational training policy and the organizational strategy.

The study is the first in the field of outsourcing of training service among commercial banks in Kenya and recommends further research on outsourcing of HR training services not only in the banking industry but also other sectors.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Outsourcing is a trend found in many types of businesses today and is defined as, the practice of contracting for the provision of specific services by people outside of an organization (Stear, 1997).

Although outsourcing has become part of the reengineering revolution that is found in today's business world, the idea has been around for several centuries. As early as 1476, Monks in San Jacopo di Ripoli, "employed the services of several printers in their press and nuns were employed in the composition and illumination (Eddison, 1997). In the 1970's, outsourcing only involved a supplier who managed a function that was formerly carried out in-house.

The 1980's saw outsourcing begin to develop into closer relationships between the company and the vendor providing the outsourcing. Ultimately, in the 1990's, the relationship between the two companies evolved into partnerships. Today, as companies and organizations reengineer and downsize, tasks performed by the business are examined to see if they really need to be performed in-house or if they can be outsourced or completely eliminated. During this reengineering trend, Corporate Information Centers have found themselves becoming targets for corporate outsourcing. Outsourcing is a complex undertaking. If not done well, outsourcing can lead to significant financial and personnel problems, and to a drop in the quality of the outsourced functions (Goss and Jones, 1992).

Organizations around the world are increasingly considering outsourcing as a Strategic Human Resource Management (HR) tool, which can be leveraged to allow them to focus on their core competencies, (PriceWaterHouseCoopers, 1991).

Harkins (1996), indicate that outsourcing means, "having an external vendor provide, on a recurring basis, a service that would normally be performed within the organization." They go on to state "While this is a convenient shorthand definition, the concept of 'outsourcing' clearly captures a broader range of strategic partnerships. Think of it as a continuum that contains discrete relationships with consultants and attorneys on the one end,

partnerships with outsourcing vendors involving a particular service or function in the middle, and broader arrangements such as 'employee leasing,' 'virtual organizations,' and 'webs of inclusion' on the other."

1.1.1 Training

According to Russo (1996), employee training and development is an on going process, people learn at the work place everyday. Organizations can maximize this learning opportunity by building an environment of greater trust, commitment in the workplace through respect and involvement of employees.

Training is systematic, planned process to modify attitude, knowledge or skill behavior through learning experience to achieve effective performance in an activity or a range of activities. Its purpose, in the work situation, is to develop the abilities of the individual and to satisfy the current and future manpower needs of the organization; a common view in most literature reviewed so far, claims that training provision is positively correlated with firm size, Armstrong (1992). This reflects a view that training is defined as merely formal and mainly provided by external sources (off-the job- training). However, there is a growing evidence to show that this reflects a narrow definition of training (Goss, 1992; Lange 2002; Johnson, 1999; Curran, 1997 and Kitching, 2002). Widening the definition of training to include less formal ways of learning may reduce the gap between small and larger businesses (Jones, 1992).

Training Services delivers a variety of technical training courses designed to educate staff in organizations. These courses give the staff the necessary hands-on experience and knowledge to plan, operate, and maintain their tasks. Training will improve return-on-investment and lead to greater efficiency of personnel. Training Services includes, organizations system overview and configurations, work system, user interface, system provisioning, system testing, hands-on experience, work environment techniques, reference manuals and documentation.

1.1.2 Outsourcing Training Services

According to Bates (1997), outsourcing is the delegation of tasks or jobs from internal production to an external entity (such as a subcontractor). Most recently, it has come to mean the elimination of native staff to staff overseas, where salaries are markedly lower. This is despite the fact that the majority of outsourcing that occurs today still occurs within country boundaries, especially in North America. It became a popular buzzword in business and management in the 1990s. Main benefits of Outsourcing training services include, focusing on the company's core processes and activities that generate value, information quality and opportunity that allow to analyze the company's results and position effectively, increase in internal control and efficiency based on the correct segregation and supervision of training services, predictable and controllable training costs, reduction of personnel costs, releasing supervision employees for those activities that generate value for your company, introduction and support of new training technologies, use of the best world training practices, Improves the level of permanent training services, higher flexibility to cope with dynamic economic environments, absorbing peak requirements, better company image when the largest professional services firm in the world is responsible for its training.

On methods to Outsourcing of training services, Bates (1997), found that corporations approached outsourcing of training services in three different ways; total outsourcing of training services, partial outsourcing of training services, and electronic database services.

Total Outsourcing of training services - total or full outsourcing is when training services are completely outsourced, either by contracting with an organization to staff and administer the training services for a set fee, or by staffing the training services with consultants rather than employees (Bates, 1997). When this approach is taken, the company loses employees who understand the corporate culture, products and services of the organization.

The outsourcing company does not necessarily understand the long-term corporate goals of the company or the information needs of its training services users. Ellen, (1997) found that companies, who used total outsourcing of training services, tried to overcome this obstacle by working hard to communicate their needs to the outsourcing vendor. The outsourcing training services for one of these companies worked closely with her company manager to constantly assess the directions of both the company and information services needed (Portugal, 1997). In another example, the company elected and paid for additional specific services to be provided by the outsourcing vendor. The additional tasks ranged from standing monthly orders of search requests for current information on specific topics to the availability of additional specialized publications to the subscription list. The services provided were relevant to the needs of the organization and were in addition to the regular training services functions. Both are examples of how companies must work at communicating their needs to vendors when fully outsourcing training services.

Partial Outsourcing of training services - When companies partially outsource, outsiders, such as training services student interns, temps, or vendors are used to get some specific task done. The day-to-day operation of the training services stays in house and is maintained by company employees. Partial outsourcing is often also called co-sourcing or out-tasking. Cataloging is one of the most obvious jobs to outsource, particularly for smaller training services that do not have a collection large enough to justify a full-time cataloger (Goss, 1992). Some special training services rely on document delivery companies to replace tasks such as interlibrary loan, subscription management and book ordering.

Electronic Database Services - Many companies use electronic database services as a compromise for downsizing and consolidating the corporate training services while avoiding closure or total outsourcing (Portugal, 1997). Corporate Information Centers have saved their companies money by networking databases through company Intranets,

allowing users throughout the organization to access information from the databases at their own desks. Electronic database access throughout the company can broaden the user base and save the company money, which saves the corporate training services.

1.1.3 Commercial Banking Sector In Kenya

There are forty-three commercial banks in Kenya with total asset of Kshs.77 billion, (Central Bank of Kenya, March 2004). Thirty-five of the banks, most of which are small to medium sized, are locally owned. A few large banks dominate the industry and most of them are foreign-owned, though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange.

The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly the larger banks, offer other services including investment banking. The Central Bank has on a few occasions put certain commercial banks under statutory management and some have resulted in closure. Some of the smaller banks have merged in a bid for survival as they are faced with an increase in commercial banks minimum paid up capital and high operational costs due to cutthroat competition from the bigger players (Banking Survey 2002). The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector. The commercial banks due to competition have to employ strategies that make it to have competitive advantages one of this strategy includes outsourcing.

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1.2 Statement of the problem

Managers have begun to understand that in some instances it is better to bring in services from the outside to achieve quality services than to do everything on their own (Eddison, 1997). Outsourcing can have a direct impact on jobs and on the work done within an institution. When a function is outsourced the staffs that have traditionally done this work may be affected. The staff may have their jobs eliminated or they may have their job assignments changed.

Staff training activity is very important, as it is the heart of any organization's growth to the extent commercial banks. It is valuable tool because it is seen as an investment to the organization, helping it to improve its profitability, reduce its costs, increase the commitment and motivation of its people and realize their potential (Bruce, 1997).

Training is not a core business of commercial banks in Kenya today though some commercial banks have training centers for their employees.

Outsourcing can result in union grievances over job losses or changes to jobs. Changes to the collective agreement must often be negotiated before outsourcing can legally take place. Training services have been outsourced in many companies for many years but the outsourcing of entire human resource activities posed a serious threat to the organization (Serem, 2002).

1.4 Importance of the Study

The justification for outsourcing of training services depends on the kind of the organization and its size, or whether the nature of outsourcing of training services involves the decision on what can be achieved by outsourcing of training services, or whether the companies partially outsource or contract from outsiders in areas such as training services by student interns or whether to use things like electronic database services as a compromise for downsizing and consolidating the corporate training services while avoiding closure or total outsourcing.

Studies carried out on outsourcing of human resources services are limited: Serem (2002) looked at outsourcing human resources functions and she did not focus on training services; Chebet (2005) looked at a survey of outsourcing of human resource functions by the public service in Kenya; Lutta (2003) looked at outsourcing of distribution logistics within the supply chain of East Africa Breweries Limited; Chanzu (2002) looked at a survey of business outsourcing practices among private manufacturing companies in Nairobi; Kinyua (2000) looked at a survey on outsourcing of selected financial activities by publicly quoted companies in Kenya and Kirui (2001) looked at competitive advantage through outsourcing of non-core logistics activities within the supply chain of British American Tobacco Kenya Limited. All these studies did not focus on outsourcing of training services among the commercial banks in Kenya creating a knowledge gap. It is for this reason that the study focuses on outsourcing of training services to be able to address the question highlighted above.

1.3 Objectives of Study

The objectives of the study are: -

- (i) To determine the extent of outsourcing of training services in the commercial banks in Kenya.
- (ii) To establish the factors that influence the extent of outsourcing of training services among commercial banks in Kenya.

1.4 Importance of the Study

The study is important to: -

- (i) Top management of the organization will benefit from the study, as they will focus on cost-cutting measures.
- (ii) Human resource managers will have redefined functions as outsourcing continues to be the order of the day.
- (iii) Organizations that offer services to other organizations will benefit as they learn outsourcing strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section addresses the research objectives highlighted in chapter one. The chapter will discuss the role of human resources in firms, human resource issues and challenges in global markets, strategic human resource as a response to the challenges of globalization and strategic human resource and organizational performance.

2.2 Meaning of outsourcing

Harkins (1996) indicates that outsourcing means, "having an external vendor provide, on a recurring basis, a service that would normally be performed within the organization." He goes on to state "While this is a convenient shorthand definition, the concept of 'outsourcing' clearly captures a broader range of strategic partnerships. Think of it as a continuum that contains discrete relationships with consultants and attorneys on the one end, partnerships with outsourcing vendors involving a particular service or function in the middle, and broader arrangements such as 'employee leasing,' 'virtual organizations,' and 'webs of inclusion' on the other."

2.3 Importance of outsourcing

Reducing operating costs is often the main reason to consider HR outsourcing. The financial benefits are two-fold. In the first place, capitalizing on the economies of scale that only a dedicated outsourcing provider can deliver makes savings. Secondly, profit and productivity can be improved when the very best HR policies are adopted (PricewaterhouseCoopers, 1991).

Organisations are now often looking for additional benefits that outsourcing can bring such that companies can ensure best practice by working with specialist HR experts. Best practice in staff benefits, health & safety, welfare, employee relations, training,

recruitment and administration can be hard to achieve, especially with an under-resourced, over-stretched HR function. HR managers and directors can spend more time on strategic issues while the senior HR team can get bogged down in managing the administration of standard processes. By outsourcing this task, they can concentrate on contributing to their organization's success, Kessler (1999).

Firms are increasingly having the use of outside vendors to meet their training and development needs. However, the strategic importance of certain training and development programs can introduce unexpected and unique challenges for organizations outsourcing which is an important function. To better understand the effects of outsourcing in this strategic area, the authors used three methods of analysis to identify factors thought to impact client satisfaction with external training vendors: transaction cost economics (TCE), social exchange theory and the resource-based view (Hitt, 1998).

Strategically, outsourcing provides HR departments with a tool for producing competitive advantage for the firm. Outsourcing for the sake of outsourcing or to imitate competitors offers no basis for sustainable competitive advantage. Operationally, many firms are pursuing low-hanging fruit by choosing, for example, to outsource benefits administration with a vendor that provides the latest in automated technology and because all firms have access to these vendors, no firm achieves any discernible advantage over the others.

2.4 Benefits of outsourcing

The Institute offers the following reasons:

There are a number of 'strategic drivers' for outsourcing HR services that include reducing costs which is a key determinant in many outsourcing decisions, but should not to be considered in isolation from other costs/ benefits, increasing effectiveness of HR delivery experienced outsourcing providers can often deal with HR processes more effectively, for example, recruitment may be undertaken more quickly, reducing employee turnover costs and speeding up the pace of growth; Providing greater expertise. Outsourcing human resource administration can lead to a shift in HR focus towards policy and decision making, to aid organizational growth in cases where fast-growing

organizations lack the HR capacity to deliver business objectives, making HR outsourcing an attractive solution (Wright, 1998).

Armstrong (2003) states that the three reasons for outsourcing are cost saving, concentration of HR effort (not diverted from key the tasks that add value) and obtaining expertise that is unavailable in the organization.

2.5 Factors influencing outsourcing of Training

Harkins (1996) suggests that HR leaders considering outsourcing, as an option should look for the potential to gain access to best practices, realize economies of scale, improve performance and stability, and improve their capacity to change.

Quinn (1994) indicates that:

One of the great gains of outsourcing is the decrease in executive time for managing peripheral activities -- freeing top management to focus more on the core of its business. Various studies have shown that when these internal transaction costs are thoroughly analyzed, they can be extremely high.

The Outsourcing Institute described a variety of reasons why companies outsource. The understanding of this issue has been broadened through "studies conducted since 1991, including surveys of over 1,200 companies, work with its members, and ongoing reviews of other major studies."

The Institute offers the following reasons:

To improve company focus, to gain access to world-class capabilities; to accelerate reengineering benefits, to share risks, to free up resources for other purposes; to realize a cash infusion (e.g. selling assets such as equipment to the provider), to reduce or control operating costs, the resources are not available internally (e.g., build a requirement such as a data-center from scratch), and the function is difficult to manage or out of control. The Institute emphasizes, though, that this does not mean "abdication of management responsibility.

Reporting on the results of another survey (Laabs, 1993), in "Why is HR Turning to Outsourcing" discusses the reasons given for outsourcing the benefits function: to save time, gain expertise, reduce costs, reduce staffing requirements, minimize problems, avoid complexity, improve service, and concentrate on core business.

Pursuant to their survey Harkins (1996) outlined the following reasons given (in descending order) for outsourcing HR services: to access expertise, save time, save on administrative costs and save money, focus on more strategic initiatives, outsource non-core business, respond to increases in responsibility, reduce staff, respond to budget cuts, and finally, to reduce liability.

Hewitt Associates (1996) found the most popular reasons for outsourcing Human Resource are: cost effectiveness, reduction of administrative costs, capitalization on technology and expertise, improvement of customer service, focus on core businesses, and redirection of Human Resource's focus toward strategy and planning.

The Conference Board of Canada's report (1996) "Getting the most from your training dollar" outlined some reasons that organizations gave for outsourcing aspects of their training and development function:

Highly specialized needs, lack of time (in-house staff unable to meet needs within specified time-frame), lack of in-house expertise, better utilization of internal resources; availability of high-quality training outside the organization, generic needs (external programs already exist), saving money (cost of going outside considered favorable).

Spee (1995) in his Human Resource Magazine article, "Addition by Subtraction; Outsourcing Strengthens Business Focus", echoes Fowler's comments with regard to small organizations and Human Resource (HR) outsourcing:

At the broadest functional level, some companies have outsourced their entire HR management function to a service provider by bundling a wide range of HR management services; providers can create a package that is attractive for smaller businesses with five to 100 employees.

When looking to the future of HR outsourcing from a federal public service perspective, and asking questions such as: What functions might be outsourced in the future and why; or how can outsourcing both support and be integrated with Human Resource's increasingly strategic and business-oriented approach. It is important to reflect on past outsourcing experiences and successes, as well as the size, tasks, constraints and complexities of the public service milieu. The public service is the largest employer in Canada. Although ongoing efforts are being made to simplify system-wide HR management processes in place, considerable work remains to be done and our terms and conditions of employment are numerous.

Some authors suggest that 'core means keep', however this assumption seems open to challenge. Although there might be good reasons to keep "core" activities in-house, dogmatic rules that limit objective assessment or dampen creative thinking will fail to tap the undoubted opportunities of strategic outsourcing (Alexandre, 1996).

The literature suggests that the degree to which organizations outsource varies considerably. For example, all or parts of an information management system might be outsourced. An organization might outsource all of its staffing, or perhaps only external recruitment. There is no simple formula; the message is quite simply that *it depends!* Deciding what to outsource requires a systematic approach.

Quinn (1994) suggests that managers must answer some questions about any activity considered for outsourcing:

What is the potential for obtaining competitive advantage in this activity, taking account of transaction costs?. Hilmer defines transaction costs as costs incurred by outsourcing, such as searching, contracting, controlling and recontracting.

What is the potential vulnerability that could arise from market failure if the activity is outsourced?

2.6 Challenges of outsourcing

Regardless of the nature of the services being outsourced, usually companies will not be able to contract away any blame or responsibility. Stated differently; outsourcing requires a commitment to careful monitoring and management for the life of the contract. For this reason, outsourcing should be undertaken only on the basis of a profound professional study, which addresses costs, benefits, and public policy implications. The choice of the successful bidder is analogous to major procurement determinations involving price, quality; and delivery aspects. Moreover, "the contract should not be evergreen", but should provide for periodic re-evaluation, with re-shopping a possibility, Pomeranz (1984).

According to Fryklund (1994), the outsourcing study and especially the use of the marketplace to obtain the services of a private contractor, entail new costs that should be weighed in deciding the course of action. In effect, outsourcing represents a reversal of an historic pattern. That pattern has involved consolidation of operations within a single entity in order to realize economies of scale. More important before any move is made to outsource, some of the possible benefits could probably be realized by simple comparison-shopping.

Significantly outsourcing could even impose new and unforeseen social costs. Public employment obtaining prior to privatization may have benefited an entire community; for example, these benefits could have been due to requirements specifying municipal workers' residences, clauses designed to protect women and minorities, and relatively "liberal" pension plans. New social costs require measurement and consideration in the outsourcing decision (Fryklund, 1994).

2.7 Planning and implementing an outsourcing program

Often corporate information centers are the last to know that they are going to be outsourced. The smart manager constantly evaluates costs and uses outsourcing when it is financially and/or politically the best way to get the job done. Staying aware of the

financial and political realities of the organization in which librarian's work is critical to the library's success (Helfer, 1998). Information professionals should be prepared to plan and implement an outsourcing program.

The planning process for an outsourcing program requires adequate time and staffing depending on the size of the organization. Strategic thinking, planning, and testing must be done prior to the implementation of any outsourcing procedure. Often, outside consultants are brought in to assist in the process. Consultants bring with them an outsiders point of view and can question current processes, perform cost-analysis and even boost the morale of the staff. To outsource core functions or competencies, such as, selection, training, in organization, is seen by many professionals as de-professionalization because for many, the profession is defined by these core functions. However, it is not clear where the line between core functions and non-core functions should be drawn. There is disagreement over which functions are in fact core functions. For example, managers cannot agree about whether or not training is a core function.

Drucker (1979), in an attempt to draw the core function line claims that those positions which do not lead to promotion to senior management within the organization should be considered for outsourcing because they do not fit within the value system of the organization.

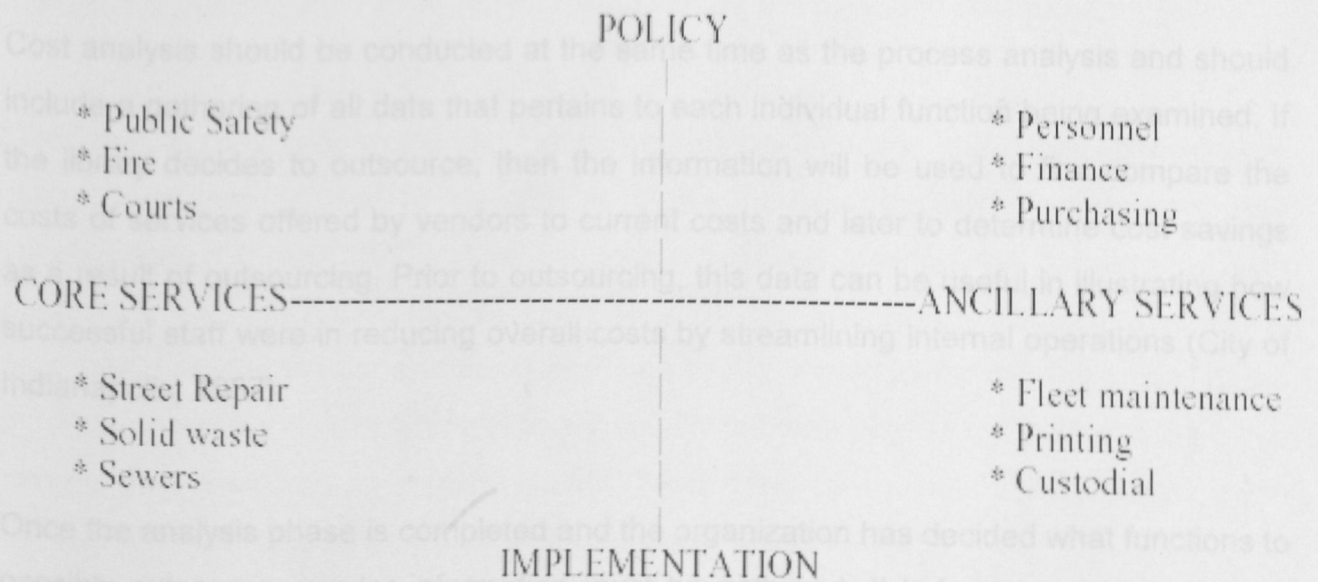
In general it is agreed that core functions, or core competencies within heritage institutions should not be outsourced, and that non-core functions may be considered for outsourcing. However, a problem arises because core functions may be difficult to define. Heritage professionals, boards of trustees and funding agencies may each have a different perspective of what constitutes a core function. For example, changes to the definition of core competencies may have a direct impact on the jobs of professionals. Therefore professionals will tend to define what they do as a core function. However, if the primary consequence of outsourcing is intended to be cost-effectiveness and the

value of core functions is ignored, then it may be perceived that almost everything can be outsourced.

When considering outsourcing, an institution would be well advised to determine which functions it should retain and which functions it may consider for outsourcing.

The City of Indianapolis (1987) developed a competition matrix intended to aid strategic thinking when considering outsourcing.

Figure 1. Competition Matrix



Source: City of Indianapolis, (1987) p6.

According to the creators of the matrix, the services in the bottom right-hand quadrant (Ancillary/ Implementation) are the most suitable for outsourcing, whereas the services in the upper left-hand quadrant (core/policy) are the least suitable for outsourcing.

Lawrence Martin, the author of the article in which the matrix is presented concludes that both museum operations and library operations fall into the ancillary/implementation quadrant. Obviously this positioning in the matrix would immediately start an argument within the heritage community not only because of the position assigned to museum and library services but also because there is no obvious differentiation between core and ancillary services.

2.8 Evaluating existing processes and costs

The first step in exploring the possibility of outsourcing is to conduct an analysis of existing processes and costs. The analysis should begin with a review of the policies and procedures currently in place and of the processes themselves. This process-analysis phase is a good method for identifying immediate ways to streamline processes, before advancing further with an outsourcing plan (City of Indianapolis, 1987). If it is decided to outsource a function, then the analyzed information will be used to explain the process to the vendor.

Cost analysis should be conducted at the same time as the process analysis and should include a gathering of all data that pertains to each individual function being examined. If the library decides to outsource, then the information will be used to first compare the costs of services offered by vendors to current costs and later to determine cost savings as a result of outsourcing. Prior to outsourcing, this data can be useful in illustrating how successful staff were in reducing overall costs by streamlining internal operations (City of Indianapolis, 1987).

Once the analysis phase is completed and the organization has decided what functions to possibly outsource, vendor information must be gathered. It is best to gather as much information as possible and then discuss the outsourcing possibilities with all members of the internal staff to determine or discover additional ways that individual needs in the organization can be met by outsourcing. A written draft of the outsourcing plan should then be created and should include: a description of the redesigned operation; details about the outsourcing services to be provided by vendors; and a time schedule and strategy for implementation of the outsourcing program (Goss and Jones, 1992; Lange et al 2002, Johnson, 1999, Curran et al, 1997 and Kitching and Blackburn, 2002). The report should be distributed to all interested parties so that comments can be made before the final draft is completed. Please keep in mind, that vendors may not be needed, depending on the procedure the organization has decided to outsource. In the design plan, the library may decide to utilize temps or library interns.

The first step is to request information from vendors based on the outsourcing program outlined in the written draft. This is an education phase for the library staff and should be used to listen to vendor presentations, tour vendor facilities, screen vendors who do not meet the basic requirements, and review all aspects of vendor operations. Toward the end of this phase, vendors will usually submit formal proposals to the organization.

Once a vendor has been selected, upper management will begin reviewing and negotiating final costs for the service. It is important to cover as many details as possible in the contract. This phase would also include review of requests for temps or library interns in organizations that do not choose a vendor but decide to co-source.

Once the plan has been made and the vendor has been chosen, the library staff will work closely with the vendor to develop a profile of organizational requirements and specifications (Wilson, 1997). The vendors will usually provide the organization with paperwork that will profile the service needs of the organization. Once the profile is complete, both the vendor and the information center should jointly test the quality of the program or service. The testing phase will usually uncover bugs in the system design that can be eliminated prior to implementation. Testing services should still be conducted in situations where temps may be used and a vendor is not involved.

Outsourcing does not result in complete abandonment of all responsibility for oversight of an operation, just because a vendor has begun to provide services that were once performed in-house (Harkins, 1996). The service must be evaluated whether full outsourcing has occurred, a partial outsourcing of a particular function, or if temps handle a service. The organization should most likely maintain a high level of quality control during the initial phases of operation and eventually conduct a routine evaluation process. The evaluation process used may be similar to those used for evaluation of other library functions.

When examining the impact of outsourcing on the organization, the bottom line should be looked at in relation to the organization as a whole. It is recommended that two methods

of capturing cost data be used: measure unit costs/savings and to monitor aggregate cost/savings. Often organizations will find immense savings in one outsourced function but little to none in another. Cost and savings should be examined: three to six months for the initial stage, six months to one year for the following phase, followed by periodic monitoring on an ongoing basis for the life of the outsourcing program (Harkins, 1996).

2.9 The Extent of outsourcing

Numerous outsourcing surveys have been carried out over recent years. The landscape appears to be changing very rapidly in terms of the nature and amount of outsourcing. What follows are some very brief synopses of some of the surveys of the past five years, as well as some general observations from experts in the field.

Harkins (1996) conducted a national (U.S.) survey of human resource executives and 121 responses received. Their findings were as follows: Most HR departments are outsourcing at least one service or function, practically every HR service or function is being outsourced and HR leaders are outsourcing services and functions for many different reasons.

Harkins (1996) goes on to indicate that 64% of respondents outsourced 'outplacement,' followed by: training delivery (46%), training development (40%), relocation services (31%) and compensation planning (31%), followed by pre-employment testing (23%), benefits administration (21%), organization development (19%), recruitment, employment & staffing (15%), health, safety & security (12%), HR information systems (8%), training evaluation (4%), HR administration (3%) and training administration (2%).

The PA Consulting Group in the U.K. suggests that the practice of outsourcing is spreading. Management Today's (1997) article, "Outsourcery," refers to PA's findings:

...the average number of functions outsourced by organizations has risen 225% (from 1.2 to 3.9) over the past five years and will go on growing. At present the most frequently outsourced activities are property services, catering and information technology, but there is clear evidence that outsourcing is moving from the peripheral activities towards more central ones (Brown, 1997).

A study of 309 Fortune 1000 Corporations, conducted by KPMG-Peat Marwick in 1994, found that 66% of the companies surveyed outsourced import/export services; 63% employed freight brokers for transport selection, carrier monitoring, insurance, tariff and customs compliance; 49% outsourced freight audit services; and 48% outsourced warehousing (Corbett, 1994).

2.10 Organizational forms of training

The Conference Board, in HR Executive Review (Journal): Outsourcing HR Services (1994), found that more than eight out of 10 executives responding to a survey "have outsourced at least some human resources services, or are considering such action". The same study found that the rank order of most commonly outsourced HR services are savings plan administration, followed by EAP/fitness/wellness, relocation/career counseling, benefits administration, management development, skills training, payroll administration, diversity programs, benefit planning, compensation, and finally, recruiting.

Purpose of training and development

In 1995, the Hospitals & Health Network Annual Survey reported that 67% of hospitals use outsourcing providers for at least one department within their operations; 90% of these hospitals use outsourcing providers for support services; 77% for clinical services; and 51% for business services. Reporting on a 1994 Olsten Corporation survey of 400 corporations, the Outsourcing Institute also indicates that 45% of executives surveyed outsource payroll management, while 38% outsource tax administration. Moreover, 35% outsource benefits administration, 34% outsource workers compensation, and "the number of executives using outsourcing as part of a flexible staffing strategy increased from 18% to 30% over the past year".

Research has shown specific benefits that a small business receives from training and development

The results of a survey of 303 multinational companies in North America and Europe were discussed in the September 1996 edition of MacLean's Magazine. The results indicated that 85% contract out one or more functions, and 93% are likely to do so within three years. The article reports that the most commonly outsourced functions are legal work, transportation, and information management. The number of organizations expecting to outsource some aspect of HR is expected to increase from 10% to 25%.

Achievement of personal and company goals

According to a Hewitt Associates (1996) survey on outsourcing human resources, "93% of large employers reported outsourcing at least some part of human resources. As to the degree of outsourcing, 20% of HR responsibilities was the most common amount cited by employers with only 12% of companies outsourcing more than 50% of the HR function".

2.10 Organizational forms of training

The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. If you hire and keep good employees, it is good policy to invest in the development of their skills, so they can increase their productivity (Armstrong, 1992).

Training often is considered for new employees only. This is a mistake because ongoing training for current employees helps them adjust to rapidly changing job requirements.

Purpose of training and development

Reasons for emphasizing the growth and development of personnel include:

Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization. Enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff. Building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale, ensuring adequate human resources for expansion into new programs (Murlis, 1992).

Research has shown specific benefits that a small business receives from training and developing its workers, including:

Increased productivity, reduced employee turnover, increased efficiency resulting in financial gains, decreased need for supervision. Employees frequently develop a greater sense of self-worth, dignity and well being as they become more valuable to the firm and to society. Generally they will receive a greater share of the material gains that result from their increased productivity. These factors give them a sense of satisfaction through the achievement of personal and company goals.

The training process

The model below traces the steps necessary in the training process (Armstrong, 1992):

Organizational objectives needs assessment, includes, "is there a gap"?, have training objectives, select the trainees, select the training methods and mode, choose a means of evaluating, administer training and evaluate the training.

Organizations should have a clearly defined strategy and set of objectives that direct and drive all the decisions made especially for training decisions. Firms that plan their training process are more successful than those that do not. Most business owners want to succeed, but do not engage in training design that promise to improve their chances of success (Young, 1996). The five reasons most often identified are:

Time - Small businesses managers find that time demands do not allow them to train employees.

Broad expertise - Managers tend to have broad expertise rather than the specialized skills needed for training and development activities.

Lack of trust and openness - Many managers prefer to keep information to them. By doing so they keep information from subordinates and others who could be useful in the training and development process.

Skepticism as to the value of the training - Some small business owners believe the future cannot be predicted or controlled and their efforts, therefore, are best centered on current activities i.e., making money today.

A well-conceived training program can help your firm succeed. A program structured with the company's strategy and objectives in mind have a high probability of improving productivity and other goals that are set in the training mission.

Identifying Training Needs

According to Murlis (1996) training needs can be assessed by analyzing three major human resource areas; the organization as a whole, the job characteristics and the needs of the individuals. This analysis will provide answers to the following questions: Where is

training needed? What specifically must an employee learn in order to be more productive? And who needs to be trained?

Begin by assessing the current status of the company how it does what it does best and the abilities of your employees to do these tasks. This analysis will provide some benchmarks against which the effectiveness of a training program can be evaluated. Your firm should know where it wants to be in five years from its long-range strategic plan. What you need is a training program to take your firm from here to there.

Second, consider whether the organization is financially committed to supporting the training efforts. If not, any attempt to develop a solid training program will fail.

Next, determine exactly where training is needed. It is foolish to implement a company wide training effort without concentrating resources where they are needed most. An internal audit will help point out areas that may benefit from training. Also, a skills inventory can help determine the skills possessed by the employees in general. This inventory will help the organization determine what skills are available now and what skills are needed for future development.

Selection of Trainees

Once you have decided what training is necessary and where it is needed, the next decision is who should be trained? For a small business, this question is crucial. Training an employee is expensive, especially when he or she leaves your firm for a better job. Therefore, it is important to carefully select who will be trained.

Training programs should be designed to consider the ability of the employee to learn the material and to use it effectively, and to make the most efficient use of resources possible. It is also important that employees be motivated by the training experience. Employee failure in the program is not only damaging to the employee but a waste of money as well. Selecting the right trainees is important to the success of the program.

Training Goals

The goals of the training program should relate directly to the needs determined by the assessment process outlined above. Course objectives should clearly state what behavior or skill will be changed as a result of the training and should relate to the mission and strategic plan of the company. Goals should include milestones to help take the employee from where he or she is today to where the firm wants him or her in the future. Setting goals helps to evaluate the training program and also to motivate employees. Allowing employees to participate in setting goals increases the probability of success.

Training Methods

Lynch (1991) asserts that there are two broad types of training available to small businesses: on-the-job and off-the-job techniques. Individual circumstances and the "who," "what" and "why" of your training program determine which method to use.

On-the-job training -is delivered to employees while they perform their regular jobs. In this way, they do not lose time while they are learning. After a plan is developed for what should be taught, employees should be informed of the details. A timetable should be established with periodic evaluations to inform employees about their progress. On-the-job techniques include orientations, job instruction training, apprenticeships, internships and assistantships, job rotation and coaching.

Off-the-job techniques -include lectures, special study, films, television conferences or discussions, case studies, role-playing, simulation, programmed instruction and laboratory training. Most of these techniques can be used by small businesses although some may be too costly.

Orientations - are for new employees. The first several days on the job are crucial in the success of new employees. This point is illustrated by the fact that 60% of all employees who quit do so in the first ten days. Orientation training should emphasize the following topics: The company's history and mission, the key members in the organization, the key members in the department, and how the department helps fulfill the mission of the

company and personnel rules and regulations. Some companies use verbal presentations while others have written presentations. Many small businesses convey these topics in one-on-one orientations. No matter what method is used, it is important that the newcomer understand his or her new place of employment.

Lectures - present training material verbally and are used when the goal is to present a great deal of material to many people. It is more cost effective to lecture to a group than to train people individually. Lecturing is one-way communication and as such may not be the most effective way to train. Also, it is hard to ensure that the entire audience understands a topic on the same level; by targeting the average attendee you may under train some and lose others. Despite these drawbacks, lecturing is the most cost-effective way of reaching large audiences.

Role-playing and simulation - are training techniques that attempt to bring realistic decision making situations to the trainee. Likely problems and alternative solutions are presented for discussion. Experienced employees can describe real world experiences, and can help in and learn from developing the solutions to these simulations. This method is cost effective and is used in marketing and management training.

Audiovisual methods -such as television, videotapes and films are the most effective means of providing real world conditions and situations in a short time. One advantage is that the presentation is the same no matter how many times it's played. This is not true with lectures, which can change as the speaker is changed or can be influenced by outside constraints. The major flaw with the audiovisual method is that it does not allow for questions and interactions with the speaker, nor does it allow for changes in the presentation for different audiences.

Job rotation- involves moving an employee through a series of jobs so he or she can get a good feel for the tasks that are associated with different jobs. It is usually used in training for supervisory positions. The employee learns a little about everything. This is a good strategy for small businesses because of the many jobs an employee may be asked to do.

Apprenticeships - develop employees who can do many different tasks. They usually involve several related groups of skills that allow the apprentice to practice a particular trade, and they take place over a long period of time in which the apprentice works for, and with, the senior skilled worker. Apprenticeships are especially appropriate for jobs requiring production skills.

Internships and assistantships - are usually a combination of classroom and on-the-job training. They are often used to train prospective managers or marketing personnel.

Programmed learning - computer-aided instruction and interactive video all have one thing in common: they allow the trainee to learn at his or her own pace. Also, they allow material already learned to be bypassed in favor of material with which a trainee is having difficulty. After the introductory period, the instructor need not be present, and the trainee can learn as his or her time allows. These methods sound good, but may be beyond the resources of some small businesses.

Laboratory training - is conducted for groups by skilled trainers. It usually is conducted at a neutral site and is used by upper- and middle management trainees to develop a spirit of teamwork and an increased ability to deal with management and peers. It can be costly and usually is offered by larger small businesses.

Trainers

Who actually conducts the training depends on the type of training needed and who will be receiving it. Milkovich (1991) says mostly supervisors' conduct on-the-job training; off-the-job training, by either in-house personnel or outside instructors.

In-house training is the daily responsibility of supervisors and employees. Supervisors are ultimately responsible for the productivity and, therefore, the training of their subordinates. These supervisors should be taught the techniques of good training. They must be aware of the knowledge and skills necessary to make a productive employee. Trainers should be taught to establish goals and objectives for their training and to determine how these objectives can be used to influence the productivity of their departments. They also must be aware of how adults learn and how best to communicate with adults. Small businesses

need to develop their supervisors' training capabilities by sending them to courses on training methods. The investment will pay off in increased productivity.

Thomson (1991) indicates that there are several ways to select training personnel for off-the-job training programs. Many small businesses use in-house personnel to develop formal training programs to be delivered to employees off line from their normal work activities, during company meetings or individually at prearranged training sessions.

There are many outside training sources, including consultants, technical and vocational schools, continuing education programs, chambers of commerce and economic development groups. Selecting an outside source for training has advantages and disadvantages. The biggest advantage is that these organizations are well versed in training techniques, which is often not the case with in-house personnel.

The disadvantage of using outside training specialists is their limited knowledge of the company's product or service and customer needs. These trainers have a more general knowledge of customer satisfaction and needs. In many cases, the outside trainer can develop this knowledge quickly by immersing himself or herself in the company prior to training the employees (Benimadhu, 1996).

Another disadvantage of using outside trainers is the relatively high cost compared to in-house training, although the higher cost may be offset by the increased effectiveness of the training. Whoever is selected to conduct the training, either outside or in-house trainers, it is important that the company's goals and values be carefully explained.

Training administration

Having planned the training program properly; you must now administer the training to the selected employees. It is important to follow through to make sure the goals are being met. Questions to consider before training begins include: Location, Facilities, Accessibility, Comfort, Equipment, and Timing ((The Institute for Employment Studies (IES, 2002)).

Careful attention to these operational details will contribute to the success of the training program. Following these steps will help an administrator develop an effective training program to ensure that the firm keeps qualified employees who are productive, happy workers. This will contribute positively to the bottom line.

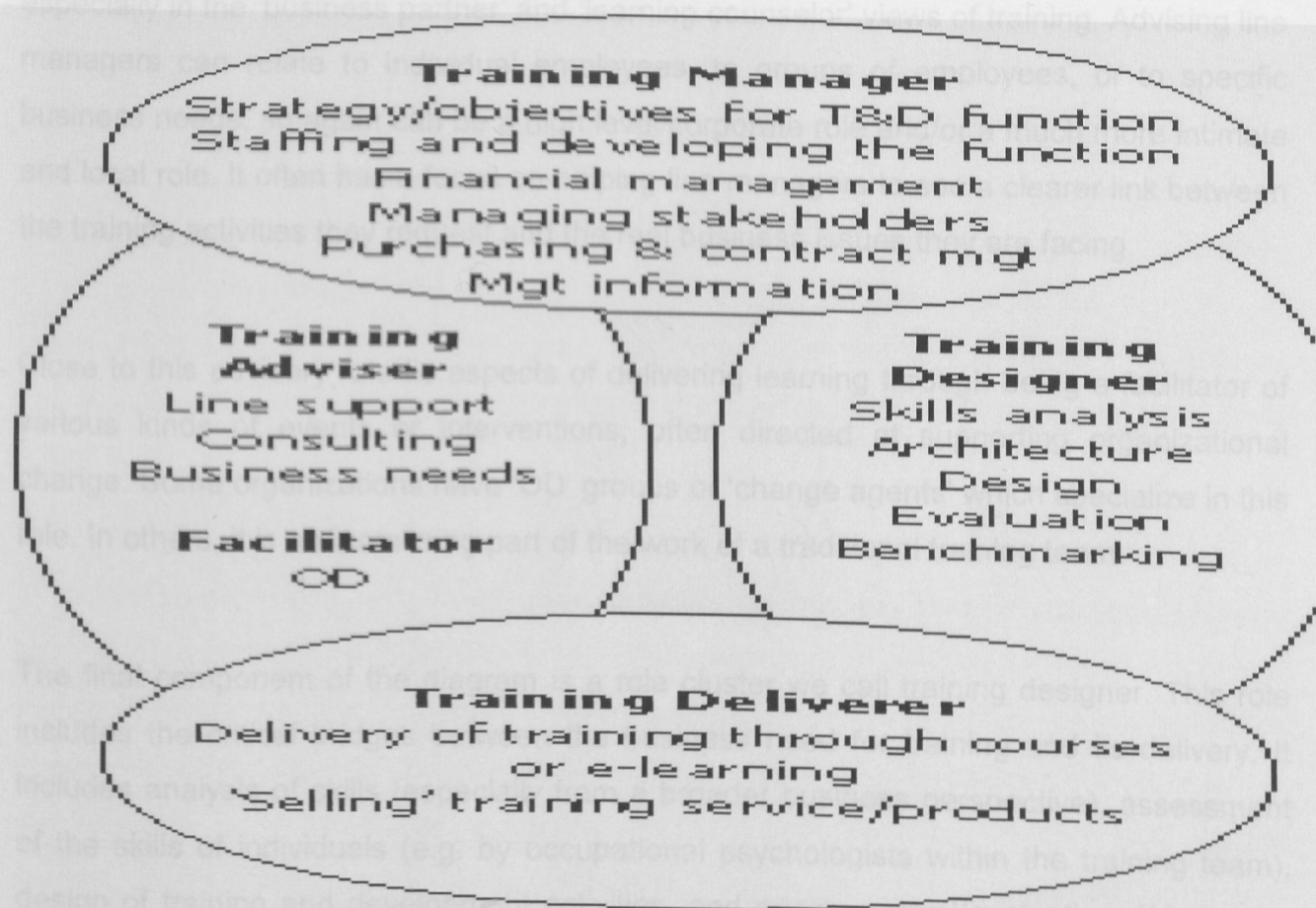
Evaluation of training

Training should be evaluated several times during the process. Determine these milestones when you develop the training. Employees should be evaluated by comparing their newly acquired skills with the skills defined by the goals of the training program. Any discrepancies should be noted and adjustments made to the training program to enable it to meet specified goals. Many training programs fall short of their expectations simply because the administrator failed to evaluate its progress until it was too late. Timely evaluation will prevent the training from straying from its goals (Milkovich, 1991).

The shifting organizational forms of training, coupled with multiple delivery methods, are not leading to a single new 'role' for the trainer, but rather an array of different role demands. The survey showed a number of roles predicted to increase in importance, with the trainer as: A facilitator, an organizational change agent and a policy strategist. Other important roles included: evaluation, business planning, training design, outsourced services management, external benchmarking, training needs identification, and career development support. The only role that was felt likely to become less important for training staff in employing organizations was the direct delivery of formal training - a reduction especially marked in the public sector, (Institute for Employment Studies, 2002).

Analysis of the survey and case study discussions indicates that there are now some clusters of types of work (or roles) in training, all of which are important in different ways. The posts or jobs in a training function often cover more than one of these work types.

Figure 1: Role clusters within the training function



Source: *The Institute for Employment Studies (IES, 2002)*.

Most of the discussions during the course of this research distinguished the role of training deliverer (meaning the running of fairly traditional courses and also, increasingly, the provision of e-learning solutions) from roles other than this. In some circumstances, training delivery also includes a commercial role – that of selling or promoting training provision to the customer. Figure 1 (above) split out three clusters of roles that seem to sit within the 'non-delivery' aspects of training.

Training manager concerns leadership of the training function, its overall nature and direction (often called strategy), its staffing and staff development and financial management. It also covers dealing with the various stakeholders, including the management of external providers. Where training is highly devolved, much of this management function is carried out locally.

Training adviser covers a range of roles that seem to be growing in importance, especially in the 'business partner' and 'learning counselor' views of training. Advising line managers can relate to individual employees, to groups of employees, or to specific business needs, so again can be a high level/corporate role and/or a much more intimate and local role. It often has a focus on helping line managers to see a clearer link between the training activities they request and the real business issues they are facing.

Close to this advisory role lie aspects of delivering learning through being a facilitator of various kinds of events or interventions, often directed at supporting organizational change. Some organizations have 'OD' groups or 'change agents' which specialize in this role. In others, it is an increasing part of the work of a traditional training team.

The final component of the diagram is a role cluster we call training designer. This role includes the critical bridges between the business need for training and its delivery. It includes analysis of skills (especially from a broader business perspective), assessment of the skills of individuals (e.g. by occupational psychologists within the training team), design of training and development activities, and quality control/evaluation. Where the delivery of training has become separated from its commissioning, key elements of the designer role have often gone missing, with a consequent loss of match between how the need is seen (often by the adviser) and how it is delivered. Evaluation is seen as an important role in a future training function, but can also slip through the net between advisers and deliverers.

Milkovich (1991), pointed out that many training programs combine both on the job training and of the job efforts and that successful programs must be designed to incorporate real work situations with more formal off-the-job analysis and development if they have to achieve their goals.

2.11 Conclusion

Human resource managers today need to keep their eye on the bottom line. Outsourcing is a tool that can be used if and when it makes sense for the organization. Managers need to market their organization and let management know about your successes. Prove to the organization that the organization and its staff are vital to the mission and goals of the company. By managing the there roles well, marketing the services offered and keeping things in perspective, outsourcing may not be a surprise in a company's future.

In recent years, there have been many changes in the way human resource services have been resourced and delivered. Much attention has been paid to the devolution of responsibility for implementation of human resource to line managers, the centralization of administrative Human Resource activities into human resource shared services, and to the adoption of 'outsourcing of training services and employee 'self-service'. In the context of the wider Human Resource debate, training often gets mentioned in terms of outsourcing and e-learning, but this is hardly a comprehensive analysis of the extent of challenges and changes faced by the training function and the staff who work in it (Edison, 1997).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study is a census survey. This design is best suited to investigate the outsourcing of training services among Commercial Banks located in Kenya.

3.2 Population

The population of this study will be 43 commercial banks in Nairobi (Appendix II: Bank Supervision Annual Report 2003).

3.3 Data Collection

Primary data will be used in the study. Primary data will be collected through questionnaires directed to the head of human resource departments. The questionnaire used in this study will contain both open-ended and closed questions. It will be administered using the drop and pick method (Appendix I).

	Response	Percentage
Commercial Banks	43	81%
	43	81%

3.4 Data Analysis

The study is modeled on a descriptive framework and therefore descriptive statistics will be used to analyze the data. Frequency distribution and percentages will be used to analyze the data. Mean scores and standard deviation will be used to analyze the collected data.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter descriptively analyzes the data gathered from questionnaires. The study highlights the assessment of the outsourcing of training services in commercial banks in Kenya and establishes the factors that influence the extent of outsourcing of training services among commercial banks in Kenya.

4.2 Response Rate

Response rate of commercial banks involving Human resource managers is as shown on the table below. A total of 43 commercial banks were included in the research. 35 responded which represents 81% response as shown in the table below. The response rate of 81% was high and was considered adequate for the purpose of the study.

Table 4.2: Percentage distribution of selected respondents

Category	Selected	Response	Percentage
Commercial Banks	43	35	81%
TOTAL	43	35	81%

4.2.1 Classification of the commercial banks ownership:

The study established ownership pattern of the respondents and the response was adequate to generalize the findings across the commercial banks in Kenya given the 35 out of the 43 respondents. Its conclusion may apply to the general industry.

Most of the banks that responded to the questionnaires were locally owned as evidenced by 43% of the banks, those who said they are foreign owned were 29%, foreign investors in local banks were 29%, jointly owned 29% and government owned 9%. The table below gives a summary on the type of ownership of the respondent commercial banks in Kenya.

Table 4.3: Classification of the commercial banks ownership

	FREQUENCY	PERCENTAGE
Foreign owned	10	29
Locally owned local	15	43
Foreign investors in local banks	7	20
Jointly owned	10	29
Government owned	3	9
Total	35	100

4.2.2: Hire or use services from external firms to perform training activities
 Most of the commercial banks outsource training services as evidenced by 86% of the

4.2.2: The numbers of employees currently the commercial banks in Kenya have:

The study established that most of the commercial banks in Kenya have employees ranging between 300-400 as asserted by 43% of them, less than 100 were 14%, between 100 and 200 were 23% and over 500 were 20% as indicated in the table below (Table 4.4).

It can be interpreted that the number of employees in these banks depends on their size and branch network/outlets and the capital base of the individual banks.

Given that the foreign banks have large foreign exchange have advantage over the local banks. The government has to harmonize the sector to avoid any unfair transactions against the local banks.

Table 4.4: Summary of employees in commercial banks in Kenya

	FREQUENCY	PERCENTAGE
Less than 100	5	14
Between 100 and 200	8	23
Between 300 and 400	15	43
Over 500	7	20
Total	35	100

4.2.3: Hire or use services from external firms to perform training activities

Most of the commercial banks outsource training services as evidenced by 86% of the respondents who said yes. Those who said No were 14%. It can be interpreted that most banks outsource their training services this is because it is not their core business.

Table 4.5: Hire or use services from external firms

Category	Frequency	Percentage
Yes	30	86%
No	5	14
TOTAL	35	100%

4.2.4: The extent of decentralization of training operations in the commercial banks:

Commercial banks due to competition have started to concentrate on their core business and outsource non-core business, training being one of them. External firms (training firms) have excelled in the outsourced training services as training is their core business hence the banks will get quality service. This shows why 86% of commercial banks outsource training service.

Most of the commercial banks have decentralized training services as evidenced by 74% of the respondents who said it is totally delegated and only 26% limited delegation. This indicates that most banks have fully delegated their training services to the vendor since this is not their core business. The vendors have the leeway to utilize their skills and expertise to offer quality-training services.

Table 4.6: Extent of decentralization of training operations

Category	Frequency	Percentage
Totally delegated	26	74%
Limited delegated	9	26%
TOTAL	35	100%

4.2.5: The degree of outsourcing of training services function in commercial banks:

Question 5 sought to research on the degree of outsourcing of training services. Most banks partially outsource their training services as shown by 46% of the respondents, those who have fully fledged were 14%, fully outsourced 11% and those Supported by other larger departments e.g. finance 29% (Table 4.7). It can be interpreted that most banks partially outsource training because some banks have their training centers providing in-house training for their employees as well as outsourcing some of the training.

This partial training is what leads to partial outsourcing of training. Some of the commercial banks that have training centers include Kenya commercial bank, national bank of Kenya and cooperative bank of Kenya.

The vendors have the leeway to utilize their skills, programs, and strategies on training without the interference of the management of the banks hence they will provide the best services that will benefit the banks and the individual employees in the long run.

Table 4.7: The degree of outsourcing of training service

	FREQUENCY	PERCENTAGE
Fully fledged	5	14
Supported by other larger departments e.g. finance	10	29
Partially outsourced	16	46
Fully outsourced	4	11
Total	35	100

4.2.6: Outsourcing of training services by commercial banks in the last ten years (1994-2004).

The study revealed that most of the commercial banks outsource their training services as evidenced by 54% of the respondents who said yes while 46% said No. It can be interpreted therefore that outsourcing is taking root in the country though many banks have slowly been embracing it.

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Partially outsourced	16	46
Fully outsourced	4	11
Total	35	100

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The study revealed that most of the commercial banks outsource their training services as evidenced by 54% of the respondents who said yes while 46% said No. It can be interpreted therefore that outsourcing is taking root in the country though many banks have slowly been embracing it.

Outsourcing trends have been embraced by commercial banks in Kenya over the years as evidenced by the 54% in the table below. This finding agrees with that of Harkins 1996 which reported that training delivery in the USA being 46% is moving towards outsourcing.

Table 4.8(a): Commercial Banks Outsourcing Training Services

Category	Frequency	Percentage
Yes	19	54%
No.	16	46%
TOTAL	35	100%

Those banks that could not outsource gave several reasons for not doing it as majority of them thought that Outsourcing is expensive 44%, those who said the bank is not aware of the potential benefits of outsourcing 14%, those that said the bank is not aware of what is happening and that Human resources activities are considered strategic were 13% respectively. Those that insisted that Bank finds outsourcing not necessary and there is no suitable vendor in the market were 11% respectively. It can be interpreted that most banks did not have tangible reasons to outsource training services but must have realized later.

Table 4.8(b): Reasons that prompted banks not to outsource training services

Category	FREQUENCY	PERCENTAGE
The bank is not aware of the potential benefits of outsourcing	3	14
The bank is not aware of what is happening	2	13
Outsourcing is expensive	7	44
Bank finds outsourcing not necessary	1	11
There is no suitable vendor in the market	1	11
Human resources activities are considered strategic	2	13
Total	16	100

4.2.7: When commercial Banks first outsourced training services.

From the findings it can be concluded that most of the commercial banks first outsourced their training services after 1994 as seen by 77% of the respondents while 23% said they outsourced before 1994. It can be interpreted therefore that most of the commercial banks realized the importance of outsourcing after 1994.

The banks have realized that compared (in line with) to the international trends this is the future position most companies are taking hence its importance.

4. Table 4.9: Bank first outsourced training services

Category	Frequency	Percentage
Before 1994	8	23%
After 1994	27	77%
TOTAL	35	100%

Table 4.11: Reasons why banks outsource training services

4.2.8: Time of delivery and reliability

Most banks agree that outsourcing training services is very reliable as evidenced by 45% of the respondents, 28% said fairly reliable, 14% reliable while 11% said it is unreliable. It can be interpreted therefore that outsourcing of training services is very reliable. This is in accordance with the findings of Armstrong 2003 resulting in cost saving and concentration of HR efforts while vendors provide expert training service to the organization.

Because it is cheap and reliable banks can concentrate on their core business and contribute to their organizations success. This finding is in agreement with the study carried out by Kessler in 1991.

Table 4.10: Time of delivery and reliability of outsourcing training services

	FREQUENCY	PERCENTAGE
Very Reliable	16	45
Fairly Reliable,	10	28
Reliable	5	14
Unreliable	4	11
Total	35	100

4.2.9: Reasons why banks outsource training services

Question 9 sought to acquire reasons for outsourcing training service. These reasons are ranked in order of strongly agreeable to strongly disagree on a five point Likert scale (strongly agree, agree, fairly agree, disagree and strongly disagree). The main reason for outsourcing was established as reducing costs. Others that were considered important included taking advantage of external expertise and to avail more time for other strategic activities (Table 4.11).

Table 4.11: Reasons why banks outsource training services

	Strongly Agree		Agree		Fairly Agree		Disagree		Strongly Disagree	
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%
Outsourced services are not strategic	11	31	13	37	5	14	2	6	4	11
Outsourced reduces overhead costs	12	34	8	23	5	14	6	17	4	11
To take advantage of external expertise and experience	11	31	9	26	6	17	5	14	4	11
We lack internal expertise to perform outsourcing services	8	23	8	23	9	26	4	11	6	17
Cost of outsourcing is low	10	29	7	20	6	17	7	20	5	14
Cost of performing outsourced services internally is high	5	14	6	17	4	11	10	29	10	29
Lack of time to perform such activities	4	11	4	11	3	9	15	34	9	26
To avail more time for other activities	10	29	8	23	8	23	3	9	6	17
Volume of outsourced service is low	9	26	3	9	4	11	5	14	15	43

4.2.10: Cost consideration of outsourcing of training services

On "how in terms of cost does the Bank consider outsourcing of training services", majority said it is cheap as evidenced by 29%, Very Cheap 14%, Fairly Cheap, 20%, fairly expensive 11%, expensive 14% and very expensive 11%. It can be interpreted that it is good to carry out outsourcing of training services. The banks have realized that compared (in line with) to the international trends this is the future position most companies are taking hence realized its importance.

This is in contrast to the reasons that prompt banks to not outsource training service as indicated by Hewitt (1996) who found that most popular reasons for outsourcing HR services are cost effectiveness, reductions of administration costs, capitalization on technology and expertise among others by focusing on their core business.

Table 4.12: Cost consideration of outsourcing of training services

	FREQUENCY	PERCENTAGE
Very Cheap	5	14
Fairly Cheap,	7	20
Cheap,	10	29
Fairly Expensive,	4	11
Expensive,	5	14
Very Expensive	4	11
Total	35	100

4.2.11: Other reasons that compel Banks to outsource training services

On reasons that compel the Banks to outsource training services, majority said Outsourcing reduces the number of staff as evidenced by 20%, Outsourcing allows businesses to focus on core business 11%, Outsourcing reduces overall cost 17%, Outsourcing frees up management to perform other functions 11%, Outsourcing helps improve overall efficiency 14%, Outsourcing reduces activity level 11%, and Better performance of outsourcing vendor 14%. It can be interpreted that cost is what drives organizations to outsource.

Table 4.13: Other reasons that compel Banks to outsource training services

	FREQUENCY	PERCENTAGE
Outsourcing allows businesses to focus on core business	4	11
Outsourcing reduces overall cost	6	17
Outsourcing reduces the number of staff	7	20
Outsourcing frees up management to perform other functions	4	11
Outsourcing helps improve overall efficiency	5	14
Outsourcing reduces activity level	4	11
Better performance of outsourcing vendor	5	14
Total	35	100

4.2.12: Limitations of outsourcing training services

On what are some of the challenges banks have faced in outsourcing training services, Question 13 was directed towards achieving this objective. The aim was to find the difficulties encountered by commercial banks when deciding to outsource training service or not. The most difficult issues the majority noted were there is loss of command on outsourced service as seen by 34%, Information leakage occurs from vendors 23%, there is loss of control on decision-making process 20%, and there is growth in over-reliance on external parties 14%. It can be interpreted that the limitations come when the vendor does not want to take some advice from the bank hence loss of command but when there is proper coordination then there is possibility of harmony.

In agreement with Fryklund (1994) who stresses that outsourcing entails new costs and in some cases loss of command and even impose new and unforeseen costs. In the cases of commercial banks limitations may include availability of qualified training vendors, costs in terms of legal redress through breach of contract and also identifying organizations training needs as asserted by Murlis (1996). In some instances vendors will bring in their own training programs, which are not in line with organizational training policy and strategies.

Table 4.14: Limitations of outsourcing training services

	FREQUENCY	PERCENTAGE
There is loss of control on decision-making process	10	20
There is loss of command on outsourced service	12	34
Information leakage occurs from vendor	8	23
There is growth in over-reliance on external parties	5	14
Total	35	100

4.2.13: Challenges faced by Commercial Banks in Kenya

On what are some of the challenges banks have faced in outsourcing training services, majority said that Identification of training vendors was difficult as seen by 40%, cost evaluation on whether to outsource or not was difficult 20%, and staff were resistant to hear a change 15%. Selection of outsourcing vendor was noted to be easy.

Table 4.15: Challenges faced by Commercial Banks in Kenya

	FREQUENCY	PERCENTAGE
Identification of training resource services to outsource was difficult	14	40
Staff were resistant to hear a change	5	15
Cost evaluation on whether to outsource or not was difficult	7	20
Selection of outsourcing vendor was easy	5	14
Drawing contrast with vendor was easy	4	11
Total	35	100

4.2.14: Relationship between your bank and the training outsourcing vendor

On what has been the relationship between your bank and the training vendor, majority said 'Good' as seen by 43%, 'Excellent' 29%, 'Satisfactory' 23%, there is loss of control on decision-making process 20%, Information leakage occurs from vendor 23% and 'Unsatisfactory' 6%. It can be interpreted that the relationships between the banks and the vendors is good as they coordinate their activities.

This in accordance with study carried out by Pomeranz (1984) who indicated that there is need for periodic re-evaluation of the vendors who provide training service, identification of training needs, cost evaluation and resistance by employees of the organization.

Table 4.16: Relationship between your bank and the training vendors

	FREQUENCY	PERCENTAGE
Excellent	10	29
Good	15	43
Satisfactory	8	23
Unsatisfactory	2	6
Total	35	100

4.2.15: Importance of the attributes in selection of outsourcing training services

Different attributes are considered in the evaluation of vendors. Question 16 brought out some key attributes that are considered in the selection of vendors. On rating the importance of the attributes in selection of outsourcing training services financial soundness was 40% of the respondents, duration which vendor has been in operations 17%, internal skills the vendor possesses 14%, size of vendor's firm 11%, performance on past consultation 9%, financial costs charged 6% and Vendor performs business related with outsourced service 3%.

The study is in line with that undertaken by City of Indianapolis (1987), which stresses the fact that cost analysis, and process analysis should be carried out on the vendors. Other attributes for vendor selection include vendor information about training services, time schedule and strategy for implementation of outsourcing program, and vendor's training facilities.

Table 4.17: Attributes considered in the selection of a vendor

	FREQUENCY	PERCENTAGE
Financial soundness	14	40
Duration which vendor has been in operations	6	17
Internal skills the vendor possesses	5	14
Size of vendor's firm	4	11
Performance on past consultation	3	9
Financial costs charged	2	6
Vendor performs business related with outsourced service	1	3
Total	35	100

On stating how the factors affect outsourcing of training services by commercial banks: The cost of outsourcing depends on the company policy and availability of vendors. They are many in the market and are very competitive as the Market trends make people to outsource and make Organizations to have policy to outsource. The effectiveness of vendors depends on their capacity and employee training demands and needs. Realizing that outsourcing of training market is competitive and the vendors have to compete not only with each other but also with the existing in-house training services. It is therefore important for commercial banks to conduct cost-benefit analysis when deciding on the vendor(s) for training services.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The results of this study indicate that the practice of outsourcing is not a new concept to commercial banks in Kenya. Banks that do not outsource indicate having general awareness of the practice while those that have outsourced training have either done it partially or fully outsourced the function. The extent of outsourcing of training service by commercial banks is an average of 54%.

The findings indicate that most of the commercial banks outsource training services as evidenced by 86% of the respondents who said 'yes'. Most of the commercial banks have decentralized training services as evidenced by 74% of the respondents who said it is totally delegated and only 26% saying limited delegation. Most banks partially outsource their training services as shown by 46% of the respondents, those who have fully fledged were 14%, fully outsourced 11% and those Supported by other larger departments e.g. finance 29%.

From the results of the study it can be concluded that the main reasons for outsourcing training (for the banks outsourcing) are as follows:

- ξ Outsourcing reduces overhead costs
- ξ To take advantage of external expertise and experience
- ξ Cost of outsourcing is low
- ξ To avail more time for other (strategic) activities

The main reasons for not outsourcing training function by the commercial banks are:

- ξ Outsourcing is expensive
- ξ The bank is not aware of the potential benefits of outsourcing
- ξ Human resources activities are considered strategic
- ξ The bank is not aware of what is happening

On the limitations of outsourcing training services, the findings show majority said there is loss of command/control on outsourced service as seen by 34%, there is loss of control on decision-making process 20%, Information leakage occurs from vendor 23% and there is growth in over-reliance on external parties 14%.

The findings show that most Commercial banks are locally owned as evidenced by 43% of the banks, those that are foreign owned are 29%, foreign investors in local banks are 29% jointly owned 29% and government owned 9%. The findings show most of the commercial banks have employees ranging between 300-400 as asserted by 43% of them, less than 100 were 14%, between 100 and 200 were 23% and over 500 were 20%.

The main factors that affect outsourcing of training services include:

- ξ Cost- commercial banks are now more keen on appraising the cost between in-house training and outsourcing since this affects the bottom line hence the need to concentrate on core business.
- ξ Availability- The market is very competitive and the availability of vendors is the dictated by the quality of the service they provide and demand for such services. Majority of them stressed that availability is a very important factor to consider when outsourcing training services.
- ξ Market trend- the findings show that commercial banks are now embracing outsourcing of training.
- ξ Organizational policy – outsourcing of training services should be in line with organizational training policy and the overall organizational strategy.
- ξ Effectiveness of vendors – the effectiveness of vendors is reflected on productivity and performance of employees. Employee training needs to be considered as a factor that affect outsourcing.
- ξ Other factors that may be considered include type of business, size of the organization, market trends, vendors' capacity to provide training and whether the vendors have their own training facilities and materials.

On the objective of factors that influence the extent of outsourcing of training service in commercial banks in Kenya include the availability of vendors, cost, effectiveness of the vendors and organizational policy on training. The study shows that 86% of the commercial banks in Kenya have outsourced training service.

5.2 Conclusions

On the objective of determining the extent of outsourcing among commercial banks in Kenya it can be concluded that most commercial banks agree that their banks outsource training service (54%) meaning that the extent of outsourcing of training service is large and this trend is increasingly being accepted and practiced.

The findings conclude that most banks are locally owned and that the commercial banks have employees ranging between 300-400 although the big banks have well over 1000 employees. Although most of the commercial banks outsource training services most banks partially outsource their training services. The findings can conclude that most of the commercial banks outsource their training services. The findings can conclude most of the commercial banks first outsourced their training services after 1994. The findings can conclude that most banks agree that outsourcing training services is very reliable. Findings can conclude that majority said it is cheap to outsource training services.

5.3 Recommendations

While offering compelling benefits, outsourcing is not panacea to organizational problems and is not always the best option for a company seeking to address workforce challenges. Outsourcing of services/functions has challenges, risks and benefits. The practice if not properly analyzed and researched can be too costly and risky as perceived by those banks that have not yet outsourced training.

On the other hand if the banks looked at outsourcing in depth is more of a strategic tool. This will assist to free up management time to focus on the banks core businesses. It is recommended for the banks that have not outsourced training to evaluate and analyse

between the costs of having to outsource to external vendors versus the opportunity cost of the management offering training in-house and focusing on the core activities.

The problem of inaccessibility to Human Resource Managers, in addition to time and cost

From the foregoing findings and conclusion the study recommends the following: -

- 1) Cost of outsourcing-the study recommends that commercial banks carryout thorough analysis on the vendors as this will assist in comparing the in-house training cost and cost of outsourcing training.
- 2) Limitations of outsourcing-Commercial banks should put in place policies that will reduce the challenges and limitations of outsourcing training. This will spell out policies and procedures to be undertaken, as it will reduce confusion and enhance quality and timely delivery of the training service to meet training needs of the banks.
- 3) The relationship between the vendors and commercial banks- the commercial banks in Kenya should have a policy that ensures that its relations with vendors remain excellent. This will result in vendors giving priority to the outsourced training service hence better quality where commercial banks benefit from the exercise.
- 4) Attributes of vendors – to achieve their training objectives commercial banks have to have policy that considers attributes that include financial soundness of the vendor, past performance and duration for which vendor has been in business, size if the vendors firm and the capacity of the vendor.
The policy should also consider market trends, costs, availability of vendors, effectiveness of vendors and employee training needs.

5.4 Limitations of the study

The problem of inaccessibility to Human Resource Managers, in addition to time and cost has been a limitation in the study.

Inaccessibility of the HR managers given that they were very busy and reaching them was a problem while others delegated the questionnaires to their assistants hence interfering with the quality of the response.

Time was a major constraint given that the research involved 43 commercial banks and it was too demanding to reach them all within the short time.

The research involved costs such as the use of telephone, photocopying, typing, taxi and bus fare and binding which has been quite expensive and was very involving. All these have greatly impacted on my research.

Confidentiality of commercial banks made some respondents fail to return the questionnaires as evidenced by the 8 banks that did not respond.

5.5 Suggestions for further research

The study is the first in the field of outsourcing of training service among commercial banks in Kenya and recommends further research on outsourcing of HR training services not only in the banking industry but also other sectors. Further study will bring insights in the area of the study. A comparative study between local and foreigner owned banks could be carried out to establish if there exists any difference in their HR strategies and outsourcing of training or any other HR function.

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(Please answer the following questions)

Thomson, P. (1991) Competency Based Training: Some Development and Assessment Issues for Policy Makers. TAFE National Centre for Research and Development, delaide.

and will be treated with utmost confidentiality.

SECTION A (Tick the appropriate one)

Wilson, K. A. (1997). **Planning and implementing an outsourcing program,** Chicago: American Libraries Association.

1. Foreign owned
2. Locally owned local
3. Foreign investors
4. Jointly owned
5. Government owned
6. Others (Specify).....

Q2. Currently, how many employees do you have, as at December 2004?

1. Less than 100
2. Between 100 and 200
3. Between 300 and 400
4. Over 500

Q3. Does your organization hire or use services from external firms to perform training activities?

1. Yes
2. No

Appendix 1: Questionnaire

(Please answer the following questions).

Note: The information in this questionnaire will be used strictly for academic purposes and will be treated with utmost confidentiality.

SECTION A (Tick the appropriate one)

Q1. How would you classify your organization in regard to ownership?

1. Foreign owned
2. Locally owned local
3. Foreign investors
4. Jointly owned
5. Government owned
6. Others (Specify).....

Q2. Currently, how many employees do you have, as at December 2004?

1. Less than 100
2. Between 100 and 200
3. Between 300 and 400
4. Over 500

Q3. Does your organization hire or use services from external firms to perform training activities?

1. Yes
2. No

Q4. What would you say is the extent of decentralization of training operations in your organization; I mean delegation of responsibility and authority. Is it?

- 1. Totally delegated ()
- 2. Limited delegated ()

Q5. To what degree is outsourcing of training services function in your bank?

- 1. Fully fledged ()
- 2. Supported by other larger departments e.g. finance ()
- 3. Partially outsourced ()
- 4. Fully outsourced ()

SECTION B

Q6. (a) In the last ten years (1994-2004) has your company outsourced training services?

- 1. Yes ()
- 2. No. ()

(b) If no, what reason, if any, do you think has prompted the bank not to outsource training services? **(Tick the appropriate one).**

- 1. The bank is not aware of the potential benefits of outsourcing ()
- 2. The bank is not aware of what is happening ()
- 3. Outsourcing is expensive ()
- 4. Bank finds outsourcing not necessary ()
- 5. There is no suitable vendor in the market ()
- 6. Human resources activities are considered strategic ()
- 7. Others (Specify)..... ()

FOR BANKS THAT PRACTICE OUTSOURCING OF TRAINING SERVICES

Q7. Indicate when your Bank first outsourced training services.

- 1. Before 1994 ()
- 2. After 1994 ()

Q8. In terms of time of delivery, how reliable is outsourcing training services. Is it?

- 1. Very Reliable, ()
- 2. Fairly Reliable, ()
- 3. Reliable ()
- 4. Unreliable ()

Q9. To what extent do you agree with the reasons why your bank has outsourced training services;

	Strongly agree	Agree	Fairly agree	Disagree	Strongly Disagree
Outsourced services are not strategic					
Outsourced services reduces overhead costs					
To take advantage of external expertise and experience					
We lack internal expertise to perform outsourcing services					
Cost of outsourcing is low					
Cost of performing outsourced services internally is high					
Lack of time to perform such activities					
To avail more time for other activities					
Volume of outsourced service is low					

Q10. Realizing that the outsourcing market is competitive and those suppliers have to compete not only with each other but also with your existing in-house services, what important considerations do you as a bank take in selecting a vendor for training services?

- i) _____
- ii) _____
- iii) _____
- iv) _____
- v) Others

Q11. In terms of cost, how does the Bank consider outsourcing of training services?

- 1. Very Cheap, ()
- 2. Fairly Cheap, ()
- 3. Cheap, ()
- 4. Fairly Expensive, ()
- 5. Expensive, ()
- 6. Very Expensive ()

Q12. What reasons compel the Bank to outsource training services?

- 1. Outsourcing allows businesses to focus on core business ()
- 2. Outsourcing reduces overall cost ()
- 3. Outsourcing reduces the number of staff ()
- 4. Outsourcing frees up management to perform other functions ()
- 5. Outsourcing helps improve overall efficiency ()
- 6. Outsourcing reduces activity level ()
- 7. Better performance of outsourcing vendor ()
- 8. Others (Specify) ()

Q13. What are some of the limitations of outsourcing training services that you have learnt out of experience?

1. There is loss of control on decision-making process. ()
2. There is loss of command on outsourced service ()
3. Information leakage occurs from vendor ()
4. There is growth in over-reliance on external parties ()
5. Others (Specify)..... ()

Q14. In making decisions to outsource the training services, what are some of the challenges you have faced?

1. Identification of training resource services to outsource was difficult ()
2. Staff were resistant to hear a change ()
3. Cost evaluation on whether to outsource or not was difficult ()
4. Selection of outsourcing vendor was easy ()
5. Drawing contrast with vendor was easy ()
6. Others (specify) ()

Q15. What has been the relationship between your bank and the training outsourcing vendor.

- (a) Excellent ()
- (b) Good ()
- (c) Satisfactory ()
- (d) Unsatisfactory ()

APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA

- 1 African Banking Corporation
- 2 Akiba Bank Ltd
- 3 Bank of Baroda
- 4 Bank of India
- 5 Barclays Bank of Kenya Ltd
- 6 CFC Bank Limited
- 7 Charterhouse Bank Limited
- 8 Chase Bank Limited
- 9 Citibank, N.A.
- 10 City Finance Bank
- 11 Commercial Bank of Africa
- 12 Consolidated Bank of Kenya
- 13 Co-operative Bank of Kenya
- 14 Credit Agricole Indosuez
- 15 Credit Bank Limited
- 16 Daima Bank Limited
- 17 Delphis Bank Limited
- 18 Development Bank of Kenya
- 19 Diamond Trust Bank Kenya
- 20 Dubai Bank Limited
- 21 Equatorial Commercial Bank
- 22 Fidelity Commercial Bank
- 23 Fina Bank Limited
- 24 First American Bank Limited
- 25 Giro Commercial Bank
- 26 Guardian Bank
- 27 Habib AG Zurich
- 28 Habib Bank Limited
- 29 Imperial Bank Limited
- 30 Industrial Development Bank
- 31 Investment & Mortgages Bank
- 32 Kenya Commercial Bank Ltd
- 33 K-Rep Bank
- 34 Middle East Bank of Kenya
- 35 National Bank of Kenya Ltd
- 36 National Industrial Credit Bank
- 37 Paramount-Universal Bank
- 38 Prime Bank Limited
- 39 Southern Credit Banking Corp.
- 40 Stanbic Bank Kenya Limited
- 41 Standard Chartered Bank Ltd
- 42 Transnational Bank Limited
- 43 Victoria Commercial Bank Ltd

SOURCE: Bank Supervision Annual Report 2003 p41