A SURVEY OF OUTSOURCING INFORMATION TECHNOLOGY SERVICES BY COMMERCIAL BANKS IN KENYA

BY

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This Management Research Project is submitted in partial fulfillment for the award of Degree of Master of Business Administration (MBA) of the University of Nairobi

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DECLARATION

I declare that the survey of outsourcing information Technology services by Commercial Banks in Kenya is my own work and investigation and that all sources used and cited have been indicated and acknowledged by means of complete references.

I declare that material presented in the survey of outsourcing information Technology services by Commercial banks in Kenya has not already been accepted in substance or part for any degree and is not being concurrently submitted for another degree.

SIGNED BY: ______________________

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Date: 6.11.03

This dissertation has been submitted for examination with my approval as the university supervisor.

Signature: ______________________

MR. JACKSON MAALU

Date: 6/11/03

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DEDICATION

This work is dedicated to my beloved husband **HENRY** and our son **KIBET**, for the sacrifice they made towards the success of this project. May the Good GOD keep us in His everlasting love as we celebrate His faithfulness.

ABSTRACT

The purpose of the study was to investigate the extent to which Commercial Banks in Kenya outsource their information Technology Services.

Data collection method employed in the research was personal interview of information Technology managers by use of both open and closed-ended questionnaires.

The study revealed that outsourcing was not a new term with Commercial Banks. Some areas of operations had been outsourced from when some particular banks were established, though not to a great extent. The main success factor of the project was adequate knowledge about the benefits of outsourcing IT services.

The objectives of the study were to determine the extent of outsourcing IT services by Commercial Banks, the benefits and risks of outsourcing IT services and thirdly vendor selection criteria.

The research done revealed that 25commercial banks (which is 73.5%)were not keen on outsourcing their IT functions to a greater extent for their concern on data security as well as exposure of critical customer information. It is evident from the results that the

commercial banks were willing to outsourcing IT functions that would not touch on any of the company's data, this included maintenance/repair,

application development and website management. The major challenges faced by outsourcing were; lack of innovation in the IT activity being outsourced and loss of control by the bank on the activity being outsourced.

CHAPER ONE:INTRODUCTION

1.1 Background of the study

A consciously organised strategic approach to the formation of business strategies could include within it a scope for regular monitoring of comparative performance of internal and external capabilities (Saunders, 1994).

In recent years, many companies, which have had a degree of vertical integration, have pursued a policy of vertical disintegration, though the extent of this might vary from country to country (Mckenney, 1995)

In a move towards having perfect organizational structures lots of changes are carried out as management efforts to reduce costs and improve operating efficiency. This organizational structuring is known by many names for example, reorganization, rightsizing, reengineering, de-layering and it is accomplished using different techniques like process analysis, total quality management among others (Pearce& Robinson, 1988)

According to Ernest and Young (2003), change today is occurring at a rate that is difficult to sustain. Globalisation of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today. Companies are quickly realizing that to thrive in today's competitive environment, they must rapidly deploy new technologies to support key business objectives.

According to Ogachi (2002), a company keeps control over any process that is necessary and core, has the potential to outsource a process that is necessary but not core, and should not be doing a process that *is not necessary and not core*. To perform necessary but not core Processes, a Company looks to external vendors that provide the same services at a lower cost, better service at the same cost.

Outsourcing is a technique that assists both in reducing costs and in focussing on core businesses. The major goal is to have management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. Focusing on core activities ensures the collective learning, especially on how to co-ordinate diverse production skills and integrates multiple streams of technologies (Prahalad & Hamel, 1990)

Outsourcing is growing at a rapid rate throughout the world because organizations view it as a way to achieve strategic goals, reduce costs, improve customer satisfaction and provide other efficiency and effectiveness improvements (Ellram, 1997).

As acceptance and adoption of outsourcing grows, many businesses are seeking experienced strategic outsourcing partners to help them compete more effectively. Outsourcing operational overhead increases efficiency, reduces costs and avoids infrastructure obsolescence. In addition, businesses that outsource are able to free up resources and focus on their core objectives. Outsourcing non-core activities has become an increasingly effective strategy for large banks. Offloading the cost and management of systems and staff means resources are available for more strategic, profitable activities (Unisys Services, 2003).

Increasingly, financial institutions are outsourcing their non-core activities to companies with greater expertise in these areas. Starting with traditional functions like software procurement, payroll and human resources, this trend has continually expanded and now includes all functions around securities and cash servicing. This is partly in response to the rapidly changing requirements necessary to support global investment, but also because the cost of maintaining technology and infrastructure in the securities servicing area is especially high. Infact, only financial institutions that have established the required economies-of-scale for their own daily operations may find it cost-effective to fully execute securities servicing (Bank of New York, 2001).

A study conducted by Pricewaterhouse Coopers (1999), established that outsourcing has moved markedly from attending to a single function more efficiently, to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. In effect, emphasis is shifting from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems.

The main objective of commercial banks is to maximise shareholders value. This involves encouragement of savings, as well as money creation through financial intermediation and provision of various banking and related services. The usual deposit instruments available in the Kenyan commercial banks are savings deposits, fixed term deposits, current accounts (or demand), trade finance, swift payments etc.

For these instruments to bring maximum returns the banks are moving away from providing all non- core services and instead concentrate on core business (CBK Amendment Act 2002).

1.2 Statement of the Research Problem

With the advent of globalisation and liberalisation of the Kenya's economy, many foreign firms have entered the local market. These new entrants have created intense competition as they have eaten up the market of the existing firms.
Information Technology (IT) within Commercial Banks has been identified as a tool for building competitive edge in the market. It has been used by selected Commercial Banks as a differentiation strategy to attract a consistent high customer base (Mcfarlan and Nolan, 1995).

Rapid technological change lead to frequent obsolescence of information technology used by commercial Banks, therefore frequent investment in information technology will lead to reduced profits made by banks or even posting of losses. The cost of acquiring new IT is prohibitive and the under-utilisation of it by some banks due to their volumes of business is also a factor in keeping the pace with the rapid changes in the IT industry (Norton et al 2002). They further stated that stiff competition in the Banking industry has contributed to lack of a common strategy in sharing information technology resources to attain the economies of scale within the industry. Generally the banks' fear to outsource Information Technology is the concern on data security as well as exposure of critical customer information.

Few researches have been done in the area of outsourcing. Kirui (2001), concentrated on outsourcing of logistic activities in a case study of BAT Kenya, Tarlochan (2001) considered outsourcing of Human Resource Management among manufacturing firms in Nairobi. Ogachi (2002) studied strategic outsourcing of companies Quoted in the Nairobi Stock Exchange. Nyarandi, (2002), did a survey of implementation of outsourcing strategy in private hospitals within Nairobi, whereas Chanzu (2002) studied a survey of business outsourcing practices among private manufacturing companies in Nairobi.

This research will therefore find out the extent of outsourcing of Information Technology services by commercial banks in Kenya.

1.3 The Objectives of the Study

1) To determine the extent of outsourcing information Technology services by commercial banks in Kenya

2) To establish the benefits and problems associated with outsourcing

3) To determine the criteria used in the selection of outsourcing vendors.

1.4 The Importance of the Study

1) To the commercial banks; this study will be of particular importance to the banking industry, as it will serve as an eye opener to the existing relationship between the service providers and the bank.
2) To the researchers; this study will serve as a basis for further research on outsourcing of other non-core functions of organisations.
3) To the academicians; this study will add to the already existing knowledge base on the concept of outsourcing.

CHAPTER TWO: LITERATURE REVIEW

2.1 Historical background of Outsourcing of IT

Outsourcing IT has been popular for a long time – in the mid –1960s for example, computer services bureaus ran a variety of programs, whose applications focused heavily on the financial and operations support areas, general ledger, payroll, inventory control etc. The programs were both customised and general purpose, and the individual firm had to accommodate its operations to the standard options in the package. Customers of the service bureaus were mostly small and medium-sized firms, although some large firms used them for specialised needs or highly confidential items like executive payroll (Applegate, 1996). He further stated that until 1990, the major drivers for outsourcing were primarily:

- Cost–effective access to specialised or occasionally needed computing power or systems development skills.
- Avoiding of building in-house IT skills and skill sets, primarily an issue for small and very low technology organisations.
- Access to special functional capabilities. Outsourcing during this period was important but, in retrospect, largely peripheral to the main IT activities that took place in midsize and large organisations.

Research that has been conducted on outsourcing situations has concluded that IT outsourcing is not a "flash in the pan" management fad (Burgleman, et al., 1992). IT outsourcing is a harbinger of traditional IT department transformation and provides a glimpse at the emerging organisational structures of the information economy. Research indicates that more than half of midsized-to-large firms have outsourced or are considering some type of outsourcing of their IT activities (Applegate, 1996). He indicated that recognition of strategy alliances and information technology changing environments affect the growth of information technology outsourcing.

The value of strategic alliances has been widely recognized, and interrelated forces motivate their creation. On one level, finding a strong partner to complement an area of weakness gives an organisation an island of stability in a turbulent world. It is difficult to fight simultaneously on all fronts, and alliances allow a firm to leverage a key part of the value chain by bringing in a strong partner that complements its skills. Such a partner may create an opportunity to innovate synergistically: the whole should become greater than the sum of the parts. Also, early, successful experiences with alliances increase a firm's confidence in undertaking new alliances in other parts of the value chain as a profitable way to do business. The experience provides insight into how the likelihood of a successful alliance can be increased.

For an alliance to be successful and endure for the long term, both firms must believe that they are winners. Because of the synergistic potential of the relationships and the opportunity to specialize, both firms should legitimately feel that they are benefiting: this is not a zero-sum game.

Today, firms are not focusing on internal processing systems rather, in a networked fashion; they are integrating both internal and external computers so they can change their structure to more efficient forms of competing flexibly in the global marketplace. This integration places extraordinary pressures on firms trying to keep the old services running while developing the interconnections and services demanded by the new environment. Thus, outsourcing has become a viable alternative for these firms to get access to appropriate skills and to speed up the transition reliably and cost-effectively.

Different authors have coined different definitions of outsourcing. Pearce and Robinson (1988) defined outsourcing as the use of a source other than internal capacity to accomplish some tasks or processes. It is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. The chartered institute of management accountants (1998) defines outsourcing or contracting out as the process of procuring a good or service from a third party, in accordance with terms which are legally enforceable, or contractual.

Outsourcing is one of the biggest buzzwords in business, and banks are not immune to its charm either. However with banks handling sensitive financial issues, outsourcing has not been that easy, but with the increase in competition, commercial banks are now willing to outsource some services like training, medical, transport, catering, and information technology services (Smedinghoff, et al., 2002).

Few research studies have been done in Kenya on outsourcing. Kirui (2002) reveals in his study that outsourcing of non-core logistics activities at BAT Kenya was triggered by the need to eliminate the duplication of roles, efforts and the dysfunction existing within the organisation. Outsourcing at BAT was prompted by the need to have in place a clearly defined process and a logistic that function and is aligned to the core company business. Kinyua (2002) asserts that outsourcing engagements like other contractual engagements are characterised with risks and rewards. To be successful company should have a portfolio of competencies rather than a portfolio of business.

Companies need to conduct careful analysis before engaging in outsourcing. On the other hand, Ogachi (2002), asserts in his study that outsourcing is driven by top management and is seen as a strategic tool that showed that information technology, human resource and production processes were the areas for increased future outsourcing. Nyarandi (2002), reveals in his study that all hospitals outsource atleast one non-core activity and waste disposal was the leading followed by specialised doctor surgeons. He therefore found out that the main reasons for outsourcing were; concentration on core business, efficiency and service cost reductions, he further found out that the hospitals had clear objectives of outsourcing but did not have proper implementation practices.

Companies are increasingly outsourcing the management of information technology for reasons that include concern for cost and quality, lagging IT performance, supplier pressure, plus other financial factors. The outsourcing solution is acceptable to large and small firms alike because strategic alliances are now more common and the IT environment is changing rapidly (Applegate et al. 1996).

Long term-sustained management of a strategic alliance is turning out to be the dominant challenge of effective IT outsourcing. From a relatively unusual entrepreneurial activity in the past, IT outsourcing has recently exploded across the global corporate landscape (Ackoff, 1981).

A company can outsource a wide selection of IT functions activities. Data centre operations, telecommunications, personal computer acquisition/maintenance, and Systems development. At its core, outsourcing is more an approach than a technique

(Merchant 1986). He further stated that significant portions of firms IT software development activities have been routinely outsourced for years.

2.2 Drivers of Outsourcing

Although the mix of factors raising the possibility of outsourcing varies widely from one company to another, research has revealed a series of themes that, in aggregate, explain most of the pressures to outsource (McFarlan and Nolan, 1995). These include: -

2.2.1 Concerns about quality and cost

When organisations outsource, they are concerned with maintaining existing service at acceptable quality standards with a reduced cost. Failure to meet service standards can force management to find other ways of achieving reliability.

2.2.2 Simplified management agenda

A firm under intense cost or competitive pressures, which does not see IT as its core competence, may find outsourcing a way to delegate time-consuming, messy problems so it can focus scarce management time and energy to other core business. If the managers perceive the outsourcers as competent and are able to transfer a non-core function to reliable hands, they will not hesitate to choose outsourcing.

2.2.3 Financial Factors

Several financial issues can make outsourcing appealing. One is the opportunity to liquefy the firm's intangible IT assets, thus strengthening the balance sheet and avoiding a stream of sporadic capital investments in the future.

For a firm considering divestiture or outright sale of one or more of its divisions, outsourcing has special advantages. It liquefies and gets value for an asset unlikely to be recognized in the divestiture. It gives the acquirer fewer problems to deal with in assimilating the firm. The outsourcing contract may provide the acquirer a very nice dowry, particularly if the firm is small in relations to the acquirer.

2.2.4 Eliminating an internal irritant

No matter how competent and adaptive existing IT management and staff are, there is usually tension between the end users of the resources and the IT staff. Often this is caused by the different language IT professionals use, lack of career path for users and IT staff across the organization, perceived high IT costs, perceived unresponsiveness to urgent requests, and perceived technical obsolescence.

2.3 When to Outsource

According to Bower et al (1995), for a business to make a decision to outsource, it has to evaluate whether the benefits of outsourcing outweigh the risks. These researchers suggested that there are five factors that tip the scale one way or the other. These include: -

Strategic Importance of IT. Outsourcing operational activities is generally attractive, particularly as the budget grows and the contract becomes more important to the outsourcer. The more the firm is operationally dependent on IT, the more sense outsourcing makes. The bigger the firms IT budget, however, the higher in the customer organization the decisions will be made, and thus the more careful the analysis must become. At the large super-scale, the burden falls on the outsourcer, who must show it can bring more intellectual firepower to the task.

When the applications development portfolio is filled with maintenance work or projects, which are valuable but not vitally important to the firm, transferring these tasks to a partner holds few strategic risks.

Development Portfolio. The higher the percentage of the systems development in maintenance or high-structured projects, the more the portfolio is a candidate for outsourcing. (High-structured projects are those in which the end outputs are clearly defined, there is little opportunity to redefine them and little or no organizational change is involved in implementing them.) Outsourcers with access to high quality, cheap labour pools and good project management skills can consistently outperform, on both cost and quality, a local unit that is caught in a high-cost geographic area and lacks the contacts, skills, and confidence to manage extended relationships.

Organizational Learning. The sophistication of a firm's organizational learning substantially facilitates its ability to effectively manage an outsourcing arrangement in the systems development area. Significant component of many firms' applications development portfolios comprises projects related to business process reengineering or organization transformation. Process reengineering seeks to install very different procedures for handling transactions and doing the firms work.

A Firm's Position in the Market. The further a company is from the network era in its internal use of IT, the more useful outsourcing can be to close the gap. Firms still in early micro-era often do not have the IT leadership, staff skills, or architecture to quickly move ahead. The outsourcer, by contrast cannot just keep its old systems running, but must drive forward with contemporary practice and technology.

Current Information Technology Organization. The more IT development and operations are already segregated, in the organization and in accounting, the easier it is to negotiate and enduring outsourcing contract. A stand-alone differentiated IT unit has already developed the integrating organizational and control mechanisms that are the foundation for an outsourcing contract. Separate functions and their ways of integrating with the rest of the organization already exist.

2.4 Risks and Benefits of Outsourcing

According to Smedinghoff et al (2002), Outsourcing presents special risks for commercial banks. As regulated entities; they are typically responsible for the conduct of the third party service providers to whom they outsource functions that they would otherwise conduct internally. Relying on third parties to perform banking functions decreases management's direct control over the operations, and therefore requires management intensified oversight efforts.

Compliance risk exists when products, services or systems associated with third-party relationship are not in compliance with applicable laws, rules or regulations, or are not consistent with ethical standards or on the Banks policies and procedures.

Transaction risks arise from the problems of product or service delivery, such as third party's inability to deliver products and services, whether arising from fraud, error, inadequate capacity or technology failure.

Reputation risk arises when third-party relationships do not meet the expectations of the Banks' customers, and includes poor service, disruption of service, inappropriate sales recommendations, violations of consumer laws, and other actions that result in litigation, loss of business to the commercial bank.

Quinn and Hilmer (1994), stated that outsourcing provide flexibility in response to changing market conditions and reduced investment in high technology. It decreases executive time in managing peripheral activities and frees top management to focus more on the core of the business.

According to PricewaterhouseCoopers (1999), the top five benefits of outsourcing in order of importance are; achieving cost reductions, focusing on company's core business, improving service quality, maintaining competitive edge and increasing shareholder value. Other benefits include; obtaining outside expertise, meeting changing customer demands, access to advanced technology, making continuos improvements and achieving world-class standards.

2.5 Vendor Selection Criteria

A survey by the Outsourcing Institute (1998), on companies that outsource in the United States of America revealed factors to consider when selecting vendors and they included commitment to quality, price, reputation, flexible contract terms, scope of resources, additional value-added capability and existing relationships.

As commercial banks become more involved in outsourcing Information technology, they face significant challenges in managing the risks associated with reliance on third party technology service providers. Outsourcing has become more complex with many banks using vendors for key business functions and relying on multiple vendors. Outsourcing entails unique transaction costs for searching; contracting, controlling and re-contracting that at times may exceed the transaction cost of having the activity directly under management's in-house control (Quinn and Hilmer, 1994).

The following are techniques that can facilitate the process by which commercial banks conduct due diligence and select the best service provider (Federal Deposit Insurance Corporation, 2002).

2.5.1 Objectives of the Selection Process.

The selection process should be cost effective, efficient, and appropriate for the nature of activities that the bank is seeking to outsource.

Banks may wish to use consultants to provide expertise and assistance throughout the selection process.

2.5.2 Identification of Qualified Providers

Prior to identifying prospective service providers, it is essential that the bank management have a clear understanding of the requirements and expectations that they are seeking to meet. A comprehensive risk assessment should consider how the outsourcing arrangement will support the institutions objectives and strategic plans and how the relationship with the service provider will be managed.

The next step in the process involves conducting due diligence to evaluate service providers and determine their ability, both operationally, and financially, to meet the institutions needs. However when the bank seeks to create or expand a list of possible service providers, it may be helpful to use tools such as Request for Proposal (RFP), Request for Information (RFI), and Request for Quote (RFQ). These are ways to obtain specific information about a service provider's ability to meet the banks requirements and the fees that they charge for the service.

During communications with service provider candidates, the bank should make it clear that (1) the service provider cannot disclose any information about the banks systems or its business plans to others outside the candidates team; (2) the service provider expects that commitments made during the selection process will be binding in any final agreement; and (3) the service provider identify all subcontractors, consultants, or third parties on which it is relying to provide services to the bank.

2.5.3 Evaluation and Selection.

Once the bank has identified a prospective provider or list of candidates, the evaluation and selection process can commence. Even in situations where only one provider is identified, it is important that the institution still evaluate their technical expertise, operating controls, financial condition, and management. When a larger group of candidates is being considered, the evaluations can be quantified and ranked to facilitate selection of a small number of the best-qualified providers. Some suggested evaluation criteria are:

-Compatibility of the service provider's vision/value proposition with that of the bank.

-Ability to execute the vision/value proposition

-Functionality of the service or system proposed. (Do the functional features meet the stated requirements?)

-Technology in terms of type, power, modularity, and ability to upgrade/refresh or scale.

-Service and support in terms of maintenance hours, response time, resolution time, security, disaster planning, and other service levels.

-Cost/price.

-Financial stability of the vendor.

2.5.4 Negotiating the Contract.

After the selection process has narrowed the choice to one or a small number of strong candidates, negotiations with the provider(s) can help the bank finalize the terms of the contract. The negotiation process can help the bank establish terms that is agreeable to all parties and confirm that there is common understanding of the roles and responsibilities.

2.5.5 Managing Technology Providers Performance Risk (Service Level Agreements)

As commercial banks outsource more of their critical applications, properly managing the relationships between financial institutions and technology service providers becomes increasingly important. The service level agreement (SLA) is an effective tool for managing the risks associated with technology outsourcing. (Heskett, 1986). Service level agreements are contractually binding clauses documenting the performance standards and service quality agreed to by the bank and service provider. The SLA is a key component in structuring a successful outsourcing contract. The SLA ensures that the institution receives the services it wants at the expected performance standard and price.

A well-designed SLA will recognize and reward, or at least acknowledge, good service. It will also provide the measurement structure or performance metric to identify the substandard and trigger correction or cancellation provisions as warranted. In today's outsourcing environment, incentives or penalties in the SLA can be an effective tool for managing service. If services received do not measure up to expectations, direct consequences, such as reduced levels of compensation or a credit on future services, would result.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a census survey design .The study units were all commercial Banks in Kenya, which were relatively small, and the elements of study, being in Nairobi, were within easy reach. This approach and justification had been used in previous studies on the same industry by Muriithi (1996), Mugambi (1999), Kathanje (2000).

3.2 Population Of Study

The population of interest in the study comprised all the commercial banks licensed to carry out banking business in Kenya under the Banking Act Cap 488. There are 42 registered banks operating in Kenya and with branches (and Head offices) in Nairobi. The current list of banks was obtained from the Central Bank of Kenya. The list of the study units is shown as appendix 1.

3.3 Data Collection

The study involved collecting primary data through personal interview of information technology managers by use of both open and closed-ended questionnaire.

A letter of introduction was given to each respondent prior to the research.

3.4 Data Analysis

The completed questionnaires was analysed using descriptive methods. Use of percentages and frequencies was appropriate.

The data was analysed using the Statistical Package for Social Scientists (SPSS). The analysis was based on the variables highlighted in the questionnaires. Comparative analysis was used in computing the results using the SPSS Program; this was done by taking the variables in each objective.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter deals with data analysis and interpretation of the responses of 34 Information technology managers interviewed.

According to the responses received, the analysis and interpretation of the data is hereby given.

4.1.1 Respondents Profile

All the respondents were Information Technology Managers. Interestingly, 38.2 % have been with the particular bank between 4 to 6 Years. Among all the Commercial banks that responded, only 17.6% have been with that bank for more than 10 Years. This study therefore revealed that there is a high turnover of Information Technology employees. The reason could be that they get better packages (pay) in other places, which are not necessarily Banks. Since Information Technology is volatile, these staff would prefer to work in challenging environments, which are void of monotony.

4.1.2 Organisational Information

From the survey carried out, the results indicated that 58.8% of the commercial Banks in operation were wholly locally owned.29.4%were jointly owned and whereas 11.8% were foreign owned as indicated in Table 1 below.

Table 1 ownership classifications

Classification	Frequency	Percentage
Wholly foreign owned	4	11.8
Wholly locally owned	20	58.8
Jointly owned	10	29.4
Total	**34**	**100.0**

Source: Research data

4.1.3 Ownership proportion

The researcher found out from the study that from those commercial Banks that were jointly owned, 76.9% are largely locally owned whereas 23.1% are largely foreign Owned as shown in Table 2 below.

Table 2: Joint ownership

Ownership	Frequency (NO)	Percentage (%)
Largely foreign owned	3	23.1
Largely locally owned	10	76.9
Total	13	100.0

Source: Research data

4.1.4 Period in existence

Most commercial banks as revealed by the study indicated that they have been in existence for more than 20 years (as indicated in Table 3 below). 52.9% have been in existence for more than 20 years, 11.8% have been in operation for less than 10 years whereas, and 35.3% have been in existence between 10 and 20 years.

Table 3: Period of banks' existence

Period (YRS)	Frequency (NO)	Percentage (%)
Less than 10years	4	11.8
Between 10 and 20 years	12	35.3
More than 20 years	18	52.9
Total	**34**	**100.0**

Source; Research data

4.1.5 Placement of IT Department

From Table 4 below, the survey undertaken revealed that IT department has been set as a department by itself, 82.4% of the respondents indicated this.2.9% of the respondents indicated that IT is under the administration department and interestingly, 14.9% indicated that the IT department is under the operations department.

Table 4: Placement of IT department.

Department	Frequency (NO)	Percentage (%)
Operations	5	14.7
Administration	1	2.9
IT as a department	28	82.4
Total	**34**	**100.0**

Source; Research data

4.2 Extent of outsourcing

The first objective of the study was to determine the extent of outsourcing information technology services by commercial banks in Kenya. The extent was rated in order of the least agreeable to the most agreeable on a five point likert scale. (Strongly disagree, fairly disagree, fair, fairly agree and strongly agree) and were assigned weights of 1,2,3,4,&5 respectively. The elements that were ranked the highest were outsourcing of maintenance/repair and application development with a rank of 3.7 respectively. Table 5 below gives a summary of the extent of outsourcing the different activities in IT.

From the study, 15 of the respondents which are (44.1%) strongly agreed that outsourcing of application development was being done to the greatest extent. On the other hand, 11.8% of the respondents strongly disagreed that outsourcing of application development was practiced by commercial banks in Kenya. The overall results indicated that the outsourcing of application development by commercial banks had a mean score of 3.7, which indicated that they fairly agreed as shown in Table 5.

Table 5: Responses on IT activities being Outsourced

Activity	1	2	3	4	5	Mean	Rank
Application development	4	2	8	5	15	3.7	Fairly agree
Maintenance/repair	4	6	4	3	17	3.7	Fairly agree
Training	5	7	9	7	6	3.1	Fair
End-user support	24	5	3	1	1	1.5	Strongly disagree
Desktop system	25	1	3	4	1	1.7	Fairly disagree
Contract programming	8	1	5	7	13	3.5	Agree
Data entry simple processing	31	2	0	0	1	1.2	Strongly disagree
Website management	14	2	5	1	12	2.8	Fair
Full IT	25	5	3	0	1	1.4	Strongly disagree

Source: Research data

Legend

1=strongly disagree 4=partially agree

2=partially disagree 5=strongly agree

3=Fair

Maintenance /repair had an overall mean score of 3.7 which meant the respondents fairly agreed that the activity was being outsourced. From the study it was found out that 17(50%) of the respondents strongly agreed that maintenance/repair was being outsourced, whereas, 4(11.8) strongly disagreed to that.

It is evident also from the study in Table 5 that 6(17.6%) of the respondents strongly agreed that training was being outsourced to the greatest extent, 9(26.5%) fairly agreed whereas, 5(14.7%) strongly disagreed that commercial banks outsource IT training at all. The overall results indicated a mean score of 3.1, which meant outsourcing of training was fair among the respondents.

Outsourcing of End-user support as an IT activity had an overall mean score of 1.5 which means commercial banks do not outsource this activity. From the findings, 24(70.6%) of the respondents strongly disagreed that they did not outsource end-user support at all, (ll.9%) strongly agreed that they outsourced the IT activity to the greatest extent.5 which are (14.8%) of the respondents fairly disagreed.

It is also indicated from Table 5 that 25(73.6%) of the respondents did not outsource desktop systems, whereas, 1(2.9%) strongly agreed that they outsourced desktop system to the greatest extent. The overall results indicated that outsourcing of desktop system by commercial banks in Kenya had a mean score of 1.7 which means they fairly disagree.

From the study, as shown in Table 5 the researcher found out that 13(38.2) of the respondents outsourced contract programming to a great extent, whereas, 8(23.5%), did not outsource the IT activity at all. The overall results indicated that, outsourcing of contract programming had a mean score of 3.5, which meant the commercial bank agreed that the IT activity was being outsourced.

It was also discovered that 1(2.9%) of the respondents outsourced data entry and simple processing to the greatest extent. 31(91.2%) of the respondents did not outsource the IT activity at all.2 (5.9%) of the respondents fairly disagreed. The overall results indicated that outsourcing of data entry and simple processing as an IT activity had a mean score of 1.2 which meant commercial banks in general strongly disagree to the fact of outsourcing the activity.

4.3 Benefits of Outsourcing

From the study, the second objective was to establish the benefits of outsourcing. This was to find out whether there were any benefits that accrued from outsourcing of IT services. The respondents were asked to state the level of their agreement on listed benefits that included; improved quality, improved service, extra management time, access to expertise, flexibility, and focus on core activities. Table 6 below indicates the different levels of agreements.

Table 6. Level of agreement by respondents on benefits of outsourcing

Benefits	Strongly disagree	Partially disagree	Partially agree	Strongly agree
Improved quality	1	5	10	17
Extra management time	0	2	14	17
Improved service	0	2	12	19
Access to expertise	0	3	10	19
Flexibility	3	1	15	14
Focus on core activities	1	5	8	19

Source; Research data

The researcher found out that most banks outsource IT services in order to ensure quality service to their customers. Table 6 indicates that51.5% of the respondents strongly agreed that outsourcing of IT services improved service quality, 3% strongly disagreed whereas, 30.3%partially agreed.

The researcher also found out that 50% of the respondents strongly agreed that with outsourcing of IT services there would be extra management time created for them to focus on other organisational businesses. On the other hand, 5.9% partially disagreed.

From outsourcing IT services, improved service was seen as one of the benefits of outsourcing. The results indicate that 57.6% of the respondents strongly agreed whereas, 5.9% partially disagreed.

It was also found out from the study as shown in Table 6 that 3% of the respondents partially disagreed that outsourcing of IT services would make them access expertise, on the other hand, 59.4% strongly agreed that by outsourcing they would access expertise.

Flexibility was seen as one of the benefits of outsourcing. From the study therefore, 42.2% strongly agreed that by outsourcing their IT services, the commercial banks would be flexible in response to changing market conditions. On the other hand, 9.1% strongly disagreed.

Focus on core activities is the main reason why most organisations outsource. From the study done, 3.0% of the respondents strongly disagreed, whereas, 57.6 strongly agreed.

4.4 Risks of outsourcing

According to Smedinghoff et al (2002), outsourcing presents special risks for commercial banks. AS regulated entities, they are typically responsible for the conduct of the third party service providers to whom they outsource functions that they would otherwise conduct internally. Some of the risks that were considered included, the bank would loose control, employees fear of loss of jobs, fear of vendor turning into competitor, loss of flexibility, loss of internal coherence and loss of innovation in the activity being outsourced.

4.4.1 The Bank looses control

From the table below, the study carried out indicates that 38.2% of the respondents partially agreed that outsourcing would make the bank loose its control. 38.2% partially disagreed, 20.6%strongly agreed whereas 2.9% strongly agreed that outsourcing of IT services would make the commercial banks loose control of the outsourced activity. Table 7 below summarises these.

Table 7: level of agreement on banks loss of control.

Degree of agreement	Frequency (NO)	Percentage (%)
Strongly disagree	1	2.9
Partially disagree	13	38.2
Partially agree	13	38.2
Strongly agree	7	20.6
Total	**34**	**100.0**

Source: Research data

4.4.2 Employees fear of loss of jobs

From the study, 44.1% of the respondents partially disagreed that outsourcing of IT services would make employees fear that they would loose their jobs. As indicated in the table no.8 below, 11.8% strongly agreed whereas, 14.7% strongly disagreed that outsourcing would inflict fear in employees. This therefore is an indication that employers do not guarantee employees about their job security when they make decisions to outsource as shown in Table 8 below.

Table 8. Degree of agreement by respondents on loss of jobs

Degree of agreement	Frequency (NO)	Percentage (%)
Strongly disagree	5	14.7
Partially disagree	15	44.1
Partially agree	10	29.4
Strongly agree	4	11.8
Total	**34**	**100.0**

Source: Research data

4.4.3 Fear of vendor turning into competitor

The researcher established that 23.5% of the respondents strongly agreed that outsourcing of IT services would open up ways for the vendor to turn into a competitor, 55.9% partially agreed whereas, 20.6% partially disagreed as seen in table No9 below. It is an indication from the study that most respondents fear the vendor might turn into their competitor. This is indicated from Table 9 below.

Table 9:Degree of agreement by respondents about fear of Vendor turning into competitor

Degree of agreement	Frequency (No.)	Percentage (%)
Partially disagree	7	20.6
Partially agree	19	55.9
Strongly agree	8	23.5
Total	**34**	**100.0**

Source: Research data

4.4.4 Loss of flexibility

One of the risks of outsourcing was loss of flexibility, and the researcher found out from the study that 2.9% of the respondents strongly disagreed, 8.8% strongly agreed on the risk, whereas, 50% of the respondents partially agreed to the risk of flexibility to responses to changing market conditions. Table 10 below summarises the findings.

Table 10: Degree of agreement on the responses on loss of flexibility

Degree of agreement	Frequency (NO)	Percentage (%)
Strongly disagree	1	2.9
Partially disagree	13	38.2
Partially agree	17	50
Strongly agree	3	8.8
Total	**34**	**100.0**

Source: Research data

4.4.5 Loss of internal coherence

The researcher wanted to find out whether there was any loss in internal coherence when IT services are outsourced by commercial banks in Kenya. The findings therefore indicate that 8.8 % strongly disagreed that by outsourcing IT services there would be loss of internal coherence, 17.6%strongly agreed, whereas 41.2% partially agreed. Table 11 below summarises the findings.

Table 11:Degree of responses on loss of internal coherence

Degree of agreement	Frequency (NO)	Percentage (%)
Strongly disagree	3	8.8
Partially disagree	14	41.2
Partially agree	11	32.4
Strongly agree	6	17.6
Total	**34**	**100.0**

Source: Research data

4.4.6 Loss of innovation in the activity outsourced

From the study carried out, the researcher wanted to find out whether outsourcing of IT services would lead to loss of innovation of activity being outsourced. The results indicated that 26.5% of the respondents strongly disagreed, 8.8%stronlgy agreed and 38.2%partaially disagreed. The Table no.12 below indicates the summary of the findings.

Table 12: Degree of responses on loss of innovation on activity outsourced

Degree of agreement	**Frequency (NO)**	**Percentage (%)**
Strongly disagree	9	26.5
Partially disagree	13	38.2
Partially agree	9	26.5
Strongly agree	3	8.8
Total	**34**	**100.0**

Source: Research data

4.5 Vendor Selection Criteria

The third objective of the study was to determine the criteria used in the selection of outsourcing vendors by commercial banks in Kenya. The attributes were rated in order of the least agreeable to the most agreeable a five point likert scale (strongly disagree, partially disagree, fair, partially agree and strongly agree). They were assigned weights of 1,2,3,4 and 5 respectively. Table 13 below summarises the findings.

Table 13: Attributes of vendor selection criteria

Attributes	1	2	3	4	5	Mean	Rank
Commitment to quality	0	0	3	5	26	4.68	Strongly agree
Price	0	0	9	8	17	4.24	Partially agree
Reputation	0	1	7	6	20	4.32	Partially agree
Flexible contract terms	0	1	9	9	15	4.12	Partially agree
Availability of requisite expertise	0	1	2	10	21	4.5	Strongly agree
Availability of required equipment	0	1	4	7	22	4.47	Partially agree
Existing relationships	5	4	8	11	6	3.26	Fair

Source; Research data

Legend

1=strongly disagree 4=partially agree

2=partially disagree 5=strongly agree

3=fair

From the study done, the researcher found out that commercial banks are very careful in selecting who their vendors should be. This is evident by the fact that all the attributes that were listed had mean rates of above 3.0. (as shown in Table no.13)

Commitment to quality as an attribute when selecting a vendor has an overall mean score of 4.68,which means most respondents strongly agreed. None of the total respondents strongly disagreed nor partially disagreed. It is evident therefore, that all the respondents considered commitment to quality as an attribute not to be ignored when looking for vendors.

Price being another attribute to vendor selection had an overall mean score of 4.24.50% of the respondents strongly agreed that this is an important attribute. This would help the individual commercial banks make the decision to outsource or not.

From the study done, the researcher found out that 58.8% of the respondents strongly agreed that reputation of the vendor is very important in making the decision to choose a vendor. The overall mean score of reputation by the respondents is 4.32.

The researcher also found out from the study (as shown in Table 13) that 2.9% of the respondents partially disagreed that flexible contract terms by the vendor was an important attribute in making the decision when choosing a vendor. 44.1% strongly agreed, whereas the overall mean score is 4.12.This means the majority of the respondents partially agree.

From the table 13 above, another attribute to be considered when choosing a vendor is availability of requisite expertise.61.8% of the respondents strongly agreed, 2.9% partially disagreed. The overall mean score is 4.5,which means the larger numbers of the respondents strongly agree.

Another attribute that the respondents considered important in choosing a vendor is availability of required equipment.64.7%of the respondents strongly disagreed, 2.9%partially disagreed, whereas the overall mean score by the respondents is 4.47 meaning they fairly agree.

14.7% of the respondents strongly disagreed that existing relationships of the vendor is an important attribute in choosing the vendors.17% strongly agreed, whereas 32.3% partially agreed. The overall mean score is 3.26.

CHAPTER 5:SUMMARY AND CONLUSIONS

The research sought to determine outsourcing of IT services by commercial banks in Kenya. The major objective of the study was to determine the extent of outsourcing IT services by commercial banks, the benefits and problems encountered when outsourcing and to establish the criteria used in selecting vendors.

5.1.1 Extent Of Outsourcing IT Services

The findings of the study indicated that commercial banks in Kenya do outsource IT services. The results indicate that outsourcing of application development is done in most banks. This was because it is viewed that this element is less critical to the banks operations. Those who do not outsource this activity are mainly small organizations.

Maintenance and repair of IT services was found to be fairly outsourced. These results compare well with the literature reviewed in this study, which states that the most obvious activity for any company to outsource in the IT Department is maintenance or repair equipment. Many organizations do not treat this as outsourcing as they subcontract these cases on one off job basis.

The least outsourced activity is end user support. Many banks do generally not outsource data entry activity and simple processing. This is the most sensitive area in the IT system as it involves keying in of the raw data into the system.

5.1.2 Benefits And Risks Of Outsourcing

Most banks acknowledge that Outsourcing of IT services is one way of improving the quality of service. The contractor will ensure that the activity is performing at its optimum as to the contrary will render him jobless after the expiry of the contract. Quality of service is ensured as service level agreement are drawn and signed by both parties.

Focus on core activities was also acknowledged by most commercial banks studied. Outsourcing would make the banks build on their competitive edges in the market because of focussing the company's resources on their primary mission.

Access to expertise was one of the benefits acknowledged by commercial banks studied. They believed that an outside vendor would manage the IT function more efficiently. Another reason being a vendor's main competency is managing computer systems. Through their skills, leverage and economies of scale, they provide a level of efficiency that commercial banks cannot afford.

The findings of the study indicated that flexibility was seen as a benefit that resulted from outsourcing IT activities. The results therefore are in agreement with what was stated in the literature reviewed that by outsourcing commercial banks would be flexible to responses to changing market conditions.

Outsourcing presents special risks for commercial banks. The findings of the study indicated that commercial banks feared that the vendors would turn into competitors.

The other risk that commercial banks would face by outsourcing is loss of control of activity being outsourced. The vendor might take over the entire IT activity without letting the bank get involved in what is going on. The banks that do not loose control are those that signed a contract during the service level agreement that they will be getting involved at every step before the vendor performs anything.

5.1.2 Vendor Selection Criteria

The findings of the study indicated that commercial banks in Kenya do have procedures when choosing a vendor. The outsourcing team begin by inviting numerous companies to bid. First of all they open it up for companies they had done business with them before as well as their major customers that the bank has had that might have some options for pursuing the IT business.

From the study done, most of the commercial banks strongly agreed that commitment to quality by the vendor was the most important attribute to consider. When signing up the service level agreement the vendor is given the standards to measure up the quality that the bank requires of them.

Interestingly, from the study done, commercial banks did not consider the existing relationships of the vendor, as a very important attribute in choosing a vendor, infact the mean score was 3.26 meaning it was a fair attribute.

5.2 Limitation Of The Study

The study's limitations were time and geographical scope. All the respondents were drawn from Nairobi and generalization of the conclusions would require a larger population from a wider geographical scope.

Due to the limitations of time, the researcher could not wait any longer for the respondents who took long to fill in their questionnaires.

5.2 Recommendation for Policy and Practise

There is evidence from the study that commercial banks in Kenya outsource their IT services to some extent.

Outsourcing is growing at a rapid rate throughout organizations and commercial banks in Kenya should also view it as away of achieving strategic goals, positioning themselves, reducing costs, providing efficiency.

Outsourcing IT services is becoming a concern to most commercial banks since the cost of acquiring new IT is prohibitive and under-utilization of it is a factoring keeping the pace with the rapid changes in the IT industry. Commercial banks in Kenya through their umbrella company, that is Kenya bankers association (KBA), should come up together and have a central service provider of their IT services. In doing this they will be able to save on costs.

5.3 Recommendation for Further Research

There is need to further research in the area of outsourcing by commercial banks in Kenya.

Further research should also be done to determine what levels a commercial bank should decide on outsourcing as a strategic tool.

Further research should be done on how commercial banks can outsource global Information technology resources.

There is need to also carry out a study on how commercial banks can have strategic alliance with their vendors.

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APPENDIX 1

LIST OF COMMERCIAL BANKS IN KENYA

1) African Banking Corporation
2) Akiba Bank Ltd
3) Bank of India
4) Barclays Bank of Kenya
5) CFC Bank Ltd
6) Chase Bank Ltd
7) Charterhouse Bank Ltd
8) Citibank N.A
9) City Finance
10) Commercial Bank of Africa
11) Consolidated Bank of Kenya
12) Co-operative Bank of Kenya
13) Credit Agricole Indosuez
14) Credit Bank Ltd
15) Diamond Trust Bank Ltd
16) Development Bank of Kenya
17) Dubai Bank Ltd
18) Equatorial Commercial Bank
19) Fina Bank Ltd
20) Fidelity Commercial Bank Ltd
21) First American Bank of Kenya
22) Giro Commercial Bank Ltd
23) Guardian Bank Ltd
24) Habib A.G.Zurich Bank
25) Habib Bank Ltd
26) Imperial Bank Ltd
27) I &M Bank Ltd
28) Kenya Commercial Bank Ltd
29) K-Rep Bank Ltd
30) Middle East Bank Ltd
31) National Bank of Kenya Ltd
32) NIC Bank Ltd

33) Paramount Universal Bank Ltd

34) Prime Bank Ltd

35) Southern Credit Banking

36) Stanbic Bank Limited

37) Standard Chartered Bank Ltd

38) Trans-National Bank Ltd

39) Victoria Commercial Bank Ltd

40) Industrial Development Bank Ltd

41) Bank of Baroda

42)Central bank of kenya

APPENDIX 11

Letter of Introduction

Dear Respondent,

RE: MBA Research Project

Iam a postgraduate student at the University of Nairobi doing a research project as part of the requirements for the degree of Master of Business Administration Degree (MBA).

My research project aims at finding out the extent of outsourcing information technology services by commercial banks in Kenya.

The information collected will strictly be used for academic purposes and will be treated in the strictest Confidence.

Your Name or that of your organisation will not be mentioned in the report.

A copy of the research project will be made available to you on request.

Your Kind assistance will be highly appreciated.

Kipsang, Nelly, J.	Mr. Jackson Maalu
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MBA Student	**Supervisor**

APPENDIX 111

QUESTIONNAIRE

Please answer the following questions

SECTION A.

RESPONDENTS PROFILE

1 What is your official title?

____

2 How long have you been with this firm?

____

ORGANIZATIONAL INFORMATION

3 How would you classify your organization in regard to ownership?

Wholly foreign owned [ ]

Wholly locally owned [ ]

Jointly owned [ ]

4 If your organization is jointly owned between foreign and local investors, what is the proportion of ownership?

Largely foreign owned [ ]

Largely locally owned [ ]

Equally owned [ ]

5 For how long has your organization been in existence?

Less than 10 years [ ]
Between 10 and 20 years[ ]
More than 20 years [ ]

6 Indicate the total number of employees in your organization ________________________

7. Under which department is information technology activities undertaken?

a) Operations [ ]
b) Administration [ ]
c) Customer service [ ]
d) It is a department by itself [ ]
e) Human resource [ ]

SECTION B

EXTENT OF OUTSOURCING

1. Does your Bank contract some activities to outsiders? YES [ ] NO [ ].
2. For how long has your organization been involved in outsourcing?
   a) Since the bank was established [ ]
   b) Less than ten years [ ]
   c) Less than five years [ ]
   d) Less than three years [ ]

e) Other please specify ____

____

3. If the answer to question 1 is YES, which of the following activities are contracted to outsiders?(more than one option can apply)

a) Information technology [ ]

b) Cleaning services [ ]

c) Human resource [ ]

d) Transport [ ]

e) Catering [ ]

f) Other. Please specify ________________________________

4. To what extent are the following Information Technology activities outsourced by your organization? Please circle a number that best describes the extent of outsourcing of each. 1 for no outsourcing at all and 5 for fully outsourced.

a) Application Development	1 2 3 4 5
b) Maintenance /repair	1 2 3 4 5
c) Training	1 2 3 4 5
d) End-user support	1 2 3 4 5
e) Desk top system	1 2 3 4 5
f) Contract programming	1 2 3 4 5
g) Data entry and simple processing	1 2 3 4 5
h) Web site management	1 2 3 4 5
i) Full IT outsourcing	1 2 3 4 5
j) Others please specify and rate	
______________________	1 2 3 4 5
______________________	1 2 3 4 5
______________________	1 2 3 4 5
______________________	1 2 3 4 5

5. There are many factors that the banks take into consideration when they are making decisions of whether to outsource or not. Please circle a number that best describe the level of importance of the following factors. 1 for least considered and 5 highly considered.

a) Financial 1 2 3 4 5

b) Quality 1 2 3 4 5

c) Confidentiality 1 2 3 4 5

d) Need to focus on core business 1 2 3 4 5

e) Lack of internal competences 1 2 3 4 5

f) Management directives 1 2 3 4 5

g) Others, please list and rate accordingly

_________________________ 1 2 3 4 5

_________________________ 1 2 3 4 5

_________________________ 1 2 3 4 5

SECTION C

VENDOR SELECTION CRITERIA

1. For business organizations to identify the right vendors, the following factors are taken into consideration. You are requested to circle a number that best describe the extent of importance of the following factors by your company. The scale provided is 1 represents the least important and 5 to represent most important

a) Commitment to quality 1 2 3 4 5

b) Price 1 2 3 4 5

c) Reputation 1 2 3 4 5

d) Flexible contract terms 1 2 3 4 5

e) Availability of requisite expertise 1 2 3 4 5

f) Availability of required equipment 1 2 3 4 5

g) Existing relationships 1 2 3 4 5

Others please specify and rate them accordingly

______________________________ 1 2 3 4 5

______________________________ 1 2 3 4 5

______________________________ 1 2 3 4 5

______________________________ 1 2 3 4 5

2. please answer the following questions by ticking in the box that best describes your level of agreement or disagreement with each statement

a) The bank used consultants to select the vendors

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

b) The bank management had a clear understanding of the requirements and expectations of outsourcing

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

c) The bank management were diligent in evaluating the service provider's ability both operationally and financially

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

d) When a large group of providers was identified the bank quantified and ranked the evaluations to facilitate the selection of a small number of best-qualified providers

Strongly disagree [ ] partially disagree [ ]

Partially agree [ ] strongly agree [ ]

e) The negotiation Process helped the bank establish terms that were agreeable to all parties and to confirm each others roles and responsibilities

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

f) The bank and the service provider had a service level agreement(SLA) which ensured that the bank received the service it wanted at the expected performance standard and price

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

SECTION D

BENEFITS OF OUTSOURCING

1.Please tick the answer that best describes the level of your agreement on the long-term benefits of outsourcing in your organization.

a) **Improved quality**

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

b) **Extra management time**

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

c) **Improved service**

Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

d) **Access to expertise**
Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

e) **Flexibility**
Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

f) **Focus on core activities**
Strongly disagree [ ] partially disagree [ ]
Partially agree [ ] strongly agree [ ]

RISKS OF OUTSOURCING

1. To what extent do you agree or disagree with the following statement about the risks of outsourcing. Please tick in the relevant box

Statement	Strongly agree	Agree	disagree	Strongly disagree
Outsourcing may make the bank loss control				
Employees fear of loss of jobs				
Fear of vendor turning into a competitor				
Loss of flexibility				
Loss of internal coherence				
Loss of innovation in the activity outsourced				

THANK YOU VERY MUCH FOR YOUR ASSISTANCE