The Influence of Corporate Strategies on Services Outsourced: A survey of the Kenyan Commercial Banks

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DECLARATION

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

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This management research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

Dedicate this first to God almighty through whom all things are possible. Secondly to my parents Malachi Ottawa Olero and Dumtila Abuso Ottawa for their unlimited support.

ACKNOWLEDGEMENT

I most sincerely thank the almighty God for helping me to complete this project despite the various challenges that I faced in the course of doing it. I appreciate the tremendous input and professional guidance given to me by my supervisor Prof. P. O. K'Obonyo.

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ABSTRACT

The objective of this study is to determine the influence of corporate strategies on services outsourced by the commercial banks in Kenya. The population of the study consisted of 43 commercial banks listed in Nairobi Stock Exchange and the study is a survey design based and utilizes primary data collected from the bank's staff and documents respectively. The primary data was collected using semi structured questionnaire that was dropped and picked later. The study targeted the head of finance, head of procurement and head of corporate planning. The data was analyzed using statistical package on social sciences with the help of descriptive statistics.

The findings from the analysis showed that differentiation strategy influence outsourcing of cleaning, training and marketing services in commercial banks in Nairobi in order to increase efficiency, reduce cost of operation, spread the risk as well as improve the institutions focus. The study, therefore, reveals that it is important for any commercial bank involved in making outsourcing decisions to consider differentiation strategy in order to maximize their gains from cleaning, training and marketing services outsourced as a key management strategy.

It was recommended that commercial banks should incorporate fully differentiation as a strategy that influence services outsourced and state there should be a clear policy on the most influential strategies to consider when making services outsourced decisions. This would help the management in knowing clearly what to outsource and what not to outsource at any given time.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Hiat and Creasey (2003) observed that the beginning of outsourcing can be traced to the later part of the 20th Century when companies began to contract out some of the smaller aspects of their business to companies that provide specialized services. Before outsourcing was implemented, business organizations handled all of the components of their businesses themselves. Everything, from the sourcing of raw materials to manufacturing and shipping finished products and even selling them were taken care of by the organization. The persistence of many companies to continuously run business in this manner led to closure and bankruptcy such a model, especially when placed in a highly competitive environment is very inefficient. The inefficiency lead to resources such as time and money being wasted until it came to a point where the company could not sustain itself anymore.

Learning from the errors of their earlier counterparts, Hucynski and Buchanan (2001) argued that during the 1970s and 80s companies sub contracted some of the tasks in their businesses such as payroll, accounting, human resources, data encoding, among others, to specialized organizations and thus outsourcing as we know it began. Organization started to outsource jobs to local companies but as the world entered the era of globalization, ushered in with the help of developments in communication such as the Internet and telecommunication technology, organizations from developed countries turned to companies from developing parts of the world for the manpower needs. Currently though, information technology tops the list of industries that utilizes outsourcing to save money and meet their business goals; it is also estimated that half of the top companies in the U.S. are outsourcing some or majority of their business processes. The Philippines, India and China are just some of the top offshore service providers primarily because of the cheap yet highly skilled workers that can be found in these countries. There is also no sign that the practice will end soon as proven by the increasing number of companies that outsource every year.

Jahanna (1990s) stated that organizations began to focus more on cost-saving measures; they started to outsource those functions necessary to run a company but not related specifically to the core business. Managers contracted with emerging service companies to deliver accounting, human resources, data processing, internal mail distribution, security, plant maintenance among others such as "good housekeeping". The current stage in the evolution of outsourcing is the development of strategic partnerships. Until recently it had been axiomatic that no organization would outsource core competencies, those functions that give the company a strategic advantage or make it unique. Often a core competency is also defined as any function that gets close to customers. Wild et al (1990s) outsourcing some core functions may be good strategy. For example, some organizations outsource customer service, precisely because it is so important.

1.1.1 The Concept of Outsourcing

Byers and Rue (2000) defined outsourcing as "the strategic use of outside resources to perform activities traditionally handled by internal staff and resources". Sometimes known also as "facilities management". Drezner (2004) observed that outsourcing is a strategy by which an organization contracts out major functions to specialized and efficient service providers, who become valued business partners. Companies often hired contractors for particular types of work, or to level-off peaks and troughs in their workload, and have formed long-term relationships with firms whose capabilities complement or supplement their own. Kaathawala (2002) posited that outsourcing involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers. The term outsourcing can cover many areas, including the manufacturing as well as services. The term ‘outsourcing’ is most commonly used in relation to the switching of the supply of product or service activities to external suppliers. Outsourcing involves the transfer of an entire business function to a supplier. Alternatively, outsourcing may lead to the transfer of some activities associated with the function whilst some are kept in-house. Outsourcing can also involve the transfer of both people and physical assets to the supplier. Serem (2003) stated that outsourcing is not just a straightforward financial or purchasing decision. In many cases, outsourcing is a major strategic decision that has implications for the entire organization. For this reason, it need to be monitored and evaluated, the evaluation and management of the outsourcing process involves a number of important elements. A starting point in the evaluation process involves analyzing whether outsourcing an activity is appropriate for the organization. This involves considering issues such as the capability of the organization in the activity relative to competitors, the importance of the activity to competitive advantage, the capability of suppliers to provide the activity, the level of risk in the supply market, potential workforce resistance and the impact upon employee morale. Where the decision to outsource has been made, a number of important issues have to be considered including supplier selection, contract negotiation and the transitioning of assets to the supplier. Significant attention should also be given to managing the relationship with the supplier to ensure that outsourcing meets its intended objectives.

Mintzberg (1991) noted that organizations often employed external product and service providers to carry out a range of business activities such as catering, security, distribution, accounting, information technology among others. However, many organizations are increasingly outsourcing a wider range of activities and a greater level of the value associated with these activities. In effect, organizations are no longer outsourcing peripheral activities alone but extending the scope of outsourcing to encompass more critical activities that contribute to their competitive position. Consequently, the evaluation and management of the outsourcing process has become increasingly complex. For example, contracts are more complex as agreements become more sophisticated in terms of measurement procedures, the financial management of transferred assets and the inclusion of clauses associated with bringing the activity back in-house (Kanter, 1984).

1.1.2 The Concept of Strategy

Quinn (1980) identifies strategy as a plan that puts together organizations major goals, policies and action sequences. A well formulated strategy enables an organization marshal and allocates its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and contingent actions by competitors. Porter (1980) states that strategy is basically about competition and the means by which an organization tries to gain a competitive advantage.

Hills and Jones (2001) conclude that the strategies an organization pursues have a major impact on its performance relative to the peers. Johnson and scholes (1997), notes that strategy is the long-term direction and scope of an organization that facilitates the achievement of an advantage, for the organization, through the mode of arrangement of resources within a changing environment. Thus, the strategy is viewed as the matching of the activities of an organization to the environment to which it operates.

1.1.3 The Influence of Corporate Strategy on Outsourcing

Quinn and Hilmer, (1994) noted that firms often sought ways to gain a competitive advantage over their competitors; however, with the increased movement towards a single globalized economy, this desire is even more prevalent for businesses today. One avenue that firms have pursued to improve their competitive position in this new business environment has been to increase the role of outsourcing in their operations, which has been found to provide a competitive advantage to these firms, While many firms have followed this pattern of outsourcing some part of their operations to improve their competitiveness, others have not, leading many to ask what factors influence the decision to use outsourcing. In general, outsourcing is considered to be that part of an organization's process, which it sources from outside suppliers, regardless of the type of relation with the suppliers. As such, every firm engages in outsourcing to some degree, be it manufacturing, customer care, logistics, post sales technical support, finance, auditing, staffing, or design. The choice of what functions to outsource and which to keep in-house is based on the need to develop skills, invest in resources, and stay abreast of evolving technology in any areas kept in-house (Sweezy, 1997).

In studies examining the impact of outsourcing, there have been several key advantages of outsourcing identified, such as cost saving, reduced capital investment within the firm, improved responsiveness to changes in the business environment, an increased focus on core competencies, increased competition among suppliers ensuring higher quality goods and services in the future, and a reduced risk of changing technology (Quinn, 1992). Coopers (1999 page 54) states that the above practices include a firm's customer relationship as "the entire array of practices that are employed for the purpose of managing customer complaints, building long-term relationships with customers, and improving customer satisfaction", postponement as "the practice of moving forward one or more operations or activities (making, sourcing, and delivering) to a much later point in the supply chain", information sharing (which refers to "the extent to which critical and proprietary information is communicated to one's supply chain partner" , or put another way, the access to private data between trading partners, thus enabling them to monitor the progress of products and orders as they pass through various processes in the supply chain, mass customization defined as the practice of producing customized products at costs and volume comparable to mass produced products (Kotler, 1989), supplier partnership defined as the long term relationship between the organization and its suppliers which leverages the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits and product modularity defined as "the practice of using standardized product modules so they can be easily reassembled / rearranged into different functional forms, or shared across different product lines" practices.

1.1.4 Commercial Banks in Kenya

Kenya's banking sector is governed primarily by the *Companies Act*, the *Banking Act*, the *Central Bank of Kenya Act* and the set of guidelines issued by the Central Bank of Kenya, Abwao (2002). Prudential oversight is primarily conducted by the Central Bank of Kenya, the Nairobi Stock Exchange and the Capital Markets Authority. The banking sector was liberalized in 1995 and exchange controls were thereafter lifted. There are 43 commercial banks in Kenya; the largest in terms of asset value is Kenya Commercial Bank, with an asset base of approximately 190 billion shillings at the end of 2008, Kinyua (2007).

From the Central bank of Kenya annual report (2005), there are currently nine banks or the holding companies of banks listed on the Nairobi Stock Exchange. These had a combined market value in excess of 270 billion (USD 3.6 billion) at the end of August 2009. This was recognized by the Kenyan Government in enacting the Finance Act 2008, which took effect on 1 January 2009. This legislation requires banks and mortgage firms to hold a minimum core capital of 1 billion by December 2012. This minimum capital requirement could place a number of the smaller banks in a precarious position, as they may not be able to organically grow their operations sufficiently by 2012 to comply. The requirement is therefore likely to compel substantial consolidation amongst the Kenyan banks themselves; it is also likely to act as the springboard for further foreign entrants to take strategic positions in Kenya's banking industry.

1.2 Statement of the problem

Organizations have begun to understand that in some instances it is better to bring in services from outside to achieve quality services than to do everything on their own (Serem 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. Most organizations have adopted strategies to help them maximize profit. Cost reduction has become the key policy in many organizations to help improve production and overall performance of the organization. Outsourcing strategy has gained popularity over the world and has been widely embraced in many developed countries. Pricewaterhousecoopers (1999) noted from a study that outsourcing has moved markedly from attending to single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise.

Many studies done here in Kenya have mainly focused on determining the level of outsourcing among commercial banks. Kinyua (2000) carried out a survey of outsourcing by selected financial institutions quoted in Nairobi stock exchange. Chanzu (2002) did a survey of business outsourcing practices among commercial banks in Nairobi, while Serem (2003) did a survey of outsourcing of human resource services by commercial banks in Nairobi and Ulrich (1998) looked at competitive advantage through outsourcing of non-core logistics activities within the supply chain of British America Tobacco Kenya Limited. It is evident that these studies did not focus on the influence of corporate strategy on services outsourced by the Kenyan commercial banks thus creating a knowledge gap. Therefore there is need to formulate studies to provide an understanding on the influence of corporate strategy on the services outsourced by commercial banks to bridge the study gap that exists. Therefore the research question for this study is: Does corporate strategy influence the choice of services to outsource by the commercial banks based in Nairobi?

1.3. Research objective

To determine the influence of corporate strategies on services outsourced by commercial banks in Kenya.

1.4. Importance of the study

Outsourcing is a strategy that can allow managers to leverage their companies' skills and resources well beyond levels available with other strategies. The benefits of successfully implementing it maximize returns on internal resources by concentrating investments and energies on what enterprises do best. Well developed core competencies provide a formidable barrier against present and future competitors that seek to expand into the company's area of interest. In a rapidly changing market place and technological situations, this strategy decreases risks, shortens cycle times, lowers investment and create better responsiveness to customer needs (Quinn and Hilmer 1994).

This study will avail pertinent information on activities that can be outsourced by the banking sector, the benefits and limitations of outsourcing, The study will benefit management of the banks as they consult in an endeavor to focus on core business and in evaluating which activities in the value chain to outsource and the study will stimulate further interest among future researchers and in this dynamic area of outsourcing.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

A strategy is an action that a company takes to attain one or more of its goals, a control objective of strategic management is to identify why some organizations succeed while others fail. An organization strategy is the outcome of a rational planning process. The major components of the strategic management process include defining the mission and vision of the organization. Also analyzing the external and internal environment of the firm, choosing strategies that align or fit the organization strength and weaknesses with the external environment, opportunities and threats and adopting organizational structures and control systems to implement the organizations chosen strategy (Anderson, 1985). Ansoff (1980) stated that strategy is the set of rules, decision making rules for guidance of organizational behavior. This is a management tool which offers important help for coping with business turbulence and challenges faced by organizations as well as public sector.

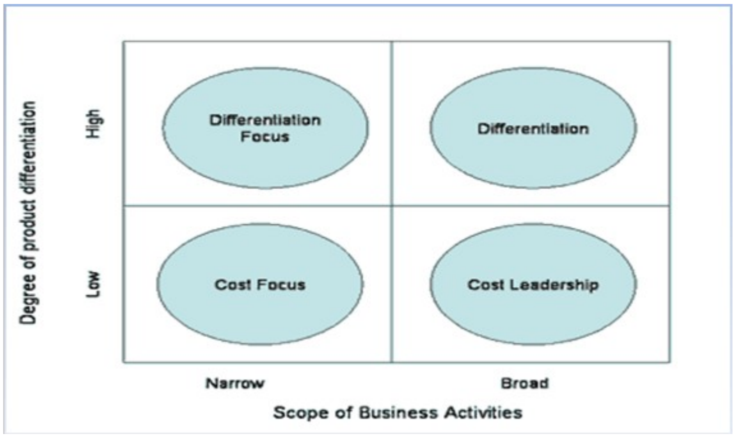
Hill and Jones (1998) noted that, the primary purpose of strategy is to guide management decisions towards superior performance through establishing competitive advantage. According to Quinn (1999) strategy is the pattern or plan that integrates organization major goals, policies and action sequence into a cohesive role. A good strategy (Quinn, 1999) will help to steer and allocate an organization resource into a unique and enabling posture based on its relative competencies and shortcomings, anticipated changes in the environment and the contigent moves by intelligent opponents. Strategy guides an organization to superior performance through the establishment of competitive advantage. It shows a company's awareness of how it should compete, when it should compete against, whom it should compete against, where it should compete and for what purpose it should compete, (Pearce and Robinson, 2003). Mintzberg (1987) viewed strategy as a plan, ploy, pattern, a position and a perspective.

Ansoff and McDonnell (1990) assert that the study of strategy emerged in the late 1950s and early 1960s, when firms invented a systematic approach to deciding where and how they will do its future business. Quinn (1980) identifies strategy as a plan that puts together an organizations major goal, policies and action sequences. Well formulated strategies enable an organization marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment and contingent actions by competitors. Porter (1980) states that strategy is basically about competition and the means by which an organization tries to gain a competitive advantage. Knowledge of patterns of rivalry, which at the same time presents the competitive advantage, is necessary for research into any strategic planning process. They are all apparent as far as strategic management is concerned. The possibility of providing a different point of view for identifying a firm's competitive position by suggesting a systematic way of valuing strategic capacities in terms of relative completive advantage stands out. Coopers (1999) noted that the top management of any organization is concerned with selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as strategic management and strategy act as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set objectives by using its resources. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain comprehensive objectives. An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. Without a strategy, the organization is like a ship without a rudder, it is like a tramp, which has no particular destination to go to, without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure.

Ansoff and McDonnell (1990) reaffirm that strategy is a potentially very powerful tool for coping with the conditions of change, which surrounds the firm today. he observes that strategy must comply with three conditions. First, it should be capable of leading to the achievement of goals of the organization in terms of profitability and growth. Second, it must be consistent with the present or likely future prospects of the business, and thirdly, it must not transgress any of the constraints or internally generated responsibilities faced by the firm. Strategy should be industry specific, functional, flexible and technically superior to maximize return on investment. Organizations succeed when strategies adopted for the circumstances they face are feasible in respect to their resources, skills and capabilities and are desirable to stakeholders. Organizations fail when their strategies fail to meet the expectations of these stakeholders or produce outcomes which are undesirable to them that are strategic dissonance.

Johnson and scholes (2002) stated that corporate strategy is the means by which an organization achieves and sustains success. Yet, it rarely rises to that level, despite an abundance of corporate strategy theory and significant research from many organizations over the past few decades. The changes over the years are considered in the form of small, theoretical refinements, rather than large and significant steps required for further management transition. Porter (1980) gives three generic competitive strategies that a firm can implement to maintain its dominant competitive position in the industry, these include cost leadership strategy, product differentiation and special focus strategy. These strategies can be presented diagrammatically as shown in figure 2.1

Figure 2.1: Generic Competitive Strategies



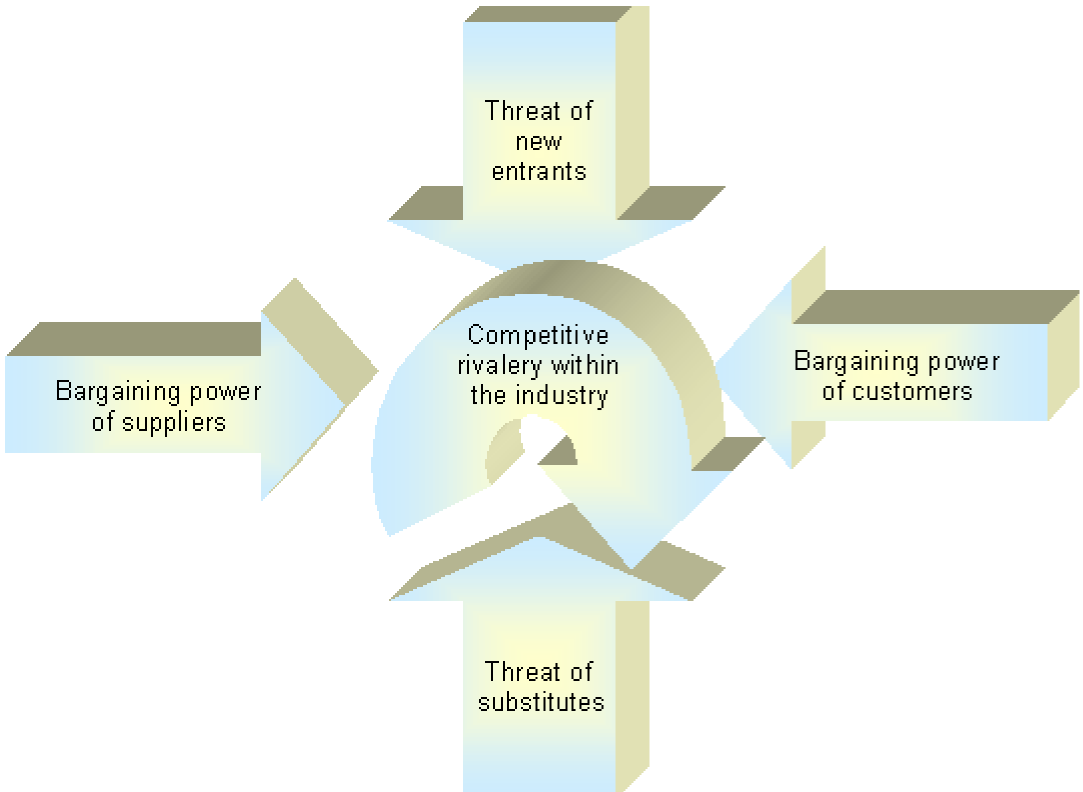
Source: Porter M.E. (1980: P.35). Competitive strategy NY: Free Press

With respect to cost leadership strategy, a firm can choose to maintain a low cost position in relation to the competition; this competition will produce to the firm above average returns, (Porter 1980). To achieve low cost position in the value chain, an organization will have to find areas where cost reduction can be implemented in production, marketing and research. Cost reduction can be done at every step of the production process to make sure that the final price to the consumer is attractive and not easily copied by the competition. In differentiation strategy, firms have to find ways that differentiate them from the competition; this can be evident in the form of branding, product design or even technology. Differentiation will create brand loyalty, hence cushioning against new entrants as well as substitute goods. When buyers lack alternatives, state Porter (1980) the firm have a strong competitive position. This strategy is usually associated with charging a premium price the product often to reflect the higher production cost and extra value added features provided for the consumer.

In focus strategy, firms gain advantage by focusing on a particular market segment and properly meeting the needs of the consumer in that segment in relation to the competition. The firms choosing the focus strategy may both incorporate the low cost strategy or the differentiation strategy and utilize that in a particular market segment. The focus area will be selected, for instance it could be areas prone to substitutes or where competitors are weakest, (Porter 1980). The choice of best strategy to adopt will depend on analysis of the industry; the results will the guide an organization to adopt either a low cost strategy, differentiation strategy or a focus strategy.

Porter (1980) identified five basic forces shape up competition and determines profit potential in a given industry. These forces are bargaining power of suppliers, bargaining power of buyers, barriers to entry and threat of substitute products. Porter defines an industry as a group of firms producing products that are close substitute to each other. The five forces take a predominant role in shaping competition in each industry and the strength of each force is different in each industry. Diagrammatically the forces driving industry competition is represented in figure 2.2.

Figure 2.2: Five Forces Model of Competition



Source: Porter M.E (1980: p4). Competitive Strategy CNY: Free press.

The management can use Porter's five forces to analyze those factors affecting profitability and other goals in their environment, (Pearce and Robinson, 2003).after analysis, the management can come up therefore with appropriate strategies to ensure the viability of continued business and expansion. Johnson and scholes (1997) noted that organizations in designing strategies have to be clear who their competitors are while identifying at which level they are operating in relation to their competitors. The banking industry has many players and therefore must continually analyze the competitors and prevent entry of new rivals by erecting barriers of entry by forming cartels or mergers. Superior competitive strategy is formulated by constantly predicting and monitoring changing market conditions and consumer needs. Moreover, a superior strategy must be difficult to imitate, hence assisting the organization in a achieving profitability in the end, (Mintzberg, 1999). Porter (1998) argued that as competitor advantage grows fundamentally out of value, a firm is able to create for its buyers that exceed the firms cost of creating it.

Ansoff (2003) noted that diversification is a form of corporate strategy for a company; it seeks to increase profitability through greater sales volume obtained from new products and new markets. Diversification can occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry which the business is already in. At the corporate level, it is generally and it is also very interesting entering a promising business outside of the scope of the existing business unit. Diversification is part of the four main strategies defined by the Product/Market. Ansoff pointed out that a diversification strategy stands apart from the other three strategies. The first three strategies that are market penetration, product development and market development are usually pursued with the same technical, financial, and merchandising resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques and new facilities. This matrix is presented in figure 2.3.

Figure 2.3: Product /Market Expansion Matrix

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Source: Ansoff (2003: p 75). Growth Matrix, Exploring corporate strategy: Free press.

Market development strategy happens when a firm decides to sell its existing products into new geographical markets or new market segments; the firm would also need to spend on sales and marketing to persuade consumers in new markets to purchase the product/services.

Product development strategy necessitates developing new products to be sold in existing markets. This can be seen as a quite common process because for a company to sustain its presence and growth, it cannot rely on a single product range, one would need some good grasp of market knowledge and skills to come with new product introductions that suits consumer's needs. Diversification is where the firm sells entirely new products to new customers in new markets. The reasons for such a business strategy could be due to a rise in opportunity that the firm has identified, or feel the need to tap and rely on new sources of growth and so on. While it is considered as a more risky approach that the others, the firm must be able to carefully assess its abilities before plunging into a new area that it may or not have competencies in (Kim and Mauborgne 2005).

2.2 Outsourcing of Services

Cooper (1999) stated that outsourcing can be used to either maintain the competitive position of the organization or act as a source of competitive advantage. Normally, when organizations approach outsourcing for the first time they use it to reduce costs and improve performance in a particular activity. Clearly, outsourcing to reduce costs can deliver benefits for the organization and impact directly upon the bottom line. However, outsourcing employed primarily at this level is only likely to maintain the competitive position of the organization. Saunders *et al*. (1997) found that in many cases the major motives for outsourcing were technological and strategic and not cost reduction. It was found that outsourcing allowed organizations to achieve a number of strategic benefits ranging from the more rapid adoption of new technologies to being more responsive to customer needs by better coping with variations in product demand. PriceWaterhouse Coopers (1999) found that outsourcing has moved from searching for efficiencies and improvements in a single process or activity, to reconfiguring entire processes in order to obtain greater value across the organization. Hill and Jones, (2001) noted that the concept of outsourcing is still developing as businesses grow and their particular needs expand and become more sophisticated. This is good because space exists for wings to flex and soar and creativity has no limit. This is probably another great reason why the concept and practice of outsourcing is considered valuable and necessary in business.

Pearce and Robinson (1997) stated that significant changes within many segments of business have encouraged the use of outsourcing practices. These changes include globalization, change in technology diversification etc. they continue to state that in order for the organizations to achieve their goals and objectives, they have to constantly adjust to their environment. This environment is turbulent, constantly changing and so it makes it imperatives for the organizations to adapt their activities in order to survive. Organizations that do not adequately adjust to meet environmental challenges will experience a big problem, the strategic problem. An organization sourcing strategy needs to be consistent with competitive conditions and the development of competitive advantage (Quinn and Hilmer, 1994). The short-term implications of the sourcing strategy can be assessed by use of porters (1980) model of industry analysis. The analysis of the implications of a particular in house strategy and combination of in house manufacture and retailing shows the effectiveness of the sourcing strategy in meeting the structure of the industry.

Quinn and Hilmer (1994) stated that outsourcing is the strategic use of outsiders to perform activities that are usually handled by internal organization staff and resources. Given the important role that banks play in any economy, it is crucial to understand the challenges that they face in outsourcing. Most banks cannot afford the time and financial resources to concentrate on every function or process necessary to run their business. Faced with an ever changing competitive business world, banking institutions are finding that there is only time and resources to focus on what they can do best and we are also in a world driven by information technology which is certainly changing the way business transactions are being run. Byers and Rue (2000) noted that outsourcing has become an accepted business tool because banks of all sizes and shapes have recognize that they can become more profitable, build shareholder value and stay on the cutting edge of change by handing over the noncore tasks to companies that consider them their core competencies. Once a business invests in outsourcing of services like human resources, accounting services, information technology, transport, marketing among others will make the bank to efficiently transform the business processes using a well crafted service level agreement. Most organizations have adopted strategies to help them maximize profits. Cost reduction has become the key policy in many organizations to help improve production and overall performance of the organization. Outsourcing is adopted as one such strategy to help in reducing cost as well as attaining a competitive advantage (Laabs, 2002). Outsourcing strategy has therefore gained popularity in the world over and has been widely embraced in many developed countries.

Mintzberg and Quinn (1991) stated that given today rapid technological advances, many enterprises find they can lower their risks and leverage their assets substantially by avoiding investments in vertical integration and managing intellectual systems instead of workers and machines. The core strategy of a co-coordinating or system company becomes, "Do only those things in house that contribute to your competitive advantage and try to source the rest from the world's best suppliers. Dombeger (1998) added that before outsourcing a business function, management should develop a strategy detailing the organizations outsourcing intentions, the strategic rationale for outsourcing and key issues to be addressed. According to Scholes and Johnson (2002) successful outsourcing has its own implications for the company; it requires managers to be more competent at maintaining performance through their management of supplier relationships rather than through management control systems within their own organization. Suppliers will need to be educated about the organizations strategies, priorities and standards. According to Deloitte Consulting Outsourcing Study (2004), lower cost was the most vital reason given by the respondents for choosing the outsourcing option.

Leatt et.at. (1998) noted that outsourcing involves getting work from an external firm which has limited knowledge about the customer's internal processes and operations. Hence, a customers needs to pay attention to certain considerations, apart from selecting the right vendor, to achieve outsourcing success, the customer needs to set right expectations upfront about the services that it needs (and will get) from its vendor. It should also have a proper plan in place with well defined (outsourcing) goals and objectives, the customer should establish tools or criteria to benchmark the quality of output required from the vendor. Vendor's performance should be regularly monitored using these criteria and if the vendor and customer both have experience in handling outsourcing projects, the chances of making the outsourcing deal a success increase significantly. Adequate planning and back-up plans for any foreseeable pitfalls will help both the client and supplier maintain a successful relationship. Price water house coopers (1999) concluded from a study that outsourcing has moved marked from attending to single function more efficiently to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. Emphasis is shifting from outsourcing parts, facilities and components towards outsourcing the intellectual based systems. Traditionally outsourcing emphasis on tactical benefits like cost reduction, cheaper labour cost have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, access to new technologies and skills (wild et al.1990). Survey carried out by outsourcing institute (1998) on companies that outsource in the USA identified the top 10 drivers behind today's outsourcing decisions. These included accelerate re engineering benefits, access to world class capabilities cash infusion, free resources for other purposes, function difficult to manage out to control, improve company focus, make capital funds available, reduce opening cost, reduce risk and resource not available internally. Hill and Jones (2001) observed that by outsourcing a non core value creation activity to a supplier that has a distinctive competency in that particular activity, the company may also be able to better differentiate its final product.

2.3 Corporate Strategy and Outsourcing of Services

A study conducted by the Economist Intelligence Unit and Arthur Anderson (1995) noted that 85 percent of all executives already outsource all or at least part of one business function. This percentage is expected to increase to 93 percent in the next one to three years. Outsourcing has become one of the most important and popular strategies in an increasingly competitive marketplace. Global success requires development of and recommitment to the core competencies of the company. Outsourcing allows companies to return to their most successful work and enjoy the benefits of allowing their outsourcing partners to do the same. The popular areas of outsourcing include information systems/technology (40 percent), real estate and physical plant (15 percent), logistics (15 percent), and administration, human resources, customer service, finance, marketing, sales, and transportation (30 percent).

Outsourcing Institute (2000) notes that companies are realizing a 9 percent cost savings and a 15 percent increase in capacity and quality, on average, through outsourcing. There is enormous pressure on major corporations to establish competitive positions in a global marketplace. Executives of most corporations believe that, in order to compete globally, they have to look at efficiency and cost containment rather than relying strictly on revenue increases. As companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core business. Bill Concannon, CEO of Dallas-based Trammell Crow Corporate Services, says, “Outsourcing relationships have evolved from one dimensional contracts based on cost savings to multidimensional partnerships that support the core business of client corporations. Outsourcing providers are taking increasing responsibility in realms that have traditionally remained in house, such as corporate strategy, information management, business investment, and internal quality initiatives " (2005: P 67-70).

Willey (1993) found that outsourcing is used mainly for downsizing and cost reductions at major corporations and also as a strategic tool to deliver a forceful impact on corporate growth and financial stability. By outsourcing non-essential work, the corporation can free valuable resources and focus on its areas of competitive advantage. To achieve that result, the corporation must know its core competencies, the type of work within the organization, and manage the outsourcing process. Serem (1992) stated that managers are judged on their ability to identify, cultivate and use the core competencies that make growth possible, they believe that the concept of society to reinvent itself." Corporations have looked to outsourcers to provide core competencies in areas the corporations lacked expertise (or where it would have been too expensive to develop the expertise). Corporations that understand the strategic need to create a boundary-free model of business and the critical role outsourcing plays in reshaping the organization, as well as the importance of focusing on what the company does best, will make the most of its opportunities. Such an organization will succeed in building a collaborative partnership with its outsourcing suppliers resulting in a long-term continuum of rising productivity, competitive advantage, growth and shareholder value creation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research problem posed was studied using a census survey design. This is due to its capacity to establish how the decision making framework on outsourcing is consistent with the corporate strategies. This design is appropriate because of the need to collect cross sectional data and to perform comparative analysis.

3.2 The population

The study focused on all the 43 commercial banks listed in the Nairobi stock exchange (www.centralbank.go.ke, see appendix 1).

3.3 Data collection

Primary data was collected on corporate strategies and outsourcing of services. The data was collected through a semi structured questionnaire. It was divided into three parts, A, B and C. Part A addressed general information of the bank, part B addressed corporate strategies and part C focused on outsourcing of services.

The respondents were top management of the commercial banks at the headquarters, namely head of finance, head of corporate planning and head of procurement. The questionnaire administration method ranged from email, drop and pick or by personal administration as convenient to the respondents.

3.4 Data analysis

Data analysis was done to establish whether or not corporate strategy influences outsourcing. The responses were coded to facilitate statistical analysis by use of descriptive statistics which consisted of percentages, frequencies, mean scores and standard deviations. Graphs, tables and charts were used to present the data. Chi-square test of association was used to establish the relationship between corporate strategy and services outsourced.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the data analysis; the data from the completed questionnaires were summarized and tabulated in the form of percentages, frequencies and mean. Standard deviations were computed for selected data to enhance interpretation. Out of 129 targeted respondents, only 99 responded which constituted 77% of the sample. The response rate of 77% is considered sufficient to yield meaningful statistical analysis. The respondents who did not respond gave various reasons including sensitivity of strategic information requested, only few senior officers could authorize release of information and the said officers were out of office for official matters, while others feared misuse of the information requested. The results were presented using tables, bar graphs and pie charts as explained below.

Table 1: Overview of data collected

Population	Number of targeted Population	Returned questionnaires	Percentage
Commercial banks	129	99	77

4.2 Background information

4.2.1 Responses according to number of employees

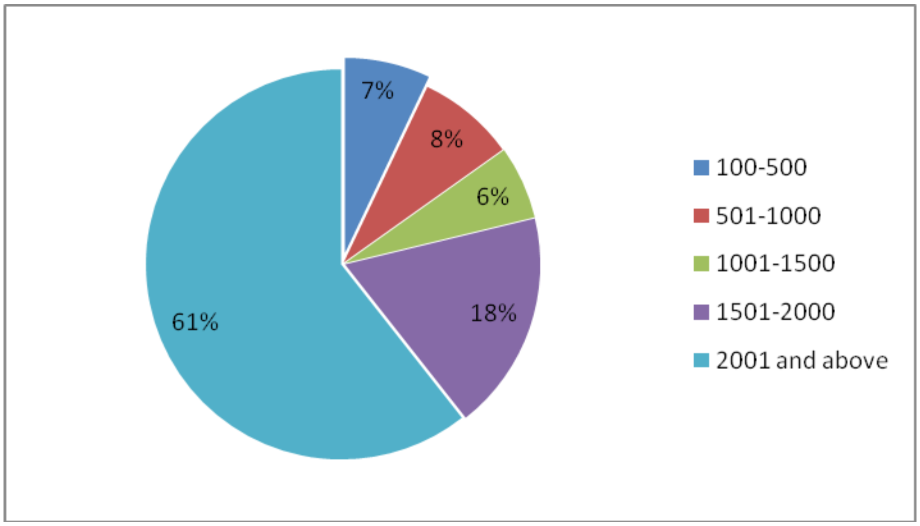
The researcher sought to find the number of employees employed by respondent firms. The results are presented in table 2

Table 2: Distribution of Banks by number of Employees

Number of employees	Frequency	Percentage
100-500	7	7.1
501-1000	8	8.1
1001-1500	6	6.1
1501-2000	18	18
2000 and above	60	61
Total	99	100

As shown in table 2, most (61%) of the commercial banks have more than 2000 employees across the country. This includes permanent staff as well as casuals' employees. This is an indication that most of these institutions are large and hence require a bigger workforce. These results are represented in Figure 4.1.

Figure 4.1: Distribution of Banks by number of Employees



4.2.2 Corporate account, personal account or both

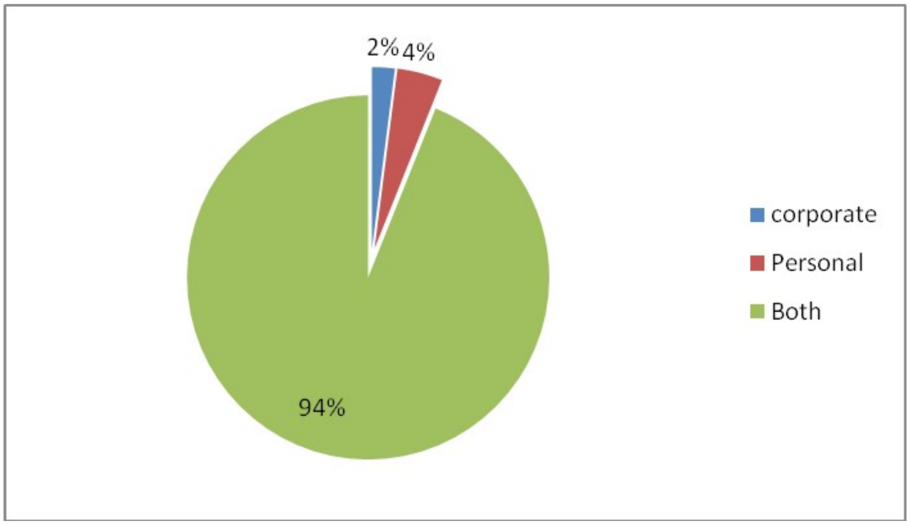
The study wanted to find out the most preferred accounts by commercial banks. The results are presented in table 3.

Table 3: Distribution of Respondents by preferred Accounts

	Frequency	Percentage
Corporate	2	2
Personal	4	4
Both	93	94
Total	**99**	**100**
Mean	**2.92**	
Std Deviation	**0.34**	

The respondents were asked to indicate the most preferred account by customers. Of the 99 respondents, it was found that the majority of commercial banks (94%) operate both corporate and personal accounts while personal and corporate accounts are 4% and 2% respectively as shown in table 3 and figure 4.2.

Figure 4.2: Preferred Accounts (corporate, Personal, both)



4.3 Corporate Strategies used by the Commercial Banks

The respondents were asked to indicate the extent to which corporate strategies are used by their firms. The findings are presented in table 4.

Table 4: Distribution of Corporate Strategies used by commercial banks

	Large extent	Some extent	Not so much	Not in any way	Mean	Std Deviation
Differentiation	57.6%	36.4%	4%	2%	3.49	0.676
Focus	48.5%	45.5%	6%	0%	2.58	0.608
Cost Leadership	32.2%	14.2%	50.5%	3%	3.12	0.76
Diversification	32.2%	11.1%	56.6%	0%	2.76	0.916

The respondents were asked to show the extent to which differentiation, focus, cost leadership and diversification strategies are used by their firm. It was found that most respondents use differentiation strategy to a large extent (57.6%), focus strategy to a large extent (48.5%), cost leadership to a large extent (32.2%) and diversification strategy to a large extent (32.2%). The extent of the use of different strategies on services outsourced is presented in figure 4.3, 4.4, 4.5, and 4.6.

4.3.1 Specific Strategies and the extent of their use

As evident from table 4, differentiation strategy is used to a large extent 57.6% of the firms. Focus strategy is used to a large extent 48.5% of the banks. Likewise, cost leadership strategy is used to a large extent 32.2% of the firms and diversification strategy is used to a large extent 32.2% of the commercial banks. The results are presented in figure 4.3, 4.4, 4.5 and 4.6.

Figure 4.3: Differentiation strategy

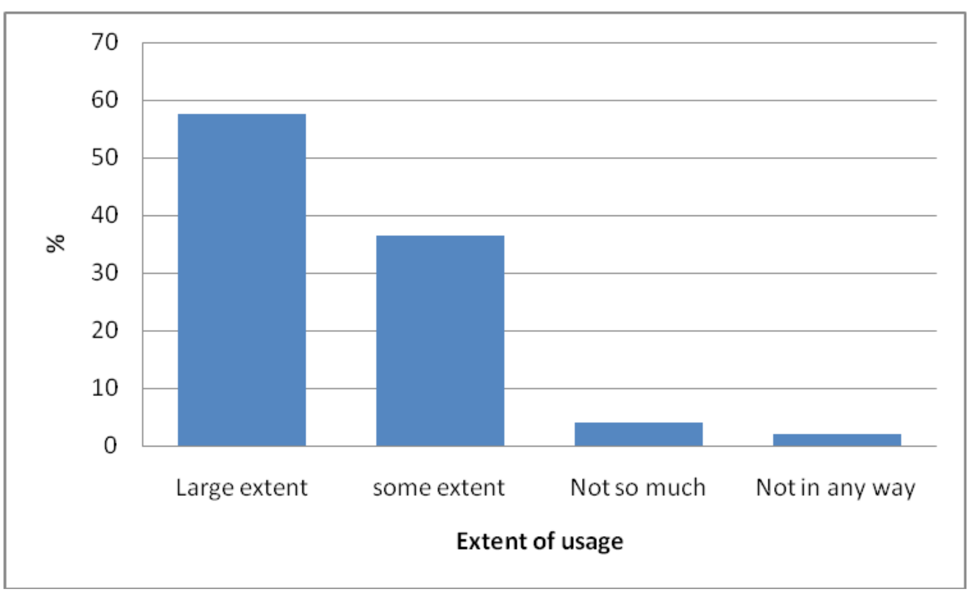
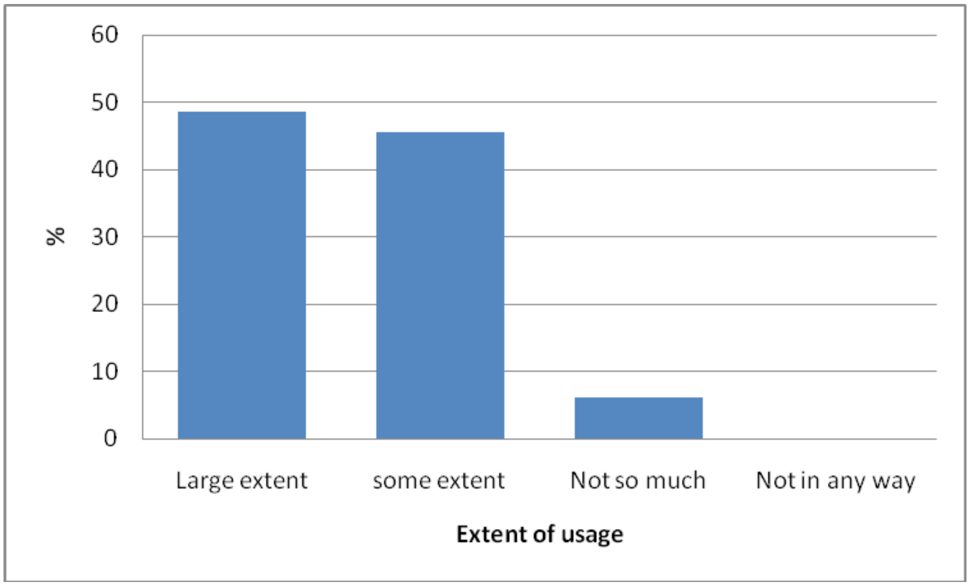


Figure 4.4: Focus strategy



As shown in figure 4.5 and 4.6, respondent firms use focus and diversification strategies to a large extent of 48.5% and 32.2% and to some extent 45.5% and 11.1% respectively.

Figure 4.5: Diversification strategy

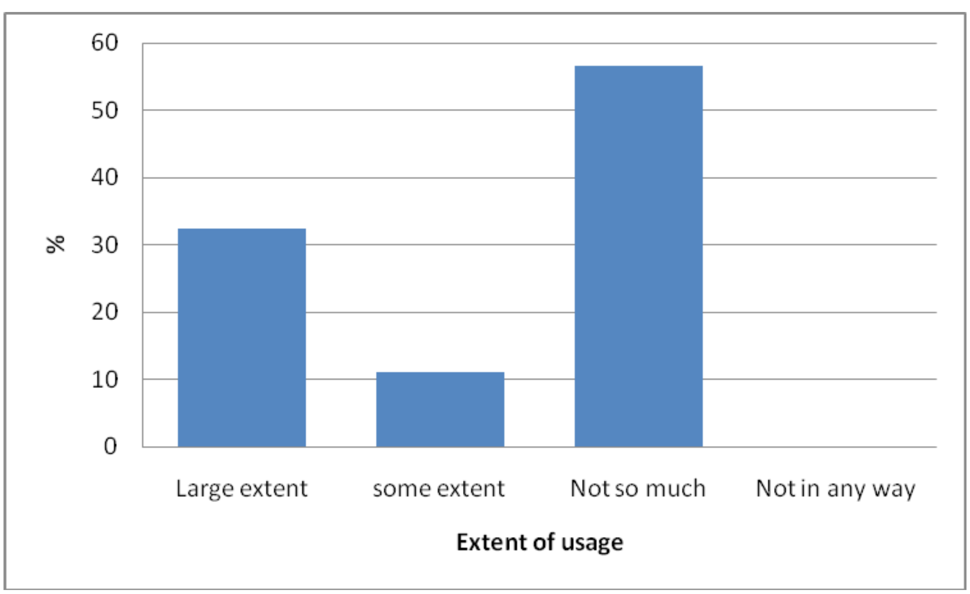
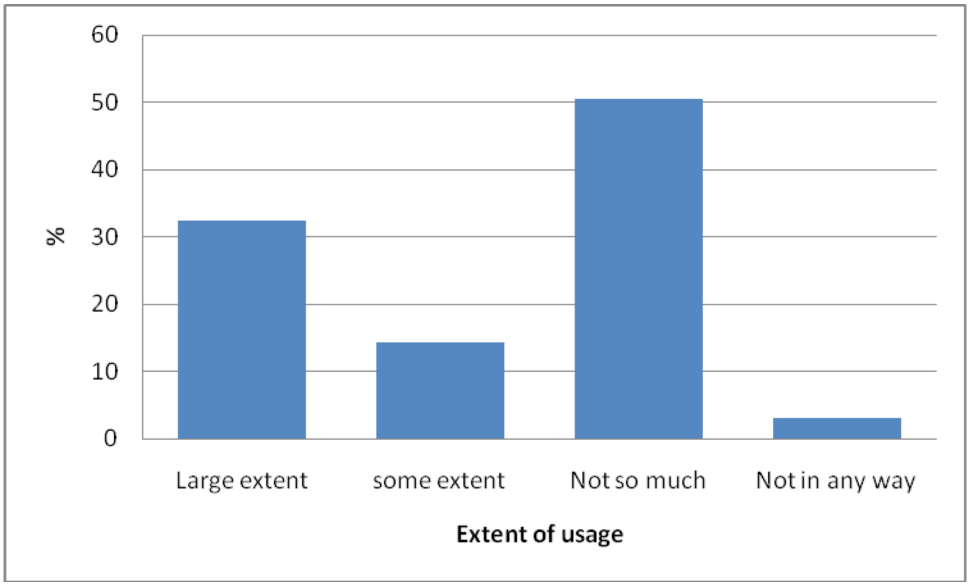


Figure 4.6: Cost leadership strategy



The study found that cost leadership strategy is used to a large extent, some extent, not so much and not in any way (32.2%, 11.1%, 56.5%, and 0%, respectively), as shown in figure 4.6.

4.4 Influence of Corporate Strategies on Outsourcing Decisions

In item 7 in the questionnaire, the respondents were required to rate on a scale of 1 to 4, the extent to which corporate strategy influenced outsourcing decisions in their firm. They were required to do the same in item 8 of the questionnaire but for each of the four specified strategies, i.e. differentiation, focus, cost leadership and diversification. Rating of the use of a strategy to a "high extent" was assigned a score of 4, while "moderate extent", "less", "not at all" were given scores of 3, 2, and 1, respectively. Each of these scores was then weighted by multiplying them by the corresponding frequencies. The weighted scores were summed up for each strategy and then divided by the total frequency (i.e. total number of respondents) to compute the mean score for each strategy. The results are presented in table 4 and 5.

4.4.1 Influence of Corporate Strategies on Outsourcing Decisions

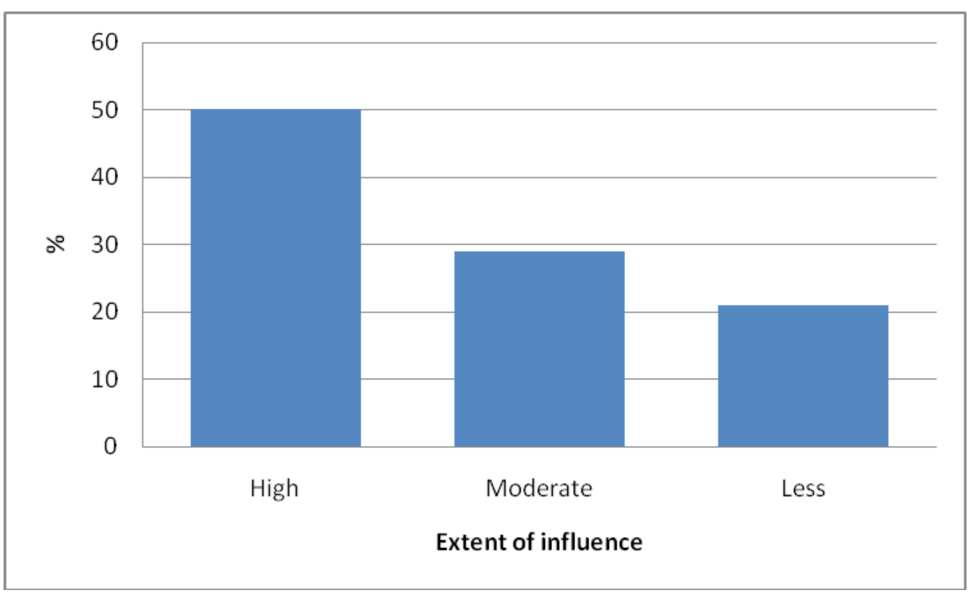
The respondents were asked to rate the extent to which corporate strategies influence outsourcing decisions. The results are presented in table 5.

Table 5: Extent of Influence of Corporate Strategies Influence on Outsourcing Decisions

Extent of Influence	Frequency	percentage
High	196	60.3
Moderate	87	26.8
Less	42	12.9
Not at all	0	0
Total	**325**	**100**
Mean	**3.28**	
Std Deviation	**21.47**	

As shown in table 5, 60.3% of the firms indicated that their outsourcing decisions are highly influenced by corporate strategies. 26.8% and 12.9% of the firms noted that the influence was moderate and less, respectively.

Figure 4.7: Extent of Corporate strategies' influence on outsourcing decisions



As shown in figure 4.7, the respondent firms noted that corporate strategies highly (50%) influence outsourcing decisions. 30% felt that the influence was moderate, while 20% rated it as less.

4.5 Services Outsourced by Commercial Banks

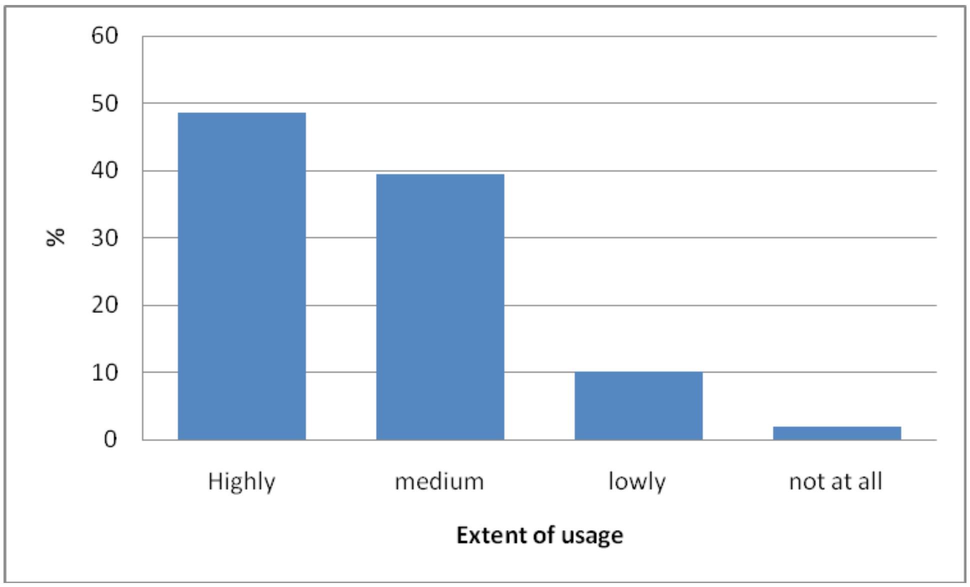
The researcher wanted to find out the rate at which marketing services, information technology, recruitment, transport, cleaning, accounting services, policy making and training services are outsourced by the respondent's firm. The results are presented in table 6.

Table 6: Distribution of services Outsourced by Commercial banks

	Highly	**Medium**	**Lowly**	**Not at all**
Marketing services	48.5%	39.4%	10.1%	2%
Information	3%	51.5	30.3%	15.2%
Recruitment	4%	79.8%	16.2%	0
Transport	19.2%	18.2%	62.6%	0
Cleaning	58.6%	17.2	16.2%	8%
Accounting services	2%	31.4%	62.6%	4%
Policy making	0	64.6%	31.4%	4%
Training	53.5%	18.2%	22.2%	6.1%

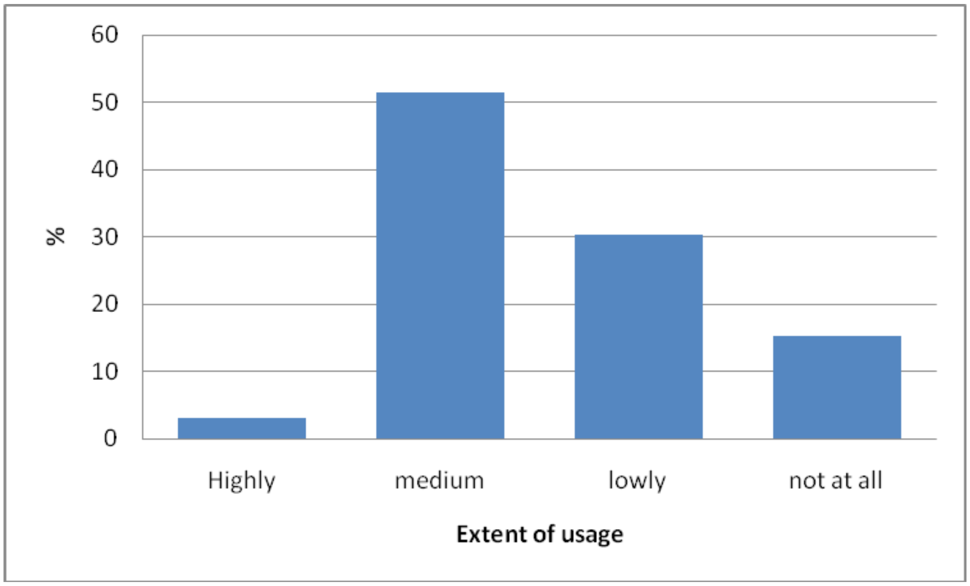
The researcher sought to establish the extent to which commercial banks outsourced services. As shown in table 6, the findings revealed that cleaning, training, and marketing are the services outsourced to a high extent (58.6%, 53.5% and 48.5%, respectively), while transport services, recruitment, information technology and accounting services are outsourced to a high extent (i.e. 19.2%, 4%, 3% and 2%, respectively). The results are presented in figure 4.8, 4.9, 4.10, 4.11, 4.12, 4.13, 4.14 and 4.15.

Figure 4.8: Marketing services



As shown in figure 4.8, marketing services are outsourced to a high, medium, low and not at all extent (48.5%, 39.4%, 10.1% and 2%, respectively) by the respondent firms.

Figure 4.9: Information technology



As shown in figure 4.9 and 4.10, information technology and recruitment services are outsourced to a high, medium, low and not all extent (3%and 4%, 51.5% and 79.8%, 30.3% and 16.2%, 15.2% and 0%, respectively) by the firms.

Figure 4.10: Recruitment

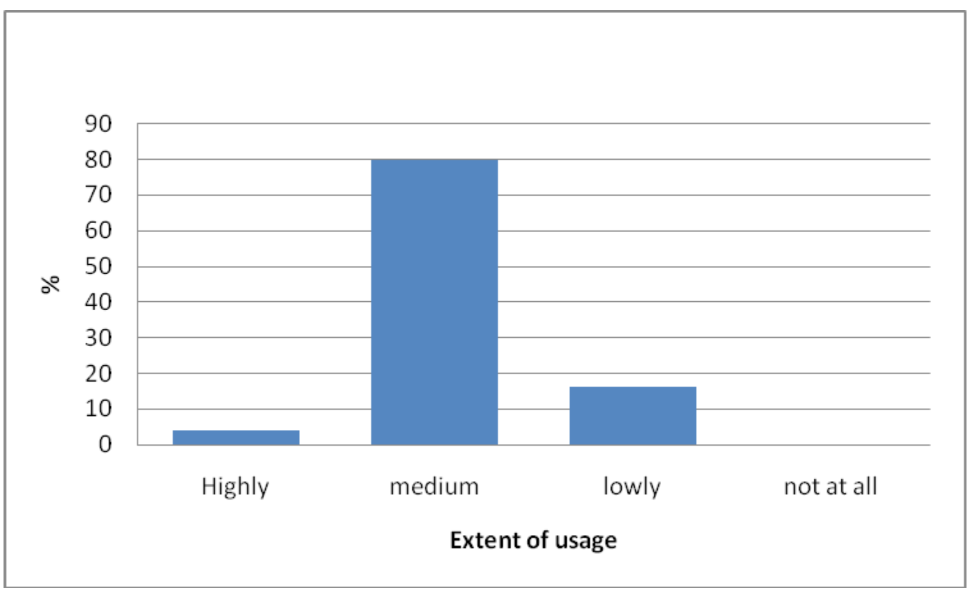


Figure 4.11: Transport

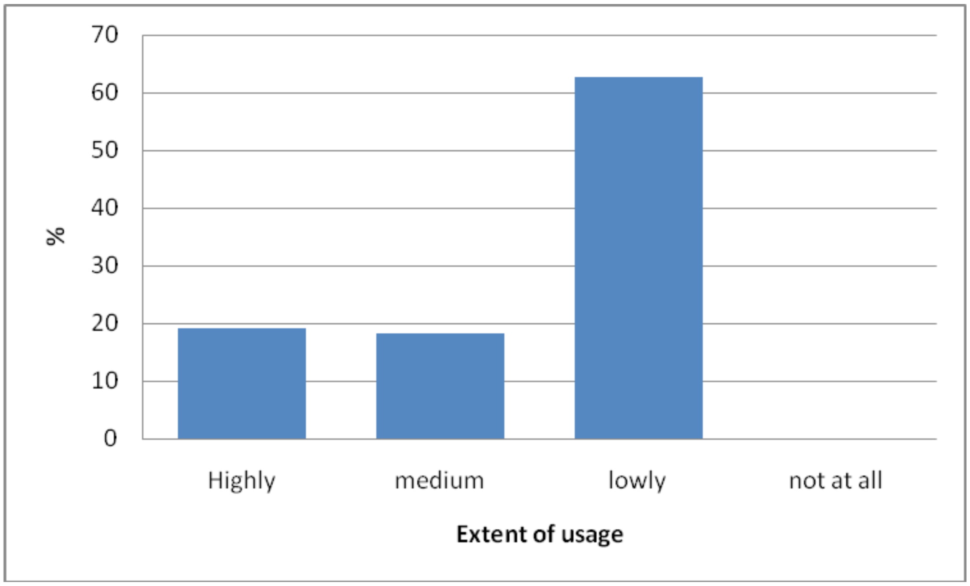


Figure 4.11 and 4.12, shows that tansport and cleaning services are outsourced to a high extent of 19.2% and 58.6%. 18.2% and 17.2% felt that they are outsourced at a medium rate, 62.6% and 16.2% noted a low rate while 0% and 8% noted it as not at all, respectively.

Figure 4.12: Cleaning services

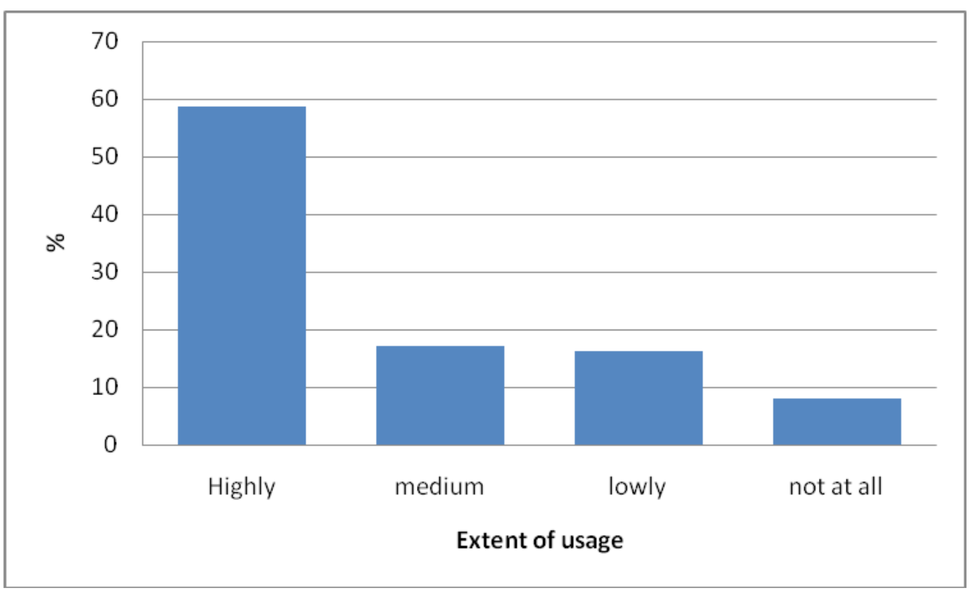
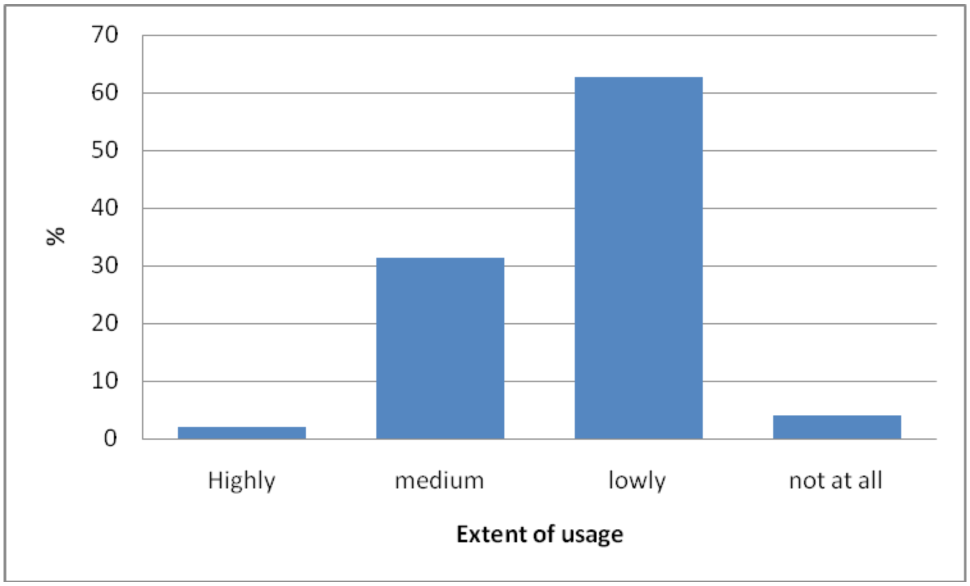


Figure 4.13: Accounting services



The firms indicated that accounting services and policy making are outsourced to a medium extent of 31.4% and 64.6% respectively. Results are in figure 4.13 and 4.14.

Figure 4.14: Policy making

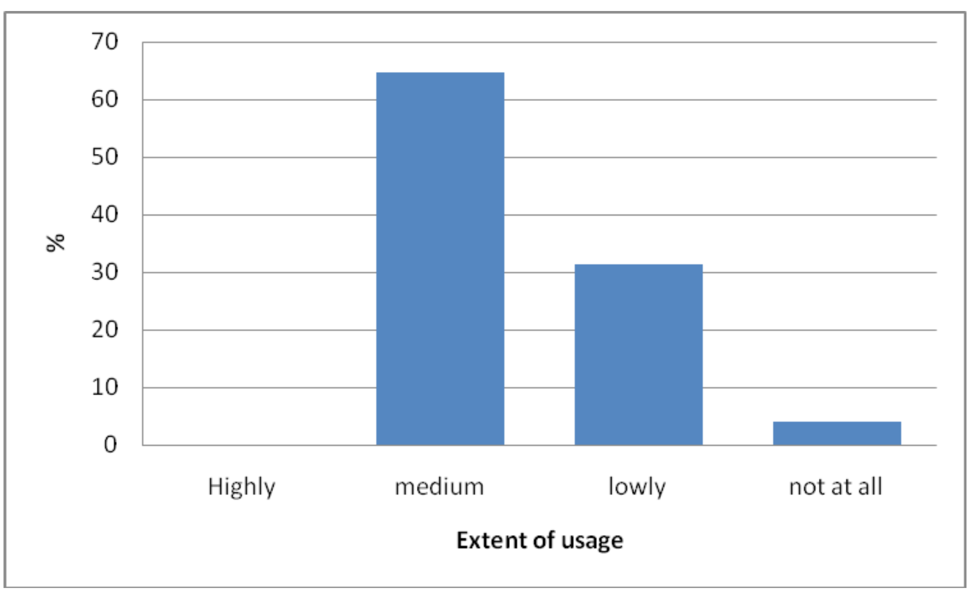
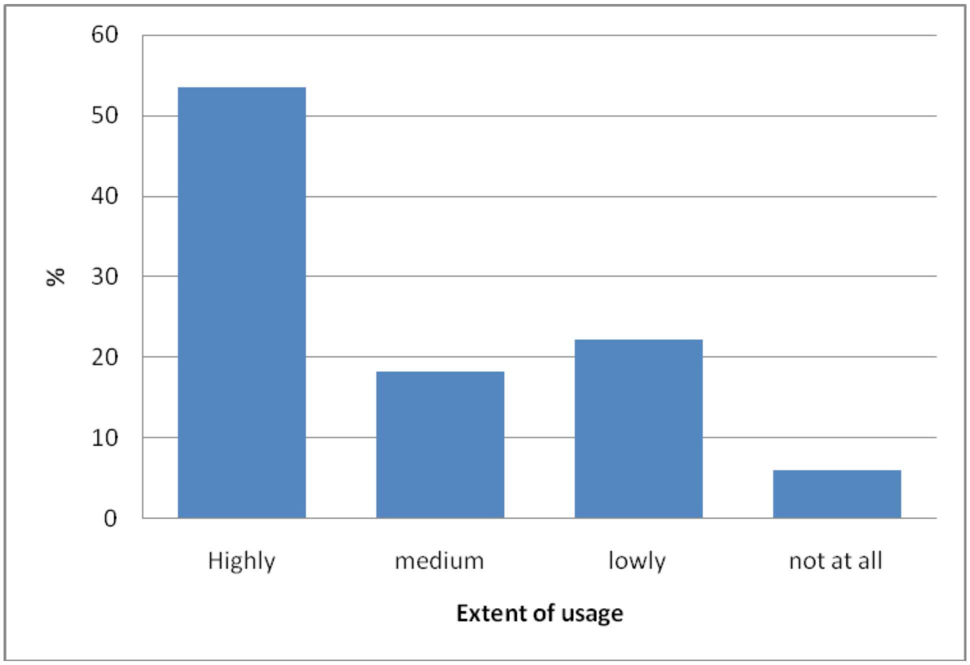


Figure 4.15: Training



As shown in figure 4.15, training services are outsourced at a high, medium, low and not at all extent (53.5%, 18.2%, 22.2% and 6.1%, respectively), by the banks.

4.6 The Influence of Corporate Strategies on Services Outsourced

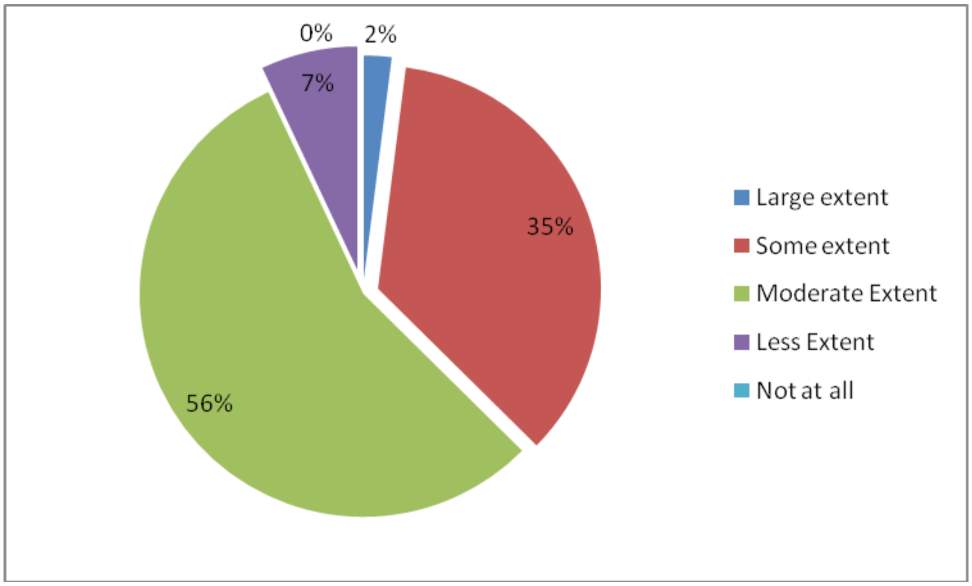
In item 10 in the questionnaire, the respondents were required to rate on ascale of 1 to 5 the extent to which corporate strategies influenced services outsourced in their firm. Ratings of the influence of corporate strategy on services outsourced to "large extent" was assigned a score of 5, while "some extent", "moderate extent", "less extent", "not at all" were given scores of 4, 3, 2 and 1, respectively. Each of these scores was then weighted by multiplying them by the corresponding frequencies. The results are presented in table 7.

Table 7: Extent of the Influence of Corporate Strategies on Services Outsourced by Banks

Corporate strategies extent of influence	Frequency	percentage
Large extent	15	4.53
Some extent	140	42.3
Moderate Extent	162	48.9
Less Extent	14	4.2
Not at all	0	0
Total	331	100
Mean	3.34	
Std deviation	21.11	

The study sought to establish the extent to which corporate strategies influence services outsourced. The findings indicated that corporate strategies influence services outsoutsourced to a moderate extent (48.9%) and to some extent (42.3%). However, 4.2% of the respondents felt that the influence was to a less extent. These results are shown in figure 4.16.

Figure 4.16: The Influence of Corporate strategies on services outsourced



As shown in figure 4.16, corporate strategies influence services outsourced to a moderate extent, some extent, less extent and large extent (56%, 35%, 7% and 2%, respectively).

4.7 Discussion

In differentiation strategy, firms have to find ways that differentiate them from the competition; this can be evident in the form of branding, product design or technology. Differentiation creates brand loyalty, hence cushioning against new entrants as well as substitute goods. When buyers lack alternatives, state Porter (1980) the firm have a strong competitive position. This strategy is usually associated with charging a premium price on the product often to reflect the higher production cost and extra value added features provided for the consumer. The findings established that most respondent firms use differentiation strategy to a large extent (57.6%), in order to add value to their products and services, achieve excellent status for their services, achieve market share and to remain competitive in the market. The firm's competitive advantage is enhanced by the use of cleaning, training and marketing services which are outsourced to a high extent (i.e. 58.6%, 53.5% and 48.5, respectively).

With respect to cost leadership strategy, a firm can choose to maintain a low cost position in relation to the competition; this competition will produce to the firm above average returns, (Porter 1980). To achieve low cost position in the value chain, an organization will have to find areas where cost reduction can be implemented in production, marketing and research. The study indicated that respondent firms use cost leadership strategy to a large extent (32.2%) in order to penetrate their products and services into the market and gain a large market share. In this study, the respondent firms noted that information technology is outsourced to a high extent (3%), recruitment (4%), transport (19.2%), accounting (2%), and policy making (0%) respectively.

Firms that use differentiation strategy to a large extent (57.6%) outsource cleaning, training and marketing services highly and do not use cost leadership strategy to a large extent (32.2%).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings of the study as they relate to the objective of the study. The data obtained in this chapter were obtained through a questionnaire. It also includes suggestions for further research in the area of outsourcing of services. The chapter incorporates the various suggestions and comments given by the respondents in the questionnaire. Findings have been summarized alongside the objective of the study, conclusions have been drawn from the study and the recommendations for actions were given.

5.2 Summary of the findings

The respondents to this research were head of procurement, head of finance and head of corporate planning who were of the opinion that the number of employees both permanent and casuals are above 2000 and commercials banks operates both corporate and personal accounts for their customers. Majority of respondents noted that corporate strategies highly influence outsourcing decisions in commercial banks and disagreed with the opinion that corporate strategies does not influence outsourcing decisions at all. They further indicated that commercial banks used differentiation strategy to a large extent in their operations in order to remain competitive in the market.

The study established that cleaning services, training and marketing of services are the services which are highly outsourced while recruitment, policy making and information technology are moderately outsourced. Further results showed that corporate strategies have a moderate influence on services outsourced by the firms.

5.3 Conclusions

The objective of the research was to determine the influence of corporate strategies on the services outsourced by the Kenyan commercial banks. The research indicated that corporate strategies moderately influence services outsourced by commercial banks. It was established that there is a relationship between corporate strategy and services outsourced by 95% significance level.

From the study, it was concluded that most banking institutions in Nairobi outsourced cleaning services, training and marketing services. In order to make outsourcing decisions, these banks are driven by such factors as the need to improve services, the need to reduce operating cost among others. Based on the above statement, the banks have been able to make outsourcing decisions that have enabled them to achieve their core objective.

5.4 Recommendations

Based on the above, recommendations were made:

That commercial banks should incorporate fully differentiation as a strategy that influence services outsourced and state clearly the services which they outsource. There should be a clear policy on the most influential strategies to consider when making services outsourced decisions. This would help the management in knowing clearly what to outsource and what not to outsource at any given time.

5.5 Suggestions for further research

Outsourcing of activities is widely embraced in the developed countries and is also catching up with the developing countries such as Kenya. In Kenya it has gained acceptance both in government as well as in private organizations. However, the banking sector is also incorporating it as a key management strategy.

Given that this study only covered the influence of corporate strategies on services outsourced by the banking sector in Nairobi, there is therefore room for a similar study to cover all financial institutions in Nairobi. There is need to consider the effectiveness of corporate strategies on services outsourced in making outsourcing decisions. This would probably enhance the quality of services outsourced by the banks as they focus on other key objectives.

5.6 Limitations of research

In carrying out this study, there were few limitations. This study as mentioned earlier only covered institutions within Nairobi County which is the capital city of Kenya. It would have been interesting to find out whether banking institutions outside Nairobi use corporate strategies in their management and if so, what services do those strategies influence. However, due to the limitation of time and finances, this study was limited to Nairobi County only.

Given only one objective, the research was rather broad which meant that the level of detail it could solve was limited. Future studies should incorporate other methods of data collection like interviews and open ended questions as much as possible in the questionnaire, in order to get the respondents opinions and help the researcher to draw qualitative inferences.

There was also bureaucracy in getting approval to carryout research in the banking institutions. Written approval had to be sought from the Managing Directors of some banks and this resulted in time delays. However, despite all these limitations the response rate was good at 77%.

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APPENDIX I: LIST OF COMMERCIAL BANKS

1. African Banking Corporation Ltd.
2. Bank of Africa Kenya Ltd
3. Bank of Baroda Kenya Ltd
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. CFC Bank Ltd
7. Charterhouse Bank Ltd
8. Chase Bank (K) Ltd
9. Citibank N.A Kenya
10. City Finance Bank Ltd
11. Co-operative Bank of Kenya Ltd
12. Commercial Bank of Africa
13. Consolidated Bank of Kenya Ltd
14. Credit Bank Ltd
15. Development Bank of Kenya Ltd
16. Diamond Trust Bank (K) Ltd
17. Dubai Bank Kenya Ltd
18. Equatorial Commercial Bank Ltd
19. Ecobank
20. Equity Bank Ltd
21. Fidelity Commercial Bank Ltd
22. Fina Bank Ltd

23. Guardian Bank Ltd
24. Giro Commercial Bank Ltd
25. Habib Bank A.G Zurich
26. Habib Bank Ltd
27. Imperal Bank Ltd
28. Investment and Mortgages Bank Ltd
29. K-Rep Bank Ltd
30. Kenya Commercial Bank Ltd
31. Middle East Bank (K) Ltd
32. National Bank of Kenya Ltd
33. National Industrial Credit Bank Ltd
34. Oriental Commercial Bank Ltd
35. Paramount Universal Bank Ltd
36. Prime Bank Ltd
37. Southern Credit Banking Corporation
38. Stanbic Bank Kenya Ltd
39. Standard Chartered Bank (K) Ltd
40. Trans-National Bank Ltd
41. Victoria Commercial Bank Ltd

Source: CBK website www.centralbank.go.ke

APPENDIX 2: COVER LETTER

University of Nairobi

School of Business

P.O Box 30197

Nairobi

Dear Sir/Madam,

RE: MBA RESEARCH PROJECT-DATA COLLECTION

The undersigned is a post graduate student at the University of Nairobi pursuing a Masters of Business Administration (MBA) degree.

As part of his course requirements, he is required to submit a research project. He is conducting the influence of Corporate Strategies on services outsourced by commercial banks based in Nairobi. Your institution has been selected for the survey.

We shall appreciate your assistance in providing the necessary information to carry out the study. All the information you shall disclose is purely intended for academic purposes and will be treated with strict confidence and the final copy shall be availed to you upon request.

Thank you in advance for your co-operation.

Yours faithfully

Tom Otieno Malachy	Prof. Peter O. K'obonyo
MBA Student	Supervisor
Reg. No. D61/70745/08	University of Nairobi

APPENDIX 3: QUESTIONNAIRE

Please answer the following questions by ticking ( ) in the appropriate box or by giving the necessary details in the spaces provided.

Part A: General information about the institutions.

1. Respondents position in the institution_______________________________________
2. For how long have you been in the institution? ______________________________
3. What is the name of your bank____
4. What is the geographical spread of your bank?
    a. Nairobi region
    b. Coastal region
    c. Rift valley region
    d. Nyanza region
    e. Western region
    f. Eastern region
    g. Central region
    h. North Eastern
    i. All regions
5. How many employees does your bank have?
    a. 100-500 [ ]
    b. 501-1000 [ ]
    c. 1001-1500 [ ]
    d. 1501-2000 [ ]

e. 2000 and above [ ]

6. Does your bank serve either corporate and personal account holders or only one group?

a. Corporate [ ]

b. Personal [ ]

c. Both [ ]

Part B: Corporate strategies

7. Indicate by ticking the extent to which your corporate strategies influence outsourcing decisions in your bank?

Highly	Moderately	Less	Not at all
4	3	2	1
[ ]	[ ]	[ ]	[ ]

8. Indicate (by ticking in the relevant box) the extent to which the following strategies are used by your firm?

	Large extent	some extent	Not so much	Not in any way
	4	3	2	1
a. Differentiation	[ ]	[ ]	[ ]	[ ]
b. Focus	[ ]	[ ]	[ ]	[ ]
c. Cost leadership	[ ]	[ ]	[ ]	[ ]
d. Diversification	[ ]	[ ]	[ ]	[ ]

e. Any other (please specify)……………………………………………………..

Part C: Services outsourced

9. Please indicate the extent to which each of the following services is outsourced by your banks?

	Highly	medium	lowly	Not at all
	4	3	2	1
a. Marketing services	[ ]	[ ]	[ ]	[ ]
b. Information technology	[ ]	[ ]	[ ]	[ ]
c. Recruitment	[ ]	[ ]	[ ]	[ ]
d. Transport	[ ]	[ ]	[ ]	[ ]
e. Cleaning	[ ]	[ ]	[ ]	[ ]
f. Accounting services	[ ]	[ ]	[ ]	[ ]
g. Policy making	[ ]	[ ]	[ ]	[ ]
h. Training	[ ]	[ ]	[ ]	[ ]

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

10. Rate the extent to which your bank's corporate strategies influence its outsourcing of services.

Large extent	Some extent	Moderate extent	Less extent	Not at all
4	3	2	3	1
[ ]	[ ]	[ ]	[ ]	[ ]

Thank you for your response