

**IMPLEMENTATION OF OUTSOURCING STRATEGY AT KENYA POST OFFICE  
SAVINGS BANK**

**BY**

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**A RESEARCHPROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**OCTOBER 2013**

## DECLARATION

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

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## **DEDICATION**

This research project is dedicated to my immediate family members, my husband William and my children, Victor, Beline and Michael who supported me during the period of study both morally and financially and kept on encouraging me during the difficult times of the study.

## **ACKNOWLEDGEMENT**

I thank the almighty God for His grace and mercies which were sufficient to me in the course of the whole program.

My sincere gratitude to all who contributed immensely in one way or another to the completion of this project. Special thanks goes to my supervisor Mr. Jeremiah Kagwe and the moderator Dr. Machuki for their guidance, extreme patience, understanding and tremendous support throughout this project.

I am greatly indebted to my employer Postbank for giving me the finances and time and my workmate Lydia Azegele with her continuous encouragement and support.

My very special thanks to all my respondents who helped me to complete the study by their responses. I humbly thank you all and wish you well.

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## ABSTRACT

Implementation of outsourcing strategy is currently viewed as a globally accepted best practice which has brought dramatic change of fortunes in many organizations. Smart organizations focus on core competences that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. Through outsourcing organizations can improve on customer service, cut down costs, minimize risks, increase competitive advantage and improve shareholders returns. As a result both outsourcing organizations as well as service providers require relevant information on existing and emerging practices and trends so as to make optimal operational and management decisions. The implementation of outsourcing strategy has challenges and risks involved and in order to get the in sight of these challenges and risks, a study was carried out at the Kenya Post Office Savings Bank who have implemented the outsourcing strategy in most of their non-core services. The purpose of study was to investigate how Postbank has implemented the outsourcing strategy which was found to be almost complete and the challenges they have faced which include switching costs, degree of control, human and technology interface, threat to security and confidentiality, resistance to change from employees, lack of support from top management lack of resources and legal issues of outsourcing. The study adopted a case study design and utilized both primary and secondary data. The same was guided by a pre-planned interview guide. From the study, it was clear that the implementation of outsourcing strategy in Postbank has gone on well despite challenges faced but at the end, it will benefit the organization. All the employees of the bank understand the outsourcing strategy and are aware that is started three years ago. They are aware that services line security, messenger services, cleaning, tea provision, transport and medical services have been outsourced. In conclusion the challenges can be solved by continuous training, provision of recourses and support from top management will help is solving the problems encountered thus succeeding in the outsourcing strategy implementation. It is recommended that the bank involves all stakeholders to conclude the implementation of the outsourcing strategy which is almost complete. There is need for further study in implementation of outsourcing in banks and also in other industries since they all operate in the same competitive environment.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The implementation of outsourcing strategy is not a solution to all problems and that is why it is important for it to be handled with diligence to avoid challenges. According to Bradley (1994) outsourcing is outsourcing be it in logistics, human resource management, after sales service, financial management, marketing or any other functions and asserts that the ultimate goal for any process of outsourcing is customer satisfaction and cost reduction among other benefits. It is critical for companies to have a thorough approach to implementation of outsourcing, decision making and planning. This calls for well developed and managed processes, agreements and relationships. Managing the relationships poorly however causes disaster rather than benefits and economic excellence (Harps, (1998); Elmuti and Kathwala (2000); Lonsdale and Co.(2000); Armstrong, (2001).

Outsourcing non-core activities in an organization will allow re-focusing on those business activities that are important without sacrificing quality or service in the back-office. Use of contract logistics enables firms to spend more time pursuing strategic planning and management issues and focus on their core business competency, rather than on logistics (Africk and Markeset (1996); Lynch et al (1994); Richardson (1992); Saw 1995; Sheehan 1989; Trunick, 1989).

The theoretical anchorage in this study is that outsourcing process is a complex structure consisting of numerous activities and sub-activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage the process. It is a



common knowledge that each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. The outsourcing has been approached by different theories and this creates confusion among the researchers of the outsourcing phenomenon. Various authors identified significant number of theories that could explain the outsourcing phenomenon (Gottschalk and Solli-Sæther, 2005; McIvor, 2005).

The banking industry has become more dynamic and competitive and this has forced most banks to look at different strategies to remain in the market and have a competitive edge. Competition has come from mobile phone companies which offer banking services like Mpesa, Mswari from Safaricom and the informed customers whose needs have to be met and exceeded. Kenya Post Office Savings Bank is a Government owned bank in the financial sector which was established in 1910 as a savings department within the then East African Common Services Organization. The bank was incorporated in 1978 by an Act of Parliament, the Kenya Post Office Savings Bank Act, Cap. 493B of the Laws of Kenya. The current vision of the Bank is to be the Bank of Choice and its mission is to provide accessible and sustainable banking and other related financial services through innovative delivery systems for wealth creation to the benefit of customers and other stakeholders (Postbank Corporate Development Plan, 2012).

### **1.1.1. The Concept of Strategy Implementation**

Organisations successful at strategy implementation effectively manage six key supporting factors which include developing a detailed action plan which add the necessary detail to their strategies, organisation structure whether the intended strategy will fit in, consider

human resources which will include the organisation's communication needs and managers be aware of the effect of each strategy, the annual business plan which will include the financial commitment in the planning process, monitoring and control which will include periodic look to see if they are on course and linkage which is the foundation of everything else (Birnbaum Associates, 2000-2009)

The implementation of outsourcing strategy in Postbank will enable the Bank to be competitive in the market and increase its profitability if well implemented and supported by the six supporting factors which are action planning, organisation structure, human resources, annual business plan, monitoring and control and linkage (Birnbaum Associates, 2000-2009). Postbank will use implementation of outsourcing strategy to achieve its goals which have been set in the strategic plan (Postbank Strategic Plan, 2013-2014). Campbell-Hunt Colin (1999) states that strategic management focus on priority setting against criteria of effectiveness and outcomes underpinned by sound strategy.

### **1.1.2 The Concept of Outsourcing**

Outsourcing is the process of contracting an existing business function or process of an organization to an independent organization, and ceasing to perform that function or process internally, instead purchasing it as a service. Outsourcing in literal sense means sourcing from offshore business houses. It refers to sub- contracting of non core aspects of the business to a third party vendor. It can also be said that, outsourcing is a sort of arrangement in which one company hires another company which can take charge of their in-house services. Outsourcing can range from large contracts like managing the information

technology support services of the client, to the general trend of hiring contractors and office workers on individual basis. Generally, the non-core aspects of the business are outsourced. When a business function such as a task, a role or process is contracted out to a third party over a substantial period of time the same is referred to as outsourcing. The third party then takes control of the function and takes responsibility of the functions' success. The practice of outsourcing has resulted from various factors such as liberalization of economy, increased competitive pressure, shrinking budgets, downsizing, cost reduction and improved customer service. An organization may choose to outsource all its operations or in part (Stock and Lambert, 2009). The major functions that organizations can outsource include human resource management, information and communication technology, marketing, finance, cleaning, catering, health and safety and after sales service (Horne, 1989).

Outsourcing allows a company to concentrate on its core competencies, save money, increase flexibility and manage effective growth. Once the non-core activities are given to the experts to manage, the company is left with the task of managing its core activities. This will help the company to benefit from external expertise and technology. If successfully managed outsourcing will also help reduce the cost of doing business and benefits from the use of knowledge and technology and resources of another organization. However, companies need to be careful and consider whether benefits of outsourcing a function outweigh the costs and the process of outsourcing will therefore need to be properly managed and monitored (Stock and Lambert, 2009). Globalization of business is viewed as the most prominent driver of outsourcing (Sheffi, 1990). This can be attested by the growth of global markets and internal outsourcing practices. Other drivers of outsourcing are improved productivity, mergers and

acquisitions that require keeping assets away from the books since the assets used are those of service providers (Stock and Lambert, 2009).

Before a company commits itself to outsource any of its functions, it has to conduct a cost benefit analysis so as to assure itself of benefits of letting another firm to manage its portfolios. Outsourcing practitioners recommend outsourcing of non-core business roles to third party service providers who have expertise; the letting of the function to experts will free the business to focus on its strengths and future strategies, improve efficiency and customer service and gain competitive advantage (Stock and Lambert, 2009).

The major challenges in outsourcing with third party service providers include but not limited to switching costs, degree of control, human and electronic interface, degree of outsourcing and legal aspects of outsourcing (Sople, 2011). In environments where use of information and communication technology is under-utilized, disconnect between the outsourcing firms and the third party service providers tend to hinder efficient and effective delivery of service (Gentry, 1993).

### **1.1.3 The Banking Industry in Kenya**

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya (CBK) Act and the various prudential guidelines issued by the Central Bank of Kenya. Central Bank of Kenya's core mandate is to oversee the operations of banks and publishes information to guide their operations like the interest rates and regulation. According to a research done in 2010, Kenya has 46 banking institutions which include the private banks, public banks and the government owned banks where Postbank is one of the government owned banks. The banking sector was liberalized in 1995 and this has

led to stiff competition in the banking industry through deregulation and technology which has led to a revolution in the banking industry that has made it to be transformed. Through technology development, banking services have become available 24 hours a day, 365 days a week, through ATMs, at online banking, and in electronically enabled exchanges where everything from stocks to currency future contracts can be traded.

#### **1.1.4 Kenya Post Office Savings Bank**

Kenya Post Office Savings Bank is a Government owned bank in the financial sector which was established in 1910 as a savings department within the then East African Common Services organization. The bank was incorporated in 1978 by an Act of Parliament, the Kenya Post Office Savings Bank Act, Cap. 493B of the Laws of Kenya. The current vision of the Bank is to be the Bank of Choice and its mission is to provide accessible and sustainable banking and other related financial services through innovative delivery systems for wealth creation to the benefit of customers and other stakeholders (Postbank Corporate Development Plan 2012). The Bank has a countrywide network of 100 branches and a staff capacity of 800 employees. Postbank as an institution in the banking sector which functionally reports to the Ministry of Finance has been affected by the stiff competition experienced in the banking industry and the provision of banking and other financial services by mobile phone companies and this has resulted in to looking for ways of reducing costs and increasing productivity.

## 1.2 Research Problem

Outsourcing strategy implementation is increasingly becoming a threat to the survival of the human resource function. Organisations have chosen various ways of achieving their objectives of cost reduction and eventually improving on the productivity and overall performance. The common strategies used to achieve this include outsourcing, restructuring, staff retrenchment, asset reduction, mergers and acquisitions among others (Stock and Lambert, 2001). Outsourcing of functions is today viewed as a means of cost saving, a tool to competitive advantage, a risk medium, a strategic competitive tool as well as a means to creation of synergistic partnerships and alliances among firms (Stock and Lambert, 2001). In the past firms focused on win-lose or arm length relationships. Today however firms are concerned about the well-being of partner firms. Rather the firms are practising symbiotic relationships where all are beneficiaries (WIN-WIN situation). Modern managers are aware that competitive advantage can be achieved from the delivery process as well as through product (Muller, 1991 and Foster, 1994).

Postbank has outsourced a number of non-core services which include messenger services, cleaning services, tea services, transport services, advertising services, security services, and part of the medical services. Different strategies have been implemented in Postbank to improve its competitive advantage like diversification of products to include commission based products like the Mpesa, Western Union Money Transfer Service, Money gram, Kenya Power & lighting bill payment, United States of America Visa application, water payment and many others but all these have not improved its profitability much. This has made the bank not to achieve their strategic objectives, gain a competitive advantage in the

marketing and the challenges experienced in the implementation of the outsourcing strategy have hindered the full implementation of the same. The implementation of the outsourcing strategy was started three years ago but the bank has not realised the benefits of the same because of the challenges experienced.

A number of studies have been carried out in different organisations on outsourcing which include the following. Kirui (2001) conducted a study on competitive advantage through outsourcing of non-core logistic activities within the supply chain of BAT Kenya Ltd, Chanzu (2002), undertook a study on a survey of business outsourcing practices amongst private manufacturing companies in Nairobi, Komen (2005), carried a study on the extent of outsourcing of human resource functions by public service in Kenya, Agure (2006) outsourcing of human resource management service among large flower firms in Kenya, Hussein (2006) did a survey of outsourcing of training service by commercial banks in Kenya,.

A study done by Serem (2002), on the outsourcing of human resource services by banks in Nairobi using Postbank as a case study but because of the time which has passed from the last study, and the study having focused on outsourcing of human resource service only there is need for another one to be carried out. Another one done by Azegele (2011) on performance contracting as a strategy in Postbank is also relevant but the researcher would like to use implementation of outsourcing strategy in Postbank. Several researches have been carried out on outsourcing but in different organisations and the one for Postbank was carried out in 2002 and was not on implementation of outsourcing strategy. Another reason why this

research is necessary is that so many changes have come in the banking industry and innovations like the mobile phone industry offering banking services which need a current study on implementation of outsourcing strategy in the banking industry with specific emphasis to Postbank and how is outsourcing strategy being implemented in Postbank?

### **1.3 Research Objectives**

The objectives of the study were to;

- i. Establish how outsourcing strategy is being implemented at Postbank.
- ii. Determine the challenges of implementing outsourcing strategy at Postbank.

### **1.4 Value of the Study**

The study will be of value to organizations and the government in developing relevant policies which will guide outsourcing and strategy implementation to avoid challenges like resistance to change whereby they will set a side adequate budget for the same, degree of control whereby the same will be well defined at the time of signing the contract, legal issues of outsourcing which will involve divulging all the information to the other party, switching costs to another service provide, threat to security and confidentiality of information to competitors, human and technology interface which will result to mismatch and lack of top management support which might affect the successful implementation of outsourcing strategy in organisations like they have done to Postbank from the findings. The policies will give guidelines on legal issues regarding outsourcing and threat to security and confidentiality and degree of control which will lead to disclosure of information of the organization to rival organisations and other legal requirements needed by the third party



service providers. The third party service providers must be able to disclose all the information at the time of signing the contract with the company to reduce other extra costs which come up later and bring conflicts between the thirty party service providers and the organisation.

The study will outline the challenges which include threat to security and confidentiality, human and technology interface, lack of support from top management, resistance from staff, switching costs, and legal issues of implementing outsourcing strategy to help practising managers who want to implement the same in their organisations. Managers will be able to use the right practices and policies to guide the successful implementation of the outsourcing strategy in their organisations and also in the day to day running of their organisations. This will include the degree of control of the third party service providers, threat to security and confidentiality of company secrets and daily supervision of the staff. Managers must set aside budgets for the same to solve the challenge of lack of finances, work as a team to reduce resistance from other employees, support the strategy from the top, train their employees on the same to overcome resistance and put in place proper tendering procedures to counter the problem of switching costs whereby service providers are changed every year. This will reduce the level of failures of implementing other strategies even if it is not only outsourcing in organisations.

The study will help in setting aside adequate budget, sort out the legal issues of outsourcing, train and constantly communicate to staff of any changes in organisations, top management to be in front supporting the strategy, tendering process to take more years to avoid the challenge of switching costs, degree of control to be properly defined and threat to security and confidentiality for the successful implementation of outsourcing.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

The chapter presents a review of the related literature on outsourcing and the strategic dimension by various scholars and researchers. The research will draw material from several sources which are closely related to the objectives of the study.

### **2.2. Theoretical Foundations of the Study**

According to Rodriguez E. and Robaina P. 2006 the term outsourcing was first used in the 1980's and described the contracting out of information system. Other terms like make-or-buy decisions or integration vs disintegration are used in the literature to describe similar situations. Today the concept of outsourcing is no longer limited to information systems but is known in combination with all possible business functions that are feasible for contracting them out to an external provider. It is however not only the information technology function that is outsourced by many companies. Europe's business process outsourcing market was worth 38 billion US Dollars in 2003 and continued to grow in the past years (Woche, W.2003). Thus next to information technology function, managers consider whether it is beneficial to outsource other business functions such as accounting, logistics, or personnel administration. Overall outsourcing is one of the big issues managers nowadays have to deal with and which represents a phenomenon widely studied but not yet clearly understood by academics. 75 billion US dollar of annual worldwide turnover in 2005 (Heise online, 2006) is the summary of what outsourcing stands for. It is about making money by those who sell the service and take over the functions other companies are not willing to perform any longer

and it is about saving money and freeing up capacity for those firms who outsource parts of their business.

Transaction cost economics (TCE) has been the most utilized theory of outsourcing and is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. The governance features of the theory influenced that it has been applied in studying the managing relationship phase, whilst the concept of switching costs made the theory applicable in the reconsideration phase. Another useful issue for outsourcing provided by TCE is explanation of contractual complexity. Though TCE has not been utilized explicitly for studying the vendor selection phase, its sub-theory, the theory of incomplete contracting, has been applied in studying the structure and contents of outsourcing contracts, and related preparation and contract management activities. Even though it has been exercised extensively in outsourcing applications, the TCE has several indulgencies. (Lacity and Willcocks, 1995) found that the original mapping to the TCE framework only explained few IT sourcing decisions and generated much more anomalies in their sample. Another critique could be that TCE relies on a single transaction as a unit of analysis, neglecting the contemporary industrial collaborative arrangements. Finally, TCE is static, which doesn't correspond to dynamism of current business environment.

The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Barney and Hesterly, 1996). If resources and capabilities of a firm are mixed and deployed in a proper way they

can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. Therefore the most prominent use of the theory is in the preparation phase of the outsourcing process for defining the decision making framework and in the vendor selection phase for selecting an appropriate vendor.

The focus of the agency theory originally was on the relationship between managers and stakeholders (Jensen and Meckling, 1976), but had spread over the time on explaining the relationship between two inter-firm subjects. In that context we associate the agency theory to understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection (Arrow, 1985) should be resolved by monitoring and bonding (Barney and Hesterly, 1996). Consequently, the application of the theory in the outsourcing process research was in the preparation phase (when screening for vendors and defining its own attitude towards the type of the relationship. Naturally, the managing relationship phase has been also explored, and to a very small extent the reconsideration phase.

The key characteristics of the neoclassical economic theory are (Hodgson, 1994), assumption of rational, maximizing behaviour by agents with given preference function, focus on attained, or movement towards, equilibrium states, absence of chronic information problem  
The neoclassical theory explains the initial motives for outsourcing demonstrated by some

pioneering companies like Kodak. However, the theory has received a significant critique for not being able to explain contemporary business processes. Especially, the concepts of rationality and absence of chronic information problem have been criticized. However (Gottschalk and Solli-Sæther, 2005) showed that the neoclassical economic theory explains critical success factors of outsourcing that are being evaluated in the reconsideration phase.

The social exchange theory explains interpersonal relationships by positing the economical cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Solli-Sæther, 2005). The theory has been used in combination with TCE to specifying switching behaviour in the reconsideration phase.

### **2.3 Strategy Implementation**

Postbank as a government owned bank operating in a competitive environment interacts with the external environment and is prone to competition. It has tried difference strategies being put in place like diversification of businesses to commission based services, expansion of upto 100 branches and agency expansion, improvement in technology whereby it one of the first paperless banks in Kenya but still it has not achieved its goal of being the bank of choice. Successful companies align their key management processes for effective strategy execution.

According to Hrebiniak 2005 in his new book making strategy work he says that many of today's top executives are far better at developing strategy than executing it and overcoming the political and organizational obstacles that stand in their way. Studies consistently show that most strategies fail in the implementation phase. The root of the problem can be traced to three factors: a failure of translation, a failure of adaptation, and a failure to sustain change over the long term. A dynamic approach to strategy implementation overcomes the limitations of the traditional administrative approach that serves as a breeding ground for these failures. Leaving non-core functions to be handled by experts thereby realise the gains from innovation and hence avoid the wheel. The cost benefit analysis will help management in making sound decisions on whether benefits of outsourcing outweigh the cost of handling the task or role in-house (Lieb et all, 1993, Sople, 2011).

If well managed, outsourcing can contribute to profitability by enabling the firm members to gain a competitive edge, concentrate on core business functions by adding value to product, improved customer service, venturing into new markets and providing quality resources (Foster & Muller, 1990). The advent of logistics contracting role has become a motivation in drawing the attention of logisticians towards this astute move to outsourced logistics (Gooley, 1994). According to a survey conducted by Lieb and Randall 1996 it was found out that the top executives of third party service providers perceived growing customer demand in outsourcing.

## **2.4 Implementing Outsourcing Strategy**

Outsourcing is a growing phenomenon driven by cost reduction, reduced time cycle and access to highly skilled professionals. Although there are good reasons to outsource, a

number of potential obstacles and problems associated with outsourcing are also recognized. While outsourcing is associated with several important benefits, it also entails number of risk factors. According to Bradley (1994) outsourcing is outsourcing be it in logistics, human resource management, after sales service, financial management, marketing or any other functions and asserts that the ultimate goal for any process of outsourcing is customer satisfaction and cost reduction among other benefits. It is critical for companies to have a thorough approach to outsourcing, decision making and planning.

Outsourcing is one of the strategies which can be used to stay in business and be competitive. Other strategies that can be used though not limited include; mergers and acquisitions, staff retrenchment, diversification, re-branding, turn-around and many others. An organisation can decided to implement one strategy at ago or combine strategies and implement the same to gain full advantage of the same. Campbell-Hunt Colin (1999) states that strategic management focus on priority setting against criteria of effectiveness and outcomes underpinned by sound strategy. Copying with the increasingly competitive environment has called on firms to re-think their marketing strategies (Pearce & Robinson, 2005). Globalization of businesses is viewed as the most prominent driver of outsourcing (Sheffi, 1990). These effects can be attested by the growth of global markets and internal outsourcing practices. Globalization of business activities has further led to increased pressure on the logistics practitioners as they seek to uphold the course of their business undertaking (Cooper, 1993 and Fawcett et al, 1993).



According to Bradley (1994) the effects of global markets has led to complex supply chains hence involving more and more experienced practitioners in international logistics operations. These practitioners bring with them specific know how cross border trading, developing infrastructure of the destination countries which includes information and communication mechanisms as well as developed channels of distribution. The operating costs of the cobbling partners are reduced through economies of scale and speedy customer service as a result of synergy among partners (Fawcett et al, 1993).

Mergers and acquisitions are among major drivers of outsourcing and will enable a firm to expand its market share, channels of distribution, product portfolio, acquire or invest in strategic business units (SBU) which will offer specialized service to sister agencies as well as other industry players. According to Sople 2011 this is a fourth party logistic service. Productivity improvement result from the level of specialisation and expertise by the third party with the necessary logistics infrastructure and expertise performs recurring activities that would have otherwise have been performed in-house in the long or short term with risks, gain and shared information. Outsourcing is a strategic tool with long term far reaching implications from both the internal and external environment and that is why it is critical for companies to have a thorough analysis. As identified in studies in the United States of America, companies outsource their services in order to improve customer service, efficiency and greater service integration, economies of scale and cost savings, access to competencies and global supply and solutions (Konezny and Beskow, 1999; Burns et al, 2001; Langley et al, 2002).

Outsourcing is a strategic tool with far reaching implications from both the internal and external environment. Faced with these aspects, it is critical for companies to have a thorough approach to outsourcing, decision making and planning. This calls for well developed and managed processes, agreements and relationships. Managing the relationships poorly however causes disaster rather than benefits and economic excellence (Harps, 1998; Elmuti and Kathwala 2000; Lonsdale and Co.2000; Armstrong, 2001). The advent and popularity of techniques like Just In Time (JIT) in conjunction with technologies like electronic data interchange (EDI) have greatly contributed to the promotion of outsourcing practices (Trunick 1989; Goldberg 1990; Stock and Lambert, 2001). JIT delivery storage and logistical management are important in production and general supply chain operations.

Innovation has enabled firms to utilise modern logistics and communication concepts. Techniques such as e-track have been used as a means to overcome problems such as dispatch delays, enhance information sharing between truck operators and management, estimating the arrival time of trucks, reduction of idle time, improved productivity, reduction in turn around time, reduction in wastage and enhanced quality in goods and service delivery (Bhakar, 2001). Third party service providers have the ability and responsibilities to enhance value creation for customers, leading them to more competitive and profitable production of goods and services and superior customer service (Byrne, 1993; Dillon, 1989; Trunick, 1989; Goldgerg, 1990; Richardson, 1990, 1992, 1993). The expertise gained from working with other clients allows users to benchmark against other companies. Third party service providers have the ability to provide clients with expertise and experience that would otherwise been difficult to acquire or to have in-house. (Byrne, 1993; Dillon, 1989; Goldberg

1990; Richardson, 1993; Sheehan, 1989. Studies in India have shown that after liberalization of the Indian economy in 1991, entrepreneurial operation grew manifold attracting an influx of foreign investors whose targets was to get a share of the untapped market. The trend resulted in overheated competition across all sectors of the economy and this led to companies reviewing their business strategies so as to deliver value to their customers and gain competitive advantage.

Availability of third party service providers is a clear driver of outsourcing in that various outsourcing firms can be linked to a consortium of consumers of third party service providers hence gain the benefits at a reduced cost of developing or owning similar techniques, gain from economies of scale and expertise from experienced companies. Small firms will have a chance to consolidate resources thereby benefit from the resulting synergies such as consolidation and bulk breaking among other benefits (Bradley, 1995). The overall trend in logistic outsourcing is moving in two directions i.e. increase in the buyers of outsourced services and increase in the extent of logistics services (Bingham, 1994).

Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (McIvor, 2005). Its key the concept of relational rents has been explored to explain how firms choose their future outsourcing partners and preferred type of the relationship. It has been also utilized in studying the transition, managing relationship and reconsideration phases. This makes the relational view to be the only theory that has been applied in the research of all the outsourcing process' phases.

The concept of core competences has been developed on the basis of the resource-based theory. Prahalad and Hamel 1990 defined the core competencies as the collective learning in

the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The application of concept of core competences in outsourcing became very popular among researchers. The concept has been predominantly use to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also applicable in the managing relationship and reconsideration phases. Vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney et al., 2005).

## **2.5 Challenges of Implementing Outsourcing Strategy**

Outsourcing is not a solution to all problems and that is why it is important for it to be handled with diligence to avoid challenges which may include; switching costs, degree of control, legal issues of outsourcing, threat to security and confidentiality, human and technology interface, resistance to change from staff, lack of support from top management and lack of resources. Each of these challenges are briefly discussed below.

Switching costs involves high risk levels and as much as outsourcing reduces the costs substantially, switching cost over to another service provider or to original system in case of partnership breakup will cause bigger losses in terms of time in stabilizing the new systems; fall in customer service below customers expectations level during the transition period and erosion of customer base due to an element of unreliability experienced in the service by clients (Bard and Tracey, 1991).

Once a company signs a contract to have a third party perform the function of an entire department or single task, it means that the company is turning the management and control of that function over to another company. Fear of the unknown by staff and management of loss of control over suppliers by the third party service providers (Quinn,1993 and Nai-jing,2006). The level of control must be defined before hand since there will be no direct control to third party service providers. The question of control is quite a delicate and weighty risk to the partnership in integrated logistic operations. Competitors may use staff of third party service providers to get intellectual secrets. Control over quality of service may be lost, delivery schedules may be delayed, material and equipment handling may be left at the mercy of service providers (Sople, 2011).

A firm desiring to venture into outsourced services will require a policy framework from the Government on the management of the process the outsourcing institute (1998). Before venturing into outsourcing contracts with local or multinational organizations it is necessary for the contracting partners to establish a policy framework to cater for legal issues regarding dealings within multicultural environments Chanzu, S.M.(2005). Other policy documents required during and after transition are dispute resolution mechanisms and contract termination procedures. A company will sign a contract with the outsourcing company that will cover the details of the service that they will be providing. Any thing not covered in the contract will be the basis for additional charges.

The life-blood of any business is the information that keeps it running. If you have payroll, medical records or any other confidential information that will be transmitted to the

outsourcing company, there is a risk that the confidentiality may be compromised. Companies that outsource non-core activities must continuously monitor the activities of third party service providers through established channels of communication. Lack of assured security of company secrets or right may make it difficult for firms to choose business partners for the acquisition of logistics services (Guterl, 1996). A problem may arise out of mismatch of technologies being used by the outsourcing firm resulting from the service providers. The same will lead to wastage, poor customer service, unsatisfied clients and delayed service delivery (Nai-jing, 2006). Proper co-ordination in an organization is very important otherwise it might result to more problems than benefits.

Resistance to change can be detrimental to the implementation of outsourcing in any organisation. Employees will resist the change and want to do things the way they have been doing it and maintain their organisational culture. Sometimes the resistance can be brought by fear of the unknown because employees whose services have been outsourced might fear being retrenched. The top management support from the start of the outsourcing strategy is very important all the way to the implementation otherwise it might not succeed. Top management must be in the front line to support the strategy and be team leaders leading from the front. The outsourcing strategy might fail because of lack of resources which may include human resources, financial resources and equipment. A supporting budget should be set aside for the implementation process because at the start the costs might be very high but later the benefits will be realized.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research methodology which was used to collect information required for the study. In this endeavor, it will address the following sub-topics: research design, data collection method and the data analysis.

### **3.2 Research Design**

The research design used in the study was a case study. A case study design is where a researcher focuses on one specific organization to get interviewees. According to Thomas G, (2011), case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. Another definition of a case study is a research strategy, an empirical inquiry that investigates a phenomenon within its real-life context. Case study research can mean single and multiple case studies, can include quantitative evidence, relies on multiple sources of evidence, and benefits from the prior development of theoretical propositions.

Other researchers have used the same design like Azegele (2011) on performance contracting as a strategic management tool in Postbank and Serem (2002) on a survey of the outsourcing of human resource services by bank in Nairobi using Postbank as a case study.

This was appropriate because it enabled the researcher to focus on a specific organization get interviewees easily since they work in the same organization. The design was appropriate for this study because it involved an in-depth investigation of outsourcing as a strategic management tool in Kenya Post Office Savings Bank whereby the relevant departments and users of outsourced services were used to obtain data.

### **3.3 Data Collection**

The researcher used both primary and secondary data. This primary data were collected by using an interview guide which was used to conduct personal interviews. The interviewees were the Manager/Human Resource, Manager/Strategic Planning, Manager/Administration and Property Management, Business Growth Manager and Branch Manager. This was because the Human Resource department is responsible in reducing staff costs and improving efficiency, Strategic Planning is responsible in analysing the competitiveness of the organisation in the market. Administration and Property Management department are the supervisors of the outsourced services and the Business Growth Manager and Branch Manager are users of outsourced services. The researcher administered the interview questions to the interviewees personally and was also available for any clarification needed.

The secondary data was obtained from the corporate strategic plan of the organisation which runs for two years and other information was obtained from contractual agreements signed between Postbank and the third party service providers. Information obtained from the



two secondary data sources showed that implementation of outsourcing strategy has led the bank to achieve its objectives as per the strategic plan and also human and technology interchange makes the bank to change service providers every year as per the tendering process. This was used to supplement the information gathered from the in-depth interviews.

### **3.4 Data Analysis**

The responses from interviewees were analyzed using content analysis which is a method of summarizing any form of content by counting various aspects of the content. This enables a more objective evaluation than comparing content based on the impression of listener (List,2005). It does not restrict the interviewee on answers and has the potential of generating information with much detail. After all the five managers were interviewed, their responses were analyzed by counting how many have given the same answers and how many have differed with the rest. The report was compiled and conclusions and recommendations made from the same.

The primary data which were obtained from administering personal interviews to the interviewees were analyzed using content analysis and all agreed that implementation of outsourcing strategy in Postbank has faced some challenges but there is room to solve the challenges and move on. All the interviewees were in agreement that if the challenges are solved early, the implementation of outsourcing strategy will be successful. The secondary data obtained from contracts signed by Postbank and third party service providers showed that some clauses like degree of control and threat to security and confidentiality were left and this was the cause of the conflicts between the two parties.

## **CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION**

### **4.1 Introduction**

The research has two objectives to determine how Postbank has implemented the outsourcing strategy and to establish the challenges it has encountered in implementing the same. Data was analysed using content analysis based on the meaning and implications emanating from interview information and documented data on strategic planning.

The chapter is based on the extent of implementation of outsourcing strategy at Postbank and the challenges the bank has encountered. The interviews conducted with five employees of the bank. All the respondents have worked in the bank for over five years. Analysis and results are presented in order of objectives.

### **4.2 Implementation of Outsourcing Strategy at Postbank**

With regard to how Postbank has implemented the outsourcing strategy the interviewees were in agreement that services which have been outsourced in Postbank are tea provision whereby third party service providers provide tea to staff in all the 100 branches of Postbank countrywide, cleaning services in all the branches, security services to all branches which include cash delivery and collection, messenger services whereby they delivery documents both internal and external, transport services whereby the third party service providers have their own fleet of cars which are paid for at the end of the month depending on the usage and part of the medical services whereby a staff is covered with a spouse and four children below 25 years. Medical services are partially outsourced because in head office which is in

Nairobi, there is an internal staff clinic where staff can go for treatment and the employees at the clinic are Postbank staff.

The interviewees were in agreement that bank started the implementation process three years ago as one of the strategies to assist them in achieving their objectives for the two years because of the competition in the banking industry (Postbank Strategic Plan, 2012-2013). They started by identifying the non-core activities which were to be outsourced and the selection process of asking for tenders for the various services for outsourcing and selected the service providers. The bank then selected a task force of one person from each department in the bank to be meeting regularly to monitor the progress and make any adjustments or recommendations needed for successful implementation of the same. The team directly reported on monthly basis to the chief executive officer the progress though they were still allowed to seek any advise any time they need it from top management. From the responses from the interviewees, all were in agreement that they were aware of the strategy of outsourcing despite the challenges they were facing.

The interviewees also agreed that the implementation of outsourcing had brought to the bank benefits like getting professional third party service providers who are experts in their areas of operation, they have given the bank employees more time to focus on their core business which is banking and improvement of profitability. They are also agreed that the implementation of outsourcing has exposed the bank to various risks like leakage of confidential information to the competitors and lack of control but there are mitigating factors in place to counter the same like using internal staff to dispatch confidential

documents and forcing the third party service providers to divulge all the information at the time of signing the contract. The secondary data from the strategic plan showed that Postbank has not yet achieved its objective of outsourcing non-core activities in the bank and contracts signed between Postbank and third party service providers showed that some information was not disclosed at the time of signing and this adds costs when brought in later.

#### **4.3 Challenges of Implementing Outsourcing Strategy at Postbank**

With regard to the challenges Postbank is facing in implementing the outsourcing strategy they include switching costs, degree of control, legal issues of outsourcing, threat to security and confidentiality, human and technology interface, resistance to change from staff, lack of support from top management and lack of resources which are briefly discussed below.

Switching costs involves high risk levels and as much as outsourcing reduces the costs substantially, switching cost over to another service provider or to original system in case of partnership breakup will cause bigger losses in terms of time in stabilizing the new systems; fall in customer service below customer expectations level during the transition period and erosion of customer base due to an element of unreliability experienced in the service by clients. This is clear in Postbank because of using the one year tendering process which forces them to change third party service providers every year.

Once a company signs a contract to have a third party perform the function of an entire department or single task, it means that the company is turning the management and control of that function over to another company. The level of control must be defined before since there will be no direct control to third party service providers. The question of degree of control is quite a delicate and weighty risk to the partnership in integrated logistic operations. Competitors may use staff of third party service providers to get intellectual secrets. This is clear in Postbank because the internal staff do not control and supervise the employees of the third party service providers despite the fact that they work with them and most of them keep on moving from one company to another because of the poor pay.

The life-blood of any business is the information that keeps it running. In Postbank medical records or any other confidential information that will be transmitted to the outsourcing company, there is a risk that the confidentiality may be compromised. Companies that outsource non-core activities must continuously monitor the activities of third party service providers through established channels of communication. A problem has arisen out of mismatch of technologies being used by the outsourcing firm resulting from the service providers. The same will lead to wastage, poor customer service, unsatisfied clients. Proper co-ordination in an organization is very important otherwise it might result to more problems than benefits.

Resistance to change can be detrimental to the implementation of outsourcing in any organisation. Employees resisted the change and want to do things the way they have been doing it and maintain their organisational culture. Sometimes the resistance can be brought

by fear of the unknown because employees whose services have been outsourced might fear being retrenched. The top management support from the start of the outsourcing strategy is very important all the way to the implementation otherwise it might not succeed. Top management must be in the front line to support the strategy and be team leaders leading from in front. The outsourcing strategy might fail because lack of resources which may include human resources, financial resources and equipment. A supporting budget should be set aside for the implementation process because at the start the costs might be very high but later the benefits will be realized. If enough budget is not set a side then the implementation of outsourcing strategy might not succeed.

#### **4.4 Discussions of Findings**

As seen above as to how Postbank has implemented the outsourcing strategy, it was clear that staff are aware of the strategy and the implementation process is almost complete despite the challenges they are facing which include resistance to change from staff, lack of support from top management, lack of enough resources, human and technology interface, degree of control, legal issues of outsourcing, switching costs and threat to security and confidentiality. The same is consistent with literature review on organisations successful at strategy implementation effectively manage six key supporting factors which include developing a detailed action plan which add the necessary detail to their strategies, organisation structure whether the intended strategy will fit in, consider human resources which will include the organisation's communication needs and managers be aware of the effect of each strategy, the annual business plan which will include the financial commitment in the planning

process, monitoring and control which will include periodic look to see if they are on course and linkage which is the foundation of everything else (Birnbaum Associates, Business Strategy Consultants, 2000-2009). The implementation of outsourcing strategy in Postbank will enable the Bank to be competitive in the market and increase its profitability if well implemented and supported by the six supporting factors which are action planning, organisation structure, human resources, annual business plan, monitoring and control and linkage (Birnbaum Associates, 2000-2009).

This is also consistent to literature review according to Campbell-Hunt Colin (1999), strategic management focus on priority setting against criteria of effectiveness and outcomes underpinned by sound strategy. Coping with the increasingly competitive environment has called on firms to re-think their marketing strategies (Pearce and Robinson, 2005). A dynamic approach to strategy implementation overcomes the limitation of tradition administrative approach that serves as a breeding ground for failures. The cost benefit analysis will help management in making sound decisions on whether benefits of outsourcing outweigh the cost of handling the task or role in-house (Lieb all, 1993; Sople, 2011). If managed well, outsourcing can contribute to profitability by enabling the firm members to gain a competitive edge, concentrate on core business functions by adding value to product, improved customer service, venturing into new markets and providing quality resources (Foster and Muller, 1990).

A number of studies have been done on outsourcing which include the following. Kirui (2001), conducted a study on competitive advantage through outsourcing of non-core logistic

activities within the supply chain of BAT Kenya Ltd, Chanzu (2002), undertook a study on a survey of business outsourcing practices amongst private manufacturing companies in Nairobi, Komen (2005), carried a study on the extent of outsourcing of human resource functions by public service in Kenya, Agure (2006) outsourcing of human resource management service among large flower firms in Kenya, Hussein (2006) a survey of outsourcing of training service by commercial banks in Kenya, Serem (2002), a survey of the outsourcing of human resource services by banks in Nairobi using Postbank as a case study. The above studies suggest that implementation of outsourcing strategy can be successfully if the challenges encountered can be sorted out early and move on. I agree with the same because even Postbank despite the challenges it is facing in implementing the outsourcing strategy, it has fully implemented the same in their non-core areas of operations and the management is committed to solving the challenges as they come.

The study findings supports propositions of outsourcing theory that it is however not only the information technology function that is outsourced by many companies. Europe's business process outsourcing market was worth 38 billion US Dollars in 2003 and continued to grow in the past years (Woche W, 2003). Thus next to information technology function, managers consider whether it is beneficial to outsource other business functions such as accounting, logistics, or personnel administration. Overall outsourcing is one of the big issues managers nowadays have to deal with and which represents a phenomenon widely studied but not yet clearly understood by academics.



The findings also agree with similar studies cited in literature review and research problem that the outsourcing process is a complex structure consisting of numerous activities and sub-activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage the process. It is a common knowledge that each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. The outsourcing has been approached by different theories and this creates confusion among the researchers of the outsourcing phenomenon. Various authors identified significant number of theories that could explain the outsourcing phenomenon (Gotttschalk and Solli-Sæther, 2005; McIvor, 2005).

## **CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS**

### **5.1 Introduction**

This chapter summarizes the findings of the study, recommendations and conclusions in relation to the objectives of the study. It also includes the limitations of the study and suggestion for further research.

### **5.2 Summary of Findings**

Implementation of outsourcing strategy has triggered a paradigm shift in the management and strategic positioning of institutions in the competitive environment. This has necessitated organisational and cultural change to position the bank strategically to obtain a competitive advantage and gain customer confidence. The success of an institution depends on the tools of strategic management used by the management to leverage the institution among competitors. This also depends on the employees perception, their individual and synergetic efforts and behaviour. Consequently implementation of outsourcing strategy has become a crucial tool in executing organisational strategy. The study sought to determine how Postbank as an institution implemented outsourcing strategy and the challenges it has faced.

The bank employees do not want to support the implementation of the outsourcing strategy because of fear of the unknown. They indicated that employees were scared of being retrenched in case the outsourcing strategy goes on successfully. They concluded that outsourcing was a threat to their jobs and want to make sure it has not succeeded. This was

attributed to lack of information from the top management on what will happen once the same has been fully implemented and the benefits thereof.

Interviewees agreed that since the users do not supervise the service providers directly, it leads to lack of monitoring and corrective measures to be taken early. Some service providers were seen not to be serious with their work and their morale was very low. This can be attributed to the low salaries paid to them by the third party service providers and very lean staff to do a lot of work whereby in most cases they are overworked.

It came out that since the service providers change every year, this leads to the problem of human and technology interface with Postbank. Constant change of human and technology to fit in the new companies' is very expensive to the bank. Constant training and induction of the service providers was also seen to be expensive. In fact some users said that it takes a lot of time to train one person and once they have known the work, they are removed and new ones come in.

### **5.3 Conclusion**

The study concludes that Postbank has implemented the outsourcing strategy despite the challenges it is facing and over the years the bank has been improving in its service delivery and this is attributed to the embracing of outsourcing strategy. The overall analysis has indicated that implementation of outsourcing strategy has made the bank more focused on result rather than processes. The bank has become more oriented towards customer as the

most important person, better accountability on the resources available and improvement in management style.

The study also concludes that there are a number of challenges in implementing outsourcing strategy like lack of resources both financial and human resource, lack of support from the top management, resistance to change from staff who do not fully understand the benefits and are scared of their jobs, degree of control whereby Postbank does not control the outsourced services, legal matters whereby once the contract has been signed by the third party service provider, it becomes hard to change before the end of the contract period and also some matters not fully disclosed during the signing process, human and technology interface and threat to security and confidentiality of information. This is where an organisation's confidential information can be passed to a competitor.

The main success of implementation of outsourcing strategy is the strategic planning, proper training of all stakeholders, capacity building, monitoring and evaluation programmes. Availing the required resources on time, finances and proper leadership enhances the successful implementation of outsourcing strategy. Armstrong (2003) states that poor performance is a result of inadequate leadership, bad management or defective systems of work, whereby failure in such a circumstance is attributed to top leadership of the organization which is unable to establish and develop a well defined expectation of super performance.

#### **5.4 Recommendations for Policy and Practice**

The following recommendations are worth making in order to implement outsourcing strategy in the bank. The bank should embark on an extensive and continuous training and communication to all employees on the benefits of outsourcing and how it is being implemented. Understanding it fully will help them to support the same in their specific areas of operation. Training should be frequent, content oriented and adequate. This should be in line with the training and communication policies of the bank which have been in practice. Knowledge is power and therefore the management needs to give employees valuable training on implementation of outsourcing strategy. The study therefore recommends that the bank management should continuously keep staff aware of the progress of implementing the outsourcing strategy and the benefits of implementing outsourcing strategy. This is linked to the key findings where there is resistance to change from staff because of fear of the unknown.

Stability of resources enhances the successful implementation of outsourcing strategy. It is recommended that when activities that require financial resources are budgeted for, it motivates staff when they are able to carry out these activities successfully. When resources are not available or availed later, the staff involved get frustrated and discouraged and do not want to participate in implementation of outsourcing strategy. This is in relation with the budgeting policy of the bank which is in practice and all departments prepare their budgets annually. This is linked to the key findings whereby lack of the finances is one of the challenges the bank is facing in implementation of the outsourcing strategy.

All stakeholders should be involved in implementing in order to understand the various aspects of the activities involved. Although monitoring and evaluation committee has been set to track the progress on implementing of outsourcing strategy, it is recommended that it should be effective in monitoring and give feedback promptly for the management to act and make corrective measures. Feedback would enable the bank to cascade down information to all employees and provide progress status. This is in relation with the practice of teamwork which enables organisations to produce more. This is also linked to the key findings whereby top management are not supporting the implementation of outsourcing strategy in the bank.

The third party service providers must be able to disclose all the information at the time of signing the contract with the bank. This will reduce the other extra costs which come up later and bring conflicts between the third party service providers and the bank. This will also assist in budgeting since the same is done once a year and state clearly the sanctions in case of leakage of information to competitors. This is linked to the key findings where the legal issues of outsourcing is a challenge which has hindered full implementation of the outsourcing strategy in Postbank.

The degree of control and constant monitoring of the outsourced services was also seen to be a problem. The users of the services are not in full control of the third party service provider employees and this really creates a problem. The supervisors of third party service providers can not be provided in all the 100 branches of the bank all over the country. Also another problem is that the services are provided by different service providers which leads to the

problem of supervision. The users who are Postbank employees should be allowed to supervise the third party service providers on the areas of operation and report back to their supervisors in case there is a problem. This is linked to key findings of degree of control and switching of costs which are challenges in the implementation of outsourcing at Postbank.

### **5.5. Limitations of the Study**

The study of implementation of the outsourcing strategy in Postbank was done using content analysis whereby five employees from different departments were interviewed and the following were the limitations. There was limited time for carrying out interviews with the interviewees. This made the researcher to make constant calls to secure meetings with the interviewees and at times unnecessary visits hoping to be granted interviews but to no avail. It was difficult to get the Business Growth Managers and Branch Managers to be interviewed in a relaxed environment since their work involves constant interruptions from customers who need to be served.

Being that this was a case study on one company the data gathered might differ from implementation of outsourcing strategy by other organisations in the public and private sector and the challenges they encounter. This is because different companies adopt different strategies that differentiate them from their competitors. The study however constructed an effective research instrument that sought to elicit general and specific information on the implementation of outsourcing strategy in Postbank.

The study faced financial limitations which hindered it not to be carried in other branches which are far because of the transportation costs involved. The study however minimised this by conducting the interviews at the Bank's headquarters and Nairobi region branches which are nearer and a representation of all the other branches countrywide.

## **5.6 Suggestions for Further Study**

The study recommends that a similar study can be carried out in commercial banks so as to establish how they are implementing the outsourcing strategy and the challenges they are encountering and how they have solved them. This is because this study was a case study and focused only Postbank while so many other banks have also implemented the outsourcing strategy in their non-core areas.

A similar study can also be done in firms in other firms offering the same services so as to allow for a concrete conclusion as different firms have different strategic approaches and yet all companies compete in the same environment. This is because a part from banks which offer financial services, we have other institutions which do the same even if they are not banks.

Another study can be carried but with adequate time to allow the researcher to visit more branches mostly the ones which are in the remote areas. This is because this study only interviewed employees in Nairobi and its environs who might not have the same challenges like the other employees who are in remote locations. The branches in remote locations have challenges like lack of infrastructure and this might make their problems different from the ones in Nairobi.



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## **APPENDIX I**

### **LETTER OF INTRODUCTION**

Respondent

Dear Sir/Madam,

#### **RE: REQUEST FOR RESERCH DATA**

I am a Postgraduate student at the University of Nairobi pursuing a Master of Business Administration (MBA) program. I am undertaking a management research project as part of the Post graduate requirement. The project that has been approved is Implementation of Outsourcing Strategy at the Kenya Post Office Savings Bank.

The research will explore the implementation of outsourcing strategy and the challenges facing the same.

My reason for writing to you is to request you to avail yourself and answer my interview guide in a bid to obtain information for the above study. The information obtained will be used purely for academic purposes.

Thank you for your cooperation.

Yours faithfully,

**JOSEPHINE MORAA OMBASA**

**MBA STUDENT**

## **APPENDIX 1I**

### **INTERVIEW GUIDE**

This interview guide seeks to find out the implementation of outsourcing strategy in Kenya Post Office Savings Bank.

Please fill it based on your own personal opinion.

#### **Implementation of outsourcing Strategy in Postbank.**

1. What do you understand by outsourcing?
2. Are you aware that Postbank has implemented the outsourcing strategy?
3. Are you involved in the implementation of outsourcing strategy in Postbank?
4. In which area are you involved?
5. When did Postbank start using outsourcing?
6. What services have been outsourced in Postbank?
7. What services have been outsourced in your area of operation?
8. What benefits has Postbank gained from outsourcing strategy?
9. Are you aware of any risks which Postbank has exposed itself to as a result of using the outsourcing strategy?
10. What are the mitigating factors that have been put in place to counter the risks?
11. How is the monitoring and controlling of the outsourced services carried out?
12. Are you satisfied with the outsourced services?
13. What challenges has Postbank faced in using outsourcing in the Bank?

14. How have the challenges been tackled at Postbank?
15. How can you rate the implementation of the outsourcing strategy in Postbank?
16. In your own opinion do you feel outsourcing is a good strategy in the bank? Explain.







