IMPLEMENTATION OF THE BUSINESS PROCESS OUTSOURCING STRATEGY IN STANDARD CHARTERED BANK KENYA LIMITED

BY

GHIKAS, NOELA NEEMEKA

A Research Project Submitted In Partial Fulfillment of the Requirement for the Award of Master of Business Administration Degree, School of Business, University Of Nairobi

NOVEMBER, 2012

DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:…………………………………..Date:…………………………………

Ghikas, Noela Neemeka **D61/71244/2008**

SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the University Supervisor.

Signature……………………………….….Date………………………………….

Dr Zachary Bolo Awino
Senior Lecturer,

School of Business

University of Nairobi

DEDICATION

I dedicate this project to my loving parents Mr Gregory Alexander Ghikas and Mrs Judy Ghikas, and to my son Dylan Lihali. Your support, love, patience, encouragement, sacrifices and prayers has transformed my dreams to this degree. May God keep and bless you abundantly.

ACKNOWLEDGEMENTS

I thank the Almighty God for enabling me reach this far. It has been a challenging project. In addition, I would also like to thank the individuals who have contributed to the successful completion of this project.

I thank my parents and my siblings for the encouragement and patience to see me through this period.

I would also like to appreciate the respondents for making the time to give feedback on the interview which went a long way in ensuring that the project was insightful on completion.

Last but not least, I would like to extend my utmost gratitude to my Supervisor Dr. Z. B. Awino for his patience, support knowledge, encouragement and contributions that made the completion of this research a reality. Thank you Dr.

TABLE OF CONTENTS

DECLARATION ..... **ii**
DEDICATION ..... **iii**
ACKNOWLEDGEMENTS ..... **iv**
ABBREVIATIONS AND ACRONYMS ..... **viii**
ABSTRACT ..... **ix**

CHAPTER ONE:1NTRODUCTION **1**
1.1 Background of the Study 1
1.1.1 Concept of Business Outsourcing Strategy 2
1.1.2 Challenges of Implementation of the Business Process Outsourcing Strategy 3
1.1.3 The Banking Sector in Kenya 4
1.1.4 Standard Chartered Bank Kenya 5
1.2 Research Problem 6
1.3 Objectives of the Study 8
1.4 Value of the study 9

CHAPTER TWO: LITERATURE REVIEW **10**
2.1 Introduction 10
2.2 Theories of Business Process Outsourcing 10
2.3 Strategies of Business Process Outsourcing 19
2.4 Challenges of Implementing Outsourcing Strategies 21
2.5 Drivers of Outsourcing Strategy 24

CHAPTER THREE: RESEARCH METHODOLOGY 33
3.1 Introduction 33
3.2 Research Design 33
3.3 Data collection 34
3.4 Data Analysis Technique 34

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS 36
4.1 Introduction 36
4.2 General Information of the Respondents 36
4.3 Outsourcing of Businesses Processes by the Bank 37
4.3 Types of Business Processes Outsourced by the Bank 37
4.4 Factors that Drive Standard Chartered Kenya Ltd to Outsource its Business Operations.. 38
4.5 Discussion of the findings 39

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 41
5.1 Introduction 41
5.2 Summary of Findings 41
5.3 Conclusion 43
5.4 Recommendations 44
5.5 Limitations of the Study 44
5.6 Recommendations for Further Research 45
5.7 Implication of the Study on Policy and Practice 46

REFERENCES **47**
APPENDICES **55**
Appendix I: Interview Guide 55
Appendix II: Introduction Letter from the University of Nairobi 58
Appendix III: interview Confirmation Letter from Standard Chartered bank Kenya Limited 59

ABBREVIATIONS AND ACRONYMS

BFI - Banking and Finance Industry

BPO – Business Process Outsourcing

GDP – Gross Domestic Product

I T - Information Technology

ABSTRACT

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. The banking industry is currently facing stiff competition from other emerging banks and financial institutions in terms of performance and service delivery to the intended customers in the society. The purpose of the study is to identify the business operations that Standard Chartered Bank Kenya Limited outsources, identify the factors that drive Standard Chartered Bank Kenya Limited to outsource its business operations and to establish the challenges facing Standard Chartered Bank Kenya Limited in implementing the adopted BPO strategies. This research was a case study. The researcher used primary data sources. Primary data was collected by use of structured interview guides. The researcher thus used content analysis to analyze the data. From the study findings, the study concludes that the business operations that Standard Chartered Bank Kenya Limited outsources include information systems, accounting, auditing, archiving, cash sorting, product design, security personnel, transport, training, market Probe services, facilities management, card transaction monitoring, network services outsourcing and payroll. The study also concludes that the factors that drive Standard Chartered Bank Kenya Limited to outsource its business operations include a need to realize cost efficiency; for technical considerations, increase productivity/performance and the need to focus on core activities. The challenges facing Standard Chartered Bank Kenya Limited in implementing the adopted BPO strategies include lack of capable service providers, financial risk, lack of compliance with the contract, opposition from internal staff. The study recommends that for Standard Chartered Bank Kenya Limited to succeed in its outsourcing strategy good communication should be ensured, job quality should be a priority, strict rules should be implemented to guide outsourcing, an explanation should be given to the entire staff why the bank has to outsource, benefits of outsourcing should also be made clear to all the bank members, there should be a thorough follow-up (supervision) so that the work is done professionally and in good time and also costs should be considered before outsourcing to make sure that they do not exceed the benefits of outsourcing.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Outsourcing is an arrangement in which one company provides services for another company that could also be or usually have been provided in-house. Outsourcing is a management approach that allows delegating to an external agent operational responsibility for processes or services previously delivered by an enterprise. It can be defined as "the purchase of a good or service that was previously provided internally" (Elmuti and Kathawala, 2000). In general outsourcing can be related to make –or- buy decisions on intermediate goods, to the hiring of temporary labour, and to the use of external services. The term outsourcing is used to describe all the subcontracting relationships between firms, and the hiring of external workers we presume that firms engage in outsourcing activities because they expect a positive impact on firm performance by saving resources in terms of both labour and capital. If for instance intermediate goods are no longer internally produced but purchased from an external supplier, this leads to a reduction of both labour costs and capital investments. In the absence of transaction cost, a firm will decide to outsource, When the market price for an outsourced activity is lower than internal marginal costs for that activity (Fixler and Siegel, 1999).

Outsourcing is a fast-growing aspect of the world economy with a worldwide spending of about US$ 3.7 trillion in 2001 (Clott, 2004). Business Process Outsourcing (BPO) has been suggested as one of the biggest area of growth in the outsourcing market. Nevertheless, many organizations are still reluctant to outsource business processes that are part of their core business (Kakabadse and Kakabadse, 2002).

Outsourcing is a management approach by which an organization delegates some non-core functions to specialized and efficient service providers. In the era of ‘global market’ and ‘e-economy’, outsourcing is one of the main pillars of the new way to conceive the relationship among companies. Despite outsourcing large diffusion, huge business cases and big deals of documentation available on network or press, there is no structured procedure able to support the governing the evolution of a generic outsourcing process (Fransceschini and Galleto, 2003).

Standard Chartered Bank Kenya limited is a financial institution whose core activities involve banking. The bank has invested heavily in information technology to help improve efficiency and effectiveness. To help allow the Bank concentrate on its core business of banking, the management decided to outsource non core banking services. These saw the engagement of several vendors to supply various non banking services to the Bank as it concentrated to its core banking services.

1.1.1 Concept of Business Outsourcing Strategy

Business process outsourcing refers to an Organization that contract with another company to provide services that might otherwise be performed by in-house employees (Clott, 2004).

Many large Organizations outsource jobs such as call center services, cleaning, Security, e-mail services, and payroll. These jobs are handled by separate companies that specialize in each service. One of the most familiar forms of outsourcing is business process outsourcing (BPO), like transferring the operational ownership of one or more of the firm’s business processes to an external supplier that, in turn, administers the processes according to some predefined metrics.

Business Process Outsourcing refers to the rearrangement of entire business functions to some other service providers, primarily in low cost locations. The service provider may be either self-owned or a third party (Lankford and Parsa, 1999). This relocation or transferring of business processes to an external provider is essentially to accomplish increased shareholder value. BPO involves business process management and outsourcing. Business process management utilizes technology aimed at revamping the process, trimming down unnecessary steps, and eliminating redundancies. On the other hand outsourcing uses proficiency and resources of dedicated external service providers to execute many of these fundamental yet non-core activities (Mclvor and Humphreys, 2000.

1.1.2 Challenges of Implementation of the Business Process Outsourcing Strategy

According to Vani *et al.* (2008), the successful implementation of any strategy in an organization takes more time than its formulation which can challenge managers' attention to execution details thereby leading to failure in achieving the set goals. These challenges may include: identification and inclusion of key stakeholders successful implementation. Such challenges if not dealt with in time may hinder the achievement of intended purpose of the BPO.

In general, most organizations do not achieve the desired benefits from the outsourcing process. The acquisition of resources from outside does not by itself, guarantee competitive advantage to the firm. There are daunting challenges that hinder the demand of the outsourcing process of which lack of capable service providers, fear of job loss, loss of control, failure to realize the hidden costs of contact, lack of organizational support and loss of critical skills are the major ones.(Blumberg, 1998; Lazzaque and Sheng, 1998; Al-Qirim, 2003).

1.1.3 The Banking Sector in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines (Central Bank of Kenya, 2010).

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members. There are forty six banks and non-bank financial institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Ten of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

The banking industry is facing a competitive environment among the many banks operating in Kenya, exemplary customer service is one of the distinguishing characteristics that banks can exploit to establish a competitive edge. Since most banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. Banks therefore, must endeavour to develop innovative programs

and initiatives to maintain superior customer service levels while remaining profitable (Mullei and Masai, 2006). Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products.

Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. The key issues affecting the banking industry in Kenya are: - changes in the regulatory framework, where liberalization exists but the market still continues to be restrictive, declining interest margins due to customer pressure, leading to mergers and reorganizations increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional players, who now offer financial services products. The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector (CBK, 2010). Thus basing the study on an organization in this sector provides a suitable context for the study of strategy implementation issues.

1.1.4 Standard Chartered Bank Kenya

Standard Chartered PLC is the parent company of a number of banks and financial service companies spread across the world. Its largest subsidiary is Standard Chartered Bank, which accounts for the overwhelming majority of its operations. Standard Chartered was formed in 1969 as a merger between the Standard Bank of British South Africa, which did business throughout Africa, and the Chartered Bank of India, Australia and China, which operated

branches throughout India, China, and South Eastern Asia. Standard Chartered Bank opened its branches in Kenya in January 1911, with 2 branches; one at Treasury Square in Mombasa and the other on Kenyatta Avenue in Nairobi. Today, 101 years later, the Bank has an excellent franchise, with a network of 32 branches strategically located across the country, 84 Automated Teller Machines (ATMs) and 1,040 employees. With 25% local shareholdings, Standard Chartered Bank has remained a public quoted company on the Nairobi Stock Exchange since 1989.

As the oldest foreign bank in Kenya, it enjoys a market share of approximately 27%. The Bank has two core business divisions: – Wholesale Banking and Personal Banking. These two businesses are supported by the functions of Operations & Technology, Finance, Human Resources and Corporate Affairs. The corporate and institutional business is mainly handled out of the four major cities in Kenya: Nairobi, Mombasa, Kisumu and in Eldoret Town. The banks srategy is to be the world's best international bank, leading the way in Asia, Africa and the Middle East. Its focus is on building deep and long-standing relationships with its clients and customers and constantly looks to improve the quality of its products and services.

1.2 Research Problem

Business process outsourcing has been a rising trend in outsourcing since the end of 1970s. Most common type of business process outsourcing, information technology outsourcing, started to become more popular in the 1980s. In the same time information and computer systems become more complex and new possibilities for companies to seek competitive advantage were found (Mierau, 2007). Outsourcing is a fast-growing aspect of the world economy with a worldwide spending of about US$ 3.7 trillion in 2001 (Clott, 2004). Business Process Outsourcing (BPO) has been suggested as one of the biggest area of growth in the outsourcing market.

Nevertheless, many organizations are still reluctant to outsource business processes that are part of their core business (Kakabadse and Kakabadse, 2002). Financial institutions are facing a new reality with the evolving mobile and online behaviours of customers and partners who demand new and uninterrupted services, 24/7.

Additionally, pressures to deliver improved transparency and risk management, reduce costs, and successfully navigate an ever-changing and consolidated financial ecosystem is adding to the complexity. As resources in the financial services industry continue to become even more strapped, institutions are turning to outsourcing as a way to reduce costs. 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. The banking industry is currently facing stiff competition from other emerging banks and financial institutions in terms of performance and service delivery to the intended customers in the society.

The benefits of IT outsourcing in the Banking and Finance Industry (BFI) seem to be quite well understood from both an academic and a practitioner's perspective. However, we still lack thorough and empirically validated understanding of the risks of outsourcing, especially concerning business processes. This raises questions about the impact of risk facets such as financial, strategic, performance and social risks on outsourcing decisions in banks and ultimately challenges the field to propose sound outsourcing decision support that considers benefits and risks.

Previous studies relating to business process outsourcing have been undertaken as depicted below; Kinyua (2010) conducted a study based on the impact of business process outsourcing at Kenya Power and Lighting Company Limited. Nyarandi (2001) found out that most outsourcing initiatives are formed with clear objectives, however if implementation is not carried out well it might account for the dissatisfaction in outsourcing. Machoka (2008) conducted a study on business process outsourcing strategy in the audio visual industry in Kenya.

Another study undertaken by Kirui (2001) focused on BAT (British American Tobacco) as a case study; it focused on how competitive advantage through outsourcing of non-core logistics activities within the supply chain of BAT could be beneficial. Drawn from the above studies, it is observed that no known study has been carried out on the challenges facing Standard Chartered Bank Kenya in the implementation of the business process outsourcing strategy. Consequently, this study sought to address the following questions at Standard Chartered Bank Kenya. What are the challenges of adopting business process outsourcing strategies? Thus, the study endeavors' to bridge the gap in the above studies conducted in different fields and environments.

1.3 Objectives of the Study

The objectives of this study were:-

i. To identify the business operations that Standard Chartered Bank Kenya Limited outsources.

ii. To identify the factors that drives Standard Chartered Bank Kenya Limited to outsource its business operations.

iii. To establish the challenges facing Standard Chartered Bank Kenya Limited in implementing the adopted BPO strategies.

1.4 Value of the study

This study would assist in addressing issues relating to the body of strategies adopted for business processes outsourcing in which firms operate in, particularly in the following areas: Government and policy makers at various levels of management would gain value added information on adapting business processing outsourcing in response to changing competitive environment. For instance, the managers responsible for strategies may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting strategies for business processing outsourcing.

Academic scholars and researchers would be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study would make theoretical, practical and methodological contributions. The findings would contribute to professional extension of existing knowledge in business processing outsourcing by helping to understand the current challenges for adopting these strategies and their effects on environmental response in various financial institutions in general.

Stakeholders would benefit from this research as it would be an important blueprint for the other players in the banking and financial industry (BFI). The findings of this study would act as a reference source for other commercial banks especially when planning on which services to outsource.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section draws on literature in the area of business process outsourcing and the challenges encountered while adopting the BPO strategies. Secondary material such as books, journals, and articles which carry previous research work on the study topic are analyzed. The material is of importance to this study as it forms a basis for observations which will be made during the study in line with the study aims and objectives.

2.2 Theories of Business Process Outsourcing

This section reviews the theoretical framework on which the concept of business process outsourcing is built. Specifically, the section covers the resource based theory,

2.2.1 Resource-Based View

According to Barney (1991) the resource based view is based on the concept of productive resources. In this strategic theory, the firm is viewed as a collection of physical and intangible resources that enable it to compete with other firms. It makes the assumptions of resource heterogeneity and resource immobility. Resource heterogeneity is the assumption that the resources that firms possess and the strategies they pursue are idiosyncratic to the firm. Resource immobility is the assumption that all resources are not perfectly mobile, that is, all resources may not be bought and sold in open markets to create resource homogeneity between firms. Competitive advantage is gained through resources that are valuable, rare, imperfectly imitable, and without strategically equivalent substitutes (Gilley, McGee and Rasheed, 2004).

A conceptual understanding of these constructs is essential to understand the relationship of this theory to other theories. Value refers to the ability of a firm attribute to exploit specific opportunities and counter threats in the environment. Only when a firm attribute possesses value does it become a resource (Brown and Wilson, 2005). To provide sustained competitive advantage, a resource must also have the remaining three qualities. The resource must be rare among the firm's present as well as potential competitors. As long as the number of firms possessing this resource is less than the number of firms needed to generate perfect competition, the resource is adequately rare to potentially create competitive advantage (Beaumont and Sohal, 2004). A resource may be imperfectly imitable due to any of the following three factors: it is dependent on unique historical settings; its relation to competitive advantage is causally ambiguous; the resource is socially complex (Earl, 1996). Non-substitutability indicates that there are no strategically equivalent substitutes that are valuable but are either imitable or not rare. If potential competitors can easily acquire or imitate these substitutes for the resource, then the resource does not provide a means for sustained competitive advantage.

The resource based view does not address the issue of firm boundaries directly. Silverman (1998) posits that the resource based view implies that a firm should possess all valuable resources within its boundaries, and therefore has underemphasized a firm's seeking competitive advantage through outsourcing rather than by expanding organizational boundaries. However, since the theory does not explicitly make this suggestion, it can be easily extended to include outsourcing. According to Gilley, McGee & Rasheed, (2004), on the antecedents to outsourcing, studies using this theory assume that a firm is not able to internalize more than a few resources. The firm then decides between all the resources they need by comparing the attributes of the resources with each other. Resources with greater value and rareness and lesser imitability and

substitutability are internalized while the other resources are outsourced. However, the resource based view may also guide the decision even in a situation in which a firm does have the luxury of internalizing all resources. The decision to outsource is a decision to replace a resource that the firm possesses with a resource in the external environment (Conner, 1991).

The resource acquired should therefore be of greater value and rareness and of lesser imitability and substitutability than the resource previously possessed by the firm. Hence, a comparison of the resources of the firm with the resources of vendor firms is more crucial in deciding which resources to outsource than comparing the firms resources to each other (Beaumont and Sohal, 2004) From a purely resource-based perspective, any resource that provides a greater competitive advantage than a substitute resource that can potentially be acquired through outsourcing should be internalized, while other resources should be outsourced. This decision, however, is affected by other factors, as predicted by economic theories. It may be noted here that the fact that a resource may be outsourced implies the availability of substitutes, which could possibly reduce the resource's potential for sustained competitive advantage. The resource may still possess this potential if the substitute resource is rare and imperfectly imitable (Al-Qirim, 2003). The resource based view also makes another prediction from its perspective as a unique combination of resources: a resource may be more productive in combination with certain other resources (Conner, 1991). Therefore, a firm has a reason to internalize when an equivalent resource is available in the environment. If the resource can create greater value in combination with the firms other resources than if it was outsourced, the resource should be internalized.

In terms of the outcomes of outsourcing, the resource should be able to provide the ability to generate above normal rents. Obtaining above normal returns requires that the outsourced product is distinctive or available at a lower cost than identical products (Al-Qirim, 2003). Sustained competitive advantage may not be possible through outsourcing according to the resource based view as this requires the resource to be rare, imperfectly imitable and non-substitutable. However, it has achieved a unique combination between the outsourced resource and other internal firm resources are possible. The concept of core competences has been developed on the basis of the resource-based theory (Conner, 1991).

Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organisation, 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 used 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).

According to Barney and Hesterly (2006), 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 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 theory has been also used to explain some of the key issues of the Managing relationship and Reconsideration phases (Prahalad and Hamel, 1990).

2.2.2 Transaction Cost Economics

According to Conner (1991) transaction cost economics (TCE) looks at firms as avoiders of market costs by analyzing the relative efficiency of the market in comparison to internalization. This theory was pioneered by Coase in 1952 who predicted that "a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of exchange on the open market or the costs of organizing in another firm". If the market is perfectly competitive, outsourcing may be more efficient than internalization. However, these conditions may not always exist. Williamson expanded on Coase's framework by identifying specific instances where firms can avoid market costs by internalizing. This approach has two behavioral assumptions that pay more attention to "human nature as we know it" - bounded rationality and opportunism. Bounded rationality recognizes that agents possess limited abilities in formulating and solving complex problems and in processing information, and therefore they remain "intendedly rational, but only limitedly so" (Prahalad and Hamel, 1990).

The agents are also simultaneously subject to opportunism, or self-serving with guile. All transactions in a market are associated with production costs, as well as additional costs due to incomplete contracts caused to bounded rationality and the risk of opportunistic behavior. These

costs depend on the asset specificity, small numbers bargaining, and imperfect information. Asset specificity refers to the amount of dependence an asset has on an input or producer to which it is specific. A resource that is highly asset specific requires highly specialized or idiosyncratic assets. This can arise in one or more of three ways; site specificity, physical asset specificity and human asset specificity (Clott, 2004). This puts the producer at a higher risk as the assets are so highly specific that they cannot be easily transferred elsewhere. This can lead to a lesser number of suppliers, and a potential for noncompetitive opportunistic behavior by the suppliers. This condition creates small numbers bargaining, as a replacement for the asset cannot be found without cost (Hussey and Jenster, 2003).

Imperfect information is the condition that it is difficult for the buyer to assess the performance of the vendor, and a complete contingent contract is not possible, leaving open risk of opportunistic behavior by the latter. Transaction cost economics assumes that there is no danger of opportunism within the firm, and a firm therefore exists to decrease opportunistic potential. It predicts that when the conditions of asset specificity, small numbers of transactions, and imperfect information exist simultaneously, a firm would internalize the production of this asset (Elmuti and Kathawala, 2001). When these three conditions do not exist simultaneously, the opportunistic potential of the vendor is not significant, and market transactions will dominate instead. Under the conditions of low asset specificity, frequent transactions, and more complete information, the vendor may achieve economies of scale by outsourcing to several firms requiring the same asset or resource. This would result in a decrease in production cost for the buyer. From the above, we note that only TCE addresses outsourcing directly, as it deals primarily with firm boundaries (Lau and Zhang, 2006). TCE deals with both the antecedents as well as the outcomes of outsourcing.

2.2.3 Contingency Theory

According to Drazin & Van de Ven, (1985), most propositions in organizational research may be considered a contingency theory as long as they specify a relationship that holds during certain conditions. Structural contingency theories may therefore, vary greatly in terms of their constructs and predictions. However, all of them deal with the concept of 'fit' between organizational variables and environmental variables. However this concept of fit may vary greatly as well and may be construed to mean moderation, mediation, matching, gestalts, profile deviation, and co variation (Venkatraman, 1989).

Under this view, it is suggested that organizations that face a high degree of uncertainty in their environments, for example due to fluctuations in rents and/or prices, may seek to ensure some stability by entering into outsourcing contracts (Koberg and Ungson, 1987). This framework may be understood in context of resources with regards to outsourcing. An organization has selected, acquired and combined a set of resources that were available in the environment. However, these resources may not be sufficient for it to meet its goals. This causes the organization to perceive a gap between its present capabilities and its intended capabilities. This gap may be also caused by the dynamics of the external environment.

The changing environment may expose new opportunities and threats to the firm (Venkatraman, 1989). This again causes the perception of a gap between the present resources of a firm and those needed to exploit opportunities and counter threats. The organization seeks to achieve a fit between the resources of the firm and the competitive environment by acquiring the resources in the gap either through outsourcing or internalizing. Contingency theory would predict the decision to be a result of the fit between environmental and firm-level factors. If the environment

is uncertain, the firm cannot predict whether the resource would be needed in the future (Koberg and Ungson, 1987). The resource may lose value and would no longer be able to generate rents, or imitations or substitutes of the resource may be available that may have higher value. In such a situation, the firm may decide that greater flexibility may be achieved through acquiring the resource through short-term outsourcing rather than by internalizing through heavy investments. Therefore, from the perspective of contingency theory environmental uncertainty or dynamism is an antecedent to outsourcing. We posit that greater environmental uncertainty will lead to an increasing in outsourcing. As a consequence of outsourcing, the contingency theory implies greater organization-environment fit.

2.2.4 Agency Theory

Agency theory deals with the principal agent problem, in which the principal delegates an activity to an agent. Principals and agents are assumed to be self-interested, rational and risk-averse (Eisenhardt, 1989). Agency theory deals with two problems. The first is the agency problem, in which (a) the agent's goals do not always meet with the principal's, and (b) it is difficult or expensive for the principal to verify or control the agent's behavior. The second problem is that of risk-sharing. Since both the agent and the principal are risk-averse, they may prefer different approaches towards risk-sharing. This results in increased agency costs for developing monitoring and enforcing contracts. These costs may be predicted by outcome uncertainty, span of control, and programmability. Agency costs may decrease over time as principals and agents develop better relations through repeated transactions (Gong, 2003).

Agency theory has several areas of overlap with transaction cost economics. It includes the assumption of opportunistic behavior through the belief that the agent will not behave in the principal's best interests. It also includes the assumption of bounded rationality through the belief that it is not possible to write a complete contract (Eisenhardt, 1989). There is also content overlap between the agency theory constructs of outcome uncertainty, span of control and programmability, and the transaction cost construct of imperfect information. Imperfect information is the condition that it is difficult for the principal to assess the performance of the agent, and a complete contingent contract is not possible, leaving open risk of opportunistic behavior by the agent (Gong, 2003). This would include ability to assess that the desired outcome would occur (outcome uncertainty), ability to monitor and control the agent's behavior (span of control) and the ability to write a complete contingent contract (programmability). From the perspective of agency theory, these are the main antecedents of outsourcing. The lower the outcome uncertainty, the higher the span of control and the higher the programmability, the greater the likelihood to engage in outsourcing.

An increase in the transaction cost economics constructs of asset specificity, small numbers bargaining, and imperfect information, may also result in higher risk of opportunistic behavior by the agent, and therefore create increased costs for the principal to negotiate, monitor, and enforce a contract with the agent. This includes the costs predicted by agency theory; the costs of the agency problem and the costs associated with risk sharing (Schilling and Steensma, 2002).These is the primary outcomes of outsourcing as predicted by agency theory.

2.3 Strategies of Business Process Outsourcing

Two new strategic approaches, when properly combined, allow managers to leverage their companies' skills and resources well beyond levels available with other strategies; concentrate the firm's own resources on a set of "core competencies" where it can achieve definable preeminence and provide unique value for customers. Strategically outsource other activities including many traditionally considered integral to any company, for which the firm has neither a critical strategic need nor special capabilities (Quinn and Hilmer, 1994).

Outsourcing is a business strategy whereby a company hires an independent outside company to do some of its non-core company work. More companies prefer to own brand rather than physical assets they are de-capitalizing. A few companies are moving toward hiring outside parties to provide almost all services (Kotler, 2003). Outsourcing is a trend that is becoming more common in banking and other industries for services that have usually been regarded as intrinsic to managing a business.

In some cases, the entire information management of a company is outsourced, including planning and business analysis as well as the installation, management and services of the network and workstations (Nag, 2004). Outsourcing has become a critical strategic decision that can allow organizations to develop and leverage the capabilities required to compete in today's global business environment. Outsourcing is increasingly being employed to achieve performance improvements across the entire business. Leading firms have been adopting more sophisticated outsourcing strategies and are outsourcing core processes such as design, engineering, manufacturing, and marketing. These organizations have been benefiting greatly from accessing the specialists capabilities of supplier in a range of business processes (Aron and Singh, 2005).

The key strategic issue in in-sourcing versus outsourcing is whether a company can achieve a maintainable competitive edge by performing an activity internally, usually cheaper, better, in a more timely fashion, or with some unique capability, on a continuing basis. If one or more of these dimensions is critical to the customers and if the company can perform that function uniquely well, the activity should be kept in house. Many companies unfortunately assume that because they have performed an activity internally, or because it seems integral to their business, the activity should be in-sourced (Quinn and Hilmer, 1994).

Effective strategies seek out places where there are market imperfections or knowledge gaps that the company is uniquely qualified to fill and where investments in intellectual resources can be highly leveraged. Companies consistently make more money than their competitors only if they can perform some activities, which are important to customers, more effectively than anyone else. True focus in strategy means the capacity to bring more powers to bear on a selected sector than any competitors can.

Many companies can substantially leverage their resources through strategic outsourcing by developing a few well-selected core competencies of significance to customers and in which company can be best-in world, focusing investment and management attention on them, and strategically outsourcing many other activities where it cannot be or need to be best. There are always some inherent risks in outsourcing, but there are also risks and costs of insourcing. When approached within a genuinely strategic framework using the variety of outsourcing options available and analyzing the strategic issues developed. Companies can overcome many of the costs and risks when intelligently combined, core competency and extensive outsourcing strategies provide improved returns on capital, lowered risk, greater flexibility, and better responsiveness to customers needs at lower costs (Maloney, 1992).

2.4 Challenges of Implementing Outsourcing Strategies

Although there are good reasons to outsource, a number of potential obstacles are also recognized. There is evidence that outsourcing does not reduce costs as expected in some cases. These include loss of control, loss of critical skills, inadequate capabilities of service providers, loss of flexibility, failure to realize the hidden costs generated by the contract, difficulty in obtaining organizational support, indecisiveness on which activities to outsource, inadequacy of cost and benefit analysis systems, are among the commonly cited inhibitors to outsourcing (McIvor and Humphreys, 2000).

Despite the dramatic rise in outsourcing in recent years, few empirical investigations of the subject have been conducted. Previous work on outsourcing has been primarily theoretical in nature and has relied mostly on anecdotal evidence to support assertions. Furthermore the conclusions of these works are inconsistent. Many intuitively appealing arguments have been offered both for and against outsourcing as a means of achieving sustainable competitive advantage (Gilley and Rasheed, 2000). Inadequate capabilities of service provider results in loss of competitive advantage and loss of market share (Jennings, 2002). Service providers who form the major backbone of business process sourcing are faced with key challenges, ranging from; organizing and designing the work, facilitating employee transitions, managing performance, managing turnover and legal obligations (Lankford and Parsa, 1999). “Lack of capable service providers” is a major problem of outsourcing which includes inability to provide effective transportation networks, poor transportation tools, old -designed warehousing facilities, lack of qualified staff, and lack of IT capability.

Fear of job loss results in increased resistance to change and lower staff morale (Razzaque and Sheng, 1998; Emblemton and Wright, 1998). Pre and post outsourcing costs in areas like administration, and office expenses have no clear post-outsourcing measurements. Managing performance has the obstacles such as employee discretion in performance (customer service), assessment of employees working on the work, and career verses task-oriented training (managing turnover such as maintaining service continuity to meet contract obligations, and transition of former client employees to service provider and identified as obstacles of business process outsourcing (Quinn and Hilmer, 1994).

Loss of control is one of the potential obstacles and problem associated with outsourcing, the impacts comprises of loss of core competence and risks of alienating customers (Lonsdale and Cox, 2000). Loss of control over the outsourced activity is also considered one of the most commonly cited inhibitors to outsourcing. Aligning employee behaviors with the organization's objectives often is facilitated by a performance – management process. In the outsourcing environment, it is impractical to apply the traditional performance management process (Beaumont and Sohal, 2004).

Several researchers have discussed a wide range of risks in outsourcing scenarios, resulting in undesirable outcomes such as unexpected escalated costs, disputes and litigations, lock-ins, and loss of organizational competencies, and loss of control over outsourced functions. When outsourcing is carried out with an offshore vendor it poses additional risks such as cultural differences, language barriers, and geographical and time zone related barriers (Beaumont and Sohal, 2004).

Although there are a good number of reasons to outsource, a number of potential obstacles are also realized. According to Beaumont and Sohal (2004), outsourcing does not reduce costs as expected in some cases. Failure to realize hidden costs of contract, results in increase operating cost. The pre and post –outsourcing costs are usually experienced in the areas of administration, operation and office expenses.

After over a decade of economic boom times, the recent global economic turndown has significantly accelerated and intensified market competition pressures, causing many corporations to seek innovative ways to deal with the changed economic landscape. In the process, an increasing number of organizations worldwide have turned to BPO, which has significantly lower overhead costs without sacrificing quality and productivity levels. Today, BPO is considered not only as a simple cost-cutting mechanism but also a strategic initiative, which is expected to shape and prepare the organization for future business dynamics (Quinn and Hilmer, 1994).

Difficulty in obtaining organizational support and indecisiveness on which activities to outsource, results in increased chances of failure. However, the positive implications of BPO services for a company's performance also depend on the managerial ability of the BPO client company (Kakabadse and Kakabadse, 2000). Conflicts in outsourcing are a result of difference of interests between the client and their vendors. One of the major risks in outsourcing is contractual conflicts, which arise because of: differences in objectives of the client and vendor. If conflicts are not resolved amicably, the hostility and bitterness resulting from them can lead to negative consequences including employee resistance and employee turnover (Quinn and Hilmer, 1994).

Loss of Critical skills, mostly results in loss of competitive advantage, and increased number of competitors. By strategically outsourcing and emphasizing a company's core competencies, managers can leverage their firm's skills and resources for increased competitiveness (Quinn and Hilmer, 1994). Executives need to look beyond the company's products to the intellectual skills or management systems that actually create a maintainable competitive edge. Products, even those with valuable legal protection, can be too easily back–engineered, duplicated, or replaced by substitutes. Instead competencies tend to be sets of skills that cut across traditional functions. This interaction allows the organization to consistently perform an activity better than functional competitors and to continually improve on the activity as markets, technology, and competition evolve (Maloney, 1992). The interactions among skilled people in different functional activities often develop unexpected new insights or solutions. Companies fear outsourcing will make such cross- functional serendipity less likely.

2.5 Drivers of Outsourcing Strategy

A large number of studies have analyzed the drivers of outsourcing from both a theoretical perspective (Jennings 2002) and a practical point of view using case studies and surveys in developed countries such as US, UK, Australia and New Zealand while many drivers are unique to specific organizations and industries, there are some common key factors that motivate organizations of all industries to make outsourcing decisions. These factors can broadly be categorized as economic, strategic and environmental. By means of outsourcing, organizations can gain competitive advantage through cost reduction and improved responsiveness to changing business environment and market demand (Al-Qirim, 2003).

Organizational competitiveness is determined by the ability of an enterprise to constantly meet changing customer needs better than the competition. In a market place where in socio-techno-economic factors are dynamic, it is not feasible for an organization to build competitiveness and sustain the same at all the stages of the value chain. Typically, the drivers for outsourcing can be internal or external and these have been a focus of study by some researchers in the past (Ramachandran and Voleti, 2004).

The key drivers include financial reasons such as reducing costs, generating additional profits and reducing capital outlays with periodic payments. Technical reasons for outsourcing are quality improvement, gaining access to new talent and technology, the easy availability of vendors with expertise, and economies of scale. Among the tactical drivers the most prominent ones are shortage of skilled workers and cost-reduction opportunities. Cost–reduction results in anticipated outcomes such as, improved profitability, improved operating efficiency, and adding value to a product service. Costs saving objectives have the anticipated outcomes of, improving cash flow, and increasing efficiency.

Strategic reasons refocus on innovation and core–competencies. Leading organizations are shrinking their business cycles and tightening feedback loops, and increasing quality standard (Brown and Wilson, 2005). These factors involve acceleration of business process re-engineering, flexibility enhancement and focus on core competence. These factors result in the following anticipated outcomes; improved performance, achievement of competitive advantage, improved business focus, increased competitiveness, leverage of the firm's skills and resources, enhanced customer satisfaction, reduced constraints of organizations own production capacity, to convert fixed costs to variable costs, increased responsiveness to market change, and eventually to reduction in risks (Lynch, 2004).

“To accelerate re-engineering benefit” is one of the strategic factors that influence the decisions of companies. Clott (2004) view that re-engineering gives companies the opportunity to consider outsourcing as one of the tools that they can use in the new business process to improve company performance and reduce operational costs. Jennings (2002) suggests that organizations should outsource activities for which they do not have a critical strategic need or special capability, and focus their attention on core competence to increase customer value. Environmental reason for outsourcing is “to facilitate market penetration” which is principally viewed as a global outsourcing that helps organizations to enter new markets quickly without heavy initial investments and get geographically closer to customers to enhance responsiveness to changing customer needs (Lynch, 2004).

Environment factors in outsourcing comprises of IT development, globalization and capability of supplier. The objective related to the factors of outsourcing affected by environmental factors anticipates the following outcomes; to meet increasing demand for new information. Systems and resources more efficiently and economically, to help companies gain global competitive advantage and to enable partnering to improve service quality and customers service and increase competitive advantage (Clott, 2004). The significant objectives of this initiative are to improve operating performance; obtain expertise, skills and technologies, improve management and control; improve risk management; acquire innovative ideas; improve credibility and image by associating with superior providers.

Performance measures of productivity, quality, timelines, cycle time, utilization, can be targeted for improvement. When companies outsource, they become more flexible, dynamic and competent to change themselves to exploit changing opportunities (Ramachandran and Voleti, 2004). BPO is one of those interdisciplinary of the enabling workplace innovations that require a

diverse set of skills in order to be successful. The initiation and implementation of a BPO project in an organization requires focused attention on several human factors, both within the organization initiating the project and within the outsourcing vendor (Pai and Basu, 2007).

Gonzalez, Gasco and Llopis (2005), analyzeD the impact of business process outsourcing on the firm level performance of German manufacturing firms in the period between 1992 and 2000 using a large dataset of 43,000 firm-year observations. Cost cutting remains the primary explanation for business process outsourcing. Firms evaluate business process outsourcing to determine whether current-operating costs can be reduced and if saved resources can be reinvested in more competitive processes. Some researchers contend that an important source of cost reductions is the business process outsourcing firm's access to economies of scale and the unique expertise that a large business process outsourcing vendor can deliver (Barney and Hesterly, 2006). Since these business processes outsourcing contract receivers typically serve many clients, they often achieve lower unit costs than can any single company. Specialist business process outsourcing vendors can also afford to invest more in new technologies and innovative practices than can many business process outsourcing contract-granting firms.

Studies using survey techniques to evaluate the degree of business process outsourcing of their sample firms overcome the potential flaws of the various measures for vertical integration. This approach also ensures that the firms observed have actually outsourced business functions, while an observed change in vertical integration (e.g. measured by bought in services over labor costs) may also stem from rising labor costs without any change in the value chain of the firm. However this approach comes at the cost of far smaller samples and possibly subjective biased data provided by the respondents. There are other empirical studies that show that business process outsourcing does not result in cost reduction (Pai and Basu, 2007), or increase

productivity, profitability, quality, continuous development (Gilley and Rasheed, 2000), and the quality of working life. In their research, they found that there are managers who think that business process outsourcing does not change organizational performance or lowers it.

Most companies consider business process outsourcing an effort to increase flexibility in the utilization of transportation and warehousing capacity and to reduce risks in IT investment. These are consistent with the findings from surveys in the US and Europe. Business process outsourcing is also used to provide seasonal workforce and to overcome constraints in production capacity. These also agree with previous research findings by Embleton and Wright (1998) and Kakabadse and Kakabadse (2000). The study also reveals that business process outsourcing has been used to convert a largely fixed cost business to one with variable costs in which expenses can change according to the business climate.

Several potential benefits may be achieved by business process outsourcing in-house activities (Ramachandran and Voleti, 2004). One of these benefits is increasing the firm's flexibility capabilities. Because flexibility is viewed as a reaction to environmental uncertainty (Parolia and Parikh, 2005), it is important to extend the notion of flexibility beyond the factory floor linking it to market requirements. Firms may outsource in order to obtain workplace flexibility to face environmental uncertainty and improve performance. However, the review of the literature indicates that the impact of business process outsourcing on firm performance is highly inconclusive. Besides, we have not found any study that has analysed the concurrent impact of business process outsourcing and other workplace flexibility dimensions on firm performance. Workplace flexibility practices like multi-functional teams or temporary contracts are also aimed at reducing costs or increasing the flexibility capabilities of the firm.

The literature usually classifies workplace flexibility into internal and external. Internal flexibility involves efforts to increase the firm's ability to adjust to changing circumstances through modifications of the internal labour market or work organisation (functional flexibility and internal numerical flexibility) whereas external flexibility uses changes in the external labour market (external numerical flexibility) and business process outsourcing(Parolia and Parikh, 2005). Functional flexibility makes the deployment of individual workers to particular tasks more adaptable by implementing workplace practices such as multi-skilling teams or job rotation. Internal numerical flexibility involves a search for adjustment through changes in the amount or distribution of working time by using practices like overtime, flexitime or part-time contracts. Finally, external numerical flexibility makes the volume of labour more flexible by externally changing the level of employment through layoffs or the use of temporary employees (Prahalad and Hamel, 1990).

Business process outsourcing presents organizations with the opportunity to avoid the constraints of their own productive capacity in meeting changes in the volume of sales. In situations where the pattern of sales displays seasonal or cyclical characteristics the penalties of under used in-house capacity may be avoided. However, care has to be taken in ensuring that a viable supply base is maintained that is capable of meeting peak levels of demand. The adoption of lean supply by Boeing has at times resulted in the company being unable to meet cyclical increases in the demand for aircraft.

Lacking sufficient in-house production capacity the company has found that attempts to increase capacity have resulted in their drawing resources away from the company's suppliers. The potential for improved flexibility may apply not only to the volume of output but also the ability of the organization to change the product range in response to market conditions. Ramachandran

and Voleti (2004) describes how rapid information exchange, rather than ownership of the various stages of production, enables companies to respond to the industry's short life cycles and abrupt changes in fashion. Business process outsourcing has been prescribed as an important tool for attaining and maintaining a competitive advantage. Global sourcing is nothing less than the whole sale restructuring of the corporation around core competencies and outside relationship (Corbett, 1998). This exploratory empirical investigation into global business process outsourcing provides tentative avenues for increasing the probability of success of global business process outsourcing projects and raises many issues for further study of the outsourcing phenomenon.

Business process outsourcing is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. It is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, or as Corbett, a leading consultant on global business process outsourcing asserts, business process outsourcing is nothing less than the wholesale restructuring of the corporation around core competencies and outside relationships (Clott, 2004). The traditional global business process outsourcing emphasis on tactical benefits like cost reduction – cheaper labor cost in low-cost countries – have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills.

A core competency lies in an ability to differentiate outputs so that they match a market segment very precisely. To identify the core competencies requires assessment of the contribution of every activity undertaken in an organisation, to decide whether: has a direct effect on satisfying customers' needs; would achieve comparable quality more cheaply; of resources to other activities would earn a superior return; benefits might arise from business process outsourcing

such as lower inventory cost, reduced management time and improved production flow. An increased focus on a firm's core competencies is an important benefit associated with business process outsourcing (Gilley and Rasheed, 2000). Core competencies activities should be performed either in house or by suppliers. Activities, which are not core competencies, should be considered for business process outsourcing with best-in-the-world suppliers. Some non-core activities may have to be retained in house if they are part of a defensive posture to protect competitive advantage (Barney and Hesterly, 2006). Although some authors indicate characteristics of core competencies, most of the literature on this subject seems tautological – core equals key or critical or fundamental. Employees in non-core functions (even if not facing business process outsourcing) may feel excluded by the organization because they are a non-dominant discipline. For example, information technology employees working on web based legal services in a law firm may feel excluded by lawyers in the firm.

With the ever growing interest for business process outsourcing, organizations should have closer collaboration with their partners and their success depends on successful interaction of various teams and stakeholders based in different locations. Information and knowledge transferring and sharing without direct interaction among the concerned participants are necessary to have a successful partner's cooperation (Brown and Wilson, 2005). On one hand, knowledge sharing beyond one's organizational boundary in an extended network of participants will be inevitable. On the other hand, versus of organization's resistance to keep core competencies and their own knowledge, there are many retaining, utilizing and creating knowledge problems arising from extending the scope of business process outsourcing in firms.

The risk of loss of strategic information coupled with the threat of opportunistic behavior by another partners is a strategic challenge of business process outsourcing. The resource-based theory of the firm holds that, in order to generate sustainable competitive advantage, a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable, and not readily obtainable in factor markets. Knowledge is an intangible resource for organization that could be as a strategic resource. Therefore, it is necessary using an intelligent knowledge management system to manage the firm's knowledge as a strategic resource versus the threat of loss of strategic information (Brown and Wilson, 2005). They have argued that when a firm outsources in order to benefit from a set of complementary skills, the firm's management will have to be involved not only in the negotiation of the business process outsourcing contract, but also in methods of operation and interaction between the two firms.

Since the employees of the two firms would probably be mutually antipathetic, the management would have to establish the rules, forcing people to share each other's knowledge. They point out that firms business process outsourcing their knowledge-based processes for a quick return on investment might be in for a rude shock (Brown and Wilson, 2005). There are significant management challenges that need to be addressed. If the degree of complementarily of knowledge between the firms is low, the results might not be this prescriptive. When the knowledge of the two employees are similar enough, sharing does not lead to a significant increase in each other's knowledge, but comes with its associated costs and this is especially dire when much of the time in the meetings might be spent in determining the exact knowledge which is dissimilar between the employees (and therefore worth sharing). Thus, forcing a higher level of cooperation would add to the costs but not deliver commensurate benefits.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter discussed the research design used in this study. The methodology it applied, sampling procedures, data collection and data analysis technique and sampling technique will be explained.

3.2 Research Design

This research was a case study. Kothari (2004) defined a research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Case study research is a commonly adopted strategy in the study of outsourcing decision (Benson and Leronimo, 1996; Fill and Visser, 2000; Bolumole, 2001; Mclvor, 2003). The use of case study approach in this study ensures an in-depth exploration of the research question and enables the researchers to gain an insight into the real motivations behind the companies engaged in outsourcing, the obstacles and problems in the outsourcing process, and their impacts on the organization performance.

The case study approach lends itself to a concentrated focus on the topic and allows a combination of multiple sources of evidence which enables the researcher to capture and place the complex reality under scrutiny (Saunders, Lewis and Thornhill, 2003).

3.3 Data collection

The researcher used primary data sources. Primary data was collected by use of structure interview guides. The interview was conducted on 10 functional heads who are members of the country committee of Standard Chartered Bank Kenya Limited responsible for business process outsourcing.

Interviews have the potential to yield the highest quality and quantity of data compared to other methods because supplementary information can be collected in the course of the interview. As such were preferred over other research instruments such as questionnaires and observation. The interview guide was modeled on known business process outsourcing concepts deemed applicable in managing outsourcing strategy in such organizations was utilized (Dawson 1994). The researcher believed that this would make it possible to obtain data required to meet the objective of the study.

3.4 Data Analysis Technique

The data collected was qualitative in nature. The researcher thus used content analysis to analyze the data. The data obtained from the interview guide was analyzed using content analysis. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Content analysis was used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner.

Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of

message of the existing documents and measure pervasiveness. These are done from texts within books interviews, conversations or any occurrence of communicative language. This approach of analysis was preferred because it gave results that are predictable, directed and comprehensive and enable the researcher to shift through large volumes of data with relative ease in a systematic fashion as the contents obtained from the interview are categorized into emerging common themes. However, content analysis is criticized for lacking reliability; for instance, the way one categorizes the data does not cohere with how somebody else would do it.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology on the implementation of the business process outsourcing strategy in Standard Chartered Bank Kenya Limited. The data was gathered exclusively from an interview guide as the research instrument. The interview guide was designed in line with the objectives of the study.

From the study 9 out of the 10 respondents targeted participated in the interview making a response rate of 87.5%. This commendable response rate was made a reality after the researcher made personal calls and visits to request the respondent to avail themselves for the interview guide as well as insisting the importance of participating in the study.

4.2 General Information of the Respondents

The study sought to establish the distribution of the interviewees in various departments within the organization. From the findings, majority of the interviewees indicated that they worked in the human resource, finance, strategic management, operations, marketing and business development departments.

On the length of duration that the interviewees had worked in the bank, the interviewees had worked for the organization for at least five years since most promotions are internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they headed departments and experience and aptitude owing to their years of experience in the organization.

4.3 Outsourcing of Businesses Processes by the Bank

The study sought to establish whether the departments outsourced any business processes. According to the interviewees, majority of the departments in the Standard Chartered Bank Kenya Limited outsource various business processes including information systems, accounting, archiving, card transaction monitoring, auditing, product design, security personnel, transport, Market probe services, facilities management, cash in transit, network services outsourcing and payroll.

The study sought to establish the challenges that the Bank has experienced as a result of outsourcing. The interviewees unanimously agreed that there are various challenges associated with the outsourcing of businesses processes. They indicated that the major challenges include: vendor exposure of customer data, financial risk, lack of compliance with the contract, opposition from internal staff and increases the organization's liabilities to third parties such as software licensors. Other challenges cited include hidden costs, indirect and social costs, contract monitoring and oversight, contract generation, procurement of intangibles and transition costs.

4.3 Types of Business Processes Outsourced by the Bank

On the major services that the Bank has outsourced, the interviewees indicated that the most outsourced services include information technology (IT) services, consultancy services, ATM facility management services and security services. Other services outsourced include transport, training, Market probe services, and facilities management.

The study sought to establish whether the bank outsourced various back office services and how frequently they are outsourced. From the study, information technology is the most frequently outsourced back office service since IT is a backbone of the services offered by the bank

followed by engineering services due to mechanical expertise required in the furnishing and setting of Bank facilities. Transcription services are also outsourced to a great extent where records are stored in form of soft data in data management systems, as well as data entry. Financial sector services such as reporting and accounting are also outsourced to a little extent as well market probe services.

4.4 Factors that Drive Standard Chartered Kenya Ltd to Outsource its Business Operations

The interviewees were required to indicate the main reason for the Bank to outsource business services. Majority of the interviewees indicated that the bank outsource in order to realize cost efficiency; for technical considerations, increase productivity/performance and the need to focus on core activities. They also indicated that the Bank is motivated to outsource for quality improvement, gaining access to new talent and technology, the easy availability of vendors with expertise and economies of scale. Thus the Bank aimed at meeting changing customer needs, making better use of time and energy costs, redirecting or conserving energy directed at the competencies of the business, or to make more efficient use of labor, capital, (information) technology and human resources.

The study sought the interviewees' opinion on whether the management provides information to the organization when seeking to outsource. The interviewees responded that the management rarely consults the lower cadre staff when outsourcing. Others indicated that the management provides information to the organization when seeking to outsource. This information is usually in regard to expertise, skills and technologies required of the outsourcing company. Other factors regarding the information provided include management and control of the third parties; required

innovative ideas, credibility and corporate image considerations. The study further sought to establish whether there are benefits that have resulted from business process outsourcing in the Bank. The interviewees indicated that outsourcing lead to improvements on service delivery and to improved efficiency.

Outsourcing also led to meeting the set targets, reliable service delivery, effective decision making, growth of the company, increased customer base and also reduction in number of staff. The interviewees also indicated that functional flexibility in the Bank makes the deployment of individual workers to particular tasks more adaptable by implementing workplace practices such as multi-skilling teams or job rotation, the potential for improved flexibility apply not only to the volume of output but also the ability of the bank to change the product range in response to market condition.

4.5 Discussion of the findings

The findings in this study revealed that information technology is the most frequently outsourced back office service since IT is a backbone of the services offered by the bank followed by engineering services due to mechanical expertise required in the furnishing and setting of Bank facilities. These findings conform to the findings of Nag (2004) who argued that outsourcing had become a critical strategic decision that could allow organizations to develop and leverage the capabilities required to compete in today's global business environment. Outsourcing is increasingly being employed to achieve performance improvements across the entire business. The bank outsourced its information technology services to outside firms so as to gain access to expertise skills which would be very expensive and time consuming to maintain in-house.

The outsourcing posed challenges to the Bank. As a result of outsourcing, the Bank became so reliant on the outsourced vendors. These findings conform to those of Maloney (1992) who found out that there were always some inherent risks in outsourcing, but there were also risks and costs of insourcing. Maloney added that when approached within a genuinely strategic framework using the variety of outsourcing options available and analyzing the strategic issues developed, companies can overcome many of the costs and risks when intelligently combined, core competency and extensive outsourcing strategies provide improved returns on capital, lowered risk, greater flexibility, and better responsiveness to customers needs at lower costs

The findings in this study also established that through business processes outsourcing, the Bank realized functional flexibility where employees could work for different countries right from the Kenyan office. These findings are consistent with those of Prahalad and Hamel, (1990) who established that functional flexibility makes the deployment of individual workers to particular tasks more adaptable by implementing workplace practices such as multi-skilling teams or job rotation. Internal numerical flexibility involves a search for adjustment through changes in the amount or distribution of working time by using practices like overtime, flexitime or part-time contracts. Finally, external numerical flexibility makes the volume of labour more flexible by externally changing the level of employment through layoffs or the use of temporary employees.

The outsourcing processes increased the bank's competitiveness as determined by the ability to constantly meet the challenges posted by the changing environment without necessarily having to invest into new equipment to cope with the changes in technology as the outsourced vendor did this on behalf of the bank. This in turn reduced the level of obsolesce provisions on the bank's financial resources hence more profitability.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations were drawn are in quest of addressing the research question or achieving at the research objective which is implementation of the business process outsourcing strategy in Standard Chartered Bank Kenya Limited.

5.2 Summary of Findings

The study found that majority of the departments in the Standard Chartered Bank Kenya Limited outsource various business processes including information systems, accounting, auditing, product design, security personnel, transport, training, market probe services, facilities management, network services outsourcing and payroll.

The researcher also found that the major challenges experienced as a result of outsourcing include financial risk, lack of compliance with the contract, opposition from internal staff, increases the organization's liabilities to third parties such as software licensors, hidden costs, indirect and social costs, contract monitoring and oversight, contract generation, procurement of intangibles and transition costs. Others include failure to adhere to quality systems poor structures to manage the outsourcing function well, dilution of control, increase in cost of administering the outsourcing function, providing unclear specifications and poor planning.

The study also established that the most outsourced services include information technology (IT) services, consultancy services, ATM facility management services and security services. Other services outsourced include transport, training, market probe services and facilities management.

The study also revealed that information technology is the most frequently outsourced back office service since IT is a backbone of the services offered by the bank followed by engineering services due to mechanical expertise required in the furnishing and setting of Bank facilities. Transcription services are also outsourced to a great extent where records are stored in form of soft data in data management systems, as well as data entry. Financial sector services such as reporting and accounting are also outsourced to a little extent as well as call center.

The study also established that the bank outsource in order to realize cost efficiency; for technical considerations, increase productivity/performance and the need to focus on core activities. The Bank is motivated to outsource for quality improvement, gaining access to new talent and technology, the easy availability of vendors with expertise and economies of scale. Thus the Bank aimed at meeting changing customer needs, making better use of time and energy costs, redirecting or conserving energy directed at the competencies of the business, or to make more efficient use of labor, capital, (information) technology and human resources.

The study further established that the management rarely consults the lower cadre staff when outsourcing. It was clear that the management provides information to the organization when seeking to outsource which is usually in regard to expertise, skills and technologies required of the outsourcing company. Other factors regarding the information provided include management and control of the third parties; required innovative ideas, credibility and corporate image considerations.

The study also found that the benefits that have resulted from business process outsourcing in the Bank include improvements on service delivery and to improved efficiency, meeting the set targets, reliable service delivery, effective decision making, growth of the company, increased customer base and also reduction in number of staff. Functional flexibility in the Bank makes the deployment of individual workers to particular tasks more adaptable by implementing workplace practices such as multi-skilling teams or job rotation, the potential for improved flexibility apply not only to the volume of output but also the ability of the bank to change the product range in response to market condition.

5.3 Conclusion

From the study findings, the researcher concludes that the business operations that Standard Chartered Bank Kenya Limited outsources include information systems, accounting, auditing, product design, security personnel, transport, training, call center services, maintenance, data centre outsourcing, network services outsourcing and payroll. The banks also outsource services such as information technology (IT) services, consultancy services, ATM facility management services and security services.

The study also concludes that the factors that drive Standard Chartered Bank Kenya Limited to outsource its business operations include a need to realize cost efficiency; for technical considerations, increase productivity/performance and the need to focus on core activities. The Bank is motivated to outsource for quality improvement, gaining access to new talent and technology and redirecting or conserving energy directed at the competencies of the business.

The study also revealed that the challenges facing Standard Chartered Bank Kenya Limited in implementing the adopted BPO strategies include financial risk, lack of compliance with the

contract, opposition from internal staff, failure to adhere to quality systems poor structures to manage the outsourcing function well, dilution of control, increase in cost of administering the outsourcing function, providing unclear specifications and poor planning.

The study further concludes that the bank has accrued some benefits from business process outsourcing such as improvements on service delivery and to improved efficiency, meeting the set targets, reliable service delivery, effective decision making, growth of the company, increased customer base and also reduction in number of staff.

5.4 Recommendations

From the discussions and conclusions in this chapter, the study recommends that for the Standard Chartered Bank Kenya Limited to succeed in its outsourcing the good communication should be ensured, job quality should be a priority, strict rules should be implemented to guide outsourcing, an explanation should be given to the entire staff why the bank has to outsource, benefits of outsourcing should also be made clear to all the bank members, there should be a thorough follow-up (supervision) so that the work is done professionally and in good time and also costs should be considered before outsourcing to make sure that they do not exceed the benefits of outsourcing.

5.5 Limitations of the Study

Being that this was a case study on one bank the data gathered might differ from implementation of the business process outsourcing strategy in other banks. This is because different banks 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 challenges of implementation of the business process outsourcing strategy.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on implementation of the business process outsourcing strategy. Due to limited finances the study could not be carried out on the other branches of the bank. The study, however, minimized these by conducting the interview at the bank's headquarter since it is where strategies are made and rolled out to other branches that operate on the blue print.

5.6 Recommendations for Further Research

The study recommends that further research should be done on the implementation of the business process outsourcing strategy in other commercial banks in Kenya to allow for generalization of implementation of the business process outsourcing strategy in commercial banks in Kenya since each employs a different strategic approach.

The researcher further recommends that a similar study be done on other institutions for the purposes of benchmarking. This will help in the establishment of how outsourcing has influenced the business operations of firms in general in Kenya and the wider African continent.

The study further recommends that a further study be done on the benefits of business processes outsourcing where the advantages and disadvantages will be clearly outlined and brought to the attention of managers so that when they are making decision as regards outsourcing that clearly understand it well. This will help avoid the challenges encountered once the organization has embarked on business processes outsourcing strategy.

5.7 Implication of the Study on Policy and Practice

The findings imply that Standard Chartered Bank Kenya Limited has been able to improve its business operations through implementation of outsourcing on its non-core activities. However, in order to improve on the same, the bank management should put more efforts to overcome the challenges of financial risks, lack of compliance with the contract and service level agreements, opposition from internal staff and failure to adhere to quality systems.

In practice, the findings of this study can be used by other organizations in planning their strategies for maximum utilization of their resources. This will help in the development of optimum strategies to facilitate better resource utilization.

REFERENCES

Abraham, K. G. and Taylor, S. K. (1996), Firms' use of outside contractors: Theory and evidence, *Journal of Labor Economics* 14, 394–424

Al-Qirim, N.A.Y. (2003), The strategic outsourcing decision of IT and e-commerce: the case of small business in New Zealand. *Journal of Information Technology Cases and Applications*, 5 (3), 32 – 56.

Aron, R. and Singh, J. V. (2005), Getting Offshore right. *Harvard Business Review,* 7 (4), 135 – 143.

Auburt, B; Dussault, S.; Patry, M; and Rivard, S. (1999), Managing the Risk of its Sourcing. Paper Presented at the Proceedings of the 32nd Hawaii International Conference of System Sciences (HICSS), January 5 – 8, Hawaii.

Barney, J. (1991), Firm Resources and Sustained Competitive Advantage. *Journal of Management,* 17 (1), 99-120.

Barney, J.B., and Hesterly, W.S. (2006), *Strategic Management and Competitive Advantage,* Pearson Prentice-Hall, Upper Saddle River, NJ.

Beaumont N. and Sohal, A. (2004), Outsourcing in Australia. *International Journal of Operations and Production Management*, 24 (7), 688 – 700.

Beaumont, N. and Sohal, A. (2004), Outsourcing in Australia, *International Journal of Operations & Production Management*, Vol. 24, No. 7, pp. 688-700.

Bettis, R; Bradley, S. and Hamel, G. (1992), *Outsourcing and Industrial Decline. Academy of Management Executive,* 6 (1). 7- 22.

Brown, D. and Wilson, S. (2005), The Black Book of Outsourcing: How to Manage the Changes, Challenges and Opportunities. Hoboken, NJ: Wiley.

Chen, Q; Tu, Q; and Lin, B. (2002), Global it/is outsourcing: expectations,. Considerations and implications. *Advances inc Competitiveness Research* 10 (1), 100 – 111.

Clott, C. B. (2004), Perspectives on global outsourcing and the changing nature of work. *Business and Society Review, 109* (2), 153 – 170.

Conner, K. R. (1991), A historical comparison of resource-based theory and five schools of thought within industrial organization economics: Do we have a new theory of the firm?, *Journal of Management*, 17, 1, 121-154.

Drazin, R, and Van de Ven, A. H. (1985) Alternative forms of fit in contingency theory, *Administrative Science Quarterly*, 30, 4, 514-539.

Earl, M. J. (1996), The Risks of Outsourcing it. *Sloan Management Review*, 37 (3), 26 – 32.

Eisenhardt, K. M. (1989) Agency theory: An assessment and review, *Academy of Management Review*, 14, 1, 57-74.

Elmuti, D. and Kathawala, Y. (2001), The effects of global outsourcing strategies on participants attitudes and organizational effectiveness. *International Journal of Manpower,* 21 (2), 112-128.

Emblemton, P.R. and Wright, P.C. (1998), A practical guide to successful outsourcing, *Empowerment in Organizations*, Vol. 6, No. 3, pp. 94-106.

Fixler, D. J. and Siegel, D. (1999), Outsourcing and Productivity Growth in Services. *Structural Change and Economic Dynamics*, 10 (3), 177-194.

Franceschini, and Galleto, M. (2003), Outsourcing: Guidelines for a Structured Approach. *Benchmarking an International Journal,* 10 (3), 246 – 260.

Ghodeswar, B. and Vaidyanathan, J. (2008), Business Process Outsourcing: An Approach to Gain Access to World-Class Capabilities. *Business Process Management Journal*, 14 (1), 23 – 38.

Gilley, K. M. and Rasheed, A. (2000), Making more by doing less: on analysis of outsourcing and its effects on firm performance. *Journal of Management,* 26 (4), 763 – 790.

Gilley, K. M., McGee, J. E., and Rasheed, A. A. (2004), Perceived environmental dynamism and managerial risk aversion as antecedents of manufacturing outsourcing: The moderating effects of firm maturity, *Journal of Small Business Management*, 42, 2, 117-133.

Gong, Y. (2003), Subsidiary staffing in multinational enterprises: Agency, resources, and performance, *Academy of Management Journal*, 46, 6, 728-738.

Gonzalez, R; Gasco, J. and Llopis, J. (2005), Information systems outsourcing reasons in the large Spanish firms. *International Journal of Information management,* 25 (2), 117 – 136.

Hussey, D. and Jenster, P. (2003), Outsourcing the Supplier Viewpoint. *Strategic Change,* 2 (1), 7 – 20.

Jennings, D. (2002), Strategic Sourcing: Benefits, Problems and a contextual model. Management Decision, 40 (1), 26 – 34.

Kakabadse, A. and Kakabadse, N. (2002), Trends in outsourcing: constricting USA and Europe. *European Management Journal*, 20 (2), 189 – 198.

Kakabadse, N. and Kakabadse, A. (2000), Critical review – Outsourcing: a paradigm shift, *The Journal of Management Development*, Vol. 19, No. 8, pp. 670-728.

Kinyua, J. K. (2010), Challenges of Business Process Outsourcing of Kenya Power and Lighting Company Limited. Unpublished MBA project. Nairobi: University of Nairobi.

Kirui, S. (2001), Competitive Advantage Through Outsourcing of Non Logistics Activities within the Supply Chain of British American Tobacco Kenya. Unpublished MBA project. Nairobi: University of Nairobi.

Koberg, C. S., and Ungson, G. R. (1987), The effects of environmental uncertainty and dependence on organizational structure and performance: A comparative study, *Journal of Management*, 13, 4, 725-737.

Kothari, C. R. (2004), *Research Methodology: Methods and Techniques*. 2nd revised edition. New York: New Age.

Kotler, P. (2003), *Marketing Management*. New Jersey: Prentice – Hall.

Lankford, W. M. and Parsa, F. (1999), Outsourcing A primer. Management Decision, 37 (4), 310- 316.

Lau, C. and Zhang, J. (2006), Drivers and Obstacles of Outsourcing Practices. *International Journal of Physical Distribution and Logistics Management*, 36 (10), 776 – 792.

Lazzaque, M. A. and Sheng, C. C. (1998), Outsourcing of logistics functions: a literature survey. *International Journal of Physical Distribution and Logistics Management,* 28 (2), 89 – 107.

Levina N., Ross J.W., (2003), From the Vendor's Perspective: Exploring the Value Proposition in Information Technology Outsourcing, *MIS Quarterly*, 27, 3, pp. 331-364

Linder, J. (2004), Transformational Outsourcing. *Sloan Management Decision,* 34 (7), 52 – 58.

Lonsdale C. and Cox A. (2000), The historical development of outsourcing: the latest fad?, *Industrial Management & Data Systems*, Vol. 100, No. 9, pp. 444-50.

Lynch, C. F. (2004), Why outsource? *Supply Chain Management Review*, 8 (7), 44- 49.

Machoka, P. O. (2008), Business Process Outsourcing Strategy in the Audiovisual Industry in Kenya. Unpublished MBA project. Nairobi: University of Nairobi.

Maloney, G. J. (1992), The Choice of Organizational Form of Outsourcing. *Strategic Management Journal,* 13 (4), 559 – 584.

Mazziwi, E. (2002), Transformational outsourcing. *Business Strategy Review*, 13 (3), 39 – 43.

Mclvor, R. T. and Humpreys, P. K. (2000), A case based reasoning approach to the make or buy decision. Integrated Manufacturing Systems, 11 (5), 295 – 310.

Mugenda, O. M. and Mugenda, A. G. (2003), *Research Methods: Quantitative and Qualitative Approaches.* Nairobi; Acts.

Mullei, A.K. and Masai, W.S. (2006), *Improving Financial Sector Performance in Kenya: Proceedings of the first financial sector reforms forum held in Mombasa, Kenya¸15-17 April 2004.* Nairobi: African Centre for Economic Growth (ACEG).

Nag, B. (2004), Business Process Outsourcing: Impact and Implications. Bulletin on Asia – Pacific Perspectives, 5 (2), 59 – 73.

Nyarandi, J. O. (2001), A survey of implementation of outsourcing in private hospital. Unpublished MBA Project. Nairobi: University of Nairobi.

Pai, A. K. and Basu, S. (2007), Offshore Technology Outsourcing: Overview of Management and Legal Issues. *Business Process Management,* 13 (1), 21 – 46.

Parolia, N. and Parikh, M. (2005), Conflicts in its outsourcing: developing a research model. Paper presented at the proceedings of the 38th Hawaii International Conference of System Sciences (HICSS), January 3 – 6, Hawaii.

Prahalad, C. and Hamel, G. (1990), the Core Competence of the Corporation. *Harvard Business Review*, 14 (3), 79 – 91.

Quinn, J. B. (1992), Leveraging Knowledge and Service – Based Strategies Through Outsourcing: in Intelligent Enterprise. New York: Free Press.

Quinn, J. B. and Hilmer, F. G. (1994), Strategic Outsourcing. *Sloan Management Review,* 5 (2), 43 – 55.

Quinn, J.B. and Hilmer, F.G. (1994), Strategic outsourcing, *Sloan Management Review*, Vol. 35, No. 4, pp. 43-55.

Ramachandran, K. and Voleti, S. (2004), Business Process Outsourcing (BPO); Emerging Scenario and Strategic Options For IT- Enabled Services. Vikalpa, 29 (1), 49 – 62.

Razzaque, M.A. and Sheng, C.C. (1998), Outsourcing of logistics functions: a literature survey, *International Journal of Physical Distribution & Logistics Management*, Vol. 28, No. 2., pp. 89-107.

Saunders, M; Lewis, P and Thornhill, A. (2003), *Research Methods for Business Students.* 3rd edition. New Jersey: Prentice – Hall.

Schilling, M. A., and Steensma, H. K. (2002) Disentangling the theories of firm boundaries: A path model and empirical test, *Organization Science*, 13, 4, 387-401.

Silverman, B. S. (1998), Technological resources and the direction of corporate diversification: Toward an integration of the resource-based view and transaction cost economics, *Harvard Business School Working Paper* No. 99-019.

Swink, M. (1999), Threats to new product manufacturability and the effects of development team integration process. *Journal of Operations Management*, 17 (4), 691-709.

Vani, B and Meenakshi, R (2008), *Problems and prospects of business Process Outsourcing industry in India:* University Library of Munich Germany Working Paper Series MPRA. No. 9834.ub.uni-muenchen.de/9834/-17k Accessed on 29th October, 2011)

Venkatraman, N. (1989), The concept of fit in strategy research: Toward verbal and statistical correspondence, *The Academy of Management Review*, 14, 3, 423-444.

Yasin, M. M (2002), The theory and practice of benchmarking: then and now. Benchmarking: *An International Journal*, 9 (3), 217 – 243.

Appendices

Appendix I: Interview Guide

Part I: General Information of the Respondent.

1) Name of Respondents

   ……………………………………………………………………………………

2) Which department are you in?

   ……………………………………………………………………………………

3) How many years have you worked in this bank ……………………………….

4) Does your department outsource any business processes? Which business process do you outsource?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   ……………………………………………………………………….

5) Are there any challenges that you have experienced as a result of outsourcing? If Yes, please outline the major ones.

   i) ………………………………………………………………………

   ii) ………………………………………………………………………

   iii) ………………………………………………………………………

   ………………………………………………………………………

PART II: Types of Business Processes that the bank outsourced

Please respond to all questions in accordance to your personal opinion for each statement.

1) What are the major services that you have outsourced? List them in the order of the most outsourced service.

i) ………………………………………………………………………………

ii) ………………………………………………………………………………

iii) ………………………………………………………………………………

iv) ………………………………………………………………………………

v) ………………………………………………………………………………

2) Do you outsource the following as back office services? How frequently?

I. Call Centre………………………………………………………............

II. Data Entry ……………………………………………………….

III. Transcription………………………………………………………………

IV. IT Sector Outsourcing…………………………………………………….....

V. Financial Sector outsourcing ……………………………………………......

VI. Engineering services Outsourcing…………………………………………….

PART III: Factors that Drive Standard Chartered Bank Kenya Limited to Outsource its Business Operations.

6) What was your main reason for outsourcing services?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………

7) Does the management provide information to the organization when seeking to outsource? If Yes, what sort of information?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………

8) Are there any benefits that have resulted from your Business Process Outsourcing? If Yes, highlight some of the benefits.

a. ………………………………………………………………………

b. ………………………………………………………………………

c. …………………………………………………………………….

d. ………………………………………………………………………

9) Any comment regard business process outsourcing?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………

Appendix II: Introduction Letter from the University of Nairobi

Appendix III: interview Confirmation Letter from Standard Chartered bank Kenya Limited