

**A SURVEY OF THE OUTSOURCING OF HUMAN RESOURCE
SERVICES BY BANKS IN NAIROBI**

BY

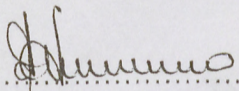
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
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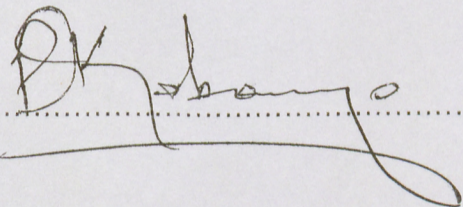
DECLARATION

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

Signed..........Date. 25/10/02.....

Sarah Jepkemboi Chumo Serem

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

Signed..........Date. 25/10/2002.....

Professor P.O. K'obonyo

DEDICATION

To my dear family, John, my husband;
children Juliet, Karen, Daisy and
Chemutai who more than compensated
with love and patience during my most
stressful and demanding times. They
are my reason for my determination.

ACKNOWLEDGEMENT

I feel deeply indebted to the team of people who contributed in one way or another to the successful completion of my project. First and foremost to my employer (POSTBANK) for giving me the opportunity to explore my potential by sponsoring me through the programme.

My warmest gratitude is especially reserved to John my husband and children Juliet, Karen, Daisy and Chemutai for bearing with me throughout my study period. Their patience and understanding is un-measurable.

To Ambrose and Chacha who tirelessly worked with me putting in long hours as they helped me in proof reading and editing my report. I will be forever grateful for their sacrifice and commitment.

To my supervisor, Prof. K'Obonyo for his counsel guidance and support; an abundance of patience he displayed from the inception of my project to its conclusion.

To all of you I say thank you.

ABSTRACT

The primary objective of this study was to investigate the extent of outsourcing of Human Resource Management services by commercial banks in Nairobi. To facilitate this study a qualitative approach was adopted. A questionnaire was administered as the main tool for data collection and respondents gave information on benefits, risks, and reasons for outsourcing the Human Resource activities. Although a relatively new concept, outsourcing is taking root in the commercial banking industry in Nairobi given that all the respondents outsourced at least one Human Resource activity.

The results indicate that 61.22% of commercial banks of all sizes, outsource Human Resource Services and it was considered to be a strategic approach in modern management practice. It is worth noting that while interpreting results of the study, majority of the respondents came from medium banks. All the respondents cited several reasons/benefits as factors that influenced their decision to outsource; the most prevalent being the reduction in both administrative costs and operational risks and it enables the banks to focus on core business. There is however noted risks particularly in regard to staff loyalty and loss of control in decision making hence there is need for the firms to develop a comprehensive analysis of their organizations and make strategic moves in adopting the practice to ensure that they reap benefits associated with it and avoid the obvious pitfalls. Being a relatively new concept in the banking industry outsourcing is currently a very fertile area for further research.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

A recent MacLean's magazine article indicates that the term 'outsourcing' was coined in 1989, when Eastman Kodak Co. handed over its information technology department to three providers. The message to the market was this: "why manage information technology in house when it can be done better, cheaper, outside"? (Wells, p. 48).

Harkins et al_(1996, p. 7) indicate that outsourcing means, "having an external vendor provide, on a recurring basis, a service that would normally be performed within the organization.

Although it is a relatively new concept, outsourcing is increasingly taking root as a strategic option to service delivery. It is viewed as a means to reduce costs, improve customer satisfaction, and provide enhanced efficiency and effectiveness (Price Waterhouse Coopers 1999).

Tremendous structural changes are taking place in most organizations, which leads to a greater demand for outsourcing. First, there are shrinking budgets, shrinking in-house staff, which is largely due to downsizing. Then there is the mind-boggling proliferation of specialized new knowledge that needs to be imparted to employees on a frequent basis. Outsourcing is not just on the rise. It may well be the wave of the future (Bachler, 1997). Every function in an organization becomes fair game when it comes to outsourcing. Outsourcing can become an effective tool it improves productivity, cut costs, and strengthen the

mission of your organization. Outsourcing is becoming more and more widespread, which allows the opportunity for organizations to use outsourcing options to their advantage.

Future magazine (2001) states that today's companies face unprecedented pressure from markets that squeeze out inefficiencies and deliver records to companies who carry out essential business more effectively and at a lower cost than any one else. Outsourcing of non-core business process qualifies as one of these strategies. As increasingly leaner organizations identify "what we are best at", and more significantly "what generates profits", financial management responsibility for non-core functions becomes less appealing Byham (2001) .

Price Waterhouse Coopers(2000), in supporting this assertion, confirm that at least eight out of ten America's fastest growing companies outsource at least one non-core function, delegating it's day-to-day management to outside providers.

Outsourcing reflects the need, recognized by increasing numbers of organizations, to focus on their core areas of business and to outsource processes that add little or no value in terms of achieving their business objectives.

The commercial banking industry like all other industries in Kenya has been faced with these challenges and has over time been forced to restructure their process and systems so as to remain competitive and profitable.

1.2 AN OVERVIEW OF THE KENYAN COMMERCIAL BANKING INDUSTRY

Due to poor economic performance of the country the banking industry has in the recent past undergone a lot of restructuring due to decline on return on

investments and shrinking profits. This has necessitated major reviews and re-organizations aimed at maintaining these institution's profit margins. During the period under review, many banking institutions downsized their operations, which led to redundancies and retrenchment. Four institutions merged to form two new institutions while one institution converted to a commercial bank.

Aggregate profits dropped during this period largely due to additional provisioning for increased levels of non-performing loans.

Banks have had to reorganize their processes and service delivery with a view to cutting down on costs and outsourcing among other strategies is viewed as a possible and probably cheaper alternative.

Indeed in the past, the large banks had established elaborate and complex training schools to cater for training of their staff while the small and medium size banks have been utilizing the Kenya School of Monetary Studies especially in the last two years. One of the banks however sold its training school and will be outsourcing training for its staff similarly a lot of activities that do not add value to the overall performance of these banks have been offloaded and indications are that this trend may continue.

1.3 STATEMENT OF THE PROBLEM

Outsourcing is increasingly becoming a threat to the survival of the HR function in its present form. It is a powerful weapon which chief executives and HR directors are adopting to make sure that the HR function keeps pace with other changes in their businesses as emphasized by *Research Report* (Csoka, 1995).

. Most organizations have chosen ways of achieving the objective of cost-reduction and eventually improving on productivity and overall performance of the organization. Strategies that are commonly used as a solution to cost cutting are restructuring, retrenchments, and early retirement incentives (Laabs, 1996). Others have resorted to outsourcing to achieve the above solution. Based on the previous studies these strategies including the outsourcing, have had positive impact on the overall performance of such organizations. Outsourcing is therefore viewed as a strategic management tool to cost reduction, improved customer satisfaction and enhanced efficiency and effectiveness.

Although an increasing number of companies are outsourcing their human resource activities, particularly in the non-core business areas, the strategy is just beginning to gain momentum in Kenya. Thus, very little is known about the extent to which companies have adopted it, which specific human resource functions are typically outsourced and why, and whether the objectives for adopting the strategy are being met, and what problems are being encountered.

It is apparent from the literature that the strategy is working well in North America and Europe. However, one cannot be certain that it will automatically achieve good results in Kenya. This caution is due to the following problems that have frustrated many other initiatives in this country as (Our Problems Our Solutions 2001 report) indicate the following as problems:

- (1) A tendency to award contracts/assignments to relatives and friends regardless of the ability to deliver.

- (2) A tendency by some senior managers particularly in state corporations to give contracts to their own companies or companies in which they have a stake even when the move is not justifiable financially.
- (3) Widespread kickbacks.

The above problems, among others, constitute the environment in which outsourcing is being undertaken in Kenya. Besides establishing the extent of outsourcing in the commercial banking industry in Kenya the study also focused on the practice given the environment in which it is undertaken. This therefore provided rationale for the study.

1.4 OBJECTIVES OF STUDY

- (i) To find out the extent of outsourcing of human resource activities by the commercial banks in Nairobi.
- (ii) To find out why organizations adopt outsourcing of their human resource activities.
- (iii) To determine the experiences of the organizations that have adopted outsourcing in terms of benefits and risks.
- (iv) To determine the criteria that firms use to select the external service providers.

1.5 RESEARCH QUESTIONS

- (i) What is the extent of outsourcing of human resource activities within the commercial banks in Nairobi?
- (ii) What are the reasons that make organizations adopt outsourcing of Human resource activities?
- (v) How do firms that outsource services select service providers?

1.6 IMPORTANCE OF THE STUDY

The study is important to: -

- (i) Top management of the banks – focusing on cost-cutting measures.
- (ii) Human resource managers who by virtue of their work have to re-evaluate services for outsourcing and possible service providers.
- (iii) Service providers. The study will enable them evaluate their competitive advantage
- (iv) The findings of the study will be a source of secondary data for future researchers.

1.7 LIMITATIONS OF THE STUDY

The limitations of the study included the following:-

1. There is not enough financial and time to extend the scope of the study to other industries.
2. Limited accessibility to both primary and secondary data. Human Resource issues are often kept confidential
3. Past research in the Kenyan context is limited

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

Different definitions on outsourcing have been used by different authors Breibart (HR Planner Newsletter, 1996, p. 3) suggests that outsourcing entails "the transfer of the management or administration of a process or function from in-house staff to an outside service provider." Rothery and Robertson (1995, p. 4) discuss outsourcing as "finding new suppliers and new ways to secure the delivery of raw materials, goods, components, and services. It means that you use the knowledge, experience and creativity of new suppliers, which you did not use previously." Kaathawala defines outsourcing as a management strategy by which an organization delegate's major non-core functions to specialized and efficient service providers (Kaathawala & Elmuti 2000).

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

An out-sourcing agreement usually allows the Provider Company (the outsourcer) to supply a customer with services or processes that the customer is currently supplying internally. Outsourcing is viewed as a means to reduce costs, improve customer satisfaction, and provide enhanced efficiency and effectiveness (Price Water House Coopers 1999).

Traditionally, outsourcing initiatives were focused on headcount or cost reduction. Today, however, outsourcing is a more strategic decision, focusing on core competencies. Thus, it must have the full support of senior management, and all related goals and objectives must be articulated from the top.

2.1 WHY OUTSOURCE HUMAN RESOURCE MANAGEMENT ACTIVITIES

Human Resource function is a critical component of employee well-being in any business, no matter how small (Dataquest 2002 p.1). Any mix-up concerning its management issues may cause major legal problems in companies, as well as major employee dissatisfaction. Besides, small businesses often don't have the staff or the budget to properly handle the nitty-gritty details of Human Resources. Because of this, more and more small businesses are beginning to outsource their HR needs. In fact, the HR outsourcing industry is expected to grow from \$13.9 billion in 1999 to \$37.7 billion in 2003, according to the market research firm Dataquest.

In most organizations the staff costs constitute over 30% of the total overhead cost. Therefore any cost measure strategy will have a meaningful impact if it addresses the human resource budget.

In addition to the above, the following are some of the fundamental benefits that HR Outsourcing can deliver; and factors which may influence an organizations decision to outsource these services.

- Transferring risk and liability for people issues to other firms.
- To bring in expertise in various areas of HR as needed.

- Gives the ability to partner with an experienced HR team.
- Gives the ability to have experts in all of the different functional areas of HR without having to hire many employees.
- Allows business owners and managers to be flexible with their organization. You can add or delete to your HR staff without having to let employees go.
- Experts are always available to handle the legal aspects of HR.
- To team with professionals who could grow as your organization grows.
- HR assistance that has the ability to think strategically and help you plan for the future.
- Enabling businesses to focus on core operations
- Helping to create a stable, cost-effective operating platform
- Re- directing focus from internal processes to achievement of business goals
- Realising investment in HR transformation and IT systems
- Ensuring compliance with legal, regulatory and best practice requirements

2.2 WHAT ACTIVITIES TO OUTSOURCE IN HR

The primary areas that are commonly outsourced include: Payroll, Staffing, Training and Benefits administration.

- **Payroll.** Payroll is critical, tedious, specialized, and labor intensive for most firms. Further, there are a number of quality payroll companies (e.g.

AD, ADP, Paychex, Payroll Plus, White Buffalo) who are very automated, efficient, cost effective, and give good customer service,(Bureau of National Affairs, Inc.,2001).

In most cases, a firm saves money-outsourcing payroll. Payroll is viewed as the most outsourced HR function of all.

- **Staffing** is also a function that is often outsourced. The simple fact is that about 1/3 of all the work done in the US is done by a contingent workforce. American business could not function without temporary agencies and employment agencies. In many parts of the country, as many as half of all non-exempt positions are now filled on a "temp to hire" basis. The truth is many workers now prefer temporary work because of the flexibility it affords. In any case, many firms find it more cost effective and certainly faster to outsource staffing to an agency or HR consultant who specializes in staffing,(Bureau of National Affairs, Inc.,2001).

- **Training** may well be the sleeper of outsourced functions, particularly in smaller firms. The preponderance of job growth is in small companies. Small companies do not have training departments. Yet research now clearly shows that companies who invest in employee training and development enjoy greater productivity, profitability, and better retain employees. Training & Development is now a \$50 Billion + industry. Fortunately, there are numerous training providers throughout the country. Community colleges and some four-year colleges are frequent sources of employee training. Major seminar companies, such as Skillpath, AMA,

Fred Pryor, and National Seminars are also major providers through both public seminar and on site training,(Bureau of National Affairs, Inc.,2001).

- **Benefits administration** is the last major HR area frequently outsourced. Benefits have become very expensive, very complex, and very regulated. Plus, technology has made internal benefits administration largely obsolete.

The following activities may also be outsourced:

- Annual compensation program review
- Job evaluation review
- Training needs analysis
- Executive compensation administration, employee communications, including human resource policy manuals and employee handbooks
- Staff training and development
- Recruitment –background interviews, screening and selection and exit interviews
- Employee welfare and counseling services
- Specialised legal advisory services

2.3 THE EXTENT OF OUTSOURCING

Numerous outsourcing surveys have been carried out over recent years. The landscape appears to be changing very rapidly in terms of the nature and extent of outsourcing. What follows are some very brief synopses of some of the surveys

of the past five years, as well as some general observations from experts in the field.

In the fall of 1995, Harkins et al (1996) conducted a national survey of human resource Executives in America. They received 121 responses. Their findings are as follows:

- *Most HR departments are outsourcing at least one service or function.*
- *Practically every HR service or function is being outsourced, although not by one organisation.*
- *HR departments are outsourcing services and functions for many different reasons.*

Harkins et al go on to indicate that 64% of respondents outsourced 'outplacement,' followed by: training delivery (46%), training development (40%), relocation services (31%) and compensation planning (31%), followed by pre-employment testing (23%), benefits administration (21%), organization development (19%), recruitment, employment & staffing (15%), health, safety & security (12%), HR information systems (8%), training evaluation (4%), HR administration (3%) and training administration (2%) (1996, p. 25).

A study of 309 Fortune 1000 Corporations, conducted by KPMG-Peat Marwick in 1994, found that 66% of the companies surveyed outsourced import/export services; 63% employed freight brokers for transport selection, carrier monitoring, insurance, tariff and customs compliance; 49% outsourced freight audit services; and 48% outsourced warehousing (Corbett, 1994, p.14).

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

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

The results of a survey of 303 multinational companies in North America and Europe were discussed in the September 1996 edition of *MacLean's Magazine*. The results indicated that 85% contract out one or more functions, and 93% are likely to do so within three years. The article reports that the most commonly outsourced functions are legal work, transportation, and information management. The number of organizations expecting to outsource some aspect of HR is expected to increase from 10% to 25% (Wells, p. 48).

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

2.4 FACTORS THAT INFLUENCE THE DECISION TO OUTSOURCE

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

Quinn and Hilmer (1994) indicate that:

One of the great gains of outsourcing is the decrease in executive time for managing peripheral activities -- freeing top management to focus more on the core of its business. Various studies have shown that when these internal transaction costs are thoroughly analyzed, they can be extremely high. (p. 44).

The Outsourcing Institute (Web-site, 1996) described a variety of reasons why companies outsource. The understanding of this issue has been broadened through "studies conducted since 1991, (including surveys of over 1,200 companies), work with its members, and ongoing reviews of other major studies."

The Institute offers the following reasons:

- To improve company focus;
- To gain access to world-class capabilities;

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

Reporting on the results of another survey in *Why is HR Turning to Outsourcing* (1993), Laabs discusses the reasons given for outsourcing the benefits function: to save time; gain expertise; reduce costs; reduce staffing requirements; minimize problems; avoid complexity; improve service; and concentrate on core business. The Conference Board in *HR Executive Review: Outsourcing HR Services* (1996, p. 8), refers to its survey results and indicates that, in descending order of importance, executives outsourced HR functions for the following reasons: access specialists; refocus on core activities; reduce non-labour costs; reduce costs through staff reduction; improve service consistency; and monitor use of services.

Pursuant to their survey, Harkins et al (1996) outlined the following reasons given (in descending order) for outsourcing HR services: to access expertise; save

time; save money; save on administrative costs; focus on more strategic initiatives; outsource non-core business; respond to increases in responsibility; reduce staff; respond to budget cuts and finally, to reduce liability.

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

The Conference Board of Canada's report "*Getting the Most from your Training Dollar*" (1996, p. 3) outlined some reasons that organizations gave for outsourcing aspects of their training and development function:

- highly specialised needs;
- Lack of time (in-house staff unable to meet needs within specified time-frame);
- Lack of in-house expertise;
- Better utilization of internal resources;
- Availability of high-quality training outside the organization;
- Generic needs (external programs already exist);
- Saving money (cost of going outside considered favorable).

45 organizations responded to a PRC/TBS survey question asking why they outsourced some aspects of HR work .The results are summarized in table 1.

Table 1: Reasons for outsourcing	
Reason given for outsourcing	Number of times cited
Lack of in-house expertise	24
Limited resources	23
Cost efficiency	11
Eases workload	7
Lack of time	7
Provides unbiased perspective	6
Meets short-term need	5

2.5 ADVANTAGES OF OUTSOURCING

Typically, organizations can expect to realize the following benefits from a strategic outsourcing initiative:

1. Improved company focuses, leaving operational details to the outside experts.
2. Reduced operating costs
3. Increased customer satisfaction
4. Re-allocation of internal resources to core activities.

5. Access to world-class capabilities and services, without the need to build from the bottom up.
6. Reduced risk. Markets, competition, government regulations, financial conditions and technologies all change extremely quickly. Outsourcing is a vehicle that enables the organization to share these risks with the outsourcing provider.
7. Improved cost, quality, service and cycle times.
8. Cash Infusion. In some cases, outsourcing involves a transfer or sale of company assets to the provider.
9. Increased capital funds availability. Resources can be acquired through alternate methods rather than capital expenditures.

Frequently, HR respondents reported that they did not have the internal capability such as expertise, time or resources to deliver a service effectively. Although organizations outsource for different reasons, many recorded similar benefits. (see Table 2)

The most commonly cited benefits, from 44 respondents are as follows:

Table 2: Benefits of outsourcing	
Benefits	Number of times cited
Expertise	20
Timing	20
Cost efficiency	18
Quality service	13
Eases workload	9
Provides flexibility	8
Provides unbiased perspective	6

Some respondents noted two other advantages to outsourcing: it enables the organization to focus on more strategic issues, while outsourcing more operational services; and it allows for the transfer of knowledge and skills to employees.

HR outsourcing can reduce costs by providing services less expensively due to cost economies from specialization developed by the service provider. This can be especially true of payroll and benefits administration. Outsourcing can increase a firm's access to specialized expertise that would not otherwise be available. Yet, in some other cases outsourcing acts to limit the development of

organizational competencies or it can create inefficiencies due to the outsourcer's lack of knowledge of the organization. In all these processes, it is important to carry out cost benefit analysis and basically determine the best option that would allow a company to achieve its set objectives of remaining competitive and profitable.

2.6 LIMITATIONS OF OUTSOURCING

Every activity has its good and bad side. The potential disadvantages of outsourcing Human Resource services are loss of control and possible higher initial direct costs. More subtly, sometimes employee loyalty may be less directed to the employer. You cannot outsource your firms' corporate culture nor employee relations.

Moreover outsourcing can generate new risks such as : the loss of critical skills or developing the wrong skills, the loss of cross – functional skills, and the loss of control over suppliers (Quinn and Hilmer, 1994; Domberger, 1998)

Routinely, the literature on outsourcing discusses the potential risks involved. A poorly conceptualized, developed or maintained outsourcing arrangement could mean loss of control, less flexibility, quality control problems, information security problems, problems with the provider, HR management problems, and the loss of skills (Harrison, 1996; Quinn and Hilmer, 1994). An outsourcing initiative must be carefully thought out and implemented to avoid problems of this nature.

Further survey carried out by PRC/TBS revealed the following limitations:

Twenty-five respondents indicated that they had experienced some problems (see Table 3). They most frequently cited the following areas.

Problem area	Number of times cited
Low quality of work	14
Lack of understanding of organization culture on the part of contractor	12
Unmet timeframes	10
High cost	7
Difficulty in identifying competent contractor	5

Explains one respondent, "... The contractor was unable to produce required deliverables... some time frames were not met... HR advisors had to complete the task". Other examples of low quality of work given were: poor writing skills and products that were inconsistent with terms of reference agreed-upon. Furthermore, one respondent said too much time was spent "orienting the private supplier to the department's infrastructure."

Another respondent suggested, "HR outsourcing is relatively new to federal employees who are not yet fully knowledgeable of identifying best external sources at best prices."

Finally, another respondent highlighted the necessity to understand the process and procedure for hiring an outside contractor and for managing the contract.

2.7 OUTSOURCING AND SELECTION PROCESS

Once the decision to outsource a particular service or function is made, there should be an organised process to evaluate and choose the best service provider for your needs. When dealing with a service provider it is often difficult to predict what may occur at contract renewal, what may be charged for adjustments or add-ons during the contract period or the effect service quality reductions may have where outcomes are not thoroughly specified. Indeed, a company often does not have the expertise to judge the need for other services, as it does not have this expertise internally.

- According to Harkins et al (1996) and Rothery & Robertson (1995), when considering outsourcing, it is important to create an internal evaluation team. This team should lead the evaluation and selection process. The typical HR service has several dimensions - technical, operational, financial, legal, etc. Accordingly, a team offers a greater potential for making a decision that is informed from all angles. In choosing the team, think about including existing in-house providers in selecting the new external providers. They know the job better than anyone else.
- Harkins et al (1996) also discusses the importance of conducting a thorough investigation of each vendor before reaching any conclusion. Do not move too fast; take your time; this is a high stakes venture. The vendor will be key to its success.
- Find a partner with the same values and principles. Strategic objectives should be explained clearly to the prospective service provider in order to build up a healthy outsourcing relationship (Corbett, 1994; Peish, 1995; Perry et al, 1997; and Harkins et al 1996).

- Check reputation, references, certification for an industry-accepted standards model (e.g. ISO 9000) and personal interaction as a way to identify the right partner.
- Create healthy competition among multiple vendors.
- When writing the Request for Proposal (RFP), keep in mind your objectives and make sure they are reflected. The RFP is the document used to communicate and state the level and quality of service desired.
- Establish formal evaluation procedures.
- Schedule meetings. Permit vendors to ask questions about the RFP. In turn, ask vendors about the proposal details. Take advantage of face-to-face interaction.

Before outsourcing a business function therefore, management should develop a strategy detailing the organization's outsourcing intentions, the strategic rationale for outsourcing and key issues to be addressed. These may include: -

- ◆ Processes to be outsourced
- ◆ Objectives for outsourcing
- ◆ Relationship of outsourcing to the overall corporate strategy
- ◆ Links between the outsourced processes and the organization's core competencies.
- ◆ Strategic forces driving the organizations into an outsourcing relationship
- ◆ Scope coverage
- ◆ Critical risks involved
- ◆ Expected duration of the relationship
- ◆ Expected benefits and its limitations

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

The study adopted a survey method. This chapter covered population, population study, data collection technique and data analysis techniques

3.2 POPULATION

The population of study consisted of all the 49 commercial banks in Nairobi. The list is attached herewith as appendix 1. Of the 49 banks, 7 are classified as large, 21 as medium and 21 as small. The classification is based on the bank's total assets with the large banks holding over kshs. 16 billion; the medium banks holding over kshs. 3 billion and the small banks less than Kshs. 3 billion

3.3 POPULATION OF STUDY

This was a census study; however, due to the fact that only 30 out of 49 firms responded, it reverted to a sample survey. This represented 61.22% of the population.

3.4 DATA COLLECTION TECHNIQUE

The main tool for primary data collection was a questionnaire, which had both open and close-ended questions. Respondents to the questionnaire were the Human Resources/Personnel managers of the respective banks. The questionnaire was structured as follows: section A- general information; section

B- focused on objective (i); C- focused on objective (ii) & (iii) and section D- focused on objective (iv)

3.5 DATA ANALYSIS TECHNIQUES

Data was analyzed using descriptive statistics, which included;

- Frequencies
- Percentages /Proportions and
- Tables.

The frequencies, percentages /proportions were used to establish the number and proportion of banks outsourcing human resource activities. Tables were used to show the main reasons why firms outsource while at the same time bring out the main factors considered in the selection of a service provider. The Chi square test was used to establish significance of the relationships between various variables of the study.

Table 4 - Distribution of the Responses by Bank size

Bank size	No. of Responses	Percent (%)
Large	4	34.38
Medium	3	14.29
Small	12	57.15
Total	19	100

CHAPTER FOUR

ANALYSIS AND FINDINGS

4.0 INTRODUCTION

The chapter is divided into 4 sections and presents analysis and findings of the study. It covers general information on characteristics of commercial banks in Nairobi, extent of outsourcing of human resource management activities, reasons for outsourcing of human resources activities and finally the criteria used in selecting a service provider.

4.1 POPULATION CHARACTERISTICS

Response Rate

A census approach was adopted, covering the entire 49 commercial banks in Nairobi. However, given that only 30 of the total number responded the intended census then changed to a sample comprising 61.22% of the population. Distribution of the respondents is presented in table 4.

Table 4 - Distribution of the Responses by Bank size

Bank size	No. of Banks	Responses	Percent (%)	Non-Responses	Percent (%)
Large	7	3	48.85	4	51.25
Medium	21	18	85.71	3	14.29
Small	21	9	42.85	12	57.15
Total	49	30	61.22	19	38.78

From table 4 above, medium banks have the highest respondents (85.71%) followed by the large banks (48.85%) and the small banks came last with (42.85%).

4.2 OWNERSHIP

Out of the banks that responded to the questionnaires, 46.7% were locally owned, 26.69% were jointly owned, while 26.69% were foreign owned. The response is presented in table 5.

Table 5 : Distribution of Responses by Ownership

Form of Ownership	Number of Respondents	Percent (%)
Local owned	14	46.7
Foreign owned	7	26.6
Foreign & local owned	8	26.6
Total	30	100

As shown in table 5 above, the banking industry in Nairobi is characterised by three types of ownership namely: locally owned, foreign owned, and jointly owned. This gives a diverse and rich background against which the research findings can be interpreted. It is apparent that most of the commercial banks are locally owned since they constitute 46% of the total population of the banks, while the foreign and local owned banks constitute 26.6% each.

4.3 OUTSOURCING PRACTICES AND TRENDS IN THE COMMERCIAL BANKING SECTOR IN NAIROBI

4.3.1 Firm size and trends

The findings show that all the banks outsource one or more Human Resources activities. These results are presented in table 6.

Table 6 :Firm size and outsourcing trends

Firm Size	Outsource	Percent %	Do not outsource	Total	Percent %
Large	3	100	0	3	100
Medium	18	100	0	18	100
Small	9	100	0	9	100
Total	30	100	0	30	100

As shown in table 5 and 6, form of ownership and the size of the bank do not seem to affect the decision as to whether or not to outsource Human Resource activities. Thus, regardless of the form of ownership, and the size, commercial banks in Nairobi outsource at least one activity in Human Resource Management function.

4.3.2 Extent of outsourcing

In table 7 below, a break down of the extent of outsourcing is categorised into: Not at all, less extent, moderate extent, large extent and very large extent. Not at all implies that the activity mentioned is not outsourced while very large extent implies that the activity in question is greatly outsourced. A break down of responses is as shown below:

Table 7 - Extent of Outsourcing by type of Human Resource Activities

Outsourced Activities/ Services	Not at All	Percent %	Less Extent	%	Moderate Extent	%	Large Extent	%	Very Large Extent	%
Annual Compensation Review	6	20	13	43.33	5	16.66	2	6.66	4	13
Training	5	16.66	3	10	4	13	15	50	3	10
Job Evaluation	4	13	5	16.66	12	40	3	10	6	20
Annual employee total compensation programmes	5	16.66	11	36.66	7	23	3	10	4	13
Industrial relations	4	13	10	33.33	12	40	3	10	1	3.33
Human Resource information system	7	23	4	13	5	16.66	12	40	2	6.66
Staff Development	4	13	6	20	11	36.66	4	13	5	16.66
Recruitment	5	16.66	7	23	3	10	13	43.33	2	6.66
Accommodation	2	6.66	2	6.66	4	13	2	6.66	20	66.66
Course participation	4	13	5	16.66	4	13	7	23	10	33.33

As shown in table 7, it is evident that staff training (50%), recruitment (43.3%) and Human resource information systems (40%) are to a large extent, the most outsourced human resource activities, while Job evaluation (40%), staff development (36.66%) and employee total compensation programs (36.66%) are moderately outsourced. Other than the above mentioned activities, majority of the respondents outsourced, to a very large extent , accommodation and meals (66.66%) during official engagements.

4.3.3 Reasons for outsourcing

Question 8 sought to find out reasons for outsourcing. The suggested reasons are ranked in order of strongly agree to strongly disagree as shown below:

- Strongly disagree
- Disagree
- Agree
- Fairly Agree
- -Strongly Agree

Responses obtained from the above ranking scale are presented in table 8.

Table 8 - Reasons Why Firms Outsource Human Resource services/activities

REASON	Strongly Disagree	%	Disagree	%	Fairly Agree	%	Agree	%	Strongly Agree	%
Lack of in-house expertise	19	63.33	2	6.66	2	6.66	3	10	4	13
High Administrative Costs	3	10	3	10	6	20	14	46.66	4	13
To improve company focus	2	6.66	3	10	3	10	5	16.66	17	56.66
High operational risk	16	53.33	8	26.66	3	10	2	6.66	4	13
Lack of time	17	56.66	2	6.66	4	13	5	16.66	2	6.66
To improve on efficiency	2	6.66	4	13	5	16.66	6	20	13	43.33
Poor customer service	18	60	3	10	2	6.66	4	13	3	10
Transfer of knowledge and skills to employees	3	10	3	10	3	10	18	60	3	10
Management style	2	6.66	4	13	3	10	19	63.33	2	6.66
Leadership style	1	3.33	3	10	4	13	20	66.66	2	6.66
Organisation culture	2	6.66	7	23	2	6.66	16	53.33	3	10
Past history	2	6.66	3	10	3	10	19	63.33	3	10
Business environment	4	13	4	13	3	10	16	53.33	3	10

As shown in table 8, the need to improve company focus and efficiency are the most important reasons for outsourcing human resource activities by firms in the commercial banking industry. 56.66% and 43.33 % of the firms strongly agreed, respectively, with these two as reasons for their outsourcing. Most respondents

agree that Leadership styles (66.66 %) transfer of knowledge and skills to employees (60%) business environment (53.33%) and high administrative costs (46.66 %) form part of the reasons that influence the banking industry to adopt outsourcing as a strategic tool in management.

Apparently, lack of time (56.66%), high operational risks (53.33%), lack of in-house expertise (63.33%) and poor customer service (60%) were not recognised as major reasons that influence outsourcing as most respondents strongly dismissed them as having no significant influence in the process of making decisions to outsource. As a whole, efficiency, focus on core business and leadership styles stand out as the major drivers behind outsourcing.

4.3.4 Benefits of outsourcing human resource management activities

Question 9 was directed at the benefits accrued from outsourcing. The responses are presented in table 9.

Table 9 - Benefits of Outsourcing

Benefits	Strongly Disagree	%	Disagree	%	Fairly Agree	%	Agree	%	Strongly Agree	%
Reduces staff numbers	3	10	5	16.66	5	16.66	5	16.66	12	40
Eases workload	4	13	3	10	7	23	6	20	10	33.33
Enables firms to focus on core business	5	16.66	4	13	4	13	4	13	13	43.33
Reduces administrative costs	2	6.66	4	13	2	6.66	3	10	19	63.33
Better utilization of internal resources	3	10	6	20	2	6.66	5	16.66	14	46.66
Access to world-class capabilities and services	8	26.66	6	20	3	10	6	20	7	23
Increases customer satisfaction	6	20	1	3.33	3	10	8	26.66	12	40
Reduces operational risks	4	13	4	13	4	13	4	13	14	46.66
Results in cash infusion	2	6.66	8	26.66	5	16.66	3	10	12	40

From table 9, it appears that benefits associated with outsourcing form part of the reasons why firms would want to outsource Human Resource Management activities.

Key benefits identified include the following (percentages show proportions of firms that strongly agreed with the statements):

- Enables firms to focus on core business (43.33%)
- Reduces administrative costs (63.33%)
- Enhances better utilisation of internal resources (46.66%)
- Increases customer satisfaction (40%) and

➤ Results in cash infusion (40%)

As shown in table 8, reduction in operational risk and poor customer service were not regarded as reasons for outsourcing; however, the same came out strongly as benefits of outsourcing as depicted in table 9. This implies that reasons given for outsourcing may not necessarily translate into benefits accrued. It can be inferred therefore, that outsourcing can result into cost cutting as well as increased customer satisfaction.

4.3.5 Risks of Outsourcing

Question 10 was aimed at finding out risks associated with outsourcing. There is a clear understanding that outsourcing by commercial banks poses a risk in at least each factor mentioned herein. The most cited risk is loss of control in decision making (56.66%). A summary of the responses is presented in table 10 below.

Table 10 - Risks of Outsourcing

Risk	Strongly Disagree	%	Disagree	%	Fairly Agree	%	Agree	%	Strongly Agree	%
Loss of control in decision making	2	6.66	1	3.33	5	16.66	5	16.66	17	56.66
Loss of command on outsourced services	3	10	3	10	3	10	6	20	15	50
Loss of employee loyalty	4	13	2	6.66	3	10	3	10	14	46.66
Disintegration of internal competence	13	43.33	6	20	4	13	2	6.66	5	16.66
Limited flexibility	7	23	6	20	6	20	3	10	8	26.66
Low quality of work	14	46.66	3	10	3	10	5	16.66	5	16.66
Loss of confidentiality	5	16.66	2	6.66	4	13	6	20	13	43.33
Over reliance on external parties	3	10	3	10	4	13	6	20	14	46.66

From table 10, it is observed that the risks associated with outsourcing of Human Resource activities are present as much as the benefits. Loss of control in decision making (56.66%), loss of command on outsourced services (50%), loss of employee loyalty (46.66%), over reliance on external parties (46.66%) and loss of confidentiality (43.33%) were the most prevalent cited risks in relation to outsourcing of Human Resource Management activities.

Other cited risks include:

- Loss of command on outsourced services (50%)
- Loss of employee loyalty (46.66%)
- Loss of confidentiality (43.33%)
- Over reliance on external parties (46.66%)

It is evident that disintegration of internal competence and low quality of work are not perceived as major risks associated with outsourcing as opposed to loss of decision making which is strongly supported by 57% of the banks. This is evidenced by the fact that 43.33% and 46.66% respectively strongly disagreed with the statement that the two are among the risks associated with outsourcing:

4.4 SERVICE PROVIDER/VENDOR SELECTION

Question 11 sought information on the criteria banks use to select external service providers. The findings are in table 11.

45 SATISFACTION WITH OUTSOURCING

Table 11 - Attributes Considered in the Selection of a Service Vendor

Attributes	Least extent	%	Less Extent	%	Moderate Extent	%	Large Extent	%	Very Large Extent	%
Qualification	3	10	6	20	10	33.33	8	26.66	3	10
Professionalism	2	6.66	5	16.66	8	26.66	3	10	12	40
Competence	5	16.66	4	13	5	16.66	12	40	4	13
Experience	5	16.66	3	10	2	6.66	5	16.66	15	50
Cost	3	10	4	13	7	23	2	6.66	14	46.66
Past performance	4	13	4	13	7	23	5	16.66	10	33.33
Flexibility	5	16.66	5	16.66	6	20	4	13	10	33.33
Compatibility	5	16.66	3	10	8	26.66	3	10	11	36.66
Accessibility	4	13	4	13	4	13	8	26.66	10	33.33
Credibility	3	10	3	10	5	16.66	9	30	10	33.33
Contract terms	2	6.66	2	6.66	6	20	8	26.66	12	40

From table 11, it is evident that before selecting a service provider, Banks consider a wide range of attributes. Experience of the service Provider (50%), professionalism (40%), cost implication (46.66%) and Contractual terms (40%) form part of the key attributes considered. Other important attributes that are considered include: qualification (33.33%), competence (40%), past performance (33.33%), flexibility (33.33%), among others. Banks, therefore, engage in a very rigorous exercise in selecting a service provider to ensure that quality and cost effectiveness in delivery of service is achieved.

4.5 SATISFACTION WITH OUTSOURCING

Question 12 sought to find out the extent of satisfaction with the services outsourced. A summary of the responses is presented in table 12 below.

Table 12 - Extent of satisfaction with attributes of the services outsourced

Attribute	Least Extent	%	Less Extent	%	Moderate Extent	%	Large Extent	%	Very large Extent	%
Efficiency	3	10	3	10	4	13	5	16.66	15	50
Flexibility	6	20	10	33.33	6	20	2	6.66	6	20
Quality of Service	5	16.66	3	10	3	10	6	20	13	43.33
Cost Effectiveness	3	10	5	16.66	10	33.33	8	26.66	4	13
Work Performance	5	16.66	4	13	10	33.33	6	20	5	16.66
Effectiveness	2	6.66	5	16.66	3	10	13	43.33	7	23

It is evident from table 12 that the level of satisfaction varied among different service attributes. The greatest satisfaction was with efficiency (50%). This was followed by quality of service (43.33 %), cost effectiveness (33.33%) work effectiveness (33.33%) and flexibility (33.33%) in that order.

4.6 FUTURE OF OUTSOURCING

All respondents were in agreement that there is possibility of them outsourcing more areas in the future as outsourcing gains root in the business environment. Potential areas of outsourcing in the future that were suggested by the banks

were: Training, Recruitment and Job Evaluation. In view of the changing environment due to Information Technology, outsourcing will gain popularity in the banking industry. From the findings, growth in outsourcing is attributed to: declining profits, shift in technology, competition/mergers, among others. It is viewed as an alternative to flex time schedules. Outsourcing is also considered a moderate option largely necessitated by automation and globalization.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The findings of the study show that outsourcing of human resource activities is widely practiced in the Commercial banking industry in Nairobi. Outsourcing if done strategically will benefit many banks and they will be able to improve on their profit margins. Outsourcing of Human Resource activities will reduce time spent on non-core business and banks will concentrate on core business and focus more on Quality customer service. Some of the Human Resource activities outsourced include: training, recruitment, employee compensation, job evaluation, staff development, industrial relations, among others.

It is observed, however, that banks consider human Resource function as a strategic and critical aspect in mapping out business strategies hence the option of having it fully outsourced is met with strong resistance and scepticism. This has stifled the process of outsourcing and the growth of the concept in general.

Outsourcing as a practice is adopted for different reasons, the most outstanding being the organisation's deliberate effort to focus on core business. As organisations focus on core business they perfect on their operations, concentrate their efforts and resources on that which they can do best, enhance customer service, and reduce on their operational costs.

Despite its cited benefits, if not strategically implemented outsourcing may pose great risks such as loss of employee loyalty, loss of control of outsourced services and loss of confidentiality. This implies that the choice of a service vendor has to be through a thorough assessment of attributes such as: professionalism, cost implication, past performance, flexibility, contract terms, compatibility, among others.

Although a relatively new concept, the study reveals that most of the banks have adopted it. This reflects a very high potential for its growth and adoption among commercial banks. Equally, the benefits accrued from it present good prospects for the industry.

5.2 RECOMMENDATIONS

While outsourcing has its benefits there are associated risks; hence, it is imperative that outsourcing of Human Resource activities be undertaken on prudent, rational and in a very calculated manner. This balance will ensure banks reap benefits associated with the practice and avoid the obvious pitfalls.

Those outsourcing should do a Strengths, Weaknesses, Opportunities, and Threats (SWORT) analysis of their environments and organizations and make strategic moves in choosing service provider. This reduces problems associated with rushed decisions, which prove counterproductive. Instead past experience should be a guiding tool (track records). They should be flexible, credible and stick to contractual terms.

Outsourcing being a relatively new concept, the findings of the study may not be fully exhaustive and there is need to carry out further research on the long term effects of the practice.

5.3 LIMITATIONS

There were limiting factors for a thorough research to be done on the 49 commercial banks since there was need for more time and resources for the research to cover a range of factors associated with outsourcing. Restriction of the research in Nairobi was limiting as the extent of outsourcing in banks located out of Nairobi cannot be inferred from findings for Nairobi. Besides, not all the participants were willing to participate and those who participated didn't spend time to understand the objectives of the study.

5.4 AREAS FOR FURTHER RESEARCH

Given that outsourcing is relatively a new concept and the fact that Kenyan commercial banks have not had a serious consideration on outsourcing their services there is need for further research to help in digesting and marketing the concept. More studies will be necessary to monitor and show the trends of outsourcing in Kenya. Outsourcing could also be used as a tool in the re-engineering and restructuring and thorough study on its viability and sustainability

is necessary as this may chart directions for the bank's Human resource management practices in the future!

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BANKING SURVEY 2002

	TOTAL ASSETS (BILLIONS)
Barclays Bank of Kenya	73,547
Kenya Commercial Bank	66,208
Standard Chartered Bank	54,480
Citibank	37,710
National Bank of Kenya	24,043
Co-operative Bank of Kenya	35,800
Commercial Bank of Africa	16,251
HFCB	11,020
CFC Bank	10,447
NIC Bank	8,408
I&M	7,100
Stanbic Bank	6,624
First American	6,280
Credit Agricole Indosuez	5,794
Diamond Trust	4,630
Plma Bank	4,842
Giro Commercial Bank	4,119
Middle East Bank	4,078
Bank of Baroda	3,827
Imperial Bank	3,845
Guardian Bank	3,625
Habib A.G. Zurich	3,514
Development Bank of Kenya	3,480
Akiba Bank	3,258
Consolidated Bank	3,176
Prima Bank	3,153
Bank of India	3,131
ABC Bank	2,981
Habib Bank Ltd	2,910
Southern Credit Bank (Merged with Bullion Bank)	2,894
Victoria Commercial Bank	2,760
Blashara Bank	2,402
Equatorial Commercial Bank	2,284
Prime Capital & Credit	2,129
Charterhouse Bank Ltd	1,907
Industrial Development Bank	1,880
Delphia Bank (Under statutory management)	1,796
Trans-National Bank	1,588
Credit Bank	1,588
Euro-bank	1,435
Paramount Universal Bank	1,388
Fidelity Commercial Bank	1,332
K-Rep Bank	1,173
Chase Bank	972
Dubai Bank (formerly Mashreq Bank)	820
City Finance Bank	798
Dawa Bank	750
Devna Finance	58

APPENDIX II

QUESTIONNAIRE

SECTION A

GENERAL INFORMATION (please tick as appropriate)

1. Is your bank
Purely local owned ()
Purely foreign owned ()
Both local and foreign owned ()

2. How long has your bank been operating in Kenya
1 – 3 years ()
3 -5 years ()
5-10 years ()
over 10 year s ()

3. What is the size of your bank?
Small bank ()
Medium-sized bank ()
Large bank ()

4. What is the size of staff in your bank?
20-199 employees ()
200-499 employees ()
500 and above ()

5. Does your bank have a fully-fledged Human Resource department?
Yes ()

No

SECTION B

()

To what extent does your bank allocate any of the following human resource management activities? (Please tick as appropriate)

6. [a] If answer in question 5 is yes, what is the staff compliment in the department? _____

6. [b] If the answer is no, how do you run your Human Resource Management activities?

SECTION B

7. To what extent does your bank outsource any of the following human resource management activities? (please tick as appropriate)

Not At All – NAA

Less Extent- LE

Moderate Extent- ME

Large Extent - LE

Very Large Extent- VLE

	[NAA]	[LE]	[ME]	[LE]	[VLE]
-Annual compensation program review	[]	[]	[]	[]	[]
-Training	[]	[]	[]	[]	[]
-Job evaluation review	[]	[]	[]	[]	[]
-Annual employee total compensation	[]	[]	[]	[]	[]
Programmes					
-Human resource information systems	[]	[]	[]	[]	[]
-Industrial relations	[]	[]	[]	[]	[]
-Staff development	[]	[]	[]	[]	[]
-Recruitment	[]	[]	[]	[]	[]
-Any other (specify)					
_____	[]	[]	[]	[]	[]

_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C

8. Rate the extent to which you agree or disagree with each of the following statements as a reason for your companies outsourcing of Human Resource activities. (please tick as appropriate)

SA- Strongly Agree

A- Agree

FA- Fairly Agree

D- Disagree

SD-Strongly Disagree

	(SD)	(D)	(FA)	(A)	(SA)
-Lack of in-house expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-High administrative costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-To improve company focus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-High operational risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Lack of time]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-To improve on efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Poor customer service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Transfer of knowledge & skills to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

employees

-Management style

-Leadership style

-Organizations culture

-Past history

-Business environment

-Any other reasons (please specify)

9. What are the benefits of outsourcing of Human resources activities in your organization?

	(SD)	(D)	(FA)	(A)	(SA)
-Reduces staff numbers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Eases workload	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Enables firms to focus on core business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- Reduces administrative costs
- Better utilization of internal resources

- Accesses world-class capabilities and services
- Increased customer satisfactio
- Reduces operational risks
- Results in cash infusion

-Any other reasons (specify)

- _____
- _____
- _____
- _____
- _____
- _____

10.To what extent do you agree with each of the following as risks of outsourcing?

- | | (SD) | (D) | (F A) | (A) | (SA) |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Loss of control in decision-making | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Loss of command on outsourced services | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Loss of employee loyalty | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Disintegration of internal competence | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Limited flexibility | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Low quality of work | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Loss of confidentiality | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Over reliance on external parties | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Any other risks? (Please specify)

- _____
- _____

_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To what extent are you satisfied with the services outsourced in your

SECTION D

11. To what extent do you use each of the following criteria in selecting a service provider?

- Least Extent- LAE
- Less Extent- LE
- Moderate Extent- ME
- Large Extent - LE
- Very Large Extent- VLE

	[LAE]	[LE]	[ME]	[LE]	[VLE]
-Qualifications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Professionalism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Competence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Past performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Flexibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Compatibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Accessibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Credibility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-Contract terms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Any other criteria? (Please specify)					
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

_____	[]	[]	[]	[]	[]
_____	[]	[]	[]	[]	[]
_____	[]	[]	[]	[]	[]

12. To what extent are you satisfied with the services outsourced in your bank?

- Least Extent- LAE
- Less Extent- LE
- Moderate Extent- ME
- Large Extent - LE
- Very Large Extent- VLE

	[LAE]	[LE]	[ME]	[LE]	[VLE]
-Efficiency	[]	[]	[]	[]	[]
-Flexibility	[]	[]	[]	[]	[]
-Quality of service	[]	[]	[]	[]	[]
-Cost effectiveness	[]	[]	[]	[]	[]
-Work performance	[]	[]	[]	[]	[]
-Effectiveness	[]	[]	[]	[]	[]

13. Based on your experience what is the future of outsourcing in your bank?
