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Evaluate the effect of Outsourcing on Organizational Performance, A case study of Societal Generale (SG) Bank Limited, Kaneshie Branch

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Abstract
The research observes the effects of outsourcing on the performance of organizations. Importantly, doubts stay as to how outsourcing practices affect organizational outcomes, whether some practices have stronger effects than others, and whether paired among such practices can further improve organizational performance. The objectives of the study were to determine the effect of outsourcing on cost efficiency in Societal Generale (SG) Bank Limited, to assess the effect of outsourcing on productivity in Societal Generale (SG) Bank Limited and to estimates the effect of outsourcing on profitability in Societal Generale (SG) Bank Limited. The methodology was based on qualitative and quantitative analysis of the financial data of the selected organizations for a period of four years and the use of other moderating factors to assist assess the organizations performance. The research employed the use of questionnaires, which included the dichotomous and the rating scale which was easier to administer to the respondents and also saved time. The main function or personnel being outsourced that emerged from the study was security and then pay roll activity. These outsourced functions cut across all the organizations selected for the study. It also appeared that, the key factors that influenced the choice to outsource a function/activity by management was to reduce cost and also to allow staff to concentrate on the core activities of the institutions. The activities outsourced were peripheral activities that could easily be peeled off without much disorientation to the whole organizational set up. Security was found to be the most outsourced function and interestingly there is a spring up of many security companies. Government is therefore entreated to prepare rules to improve the operations of these companies to enable them create job opportunities to our teeming unemployed youth to help develop Ghana.

Keywords: Outsourcing, Sourcing, Organizational Performance

I. INTRODUCTION

Outsourcing is defined as the procurement of products or services from sources that are external to the organization (Accenturet, 2012). Very simply outsourcing can be defined as phenomena in which a company delegates part of its in-house operations to a third party with the third party gaining full control over that operation/process (Aghazadeh, Seyed, 2013). The clients inform their provider what they want, how they want the work performed and the control of the process is with the third party instead of the parent company. From the above, outsourcing in this study will essentially refer to a process in which an organization delegates in-house operations/processes/services to a third party Organizational performance in this study will refer to cost efficiency, productivity and profitability. According to Deloitte (2012), judgments of efficiency are based on some idea of 'wastage'. In this study, cost efficiency will refer to Societal Generale (SG) Bank Limited, total revenue or sales compared to the total costs and overhead costs incurred to provide outsource services to its clients. Productivity is the amount of output produced with a given amount of inputs (Barthélemy, 2012). In this study, therefore, productivity will refer to the extent to which an amount of output in Societal Generale (SG) Bank Limited is produced with a certain amount of input and the extent to which value is created Ghana in Societal Generale (SG) Bank Limited in comparison to the time required to create that value. Profitability refers to the efficiency of a company or industry at generating earnings (Houseman, 2012). It is the amount of output per unit of input(labor, equipment and capital) or the ability of a firm to generate net income on a consistent basis or a measure that indicates how well a firm is performing in terms of its ability to generate profit (Barthélemy, 2012). Thus, the last two definitions will be used in this study and will be expressed in terms of: "how much banking industry makes with what they have got" and "how much it makes from what they take in" on a consistent basis. The growing interest in outsourcing over the years from western and eastern countries to the African countries and especially in Ghana - the context of this study - is due to the benefits associated with it. According to Ahn, Slelatt and Ruiz-Huidebro (2013), given the diverse nature of business processes a firm has to manage today, it is nearly impossible for the firm to manage all of its processes by solely depending on its own expertise. Even if it is visible, the firm may loose its focus and efficiency. Bathelemy and Adsit (2012) also emphasize that outsourcing some or all of non-core business processes can enable a firm focus on its core activities or activities in which the firm is more competent, rather services that fall outside its expertise. He adds that it will not only improve function effectiveness and flexibility by accessing a support network with highly qualified and specialized workforce but also

help firms control their costs and business risk. However, despite that firms can benefit from outsourcing, some Ghanaian firms never realize the full benefit of outsourcing and encounter many problems such as failure in maintaining effective and efficient service delivery. For example, Societal Generale (SG) Bank Limited has this problem. The Banking Industry (Licensing) Regulations 2005 outline the importance of quality of service. Operators' licenses oblige Banking companies to improve the quality of services to the satisfaction of consumers. In order to achieve this, Societal Generale (SG) Bank Limited has outsourced some of their services such as selling of shares, provision of loan services, etc

II. LITERATURE REVIEW

Introduction

This chapter presents the literature review. It is divided into three sections according to the objectives of the study. The first section reviews literature about the definition of key concept theoretical framework, concept of outsourcing, the concept of organizational performance, reducing costs and risks simultaneously, while the second section reviews literature about the outsourcing for cost-effective intellectual value, cost efficiency, innovation-driven outsourcing and organizational performance, saving labor cost, converting fixed costs into variable costs, focusing human resources, effect of outsourcing on productivity, enhancing productivity, increased productivity for businesses. The third section reviews literature about the returns to production, capacity/quality, effect of outsourcing on profitability, value enhancing, increasing competition, profitability margin, the ability to assemble expertise for innovation, increased flexibility for innovation, challenges associated with innovation-driven outsourcing, focus-driven outsourcing and organizational performance, focus on core competencies and flexibility and competitive advantage.

A. Definitions of Outsourcing

In the literature of management, there is lot of misunderstanding in how outsourcing is defined. Abrahamsson and Anddresson (2013), defined outsourcing as "the significant contribution by external vendors in the physical and/or human resources associated with the entire specific components of the IT infrastructure in the user organization". On the other hand, outsourcing has been defined as "products supplied to the multinational firm by independent suppliers from around the world" and "the extent of components and finished products supplied to the firm by independent suppliers" (Bragg, 2013). Additionally, outsourcing has been defined as "there alliance on external sources for manufacturing components and other value-adding activities" (Browning, 2013). In general, outsourcing has been defined variously in studies of the subject that includes virtually any good or service that an organization procures from organizations/companies. However, outsourcing cannot be defined only in terms of procurement activities, since this does not capture the true strategic nature of the issue. It's not simply making a decision of purchasing. Every existing company makes one decision or another in their operations. For this reason, outsourcing becomes very strategic in management decision and has the potential to cause ripple effects throughout the entire organization. The most common type of outsourcing which organizations employ is the substitution based (where the production of goods and services is discontinued and provided for by outside suppliers. On the other hand, outsourcing could be abstention-based, in which case the outsourced goods or services are obtained internally but as a result of lack of capital or expertise, a decision is made to procure it externally. The decision to reject or outsource an activity is one which needs to be taken considering its impact on the overall performance of the organization. This also has to be viewed in terms of the particular activity. Previous definitions of outsourcing have not made the substitution/abstention distinction and, therefore, have not allowed researchers to approach the subject of outsourcing from common starting point, Billington and Ellram, (2013). According to Domberger, (2014), outsourcing is a contractual agreement between the customer and one or more suppliers to provide services or processes that the customer is currently providing internally. The fundamental difference between outsourcing and any other purchasing agreement is that the customer contracts-out a part of their existing activity. There are many reasons why a company may choose to outsource and rarely will it be for one single reason. While they are normally specific to the particular situation, some commonly-sited reasons are to: reduce cost; improve quality, service and delivery; improve organizational focus; increase flexibility; and facilitate change.

B. Overview of Outsourcing

In modern times, most senior managers sometimes prefer to entrust outside firms or labourers with critical tasks. The fact is, senior management often finds outside firms to be more cost-effective. Managers often claim they can hire a guy cheaply but they also know the job will be done on time and in a predictable fashion. And if it isn't, they can get somebody else without going through the hassles of hiring and firing employees. It is vision, function, and economics

that drive the need for outsourcing (Elmuti, (2013). A recent study indicates that outsourcing operations is the trend of the future and that organization already outsourcing activities are pleased with the results. A year-long international study by Arthur Andersen and The Economist Intelligence Unit finds that 93 percent of corporations interviewed plan to outsource in the next three years. Of those that already outsource, 91 percent are satisfied with the results (Gooley, 2012).

The study, ''New Directions in Finance: Strategic Outsourcing,'' in U.S.A is based on interviews with 55 global organizations plus a survey of 404 senior executives throughout North America and Europe. The study documents that there is a clear trend to the use of outsourcing as a competitive tool, rather than just a simple means of cost control. Especially relevant is the outsourcing of key business processes and financial functions'' (Gooley, 2012). The document includes outsourcing case studies with Alcatel Italia, British Petroleum Co., Houghton Mifflin, Mead, Microsoft, Ostel Communications, Plastics MFG, Sybase, Ta-legen Holdings, Tektronix, and Zeneca Group. Of the executives surveyed, 85 percent outsourced all or part of at least one business function. The most widely outsourced activity is legal work (62percent), followed by shipping (43 percent), computer information systems (38 percent), and production and manufacturing (35 percent). Twenty-six percent of the executives interviewed currently outsource at least one financial function; 47 percent expect to outsource at least one financial function in the next three years (Gooley, 2012). The use of outsourcing has seen phenomenal growth in the past few years. For example, 28 percent of all information technology (IT) activities in the UK were being outsourced in 1996 compared with only 15 percent in 2002 (Greaver, 2013). Whilst the market size in the UK is not clear, the market in the US was estimated in 1996 by the Institute of Outsourcing at $100bn. A survey of outsourcing market by PA Consulting Group (2014) concludes: 'A progressively larger part of most businesses have been outsourced over the last five years'. Projections suggest that this trend will continue, with growth set to rise a further 46 percent by the year 2010, (Brown, 2013). The same survey also found out that while few companies had regrets over outsourcing ventures, most had not met their expectations. Mediocre outcomes were frequent and real failure too common.

Clearly the outsourcer may have had unrealistic expectations, but it is more likely that the outsourcing process itself is responsible. It is on this premise that the research was conducted which aimed at exploring two specific areas: pre-outsourcing cost analysis and post-outsourcing supplier management. The first topic was chosen primarily because the existing literature is rather prescriptive and only offers transaction cost theory (Walker and Weber, 2013; Alexander and Young, 2014) as an analytical tool, which most commentators believe is ineffective. The second topic was selected due to the lack of research on the subject, and the evidence suggested that most outsourcing deals have fallen short of expectations and deteriorated over time. It should be noted however, that these two selected areas will not guarantee outsourcing success on their own as the subject is extremely complex with many interrelated factors, but a good understanding of them is crucial for any outsourcing decisions, (Handfield et al., 2012)

In the current environment of right-sizing, with a renewed focus on core business activities, companies can no longer assume that all organizational services must be provided and managed internally. Competitive advantage may be gained when products or services are produced more effectively and efficiently by outside suppliers. The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities.
It is estimated that every Fortune 500 company will consider outsourcing during this decade and that 20 percent of them will enter into a contract by the end of the decade. A variety of firms already exhibit this trend. General Electric Corporation has entered into a five-year, $500 million contrast with Electronics Data Systems (EDS) to handle the corporation's desktop computer procurement, service, and maintenance activities (Gray et al., 2014).

C. Theoretical framework

To solve different kind of problems such as cost, quality, and speed of service firms are developing different strategies. Downsizings, exclusion of some functions and processes, franchising and leasing arrangement are some examples of these decisions. Outsourcing is also included in these strategies. Organizations usually outsource their support activities (Gupta and
Gupta, 2014). Outsourcing improves different dimensions of organizational performance and is attractive to upper management(Lilly, Harrison and Kelly, 2013).Outsourcing helps organizations to increase focus on their core competencies(Dess, Rasheed, McLaughlin, & Priem, 2012).If an external party can perform the work more competently and economically than can the organization itself, then the external party ought to perform it but if the organization's employees can perform the work better, then the work should remain in-house(Bahli & Rivard,

2015).Outsourcing firms who know that how to handle the process can improve their firm's performance and attain a higher level of satisfaction(Lacey & Blumberg, 2014). The outsourcing of support activities allows the organizations to increase management attention and resource allotment to those tasks in which the firm has edge. This attention can improve performance and allows the organizations to be more efficient and innovative moreover, outsourcing helps to increase the "quality of work life". Jobs become more meaningful for the staff when firms ensure focus on their core competencies (Rothery and Robertson, 2013).

Studies show that there is a direct relationship between productivity and outsourcing. According to (Gilley and Rasheed, 2012) firms outsource activities for smoothing production and gaining from specialization.(Fill and Visser, 2013)discover a positive connection among the rate of "outsourcing" and "productivity growth. Well-organized organizations assign their resources to those activities in which they have comparative advantage and other activities are usually outsourced (Browning, 2013).Outsourcing allows the firms to evaluate the productivity of their internal service functions(Siegel & Griliches, 2012). Now a day's economies offer countless opportunities for organizations to maximize profits through outsourcing(Quinn, 2013).Firms are focusing on outsourcing strategies to reduce and control costs(Cánez, Platts and Probert, 2013).Outsourcing minimizes the requirement of capital assets that results in lower fixed cost and lower "break-even point" (Gilley & Rasheed, 2013).In summary, the organizations outsource their activities(functions) with the idea that organization's performance will enhance (Lilly, et al., 2014).we will study the relationship between outsourcing and organizational performance by using four organizational performance dimensions. Productivity, Profitability, Continuous improvement and Quality of work life.

D. The concept of outsourcing

The concept of outsourcing has been analyzed by different scholars and different theories. The Transaction Cost Theory is generally accepted as a useful framework for analyzing logistics outsourcing (Cachon and Harker, 2012). Outsourcing can be defined as the use by one company of another business to do particular tasks because it can do them more cheaply or effectively. Outsourcing was traditionally used mainly for downsizing and cost reduction at large corporations (Buxbaum, 2014). In smaller companies, outsourcing was viewed primarily as a means to optimize capacity under conditions of limited resources. However, today's scholars advocate that outsourcing should be used as a strategic tool to deliver a forceful impact on corporate growth and financial stability (Holcomb & Hitt, 2013). This is the concept of strategic outsourcing – outsourcing for the longer term and the bigger picture.

According to Quinn (2013), strategic outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel. This, when properly done, allows a business to plan the optimal utilization of its resources and capabilities to achieve the best advantage. It also improves the achievability of an organization's strategic goals. This kind of outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions (Brück, 2012).

The basic idea behind strategic outsourcing is to create gains by allowing outside providers and specialists to take over the operation and management of a given function. Such gains may come in different forms such as improving the bottom line of a company by reducing various operating expenses and increasing the flexibility for innovation without having to invest too much in training and capital infrastructure (Churchill and Lacobucci , 2014). Other benefits may come in form of convenience, where the strategy allows the business owners and managers to concentrate on their core business (Blaxil and Hout, 2014). As a simple rule, so long as the benefits are considered sufficient by the client, then the process of strategic outsourcing can be considered a success. In the context of this study, strategic outsourcing will be considered in terms of the driving force behind the strategy. This study will focus on cost-driven outsourcing, innovation-driven outsourcing and focus-driven outsourcing.

For organizations seeking to simply lower their cost of doing business, the efficiency The most traditionally acknowledged driving force for outsourcing is cost reduction (Deavers, 2011). Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost (Aksoy & Öztürk, offered by the service provider and the level of risk borne by the provider are the most important factors in the equation. Another major driver of strategic outsourcing is innovativeness. As the business environment changes rapidly and customers increasingly modify their demands, organizations have to find a way to stay afloat in the market by providing innovative products to the market in proper time and ahead of competition (Cooke and McBribe , 2013). Such organizations may therefore utilize strategic outsourcing with a goal of developing

new products faster as they seek increased flexibility for innovation (Gesing, Antons, Piening, Rese & Salge, 2014). The other major driver for outsourcing is the need to focus on core competencies.

According to Heywood (2014), the ability to free up organizational resources and capabilities so as to focus on the organization's core business is one of the greatest determinants of whether outsourcing can be considered as strategic or not. Firms therefore utilize strategic outsourcing in a bid to reduce the administrative burden of managing support activities so as to focus their efforts on top business priorities (Insinga et al, 2014).

E. The Concept of Organizational Performance

The concept of organizational performance emanates from the concepts of efficiency and effectiveness. A business organization must produce the right products and services and it must produce them using the fewest possible inputs if it is to have a strong organizational performance (Kliem,, 2015). Organizational performance can be measured by analyzing a company's performance as compared to its corporate goals and objectives based on three primary outcomes - financial performance, market performance and shareholder value performance. Businesses simply endeavor to perform well in a number of areas of organization. Most importantly, they strive to do well financially in terms of achieving superior profitability and realizing good returns on investment. In order to acquire as much market share as possible, it is imperative that companies produce a product that is in demand and offer it at a price that allows them to compete in the market. Finally, they need to perform well in terms of creating value for their shareholders by ensuring a sustainable level of growth and shareholder return (Heywood, 2014). Research work on organizational performance should include multiple performance measures. Such measures could be traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as customer satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held firms (Kliem, 2015).

This approach is consistent with the proposal of Kaplan and Norton (2014) in the Balanced Score Card that the performance of a firm should be measured in four perspectives – financial, customer, learning and growth and internal business processes. The balanced score card directs that managers should use both financial and non-financial measures to evaluate the organization of the firm. In the context of this study, organizational performance will be measured by four components – profitability, sales growth; market share and customer satisfaction.

F. Reducing Costs and Risks Simultaneously

Strategic outsourcing when approached in a proper manner can lead to a vital combination of reducing both costs and risks. This is because the outside suppliers undertake investments and development risks that the outsourcer avoids. Therefore by sharing these risks among multiple clients, the supplier lowers costs for all its clients due to the pooling effect and economies of scale. Additionally, risk management in itself is now becoming one of the critical new tools and benefits of outsourcing (Lambert, Emmelhainz and Gardner, 2014). In some cases, a company may find that the extent of relationship required to absorb a strategic suppliers' strong technical capabilities may lead to increased coordination costs or may increase the possibility of unintended technology leakage (Kotabe, 2014). Such companies may therefore avoid these costs by outsourcing technical capabilities from strong strategic partners. For instance, strategic suppliers with strong technical capabilities will often be developing new sticky knowledge that firms will find difficult to access and costly to transfer across inter-organizational boundaries, even when they seek to develop relationship-specific absorptive capabilities (Lamber etal., 2014). Furthermore, when a strategic partner's intrinsic organizational capabilities are considered their core competencies, it will become increasingly difficult and costly for the client firms to absorb the strategic supplier's technical knowledge because of the supplier's fear of opportunism and loss of bargaining power. Strong suppliers understand their strengths and they protect these diligently. This creates a win-win situation for both the supplier and the outsourcing firm (Lei,
Hitt , 2014). Therefore the choice of the service provider plays a critical role in achieving reduced costs and risks. This is in agreement with the findings of Wassenhove, et al, (2014) in their case study of Vodafone Ghana Ltd where they found that outsourcing security and transport function to G4S and Metro not only enhanced the positive image to the firm but also provided efficiency and reduced coordination cost.

G. Outsourcing for Cost-Effective Intellectual Value

Today's business executives now understand that outsourcing for the short term objective of cutting cost does not yield nearly as much as outsourcing for the longer term objectives such as building a knowledge based system or strategic benefits. These advantages of a longer term focus include greater intellectual depth and access, opportunity

scanning, innovation, reliability, quality, value-added solutions, or worldwide outreach (Menon and Ackerman , 2014). Companies seek outside specialists in litigation, tax, advertising, logistics, etc primarily for such benefits rather than for lower costs (Humphreys et al, 2015). They seek the intellectual value that these specialists can offer seeing that they are good at what they do. Why do senior managers sometimes prefer to entrust outside firms with critical tasks? The fact is, senior management often finds outside firms to be more cost-effective. While middle managers often claim, they can hire a person to do it cheaper, upper management looks at things differently. They know they will typically pay at least less per hour to outsource, but they also know the job will be done on time and in a predictable fashion. If it is not, they can get somebody else without going through the hassles of hiring and firing employees. The vision, function, and economics drive the need for outsourcing (McIvor, 2013).

H. Cost efficiency

Firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization (Barthelemy & Adsit, 2014). Tasks that are not core competencies of the organization are candidates for being contracted out. However, any skill or knowledge that allows an organization to serve its customer base better, that deals directly with the product or service it is trying to put out of the door, is one that must remain in-house. Cost efficiency remains the primary explanation for the development of outsourcing. Firms evaluate outsourcing to determine if current operation costs can be reduced and if saved resources can be reinvested in processes that are more competitive. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver, all of which in turn will serve to boost the Organizational performance (Bin, 2013).

In their study of the manufacturing sector in Nigeria, Akewushola and Elegbede (2012) found that outsourcing has operational advantages such as increased efficiency as a result of activities being carried out by specialized firms, and reduction in permanent staff, which then became variable costs related to the level of activity. They also noted the demerits of outsourcing being the loss of control of activity done through outsourcing, the transfer of sensitive information, the possibility of exorbitant price increase by the suppliers at a future date, along with fluctuations in quality. Some firms have employed outsourcing as a short-term solution to avoiding the rigidities caused by labor laws. Although outsourcing labor management to able providers may result in a consistent pool of more professional and motivated workers, these firms limit themselves by viewing outsourcing merely as a simple tactic of freeing themselves of permanent staff and the legislative pressures associated with them (Mulama, 2012). The volume of literary work in this area has demonstrated that in most cases the strategic suppliers will beat the in-house team on cost. This is because the supplier will mostly offer substantially improved terms and conditions if the buyer is willing to enter into long-term rather than short-term relationships, especially if these are single sourced (Contractor et al, 2014). Nordin (2013) asserts that outsourcing of some value chain activities can generate operational efficiency by reducing capital investment and commitment as well as ensuring maximum utilization of the existing resources in a way that generates maximum value from the least possible inputs. Therefore, if done well, the strategic outsourcing relationship can result in increased operational efficiency.

I. Innovation-Driven Outsourcing and Organizational Performance

According to Buchanan (2014), innovation is defined as something that changes a market. Companies are said to be innovative when they develop something better for their customers. This can be done by improving or developing not only the products but also their materials and means of production. More recently, businesses are choosing to innovate intensively around the processes. Proponents of this strategy argue that, competitors will find it harder to copy your product if they must also copy the processes and systems that are used to make that product.

J. Saving labor cost

According to Abraham and Taylor (2014) also emphasized that outsourcing can be used to economize on production cost, in particular by substituting in-house production with buying-in of components. They also argued that companies that do everything themselves have much higher research, development, marketing and distribution expenses, all of which must be passed on to customers. An outside provider's cost structure and economy of scale can give a firm an opportunity to be more efficient.

Converting fixed costs into variable costs

According to Kotabe (2013) argued that cost-cutting may not be the only reason to outsource, but it is certainly a major factor. Outsourcing converts fixed costs into variable costs, releases capital for investment elsewhere in your

business, and allows you to avoid large expenditures in the early stages of your business. Outsourcing can also make your firm more attractive to investors, since you are able to pump more capital directly into revenue-producing activities.

Focusing human resources

According to Bettis, Bradley, and Hamel (2014), hiring and training staff for short-term or peripheral projects can be very expensive, and temporary employees don't always live up to your expectations. Outsourcing lets you focus your human resources where you need them most. Linder (2015) argued that most small firms simply can't afford to match the in-house support services that larger companies maintain. Outsourcing can help small firms act "big" by giving them access to the same economies of scale, efficiency, and expertise that large companies enjoy.

M. Effect of Outsourcing on Productivity

Enhancing productivity

Outsourcing is viewed as a means to provide enhanced productivity. However, many organizations never realize the full benefits of an outsourcing relationship. Outsourcing relationships fail when they are viewed as short-term or tactical solutions, rather than part of long-term strategic plans. The process of considering and/or implementing an outsourcing solution must be systematic and fully documented to achieve the desired results. A multi-step approach, including Planning, Analysis, Design, Implementation, and Operations phases, along with a contingency exit strategy, is required to achieve a successful outsourcing implementation.

Increased productivity for businesses

Evans and Lindsay (2013) assert that the decision to outsource can lead to increased productivity for businesses. For outsourcing to be successful in enhancing productivity, the decision needs to be an informed one. Good, hard, detailed information in the hands of strong management can help avoid a costly step, one that is not easily reversed. Ultimately, for outsourcing in any form to be successful in enhancing productivity, quick response times to strategic opportunities and threats are essential. Effective management of the outsourcing relationships is an organizational imperative. The decision to outsource should address the critical role of information and processes in organizations, including the role that systems play. If an entire function is to be outsourced, sufficient provision should be made in the outsourcing contract to deal with current and future requirements of the organization. Special attention should be given to the potential need for innovative solutions to be provided by the outsourcer, and to the timing of these actions.

Returns to production

Discussions about the extent of outsourcing have raised questions about its possible impact on productivity measures. In a recent survey, 56 percent of IT specialists claimed that outsourced work was at least inferior to that produced in-house. More worryingly, 11 percent reported that the outsourced work actually induced a setback to the firm's production (Software Development Magazine, January 2015 issue). Accordingly, in the popular press one appears to have arrived at a point where experts begin to question the validity of outsourcing as a long-term strategy or even short-term as a cost reduction exercise.

Görzig and Stephan (2014) used German data for a sample of large companies to examine the benefits of outsourcing. They found that firms that engage in outsourcing experience benefits, in terms of increased returns per employee.

N. Capacity/quality

Contrary to the above authors, it has established that successful implementation of an outsourcing strategy has been credited with helping to increase capacity, improve capacity, and improve quality (Lau and Hurley 2013 Kotabe, Murray and Javalugi 2012). According to According to D'Aveni and Ravenscraft (2013), every business has limited resources, and every manager has limited time and attention. Outsourcing can help your business to shift its focus from peripheral activities toward work that serves the customer, and it can help managers set their priorities more clearly. According to Elmuti (2012), personnel expenses were the primary reason behind outsourcing; however, it also improves operating efficiency.

O. Effect of Outsourcing on Profitability

Value enhancing

A fundamental question to ask is whether outsourcing is value enhancing and, in particular, whether the firm that undertakes outsourcing shows higher profitability as a result. Essentially this question renders down to the transactions cost question regularly posed: should a firm manufacture its own inputs by some form of vertical merger or should it seek to obtain possibly more competitively priced inputs on the open market? To the best of some researchers' knowledge, there are only a very limited number of more rigorous statistical or econometric studies looking at this issue. The evidence that has been produced in such papers, however, suggests that the value-enhancing link between outsourcing and profitability is not clearly established. Specifically, Kimura (2013) did not find any evidence that outsourcing led to higher profits in Japanese manufacturing firms. Differentiating between outsourcing of services and non-services inputs, Görzig andStephan (2013) found that outsourcing of materials is positively correlated with profits, while there is a negative relationship between profitability and outsourced services for a sample of German manufacturing firms. The evidence that has been produced in such papers, however, suggests that the value-enhancing link between outsourcing and profitability is not clearly established. Specifically, Kimura (2013) does not find any evidence that subcontracting leads to higher profits in Japanese manufacturing firms. Differentiating between outsourcing of services and non-services inputs, Görzig and Stephan (2013) find that outsourcing of materials is positively correlated with profits, while there is a negative relationship between profitability and outsourced services for a sample of German manufacturing firms.

Increasing competition

In today's world of ever increasing competition, organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets (Bender 2013; Quinn 2014).

P. Profitability margin

Lau and Hurley (2012) find a significant relationship between outsourcing and profitability margin where they found that Chrysler's profit margin is four times as high as that of General Motors (GM) due to effective outsourcing through strategic alliances. Kimura (2012) discovers that poorly performing firms (low surplus to sales and low value added to sales) are more likely to use subcontractors, in an analysis of the Japanese machinery manufacturing industry. He concludes that profits are highest for those firms that do not get involved in any type of subcontracting, whether as a supplier or as an outsourcer. These results, accordingly, are in line with the findings for Germany by Görzigand (2013 Holger, G. & Aoife, H. (2014) analyzed empirically the relationship between outsourcing and profitability at the level of the plant, using data for the electronics sector in the Republic of Ireland. Their results suggested that the profit/outsourcing relationship depends on characteristics of the plant, in particular its size. They found that plants that were substantially larger than the mean employment size benefited from outsourcing materials inputs, while this did not appear to be the case for small plants. Within their empirical analysis they were not able to explain this size disadvantage, although they could speculate on the basis of the theoretical work by Grossman and Helpman (2013) that this reflected higher transaction costs for small plants. In particular, they may face lower bargaining power vis-à-vis suppliers and/or higher costs in searching for adequate suppliers. The benefits from services outsourcing are less clear-cut, however. When interpreting these results one needs to keep in mind that their empirical methodology implied that they were essentially analyzing short run effects. Due to the relatively short period of data covered, they were unable to examine the long run effects of outsourcing on profitability. Motivated by the benefits to outsourcing claimed by some practitioners and the corresponding lack of any direct evidence as to the truth behind these assertions, this study aims to establish whether outsourcing does indeed raise profitability.

The Ability to Assemble Expertise for Innovation

Another reason for integrated outsourcing is that most large companies find it almost impossible to quickly assemble highly diverse expertise for special inter-unit projects, especially when these resources are several layers down in different divisions or geographies (Rothaermel et al, 2013). This is often because of the structural complexities of such large firms as well as management power games.

In such cases most of the business unit heads are reluctant to give up their key staff to such projects at the expense of other pressing needs to run its day to day business. Also, the reward systems do not include these cross functional projects hence the managers may only grudgingly release the less qualified and less skilled people to these projects, leading to poor results. On the other hand, utilizing outside professional firms may lead to better results in these

projects since these firms are generally organized for this specific purpose worldwide (Gesing, Antons, Piening, Rese & Salge, 2014).

Strategic partners in outsourcing may also add enormous value to their physical products by providing rapid response integrated services for clients (Love et al, 2013). For instance, due to its extensive customer and supplier knowledge base, Dell can quickly specify and deliver up-to-date computer systems — using the most currently available subsystems — tailored to a customer's specific needs, existing equipment, and software (Lichtenthaler, 2013). As Quinn (2014) illustrates, outside providers have the ability to amass necessary expertise swiftly. Their systems enable them to offer their clients valuable resources and information on a real time basis. Many companies now outsource largely to take advantage of the greater innovation skills that external providers are able to offer.

Through strategic outsourcing and computer aided design, modeling and prototyping techniques, companies can reduce their innovation cycle times and costs by a large percentage (Gesing et al, 2014). Whenever a multinational decides to enter a new market, it often ships in expensive teams
of expatriates to set up the basic administrative, control, reporting, and distribution systems. However, professional firms now essentially create and deliver the necessary package that may include providing or training local personnel from centers of excellence with world class systems matched to the client's needs. Such outsourcing substantially reduces the time delays, costs, and risks of introduction while at the same time increasing the strategic flexibility and internal innovation capabilities of the client (Gro¨ßler et al, 2013).

Outsourcing for innovation has been largely employed even in traditional industries such as the textile industry. As buyers, clothing designers, fabric manufacturers, and cutters work together electronically to supply exactly the product that the customer wants in eleven days instead of ten months, they simultaneously increase customer value, reduce costs and increase innovation (Roy & Sivakumar, 2012). Almost all industries, be it computers, pagers, automobiles, bathroom fixtures and financial products are now being structured this same way (Love et al, 2013).

Increased Flexibility for Innovation

The ability of providers to assemble diverse expertise quickly will more likely have an effect on another critical strategic factor — the timing and amplitude of innovation (Grimpe & Kaiser, 2013). Strategic outsourcing if properly employed may also decrease investments and risks by equal amounts, and enhance the value of the innovations in a great way (Calantone & Stanko, 2014). The key to successful leveraging and alliance synergy is to have one's own technical people electronically linked as directly as possible to the worldwide knowledge sources, publications, databases, and research centers where such work is performed. Fortunately, researchers tend to exchange knowledge freely at this level (Quinn, 2013). But equally important, a supplier can instantly provide a critical infrastructure for introduction or diffusion of innovations to new markets.

At the process or product development level, many companies now open up their own process and product models sufficiently to allow selected potential suppliers to innovate freely for their needs. This is how financial services groups, and many publishing, entertainment, internet, and computer companies encourage thousands of external sources to use their own money to create innovative new software, products, or services to sell through the larger company's networks (Lichtenthaler, 2014). For most specialized small companies, the issue is usually not whether, but how to develop these innovation sources. Managers need to not only change their attitude towards innovation but also create a strategic barrier by developing their personal best-in-world core competencies (Love et al, 2013). Additionally, the twenty first century manager must learn to establish a flexibly compatible and integrated electronic capability that enables him to interact with customers, monitor internal operating systems as well as manage upstream supply chain

(Grimpe & Kaiser, 2013). Additionally, it is imperative for managers in today global marketplace to capture and use state-of-the-art knowledge and technology in a systematic way so as to generate figure-of merit targets defining critical goals for the service provider. Outsourced innovation requires much focused management style in order to stimulate high level performance
through implementing a recognition reward system that encourages the supplier to innovate on the client's behalf (Salge et al, 2012). According to Un and Asakawa (2014), most service providers argue that there are three major practices of outsourcers that are most stifling to innovation. These are: their insistence on specified practices, their reluctance to change from hourly rates to value pricing or shared innovation incentives and their tendency to manage

the "how," not the "what" of outsourcing. The good news is that, as more and more firms embrace innovation outsourcing, the experience of the specialist firms grows and new methods of sharing benefits, creating technology refreshment and protecting proprietary interests are also increasingly discovered (Zhao et al, 2014). Therefore the richest source of innovation is usually the integration of a supplier's technological and systems breadth with the constantly changing customer needs and market insights that the client provides. The biggest mistake possible in such a relationship is failing to encourage and reward continuous improvement (Cox, 2014). If not well managed, a loss of this relationship can make the client to lose the very thing it was seeking from outsourcing in the first place, that is, greater knowledge depth, and highest quality at lowest cost, optimal flexibility, and elimination of capital investment.

On the other hand, if done properly, a whole new realm of innovation opportunities emerge (Un & Asakawa, 2014). Most internet companies develop their products with software hooks that make them easily compatible with other internet products and thus encourage other users, suppliers, or producers to innovate freely for their own purposes. This flexibility has created a host of new uses and variations that the original developer could never have anticipated for their products (Salge et al, 2012). To match this trend, Manning (2013) states, major consultants and Big Four accounting firms have innovated their industries, creating more business process oriented service centers to deal with the new interfaces, structures, and complexities that such industry level outsourcing presents. Agndal and Nordin (2013) state that nowadays companies in
general are increasingly less reluctant to outsource. However, many managers are grappling with questions of specification such as the kind of development work to be delivered. Even when tacit knowledge is involved, it is extremely necessary that the outsourcing entity puts controls in place to ensure that knowledge is not dissipated or shared by its partners (Roy & Sivakumar, 2013).

Challenges Associated with Innovation-Driven Outsourcing

Lichtenthaler (2011) found out that it is increasingly becoming a critical part of strategic management to outsource innovation and new product development. However, there is still a grey area, with a lot of heated debate on whether outsourcing innovation may expose the firm to business risk. Such risk includes spillage of business secrets and formulas, as well as the potential of the supplier becoming a competitor. Cox (2014) outlines some common outsourcing mistakes, one of which is the failure to understand pre- and post-contractual power and leverage, and its relationship to moral hazard and lock-in. Other mistakes are a lack of a robust exit strategy, lack of constant monitoring and idiosyncratic approaches by managers. The history of outsourcing in the information technology industry is a good example of how companies can make deadly mistakes when outsourcing. In the 1980s, IBM decided to outsource two strategically critical assets in the PC supply chain - the PC operating system to Microsoft and microprocessor to Intel. The control of these two supply chain resources allowed Microsoft and Intel to make double-digit returns.

Focus-Driven Outsourcing and Organizational Performance

In the recent past, outsourcing strategy has been at the center of organizational development and change. In most cases, the process of organizational and structural change is preceded by radical changes which lay the ground work for business process reengineering. The current trends are moving towards the concept of virtual corporations founded on the relationships, co-operation and strategic business partnerships among several firms. The building of such relationships often begins with the identification and exploitation of the concept of core competences, in a manner that provides for new advantages to be obtained from specialization (Agndal & Nordin, 2009).
Additionally, the process must ensure that the customer receives value addition which is superior to the levels previously offered (Styles & Goddard, 2014). The unforeseen realities and complexities of competing in a global supply chain environment has made many organizations to focus on strategic renewal and creative solutions. These solutions are designed to manage and mitigate the risks associated with operating in today's dynamic marketplace including outsourcing of services (Buchanan, 2014).

In the past large organizations, both public and private, were able to achieve significant cost and differentiation advantages (Porter, 2014) through complex organizational structures, systems, and processes. However, a lot has changed and today, we see an increasing inclusion of outsourcing in the strategy of many organizations. A company will normally keep internal control over the processes that it deems both necessary and core, then outsources the processes that is deemed necessary but not core (Shekar, 2014).

Q. Focus on Core Competencies

Core competencies are not products or those things we do relatively well; they are those activities, usually intellectually based service activities or systems, which the company performs better than its competitors. They are skills and systems that a company does at best in world levels and through which a company creates uniquely high value for customers (Prahalad & Hamel, 2014). Once a company develops some real best-in-world competency, it will never outsource it. Many firms will go to the extent of building a defensive wall around the essential competencies that customers expect them to have. For instance, Honda does not outsource the manufacture of its engines because it has developed it to a best-in-world level. Apart from the core competencies, most companies can reap great benefits by outsourcing activities where they are less than best-in-world (Rothaermel et al, 2013).

Firms are continuing opting for an outsourcing strategy. This has become fashionable, because of its possible influence on organizational performance and its advantages, as it enables the firm to focus on its core competencies. Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, concentrate on issues critical to survival and spread risks. One of the most important reasons why companies outsource their logistics functions is the need to decrease the number of vehicles warehouses and excess inventories and to reduce and labor costs and shrinkage. By outsourcing to specialist organizations service not generated by core competences, companies can see an improvement in their organizational performance (Prahalad & Hamel, 2014).

Continuing the in-house production of an activity that a company does not excel in may lead to the loss of competitive edge. Many firms who engage in some serious investigation of their value chain realize that about 90 percent of their in-house activities are services that are neither being performed at best-in-world levels nor contributing significantly to competitive edge (Prahalad & Hamel, 2014). Such activities are not very risky to carefully outsource. These should be the first targets for analysis (Nordin, 2014).

Increasing the outsourcing of non-strategic services can improve both the quality and the service, while outsourcing the services of low strategic value enables the company to reduce costs and improve its competitive position. Strategic outsourcing is used as part of the process of redefining the organization and results in freeing the management staff to refocus on the core business functions (Holcomb & Hitt, 2014). Considering outsourcing from a strategic viewpoint entails the consideration of a set of key factors such as the use of strategic alliances (Prahalad & Hamel, 2015), the concentration of resources on the core competencies, the analysis of activities that are part of the value chain, and the relations with suppliers and customers within the value chain itself (Buchanan, 2014). This strategic view means evaluating and producing stable competitive advantages that can be sustainable in the long run. The most important reason for evaluating outsourcing from a strictly strategic point of view is the need for the firm to redefine the boundaries of its business portfolio. This leads to a careful concentration of resources on only the core competencies, therefore allowing more time for management to deal with strategic activities (Blumberg, 2013) but also, and above all, on the core businesses (Kotabe & Murray, 2014).

Concentrating resources on those market or sectorial businesses the firm knows best and can develop more efficiently in-house allows the outsourcer to search for the factors of efficiency in the production activities of the outsourced businesses (Mella & Pellicelli, 2012). Mella and Pellicelli further noted that in order to make rational decisions regarding outsourcing from a strategic point of view, firms must above all identify the sources of their competitive advantages. This helps them to concentrate resources on those core competencies that create value for the customer in a distinct and inimitable manner while outsourcing those processes and activities for which the firm has neither any particular strategic need nor particular competencies.

Many who perform this activity will find out that the non-core processes will often include many processes which in the past were traditionally considered an integral part of any strategy (Lawson et al, 2014). Firms that use Porter's generic strategies concept to assess the advantages and risks of outsourcing production have found that outsourcing can allow the firm to combine and obtain advantages from all three areas of generic strategies: cost leadership, product differentiation and focus. When selecting the functions, processes and activities to outsource, the management undertakes a detailed analysis of the firm's value chain which involves distinguishing the core from non-core competencies and essential from the non-essential activities, defining the value chain of the core competencies; and separating the core activities from the noncore ones (Cheng et al, 2014). As far back as 2014, Chandler (2014) stated that the "cooperation among firms represents one of the most fruitful and viable development paths for modern-day

capitalism. Chandler further acknowledges that cooperative relations among firms can modify the governing mechanisms of the firm and the markets by redefining their operational boundaries.

According to Mella and Pellicelli (2015), core-competency-with-outsourcing strategies enable companies to focus and flatten their organizational structures by concentrating their limited resources on a few knowledge based core competencies where they can develop best-in-world capabilities. Such strategies also enable companies to leverage their internal innovation capabilities by synergizing their human resources with technology while getting rid of the rigidities of fixed overheads, bureaucracies, and physical plant. This is because such strategies enable companies to conscientiously tap the more nimble resources of both their customer chain downstream and their technology and supply chain upstream. Additionally, they can also expand their knowledge and investment capabilities through exploiting the facilities and program investments of outside sources (Mella & Pellicelli 2015).

The essence of creating a focus is to develop a few unique activities that customers perceive to be critical to best-in-world levels. Beginning with a careful analysis of a company's value chain activities, executives can develop a few groups of critical activities that they must perform in best-in-world levels if they are to compete effectively. Such activities are their core competencies (Cheng et al, 2014). Core competencies define the very essence of how the company delivers its value proposition and they are the reason that its customers and employees prefer its products or operations to those of competitors. The most effective core competency strategies focus on a few activities or skill sets that are critical to customers. Thus companies can create and sustain these bestin- world capabilities which provide a flexible platform for future innovations. The general rule of thumb is that at least one of these competencies must have a direct relationship with understanding the customer and satisfying their needs and desires (Styles & Goddard, 2014).

Rothaermel et al. (2013) noted that within the context of the microcomputer industry, integration in some value chain activities seemed quite easy while being an uphill task in other parts. In some cases, managers may identify some value chain activities which the firm should in-source, but full integration may prove difficult. In such cases, they advise for quasi integration in which case these critical value chain activities can be controlled through strategic outsourcing. Rothaermel et al. (2013) further advise managers to strike the right balance between internalizing value chain activities and strategic external sourcing. Though this exercise may seem difficult, sustaining this balance over time can be even more challenging due to the dynamic nature of today's competitive landscape. Styles and Goddard (2014) found that carving out a genuinely unique position in an industry and in the consumer's mind is critical for success. However, it is common to see similar business models being adapted by all the major players in an industry, especially in perfectly competitive industry structures. This is a deadly mistake that disfavors both the customers and the stakeholders. In today's information era, it has become very clear that it is no longer safe to be safe. As markets keep evolving due to constant shifts in customer priorities a turbulence in business environments, companies need to undergo business model innovation to avoid the maturity stage trap in their life cycles. It is during these comfort zones that many firms have lost their leadership positions to more agile and flexible rivals, never to recover (White & Bruton, 2014).

As Prahalad and Hamel (2010) put it, the most important thing for today's manager is to continuously restate the assumptions underlying the strategies they pursue and keep challenging them. The best thing about strategic management is that usually there is no single right answer, and what works today may not function tomorrow. Therefore, companies must continuously evaluate their core competencies.

Flexibility and Competitive Advantage

Recent empirical work examining the impact of outsourcing and organizational flexibility on performance finds that organizational flexibility or, as Cheng (2014) puts it, organizational modularity, leads to superior industry-level profitability and efficiency in the manufacturing sector. According to Cheng et al (2014), the outsourcing aspect of the organizational flexibility strategy exists at the operational level of a focal firm's supply network. The contemporary relationship that firms enjoy with their business environment is conditioned by the technological advancements and the rapidly changing economic environment. Therefore successful businesses must deal with these constant alterations in their environments by making some qualitative variations in their style of management, their culture, their strategy and their organizational structure. Therefore, structure follows strategy (Kotter & Heskett, 2012).

Including outsourcing in the corporate strategy facilitates the transition towards flexible organizational models leading to the virtual corporation. Though quite popular today, this transitional process towards a virtual organization does not break free of some uncertainties affecting its conceptualization and empirical analysis. In their study of the manufacturing sector in Nigeria, Akewushola and Elegbede (2015) found that "From a strategic standpoint, outsourcing allows the firm to concentrate its efforts on consolidating and expanding its core competences". In a study conducted by Waugh and Luke (2015) on South African manufacturers, the findings with regard to the expected benefits and listed reasons for their outsourcing showed that 77 per cent of the respondents outsourced logistics to a large or moderate extent due to the need to focus on core competencies. Those that outsourced due to geographical coverage followed closely at 76 percent with those who outsourced due to customer service pressure closely at 73 per cent. Other reasons for outsourcing which carried below average weight were cost cutting pressures, lack of internal capacity and labor relations pressures. From this study we can infer that one of the main drivers for outsourcing strategy today is the need to focus on core competencies.

In a highly globalized and competitive market, organizations must strive to be innovative and agile enough to meet the ever evolving customer demands. Therefore, competitive advantage founded on organizational capabilities and strategies may result in better quality, efficiency and flexibility (Maku & Iravo, 2014). Today's global corporation is under pressure to continuously pursue mass customization and flexibility while reaping from economies of scale. This simultaneous and constant search for a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and has therefore birthed the changes in the overall supply chain management discipline (Smith, 2010). The strategic concept of outsourcing works by analyzing a company's ability to compete, its competitive advantages, and its competitive position when compared to its competitors.

According to Welch and Nayak (2012), the Twentieth century Corporation had been approaching outsourcing in a nearsighted manner with regard to past decisions. Then outsourcing was viewed as a tactical instrument par excellence, an instrument for cost reduction. Welch and Nayak further encourage managers to take a strategic viewpoint so as to achieve better results. Contractor et al. (2014) observe that, "with growing complexity of products and services, even the largest companies no longer have all the diverse components of knowledge within their own organization, or personnel, to be competitive in research, production, and marketing." Therefore, the obviously increasing need for companies to let go of non-core activities so as to free organizational resources and capabilities and concentrate on the core activities of the organization.

III. METHODOLOGY

This chapter inspects the methodology that was used in the real study. It presents the procedure through which gathering, study and processing of the data collected and used to achieve the goals of this study was carried out. It covers study design, population and sampling techniques. It also lays down the data collection methods, approaches

and instruments. The chapter also puts down the rationality and dependability tests together with the data analysis tools used.

A. Research Design

Research design is the strategy and structure conceived in a bid to acquire solutions to research problems; it is also defined as a blueprint for collection, measurement and data analysis Blumberg, Cooper, & Schindler, (2013). The research design that was employed in this study is the descriptive research design which according to Saunders, Lewis and Thornhill (2014) is a design meant to demonstrate a preference for commencement with and utility of theory in research. Descriptive design requires researchers to gather, present and interpret information for purposes of clarification.

Descriptive research involves collecting data in order to test hypotheses or answer questions regarding the participants of the study. Descriptive study is undertaken to ascertain, explain and describe characteristics of variables associated with a subject population. It seeks to answer questions such as who, what, when, where and how of any provided topic in its wake Blumberg et al, (2014). This design was chosen because it was more effective in investigating the impact of strategic outsourcing on organizational performance. The dependent variable was organizational performance as measured by sales growth, profitability and market share while the independent variable was strategic outsourcing.

B. Population

Population refers to a well-defined set of individuals (or objects) having some common observable characteristics that are being investigated Mugenda & Mugenda, (2013). Target population refers to all members of a real set of people, events or objects to which the study generalizes hypothetical results of the research. For this study, the target population was all the employees of Societal Generale (SG) Bank Limited. According to the human resources department, the company had an average of 50 employees at the time of the study.

C. Sampling Design

Sample refers to the subset of a population, which represents the characteristics of the population. A researcher should be able to make generalizable inferences regarding the population parameters from the sample statistics Saunders, Lewis & Thornhill, (2014).

D. Sampling Technique

Sampling technique is a scientific or rather statistical method of selecting the sampling units that would offer the requisite estimates with their related margins of uncertainty; this would emerge from the probe of only part (sample) and not the whole population Saunders et al, (2014). This study utilized the simple random sampling technique where every element in the sampling frame had an equal chance of being picked.

E. Sample Size

Sample size refers to the actual number of respondents that would be representative of the population under study Blumberg et al, (2013). The size must be large and should bear some proportional relationship to the size of population from which it is drawn. The criteria used to determine the sample size are the level of precision, the level of confidence, the degree of variability in the attributes under study. Therefore a total number of 50 employees were given questionnaires.

F. Data Collection Methods

Greener (2012) defines primary data sources as those which come into existence in the period under research, for example questionnaires completed for the study. According to Greener (2012), secondary data sources are interpretations of events of that period based on primary sources. This is a practical study which used virginally primary data from the organization under study. Questionnaires were used and were administered either by physically. According to Collis and Hussey (2013), a questionnaire is an instrument of collecting data in which a selected group of participants are asked to complete a written set of questions to find out what they do, think or feel. The questionnaire was thought the most suitable research instrument since it enabled the collection of impartial information from a large and varied sample. It is also chosen since it permitted the researcher to collect both qualitative and quantitative data at the same time. The respondents were the elements of the sample, being 50 employees drawn from all levels of the company under study.

G. Data Collection Instruments

A letter of authorization from University College of Management Studies is provided as a request for permission to conduct the study. A covering letter accompanied the questionnaires explaining the purpose of the study and the questionnaires was distributed directly to the respondents in their respective areas for filling and will be collected after a week following its dispatch and filling. The data will be edited and decisions made on whether to use it or not and how.

H. Data Analysis Methods

In the view of Emery and Couper (2013), raw data obtained from a study is useless unless it is transformed into information for the purpose of decision making. The data analysis involves reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, data collected from primary and secondary sources were edited to detect and correct, possible errors and omissions. The analysis was done also to ensure consistency across responses received from respondents. Data collected via questionnaire administration, interviews and interactions with other officials, as well as statistical records on procurements practices and its effect on corporate performance pointers were collated and analyzed using the appropriate statistical techniques such as distribution tables, percentages, bars and pie charts. The Microsoft Excel was used. Information such as specific comments and issues raised by respondents were also analyzed and summarized into tables.

IV. ANALYSIS OF FINDINGS AND DISCUSSIONS

This chapter is a presentation of the study of 40 employees from Societal Generale (SG) Bank Limited on the subject of outsourcing in performance. The research also features a presentation of the study on thoughts of management staff on factors considered in outsourcing, direct result of outsourcing, activities outsourced by the Societal Generale (SG) Bank Limited and the qualities that management considers in outsourcing. The employee respondents are individuals from different departments within their SG-Kaneshie branch. The researcher sought to investigate through opinions from management, employees and by secondary data obtained in the form of financial statements the functions being outsourced, reasons for outsourcing and an overall outlook at the performance of the Societal Generale (SG) Bank Limited involved in outsourcing. In order to deal with the research questions, there are key questions presented to employee respondents on teamwork, competence, commitment, management effectiveness, goal setting, performance and possible reasons for outsourcing. The questions are asked on a level of agreement basis (Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree). The researcher also used frequency tables, bar charts, pie charts and cross tables to present, analyze and discuss the data collected.

A. Background of Respondents

This research took into concern response from 50 employees of different institutions comprising of microfinance, savings and loans, banking and other financial institutions. A total of forty (40) responses were received. This section gives a background on the respondents from which the data was collected

Table 1: Gender of respondents

	Frequency	Percentage
Male	19	47.5
Female	21	52.5
Total	40	100

Source: Field data 2017

From table 1 and figure 1 above, majority of the respondents were female employees constituting 21(52.5%) of the total number of individuals and the remaining 19(47.5%) were females. This indicates that there are more females than males working in Societal Generale (SG) Bank Limited, Kaneshie

Table 2: Show Age of Respondents

Year	Frequency	Percentage
18-30	12	30.0
31-40	20	50.0
41-50	5	12.5

51-60	3	7.5
Total	40	100

Source: Field data 2017

Table 2 and figure 2 above shows the age distribution of respondents, the indications are that 12(30%) respondents fell in the age bracket 18- 30. 20 (50.0%) of the respondents fell in the bracket 31-40. That of the age bracket 41-50 was 5 representing 12.5% and that of 51-60 was 3 representing 7.5%. This indicate that nearly 7.5% of the respondents are near the retiring age of 60 which can have effect on productivity especially when dealing with labour intensive work like manufacturing. Again if care is not taken it could lead to expensive learning curve when most of these staff nearing their retiring go suddenly.

Table 3: Show Educational background of respondents

Respondent	Frequency	Percentage
Junior High	2	5
Senior High	3	7.5
Diploma	12	30.0
University	17	42.5
Masters	6	15.0
total	40	100

Source: Field data 2017

Table 3 and figure 3 above, shows the educational background of respondents. 2 (5%) were holding Junior High or its equivalent. 3(7.5%) were Senior High leavers. 12(30%) were graduates from the Diploma. 17 (42.5 %) were graduates from the Universities and 6 (15.0%) were graduates who had. This indicates that the SG is doing well to employ skill labour to work with, however there are still too many staff that are Junior High leaving certificate holders, which if care is not taken there could be problems of documentation and communication.

Table 4: Show Marital Status

	Frequency	Percentage
Single	12	30.0
Married	21	52.5
Separated	7	17.5
Total	40	100

Source: Field data 2017

Table 4 and figure 4 above, shown the marital status of the various participants 12(30.0%) of the respondents were single. 21(52.0%) of the respondents were Married. The rest of the employees were separated representing a 7(17.5%)

Table 5: Show Department of Respondents

	Frequency	Percentage
ICT	7	17.5
Accounts	20	50.0
Administration	12	30.0
Others	1	2.5
Total	40	100

Source: Field data 2017

Table 5 and figure 5 above shows, the department of respondents. 7 (17.5%) were in ICT department. 20(50.0%) were in Accounts department. 12(30%) were in Administration. 1(2.5 %) were in other department. The survey revealed that majority of the workforce in SG bank is involved in operational activities and hence belong to the Accounts department of the company.

Table 6: Show Length of service of Respondents

	Frequency	Percentage
Less than 1 year	2	5.0
1-5 years	3	7.5
6-10 years	12	30.0
11-15 years	17	42.5
Above 15 years	6	15.0
Total	40	100

Source: Field data 2017

From table 6 and figure 4 above shows that, the project sought the length of years respondents had been working with Societal Generale (SG) Bank Limited. This was vital in ascertaining their relative understanding of Societal Generale (SG) Bank Limited outsourcing on organizational performance. Of the 40 respondents who answered the questionnaire, a little over half 17(42.5%) had been working with Societal Generale (SG) Bank Limited over the past 11-15 years. Respondents who had been working with the firm for between less than 1year 2(5.0%) follow this. Respondents who had been working with the firm for between 6-10 years 12(30%). A significant number of the sample 3(7.5.0%) had also been working for Societal Generale (SG) Bank Limited for 1-5years. Respondents with above 15years of working experience constituted 6(15.0%) percent of the sample. The result implies that respondents had relatively longer years of experience at Societal Generale (SG) Bank Limited and were thus in a position to appraise the company's outsourcing on organizational performance.

Table 7: Show Personnel or Functions Outsourced

	Frequency	Percentage
Recruitment	7	17.5
Pay Roll	10	25.0
Security	11	27.5
Sales/ Marketing	1	2.5
Loan Recovery	6	15.0
Information Technology and others	5	12.5
Total	40	100

Source: Field data 2017

From the table 7 and figure, 7 above shows the responses were taken from the employees involved in this research on what functions or personnel that their companies outsourced. There were options on recruitment, payroll, security, cleaning, sales/marketing, loan recovery, information technology and others. Also noted in order of the magnitude of opinions of respondents are as follows: Security 11(27.5%), Pay roll 10(25.0%), loan recovery 6(15.0%), recruitment 7(17.5%), information technology and Other 5(12.5%) and sales/marketing 1(2.5%).

B. Factors Involved in Outsourcing: Views from Respondents

In this section, the researcher presents and analyzes the views of respondents on reasons their companies are involved in outsourcing, whether outsourcing has an overall negative effect on the company's, employee performance, teamwork, reward recognition, involvement, competence, commitment, management effectiveness and goal setting of the various organizations. From the table 8 and figure, 8 below shows the responses are given with respect to the level of agreement. 6 respondents representing 5(12.5%) strongly agreed out of the 40 respondents. There were 11 respondents representing (27.5%) who were neutral on the subject. 10 respondents representing (25.0%) who were agree on the subject. 1 respondents representing (2.5%) who were disagreed on the negative outcome of outsourcing. 7 respondents representing (17.5%) who were also strongly disagreed on the negative outcome of outsourcing These responses are analyzed using the frequency table Score that takes into account all the levels of agreement. This returns a percentage score that gives a representative figure of the collective response to a given question. The following subsections are the general opinions of respondents on the subject of outsourcing.

Table 8: Show Personnel or Functions Outsourced

Personnel or Functions Outsourced	Frequency	Percentage
Strongly Disagree	7	17.5
Disagree	1	2.5
Neutral	11	27.5
Agree	10	25.0
Strongly Agree	6	15.0
Strongly Agree	5	12.5
Total	40	100

Source: Field data 2017

C. Overall effect of Outsourcing

Table 9 and figure 9 below represents the views of respondents on a level of agreement regarding the negative outcome of outsourcing in their various organizations. 6 respondents representing (15.0%) strongly agreed out of the 40 respondents. There were 12 respondents representing (30.0%) who were neutral on the subject. 17 respondents representing (42.5.0%) who were agree on the subject. 3 respondents representing (7.5%) who were disagreed on the negative outcome of outsourcing. 2 respondents representing (5.0%) who were also strongly disagreed on the negative outcome of outsourcing. This indicates that more respondent were agreed on the overall effect of outsourcing.

Table 9: Show Overall effect of Outsourcing

Overall effect of Outsourcing	Frequency	Percentage
Strongly Disagree	2	5.0
Disagree	3	7.5
Neutral	12	30.0
Agree	17	42.5
Strongly Agree	6	15.0
Total	40	100

D. Reasons for Outsourcing

Respondents' opinions on the reasons for outsourcing are summarized in Table 10 and figure 10. The summary shows a general agreement for all the factors enlisted. The Weighted Mean Score for the opinions are between 63.5 percent for the reason of the company avoiding investment in technology to a high 62.6 representing a general agreement that outsourcing causes a reduction in operational cost. The deviations in the opinions are also validly wide because the standard deviations range from 24.0 to as high as 32.8. The outcome is in line with Kotabe (1989) and Quinn (1992). They state that outsourcing firms achieve cost advantages and has the capacities to reduce fixed cost and lead to lower breakdown point.

Table 10: Show Respondent Opinions on Reasons for Outsourcing

Reasons for Outsourcing	Weighted Mean Scores (%)	Standard Deviation
Allow company focus on core business	63.3	28.0
Avoid cost of investment in technology	65.3	39.0
Reduce operational costs	62.6	27.0
Reduce staff and related expenses	74.2	31.2
Gain access to vendor expertise	67.6	38.6
Gain access to vendor technology	67.3	31.8
Make up for reduction in staff	69.5	32.8
Make up for lack of in-house talent	67.5	42.4
Offer services currently unavailable	69.4	40.8
Provide consistent service delivery	67.6	42.5

Source: Field data 2017

F. Performance

Concerning performance, there was also a general agreement on all the factors from respondents. The summary in Table 11 and figure 11 shows below, the highest score was for customer satisfaction (69.5%) and the lowest score for outsourcing being strategic (62.4%).

Table 11: Show Factors under Performance

Factors under Performance	Weighted Mean Scores (%)	Standard Deviation
Better comparative performance	68.7	45.0
Expectation from outsourcing met	68.4	41.4
High employee morale	66.3	45.3
Satisfied customers	69.5	45.0
Outsourcing has become strategic	62.4	36.1

Source: Field data 2017

G. Teamwork and Reward Recognition

Table 12 and figure 12 below shows the Weighted Mean Scores and standard deviations in opinions regarding Teamwork in the company and also Reward Recognition within the company. This represents a general agreement in both the nature of Teamwork and Reward systems. This means that respondents generally agree that all workers are involved as a team, individual confidence is high within the working environment and there is assistance from other working units when there is the need. With concerns to rewards, employees are rewarded by how well they do in their jobs and there is acknowledgement of individual contribution of employees by the organization. This implies that persons working as a team for some time build a common telepathy that eventually enhances the group's performance.

Table 12: Show Teamwork and Reward Recognition

Attribute		Weighted Mean Scores (%)	Standard Deviation
Teamwork	All workers involved as a team	71.3	42.0
	Confidence in co-workers high	72.4	40.3
	Helpful work units in assistance	74.3	41.2
Reward Recognition	Individual performance is rewarded	62.5	48.0
	Individual acknowledgement	70.4	32.1

The responses for the various questions by respondents on employee involvement in decisions of the organization, extent of competence and level of commitment showed similar general agreements as the other attributes. The standard deviations representing the extent of dispersion in opinions are also comparatively indifferent. Table 13 shows the Weighted Mean Scores for the various opinions together with their corresponding dispersions. For example, there is a high evidence of commitment at the workplace with Weighted Mean Scores of 75.0%.

Table 13: Show Views on Involvement, Competence and Commitment

Attribute		Weighted Mean Scores (%)	Standard Deviation
Involvement	Sensitive to individual needs	65.0	45.2
	Involvement of workers in decisions	64.2	24.6
Competence	Effective training available at work	69.1	47.2
	My job makes good use of my abilities	72.0	40.0
Commitment	I am willing to put in extra effort	77.1	33.0
	I work beyond expectations	74.2	44.6
	Satisfaction with job	72.2	42.0

Source: Field data 2017

H. Effectiveness of Management and Organizational Goal Setting

Table 14 and figure 14 shows the views regarding management effectiveness, the management of organizations generally takes into consideration employee suggestions and supervisors do a good team building within the various departments. For goal setting, the company's goals are generally explained to everyone and these goals are achievable.

Table 14: Show Effectiveness of Management and Organizational Goal Setting

Attribute		Weighted Mean Scores (%)	Standard Deviation
Management Effectiveness	Takes employee suggestions into consideration	61.0	45.2
	My supervisor does a good of team building	70.3	24.6
Goal Setting	Clearly explained goals	64.2	47.2
	Achievable goals set	74.1	40.0

Source: Field data 2017

I. Characteristics of the Banking Industry

Based on the views of the respondents, an average taken from the sample in view of its size cannot be used to make an overall statement to cover the financial sector. However, some of the qualities could be pretend in other banks in the sector to give a much bigger viewpoint, which can then be used to make overall statement about the financial sector. The views as said in percentages were commitment 76.0%, teamwork 74.9%, reward recognition 70.4% and goal set 69.3%. The results of the assessment of the different characteristics are brief in the pie charts. This suggests that in order of importance, there is Commitment, Teamwork, Competence, Rewards Recognition, Management goal setting, Performance, Management effectiveness and Employee Involvement.

V. SUMMARY, CONCLUSION AND RECOMMENDATION

A. Introduction

This chapter is a summary of the findings and analysis of the data collected, conclusions and recommendations which will help the researcher to found what services the financial organizations intricate in this research are presently outsourcing, the present fraction of distribution to the services highly outsourced with the overall expenditure and to consider the corporate and financial performance of the organizations intricate in outsourcing within the same period.

B. Summary

This research investigated the outcome of outsourcing the services outsourced and performance based on respondents from both employees and management staff. The corporate social performance was based entirely on the data collected from employee respondents on important factors including performance, teamwork, reward recognition, involvement, competence, commitment, management effectiveness and goal setting. There was also an investigation into the form of outsourcing that the companies were involved in from management. Management staff made available information on reasons for choosing an outsourcing vendor, the general outcome of outsourcing (beneficial in terms of cost saving, neutral effect or incurred costs). The study employed the use of questionnaire and interview guide as main instruments for research. The data gathered was analyzed using percentages and frequency including bar charts, pie charts and line plots. The researcher also makes use of Weighted Mean Score to analyse question as on the level of agreement scale.
Types of functions outsourced

- The services mainly outsourced by the organization (SG) are security services, cleaning services, loan recovery.
- Security and cleaning services were highly supported commonly by all the organizations involved in this research
- There was an overall positive outcome of outsourcing

i. Evaluation of performance

- The elements of the organization (SG) standings were fairly above average (generally agreed to be in existent and functional)
- In order of importance of the elements, there is Commitment, Teamwork, Competence, Rewards Recognition, Management goal setting, Performance, Management effectiveness and Employee Involvement

ii. Motives for outsourcing and cost

- The key factors that influenced management choice in outsourcing include reduced cost, concentration on core business, stability, competence and reputation
- Management confirmed that outsourcing had a positive overall effect by agreeing to the cost saving benefits of outsourcing
- Most of the activities outsourced were peripheral activities according to management.
- There is a constant increase for year on year expenditure allocation to security and cleaning services.
- There is a steady increase in return on investment of the organizations involved in this research for the first three financial years and a decrease in the last year being 2016.

C. Conclusions

Outsourcing has become a strategic human resource tactic in our present good business atmosphere. Businesses intricate in the exercise need to stick to their core competencies and go for tactical outsourcing to reduce cost and become more effective in their customer service. A company business success could be strong-minded on how well it manages its outsourcing relationship. In overall, organization outsource to achieve cost reductions and/or to be able to focus on their core business. They also resort to outsourcing as a way to achieve more efficient, effective and competent functions in their processes. One of the fasters growing changes currently adapted by organizations is to outsource non-essential but critical functions to a large-scale service provider that is commonly referred to as Business Process Outsourcing. As the trends in outsourcing are evaluated, it is realized that the benefits of outsourcing far outweigh its disadvantages.

It is also established from the research that security is the most outsourced function. This cut across all the organization studied. These functions to the organization are marginal deeds and could easily be outsourced given credibility or approving earlier research positions that firms by tailing strong fringe outsourcing tactics can attain higher levels of performance relative to firms that do not outsourced their peripheral activities.

Even though profits from the organization events and Return on Investments increased year on year, this position cannot solely be qualified to outsourcing. Other factors like commitment, teamwork, reward recognition, management goal setting and employee involvements serving as motivation all play critical role in the overall performance of the organizations. However, institutions that integrate the above moderating factors with outsourcing may achieve performance enhancement.

D. Recommendations

The subject of outsourcing is creating endless discussions and many sleepless nights among workers whose jobs are, or may be in danger of, or already been outsourced. Managers see it as the savior of businesses racked by high employee costs while the ordinary working class person also sees it as practice that is destroying the very livelihood of many hard working middle class workers. Outsourcing is continually growing as a corporate strategy for stakeholders to increase their Returns on Investments by constantly lowering overall expenses of their organization. Many organizations are using outsourcing as the single biggest operational cost reduction approach. It is the most likely candidate for reducing wage and salary cost.

It is observed from the research that security is the most outsourced function in all the organizations. This has led to the establishment of many security companies in the country offering job opportunities to our teeming unemployed youth. Government is therefore being entreated to formulate policies to enhance the operation of these companies, such as tax rebates, exemptions or tax holidays to enable them plough back profits to expand and retool their business practices to create avenues to employ qualified personnel to reduce the increasing rate of unemployment in the country.

Further research, therefore recommended in other organizations engaged in manufacturing and production where output can be measured quantitatively to establish whether outsourcing has a direct correlation to performance.

E. Suggestions for further research

Finally, the researcher therefore recommended the traditional banks and mainly the public sector organizations consider outsourcing since it may reduce cost or may enhance performance and may support to create how established the practice is in the country.

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