

THE EFFECTS OF KEY SERVICE OUTSOURCING STRATEGIES ON ORGANIZATIONAL PERFORMANCE (A CASE STUDY OF COMMERCIAL BANKS IN GHANA)

Helena Mary Boakye, Isaac Opoku-Fofie and Frank Obeng

Lecturer, Department of Purchasing and Supply, Takoradi Polytechnic, P. O. Box 256, Takoradi- Ghana.

ABSTRACT: *The study utilized registration inspecting to gather information from every one of the 15 acquisition officer, 17 examiners and 386 bolster staff. Cronbach alpha coefficient was utilized to test unwavering quality and was dissected utilizing descriptive insights and inferential measurements. The discoveries demonstrated that outsourcing absolutely increases on the execution of associations, it diminishes expenses of operation, efficient, nature of administration lastly the influences emphatically business deftness operation. Hence, the rate of hierarchical execution as a consequence of outsourcing is high in both short and long haul and numerous business administrators are resolved to join their prosperity to the outsourcing process. The study suggests that Policy creators and the administration need to comprehend the difficulties confronted in outsourcing administrations and figure approaches that would enhance administration conveyance. The study additionally shape a premise for further research by researchers intrigued to investigate how outsourcing influence execution at business banks in Ghana.*

KEYWORDS: Outsourcing, organizational Performance, Banks, Business Deftness, Ghana

BACKGROUND

The work environment today is in a condition of transformation with contemporary issues, for example, consumer loyalty, upper hand, income and uses, hierarchical society, innovative headway, worldwide markets, differing client requests and requirement for viable workforce with a worldwide mentality entering each part of the association. Successful workforce is urgent as it is the association's essential player in finishing objectives and conveying administration. Outsourcing is progressively being utilized as a method for both lessening expenses and accomplishing vital objectives Basle (2005). All around, controllers concern is the manner by which banks oversee dangers connected with an outsider offering certain key administrations, Basle Committee (2005). Outsourcing danger is showed in loss of control on some key capacities and probability of astute confiscation by merchant [Ang and Cummings (1997); Lacity and Wilcocks (1998)]. For quite a while, distinctive organizations or associations on the planet are exploiting, and burning through cash and trusting outside suppliers of human asset administrations so as to offer cost adequacy and effectiveness of inner human asset methodology. This is especially essential for associations, which are considered as imperative players in the monetary part in any nation in light of the financial advantages they give in their financial surroundings. Productivity in these foundations is an issue of how well they designate inputs, for example, staff, resources and appropriations to deliver the greatest yield, for example, number of advances, money related independence and neediness outreach, (Balkenhol, 2007). Balkenhol (2010) additionally give a working definition to productivity as the ideal blend of staff time, staff number and cost of operations to individually dispense and achieve the most extreme number of advances and customers, particularly the

denied, while conveying a scope of esteemed administrations. At the end of the day, when an association seeks after proficiency, it will bear the cost of administration to focus on exercises that yield more results at least cost to the units and to customers.

Outsourcing has turned into a perceived business methodology for upgrading the efficiency and profitability of substantial organizations (Grossman and Helpman, 2002). Business Process Outsourcing (BPO) is the most widely recognized type of outsourcing. It contains exchange of operational responsibility for the business procedures to an outside supplier who deals with the outsourced business procedures as per the execution measurements recommended by the guardian organization.

On the other hand, broad examination uncovers outsourcing have turned into the favored methodology for enhancing quality and profitability in associations. Outsourcing practices, which have been received by driving money related organizations and have affected the developing monetary part in Ghana, has not been all around recorded. This concentrate subsequently tries to conquer any hindrance by surveying the impacts of outsourcing on the execution of associations concentrating on Commercial banks in Ghana

LITERATURE REVIEW

In the Literature of management studies, there is parcel of misconception in how outsourcing is characterized. Lohand Ven katraman (1992:9), characterized outsourcing as "the noteworthy commitment by outer merchants in the physical and/or Human Resources connected with the whole or particular segments of the Information Technology framework in the client association". Then again, outsourcing has been characterized as "items supplied to the multinational firm by free suppliers from around the world" and "the degree of parts and completed items supplied to the firm by autonomous suppliers" (Kotabe, 1992:103). Furthermore, outsourcing has been characterized as "the dependence on outer hotspots for assembling segments and other quality including exercises" (Leiand Hitt, 1995:836).

Each current organization settles on some choice in their operations. Consequently, outsourcing turns out to be extremely vital in administration choice and can possibly bring about gradually expanding influences all through the whole association. The most widely recognized kind of outsourcing which associations utilize is the substitution based (where the creation of products and administrations is suspended and accommodated by outside suppliers.

Outsourcing

With the expanding globalization, outsourcing has turned into an imperative business approach, and an upper hand may be picked up as items or administrations are delivered all the more viably and effectively by outside suppliers (Yang, Changi, and Seongcheol, 2007; McIvor, 2008). The need to react to market changes every day and the trouble of anticipating the bearing of such changes imply that associations must concentrate on their center abilities and capacities (McIvor, 2008). Generally, outsourcing is a contraction for "outside asset utilizing". Outside intends to make esteem from without, not inside of, the organization (Yang, et. al. 2007).

Outsourcing permits firms to concentrate all alone on center skills by moving constrained assets to reinforce their center item or administration (Lee, Ruby and Daekwan, 2010) and to deliberately use outside sellers to perform administration exercises that customarily have been

inside capacities (Raiborn, Cecily, Janet, Butler and Massoud 2009; Elmuti, 2004). Outsourcing can likewise include the exchange of both individuals and physical advantages for the supplier (McIvor, 2005).

Outsourcing and organizational performance

As a result of asset constraints, few firms can apply world-class assets to all regions of rivalry. In this manner, so as to increase upper hand they must choose zones in which they will think their assets (Hamel and Prahalad, 1994). By outsourcing to authority associations administrations not produced by center skills, organizations can see a change in their hierarchical execution (Kotabe, Michael, Mol, Janet and Murray, 2008). (Gilley, Matthew, Greer and Rasheed, 2004) state that there are three explanations behind this. Firstly, the securing of non-vital administrations permits the association to fixate on what it truly can do well, that is, on the administrations whose assets have a high vital quality (Gilley, et. al. 2004). Such concentrations on administrations excluded in the center abilities can build execution and permit the organization to be more adaptable. Besides, expanding the outsourcing of nonstrategic administrations can enhance both the quality and the administration.

The choice to dismiss or outsource an action is one which should be taken, considering its effect on the general execution of the association. This likewise must be seen regarding the specific movement. Past meanings of outsourcing have not made the substitution/abstention refinement and, in this manner, have not permitted analysts to approach the subject of outsourcing from a typical beginning stage, Lei and Hitt (1995).

Peripheral outsourcing

The endeavor to peel off layers of fringe undertakings and moving their generation to exceptionally engaged, master associations, firms can see upgraded execution (Bettiset al., 1992; D'Aveni & Ravenscraft, 1994; Kotabe, 1989; Lei & Hitt, 1995; Quinn, 1992). The change in execution of outsourcing associations with respect to non-outsourcing associations shows itself in three ways. To begin with, by diminishing fringe exercises, it permits associations to concentrate on those exercises they do best. This increased spotlight on center skills might enormously improve the associations execution by permitting the association to end up more inventive and deft in its center space. Besides, outsourcing fringe exercises might incredibly enhance the nature of those exercises (Dess et al., 1995). Expert associations, by centering their consideration on center capacities, perform them a great deal more effectively than could the outsourcing association to which a given fringe movement is one and only of numerous (Quinn, 1992).

Core outsourcing

The execution of the association might likewise be impacted by the penchant with which a firm outsources its close center, deliberately pertinent exercises. A few creators have noticed this "center outsourcing" may prompt declining advancement (Kotabe, 1990; Teece, 1987) and possible rivalry from suppliers (Bettis et al., 1992; Prahalad & Hamel, 1990; Quinn, 1992), bringing about lessened firm execution. Likewise, the exchange of specific learning essential when firms outsource close center exercises might likewise put the association's future execution in danger. The conviction of those associations outsourcing exercises have exceptionally close to their vital center accomplish lower levels of execution in respect to firms that hold tight control over these exercises.

Teamwork

Collaboration is essential on the grounds that it permits objectives to be in an effective and auspicious technique. It consolidates a wide range of aptitudes from numerous individuals permitting accomplishments to be made that couldn't be made alone. Groups function admirably when every individual comprehends what he/she needs to do to accomplish the outcome. It gives chances to look at the different perspectives of colleagues and pariahs and relate them to the group vision and reason. Tuckman (1975) refined his four phases of cooperation into five phases which are presently broadly utilized by work groups all through the world to survey their advancement. The model depicts the stages as takes after:

Figure 1: Tuckman's stages of Teamwork Model

Forming → Storming → Norming → Performing → Adjourning

When groups are Formed, they experience high dependence on leader for guidance and direction. Little agreement on team aims other than received from leader. Individual roles and responsibilities are unclear. Leader must be prepared to answer lots of questions about the team's purpose, objectives and external relationship. Processes are often ignored. Members test tolerance of system and leader.

At Storming, leader coaches as decisions don't come easily within group, team members vie for position as they attempt to establish themselves in relation to other team members and the leader, who might receive challenges from team members. Clarity of purpose increases but plenty of uncertainties persist. Cliques and factions form and there may be power struggles. The team needs to focus on its goals to avoid becoming distracted by relationships and emotional issues. Compromises may be required to enable progress

During Norming, agreement and consensus largely forms among the team, who respond well to facilitation by leader. Roles and responsibilities are clear and accepted. Big decisions are made by group agreement. Big decisions are made by group agreements and smaller decisions may be delegated to individuals or small teams within group. Commitment and unity is strong and the team may engage in fun and social activities. The team discusses and develops its processes and working style. There is general respect for the leader and some of leadership is more shared by the team.

At Performing, leader delegates and oversees, as the team is more strategically aware and knows clearly why it is doing what it is doing. The team has a shared vision and is able to stand on its own feet with no interference or participation from the leader. There's a focus on over-achieving goals, and the team makes most of the decisions against criteria agreed with the leader. The team has a high degree of autonomy. Disagreements occur but now they are resolved within the team positively and necessary changes to processes and structure are made by the team. The team is able to work towards achieving the goal and also to attend to relationship, style and process issues along the way. Team members look after each other and requires delegated task and projects from the leader, with no need to be instructed or assisted, but might ask for assistance from the leader with personal and interpersonal development.

At adjourning, the group breaks-up, after the task is completed successfully and its purpose fulfilled; everyone can move on to new things feeling good about what has been achieved from an organizational perspective, recognition of and sensitivity to people's vulnerabilities is helpful as members of the group mostly bond closely and feel a sense of insecurity or threat from this

change, especially for members with high steadiness attributes and with strong routine and empathy style.

In a nutshell, when groups are Formed, they experience an unpalatable raging state before guidelines and standards are set up. In the end the adjourning stage is come to, upon successful completion/ performance of the task. In the 1980's it was satisfactory to take possibly six months or so to achieve the performing stage. Models, for example, the Types of Work Wheel give a dependable and legitimate method for measuring and overseeing group execution, by creating subjective and quantitative input information both from colleagues and outcasts. In overseeing group execution, cunning work groups will utilize the data to sidestep the raging stage and move rapidly to the generating so as to norming stage guidelines which will keep real issues from happening. The group can then quicken it's encouraging to the performing stage.

METHOD

This study was directed on an illustrative research design by utilization of organized surveys to be controlled on the characterized test. The study included one-time communication with every one of the six branches in Kumasi. Inferences about relations among variables are made, without direct intercession from concomitant variation of independent and dependent variables (Paton, 2002). In this study, variables were researched with no control or change. A spellbinding research design permit one to present data gathered from multiple strategies that is surveys and report audit to give the complete story (Yin, 2009). This study investigated the impact of outsourcing as a strategy to improve firm performance.

As indicated by Cox (2010) an objective populace for a survey is the whole arrangement of units for which the survey data are to be utilized to make derivations. As indicated by Ngechu (2004) a populace is a very much characterized set of individuals, administrations, components and occasions, gathering of things or family units that are being examined. Target populace constitutes the whole or totality of the things under study (Kothari, 2004). The populace comprised of the procurement and auditors, and support staff.

Respondents were drawn from the 15 procurement and 17 auditors working in the commercial bank where census sampling technique was utilized (Mugenda and Mugenda, 2003). The study utilized stratified sampling to test the four gatherings; procurement officers, auditors and staff. The study examined all the 15 procurement officers, 17 auditors and haphazardly test 10% of the 386 staff this was on the grounds that Neuman (2003) demonstrated that 10% - 20% is a sufficient specimen in a clear study. The study connected census sampling to test all the procurement and auditors in light of the fact that they are included straightforwardly in outsourcing of administrations in the firm and subsequently framed imperative respondents for this study. The concentrate along these lines inspected 120 respondents.

DATA PRESENTATION, ANALYSIS AND DISCUSSION

The study sought to determine whether cost of operation, time saving, quality of service operation and business agility operation influences organization's performance. The objective was assessed by use of statements which were on the questionnaire where the respondents indicated their degree of agreement with the statements. The study sought to investigate

whether outsourcing leads to low supply costs. It was found that majority 85 (89%) of the officers agreed that indeed outsourcing leads to low supply costs. A few 7 (7%) disagreed to the statement. Majority of the respondents 86 (90%) agreed while a few 9 (9%) disagreed that urge to achieve savings leads to outsourcing, from the respondents 68 (72%) agreed that there is saving of indirect costs through outsourcing. A few 23 (24%) disagreed that there is saving of indirect costs through outsourcing this shows that there might be saving of indirect costs through outsourcing. Majority of the respondents 65 (69%) of the officers agreed that outsourcing leads to better cost control in an organization, Majority 42 (44%) of the respondents agreed that outsourcing shifts fixed costs to variable costs while a few 38 (40%) disagreed to the statement. This finding indicates that indeed outsourcing shifts costs to variable costs.

The study investigated the effect of time saving on an organizations performance by studying if outsourcing leads to less time taken in performing services, if consolidating outsourcing functions affects time saving and if outsourcing focused on one area of expertise saves time. The study sought to know if outsourcing leads to less time taken in performing services. It was found that majority of the respondents 69 (73%) agreed that outsourcing leads to less time taken in performing services. The researcher studied if consolidating outsourcing functions affects time saving. It was found out that majority of the respondents 47 (49%) agreed that consolidating outsourcing functions affects time saving while a few 35 (38%) disagreed. The study sought to investigate outsourcing focuses on one area of expertise thus saving time. It was found out that majority 46 (49%) of the respondents agreed that outsourcing focuses on one area of expertise thus saving time.

The study investigated the effect of quality of service of operation on an organizations performance by studying if outsourcing leads to convenience in development where majority 53 (56%) of the respondents agreed that outsourcing leads to convenience in development. The study then sought to investigate if there is scaling up of projects by outsourcing. It was found that majority 78 (82%) of the respondents agreed that there is scaling up of projects by outsourcing while a few 12 (13%) disagreed to the statement. The researcher then sought to know if outsourcing provides protection against technical risks. It was found out that majority 70 (74%) of the managers agreed that outsourcing provides protection against technical risks while a few 20 (21%) disagreed to the statement. The study then sought to find out if there is better management of business and organizational knowledge through outsourcing. It was found out that majority 79 (83%) of the respondents agreed that there is better management of business and organizational knowledge through outsourcing.

The researcher investigated the influence of business agility operation on an organization's performance by studying if outsourcing leads to acceleration of a firms evolution in providing services, if it leads to acceleration of a firms evolution in providing services and if there efficiency and cost containment through outsourcing. The researcher sought out to know if Outsourcing leads to acceleration of a firm's evolution in providing services It was found out that majority (65%) of the respondents agreed that outsourcing leads to acceleration of a firms evolution in providing services while a few 45 (23%) disagreed to the statement. The researcher then sought out to find out if there is efficiency and cost containment through outsourcing, the respondents agreed that there is efficiency and cost containment through outsourcing. It was found that majority 80 (84%) of the respondents agreed to the allegation. A few 9 (10%) disagreed. The study then sought out to find if outsourcing leads to protection against technical risks, the researcher probed if outsourcing leads to protection against technical risks. It was

found that majority 77 (81%) of the officers agreed that outsourcing leads to protection against technical risks. A few disagreed. Therefore it can be deduced that outsourcing protects a firm against technical risks. The study also sought out to find out if there is better management of business and organizational knowledge, It was found that majority 77 (82%) of the respondents agreed that there is better management of business and organizational knowledge. A few 11 (11%) disagreed. Outsourcing therefore leads to better management of business and organizational knowledge.

Regression analysis

The results in Table 1 of the model summary provide the correlation coefficient (R) and coefficient of determination (R²) value. The regression had a correlation coefficient (R²) of about 0.6084 and an adjusted R² of 0.56. This means that cost of operation, time saving business agility operation and quality of service explain 56 percent of the variations in organizational performance.

F test is used to test the significance of R², which is the same as testing the significance of the model as a whole with a probability of 0.00 at 5% significance level indicated that the joint contribution of the independent variables was significant in predicting the dependent variable.

Table1: Regression Model Summary

	R Square	Adjusted R Square	Std. Error of the Estimate	Change statistics			Durbin-Watson
R				F Change	df1	df2	
0.78	0.0684	0.56	0.64593	34.978	4	90	2.09

- a. Predictors: (Constant), cost of operation, time saving business agility operation and quality of service.

The Table 2 shows the ANOVA test which indicated that the regression model predicted the outcome variable significantly well. The F critical at 5% significance level was 2.472. Since F calculated is greater than F critical this shows that the overall model was significant.

Table2: ANOVA

Model	Sum of squares	Df	Mean square	F	Sig
Regression	58.366	4	14.5915	34.974	0.00 ^b
Residual	37.548	90	0.4172		
Total	95.9346	94			

- a. Dependent variable: organizational performance
- b. Predictor: (Constant). Cost of operation, time saving business agility operations and quality of service.

Table 3 presents coefficients information on each predictor variable. This provided the information necessary to predict influence of outsourcing on organizational performance from

the provided variables; cost of operation, time saving, business agility operation requirements and quality of service. Taking all factors (cost of operation, time saving, business agility operation requirements and quality of service of operation) constant at zero, organizational performance will be 0.512. The data findings also show that a unit increase in cost of operation will lead to a 1.237 increase in organizational performance, a unit increase in time saving will lead to 0.8593 increase in organizational performance, a unit increase in quality of service will lead to a 1.271 increase in organizational performance and a unit increase in business agility operation will lead to a 1.281 increase in organizational performance.

Table 3: Regression Coefficients

	unstandardized coefficients		unstandardized coefficients		
Model	B	Std.Error	Beta	t-statistic	sig.
(Constant)	.512	.160		3.2	.022
Cost of operation	1.237	.541	.52	2.286	0.01
Time saving	.8593	.368	.40	2.335	0.20
Business agility operation	1.281	.471	.411	2.720	0.01
Quality of service	1.271	.457	.123	2.781	0.05

Table 3 also presents the level of significance called the p value, This is the coefficient that is used to test the significance of the independent variables the level of significance for this study is 0.05 and therefore if the p value is less than 0.05 then it means that the variable is statistically significant and vice versa is the p value is greater than 0.05. From the table, the results showed the following findings. The t and p value of cost of operation and time saving were (t=2.286, p<0.05;t=2.335,p<0.05) and Business agility operation and Quality of service were (t=2.720,p<0.05;t=2.781,p<0.05). Therefore cost of operation, time saving, business agility operation and quality of service were all statistically significant and showed a positive influence in the organization performance.

CONCLUSIONS AND RECOMMENDATIONS

In general, organizations 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 (Leplante et al, 2004)

The findings also showed that quality of service of operation positively affects organizational performance. The response indicated that outsourcing leads to convenience in development, scaling up of projects, provides protection against technical risks and that there is better management of business and organizational knowledge.

Organizations should outsource their noncore business to outside providers that can bring a cut in cost of operation to a great extent. Organizations should establish a partnership with the service providers to establish tools to measure the performance where organizational requirements should be matched with the implementation process through identifying new

skills, abilities and knowledge for each project, thus, encourage organizations to obtain front-edge outsourcing.

The quality of service should be enhanced through considering many choices for service outsourcing as well as their providers; this puts organization on attention to strategically assess their partners. Organizations should not only consider cost reduction and base on low prices and big players to fill their requirements, but should also emphasize the type of relationship and the trend of behavior between the outsourcing organization and the service providers.

REFERENCES

- Abdul-Halim, H.; Che-Ha, N. (2009). 'The influence of business strategy on the decision to outsource human resource activities: A study of Malaysian manufacturing organizations', *Journal of Human Resource Costing & Accounting*, Vol 13, No: 4, 2009.
- Bacon, V., and Bender, M.J. (1999). The Effect of Service Quality and Partnership on the Outsourcing in Organizational Functions. *Journal of Management Information Systems*, 25(4): 375-398.
- Barney J.B., and Hesterly W., (1996). "Organizational Economics : Understanding the Relationship between Organizations and Economic Analysis", in Clegg S.R., Hardy C., Nord W.R. (Eds.) *Handbook of Organization Studies*, Sage Publications, London.
- Bailey, R., and Crocker E.K, (2008). Just right outsourcing: Understanding and managing risk. *Journal of Management Information Systems*, 24: 675-696.
- Cox, B. G. (2010). "Research Methods." *Encyclopedia of Survey Research Methods*. ISBN: 978141.
- Crook, T. R, Ketchen Jr D. J., Combs, J. G., and Todd, S.Y. (2008). Strategic resources and performance: a meta-analysis. *Strategic Management Journal* 29: 1141-1154.
- Elmuti, D. (2004). "The Perceived Impact of Outsourcing on Organizational Performance", *Mid-American Journal of Business*, Vol. 18, No. 2, pp.33-42.
- Galunic, C. D & Rodan, S. (1998). "Resource recombinations in the firm: knowledge structures and the potential for Schumpeterian Innovation." *Strategic Management Journal*, Vol 19: 1193-1201
- Gilley, K., Matthew, C. R., Greer, A., and Rasheed, A. (2004). "Human resource outsourcing and organizational performance in manufacturing firms", *Journal of Business Research*, Vol. 57, pp.232-240.
- Grossman, G. M. and Helpman, E. (2002), "Outsourcing in a Global Economy", (Woodrow Wilson School Discussion Papers in Economics No. 218, Princeton University).
- Hamel, C.K., & Prahalad, K. (1994). *Competing for the future*, Boston: Harvard Business School Press.
- Institute of Economic Affairs report, (2013). <http://www.iea.org.uk/publications/research>
- Jiang, B and Qureshi, A, (2006). Research on Outsourcing results: Current literature and future of opportunities. *Journal of Management Decision*, 44(1), 44-55
- Kenya Revenue Authority., (2013). <http://www.kra.go.ke/>
- Klainguti, E. (2000). "Outsourcing comes into fashion", *Banker*, Vol. 150 No. 898, p. 82.
- Kotabe, M., Michael, J., Mol., Janet Y. Murray (2008). "Outsourcing, performance, and the role of e-commerce: A dynamic perspective", *Industrial Marketing Management*, Vol. 37, pp.37-45.
- Kothari, C. R. (2004). *Research Methodology*. New Delhi: New Age international.

- Lee, Ruby P., Daekwan, K. (2010). "Implications of service processes outsourcing on firm value, *Industrial Marketing Management*", Vol. 39, pp.853-861.
- McIvor R., (2005). *The Outsourcing Process*, Cambridge, Cambridge
- Mugenda, O., M. &Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi, Acts Press.
- National Treasury, (2013). <http://www.treasury.go.ke/>
- Neuman, W., L. (2003). *Social Research Methods: Qualitative and Ethiop. J. Educ. &Sc.* Vol. 6 No 1 September 2010 108 *Quantitative Approaches* (5 th ed.). Boston: Allyn and Bacon.
- Ngechu, M. (2004). *Understanding the Research Process and Methods: An Introduction to Research Methods* Nairobi, Acts Press.
- Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods* (3rd Ed). London: Sage Publications.
- Prahalad, C.K. and Hamel, G. (1990).The core competence of the corporation, *Harvard Business Review* (v. 68, no. 3) pp. 79–91.
- Raiborn, Cecily A., Janet B. Butler, M., & Massoud, F. (2009).“Outsourcing support functions: Identifying and managing the good, the bad, and the ugly”, *Business Horizons*, Vol. 52, pp.347-386.
- Rothman, M. (2003). *Governance Matters IV: Governance Indicators for 1996-2004*. Working Paper.