



**ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES
MASTERS OF BUSINESS ADMINISTRATION PROGRAM**

**OUTSOURCING IN COMMERCIAL BANK OF ETHIOPIA:
OPPORTUNITIES AND CHALLENGES**

By

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Asst. Professor Shoa Jemal. All sources of material used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institutions for the purpose of earning any degree.

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January, 2015

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Acronyms/Abbreviations

CBE: Commercial Bank of Ethiopia

BPO: Business Process Outsourcing

BTO: Business transformation outsourcing

KPO: Knowledge process outsourcing

Table of Contents

Acknowledgments	I
Acronyms	II
Table of Contents	III
List of Tables.....	IV
Abstract	V
Chapter One: Introduction	1
1.1 Background of the Study	1
1.2 Definition of Terms	2
1.3 Statement of the Problem	4
1.4 Objectives of the Study	5
1.5 Significance of the Study	5
1.6 Scope of the Study	6
1.7 Limitations of the Study	6
1.8 Organization of the Paper	6
Chapter Two: Review of Related Literature	7
2.1 The concept of outsourcing.....	7
2.2 History of Outsourcing	9
2.3 The Rational for Outsourcing	10
2.4 Types of Outsourcing	14
2.5 Benefits of Outsourcing.....	17
2.6 Challenges of Outsourcing	19
2.7 Review of Empirical Literature.....	20
Chapter Three: Research Design and Methodology	21
3.1 Research Design	21
3.2 Source of Data	21
3.3 Data Collection Methods.....	22
3.4 Procedure for Data Collection.....	22
3.5 Sample Size and Sampling Techniques.....	23
3.6 Data analysis procedures	24
3.8 Ethical Considerations	25
Chapter Four: Research Findings and Discussion.....	26
4.1 Demographic Characteristics of Respondents	26
4.2 Data analysis part of the study.....	30
4.2.1 Major Outsourced Services of CBE	29
4.2.2 Major Reasons for Outsourcing at CBE	32
4.2.3 Benefits of Outsourcing.....	37
4.2.4 Challenges Faced While Outsourcing	41
4.2.5 Methods of Overcoming the Faced Challenges.....	45
Chapter Five: Summary, Conclusions and Recommendations	49
5.1 Summary of Major Fdings	50
5.2 Conclusions	51
5.3 Recommendations	52
Future Research	55
References	
Appendix	

List of tables

Table 1: Target Population and Number of Sample (CBE).....	26
Table 2: Reliability Test	27
Table 3: Respondents Age	28
Table 4: Respondents Sex	29
Table 5: Respondents Work place.....	29
Table 6: Work position of Respondents	30
Table 7: Respondents Experience in CBE.....	31
Table 8: Major Outsourced Services of CBE	32
Table 9: Reasons for Outsourcing	37
Table 10: Benefits of Outsourcing	39
Table 11: Low Employee Belongingness	42
Table 12: Conflict of Interest	42
Table 13: Communication and Coordination Difficulties	43
Table 14: Contract Termination Problems	43
Table 15: Low Quality of Workers.....	44
Table 16: Loss of Control Over Key Information Resources.....	45
Table 17: Increase in Price	45
Table 18: Methods of Overcoming Faced Challenges	49

ABSTRACT

The study aims to assess the opportunities and challenges of outsourcing in Commercial Bank of Ethiopia. It focuses on the benefits and challenges the bank faces in outsourcing its non-core activities. The research is a descriptive study applying quantitative approach in which data was collected across a population through cluster random sampling and uses descriptive statistics for the data analysis. The objective was assessing the major challenges and opportunities the bank gets out of outsourcing. It shows that the bank gets benefit from outsourcing though they have faced some challenges from outsourcing their non-core activities to outside providers. The findings shows that the Bank outsources to access special expertise, reduce overhead and operational costs, improve quality, spread commercial risk and get enough time to concentrate on their core activities. In the mean time the bank has also faced several challenges from outsourcing like low employee belongingness, conflict of interest among outsourced and permanent employees and low quality of service provided. But the bank tries to mitigate these challenges by negotiation and discussion with service provider. In conclusion, the bank has outsourced some of its activities expecting many benefits out of it. It has benefited in concentrating on core banking activities, but it has not been benefited as much as expected. It also faced different challenges but tries to mitigate those challenges by using different strategies or mechanisms. Based on the findings of the study, the research recommended that the bank has to concentrate on diversifying the type of services to be outsourced, the service providing company and strategies to mitigate challenges in order to gain the demanded benefits out of outsourcing.

Keywords: *Outsourcing, In-Sourcing, Service Provider, Commercial Bank of Ethiopia*

Chapter One

Introduction

This chapter deals with the background, problem statement, objective, research questions, significance, scope and limitations of the study.

1.1 Background of the Study

Outsourcing has been defined as work done for a company by people other than the company's full-time employees. In the modern setting, outsourcing turns out to be highly complex and organizations use outsourcing vendors for a variety of reasons (Seth, 2011). Presently many organizations outsource one or more of the business function from outside vendors. Moreover, as various researches indicate the trend of outsourcing throughout the world has been increasing from time to time.

Engaging in outsourcing allows an organization access to expertise, knowledge and capabilities found outside its bounds. Outsourcing initiatives have evolved from short-term projects focused on cost savings to executive-level business strategies that enable companies to gain – and sustain – revenues and profits in the competitive global marketplace (John, Clyde, and Bonifazi, 2006).

Outsourcing dates back to the 1970s. Initially it only involved IT-related issues, but gradually more and more enterprises realized that they could not be experts in more than one or two fields. This conclusion made them get rid of various areas of activity and entrust them to specialists. According to a survey by *Fortune* magazine, over 90% of business organizations today take advantage of external service providers, and in the European market alone the 2001 estimate of such services was US\$27 billion, which is growing from year to year. Originally, outsourcing was only used by large corporations, but nowadays it is becoming more and more popular among small-sized enterprises (**Koszewska, 2004**). The broader use of outsourcing in the industrial market results from the build-up of competitive pressures and progressing globalization (**Koszewska, 2004**). As the environment becomes increasingly complex, faster and faster advancement of technology, with the consequent changes in the conditions in which any given enterprise functions, necessitate the search for more and newer methods which keep one ahead of one's competitors. In the past the key to success was bulk; today the importance of high quality is growing.

In Ethiopian case the application of outsourcing is in its infancy stage. Currently there are few companies that are engaged in providing limited outsourcing service. The current outsourcing practice in Ethiopia is limited to a company's non core activities which are confined to recruitment service, security service and janitorial service.

CBE is one among the major companies that uses the outsourcing service to benefit out of it. CBE is currently expanding its branches aggressively reaching its branches more than 900. And it is currently diversify its services from traditional banking system to core banking, internet banking, mobile banking, etc. In spite of these diversifications and specializations, Commercial Bank of Ethiopia is outsourcing some of its non-clerical functions to third parties. Almost all (more than 15 services) of its non-clerical works – like security, cleaning, gardening, messaging, driving, etc services-- are outsourced to other companies. And, CBE is regarded as if the most successful bank in Ethiopian banking industry. This success comes from focusing on the core banking services.

However, it is obvious that the bank's performance might be impacted (positively as well as negatively) by the banks outsourced services. It might have challenges on customer and employee dissatisfaction, contract termination problems, communication problems and the like.

The aim of this paper is not to explore all the success factors of CBE; rather focuses on the outsourcing issues of the bank. This study has assessed the major challenges and opportunities of outsourcing its services and in the same manner it will assess the impact of outsourcing to the banks' organizational performance. Identifying these facts benefit the bank whether to continue with outsourcing or not, what major actions to take to the faced challenges and to have a proactive mechanisms to tackle the addressed challenges. More over the study provided important inputs for researchers who are studying on risk management in outsourcing and for organizations this paper gives a better understanding of what would be anticipated when conducting outsourcing.

1.2 Definition of Terms

- ***Business Process Outsourcing (BPO):*** A contractual arrangement transferring ongoing responsibility for a specific business function, such as payroll, to a third-party service provider. Often, companies implement business process outsourcing (BPO) to achieve cost reductions for work that is required but is not critical to maintaining a competitive advantage. Back office outsourcing includes internal business functions such as accounts

receivable or purchasing; front office outsourcing includes customer-contact services such as help desk or marketing (Outsourcing Glossary of Terms, 2007).

- ***Business transformation outsourcing (BTO)***: This refers to the idea of having service providers contribute to the effort of transforming a business into a leaner, more dynamic, agile and flexible operation (Outsourcing Glossary of Terms, 2007).
- ***Captive Offshore***: Employees of the institution perform work in an offshore facility that is owned by the institution either entirely or in a joint venture and is dedicated to serving the institution's needs (Outsourcing Glossary of Terms, 2007).
- ***Competitive In-sourcing***: Competitive In-sourcing is a process whereby internal employees engage in bidding to compete with competitive, third-party bidders for a defined scope of work (Outsourcing Glossary of Terms, 2007).
- ***Contract Manufacturing***: Contract manufacturing is the outsourcing of a manufacturing job to an onshore or offshore third-party with the necessary infrastructure and knows how to perform the job (Outsourcing Glossary of Terms, 2007).
- ***Co-sourcing*** The term used to describe organizations that execute a shared services center with an external vendor. Also known as joint venture (Outsourcing Glossary of Terms, 2007).
- ***Facilities Management***: An outsourcing solution in which the customer entrusts to an external services provider, the responsibility for operations and maintenance of one or more facilities (Outsourcing Glossary of Terms, 2007).
- ***In-sourcing***: A decision by an organization to retain functions internally rather than outsource. The decision is often made after the organization has performed independent benchmarking to determine that its costs and efficiencies are in line or better than those achieved by comparable organizations. The term is also used in cases where services are being brought back in house after a period of outsourcing them (Outsourcing Glossary of Terms, 2007).
- ***Knowledge process outsourcing (KPO)***: Involves outsourcing for high-end knowledge work. This includes research and work on intellectual property, equity and finance, analytics, market research and data management, etc. (Outsourcing Glossary of Terms, 2007).
- ***Multi Sourcing***: Utilizing multiple vendors (Outsourcing Glossary of Terms, 2007).
- ***Near-Shore Outsourcing***: Business decision to engage a third-party vendor in a country in close proximity to the parent company's headquarters. In the case of the U.S., near-shore is

considered to include Canada, Mexico and the Caribbean (Outsourcing Glossary of Terms, 2007).

- **Off-shoring:** A specific type of outsourcing to a service provider whose principal base of operation is outside the client company's own country (Outsourcing Glossary of Terms, 2007).
- **On-shore Outsourcing:** Business decision to engage a third party vendor in the organization's home country also referred to as domestic outsourcing (Outsourcing Glossary of Terms, 2007).
- **Outsourcing:** Financial institution's contract with a third party to provide services, systems, or support. Outsourcing can be provided on or off premises, in the same country or in a separate country (Outsourcing Glossary of Terms, 2007).
- **Shared Services:** A shared service is the outsourcing of a business function within an enterprise to a highly skilled internal department or group. (Outsourcing Glossary of Terms, 2007).

1.3 Statement of the Problem

Outsourcing is a very crucial function in an organization because it directly affects the firm's operational activities. The use of outsourcing in Ethiopia is very low with the exception of outsourcing some non-core functions like security and janitorial services. CBE has practiced the outsourcing services for more than 6 years. And it faced different problems in the quality of service they require. The services provided are below the service quality standards and most of all the bank has not focused on its core activities since there are still hassles to work on. Following the identified problems in CBE, steps have been taken to solve the problem by bringing trusted and better qualified people to provide the services by outsourcing those services to other companies. This brings some opportunities like reducing operational costs, Gained access to talent and many more other that made the bank to focus on its core banking activities.

To the best of the researcher's knowledge, to date, there is no formal study that has examined the major opportunities and challenges of outsourcing. Besides, CBE is stretching throughout the country aggressively while outsourcing some of its non-clerical works.

Thus, these situations attract the researcher to undertake a research with the objective of evaluating the opportunities and challenges the bank faced in outsourcing those non-core activities.

1.3.1 Research Questions Addressed

This research is carried out to assess the major challenges and opportunities of outsourcing in CBE. Thus, this research tried to answer the following questions:

- (i) What are the expectations of the bank while outsourcing?
- (ii) What are the opportunities the bank gets from outsourcing?
- (iii) What are the challenges encountered in carrying out outsourcing?
- (iv) What corrective actions taken to overcome the challenges?

1.4 Objectives of the Study

Identifying the major challenges and opportunities of outsourcing provides important inputs in risk management in outsourcing and give a better understanding of what would be anticipated when conducting outsourcing. Therefore, the study tries to achieve the above values by having the following objectives:

1.4.1 General Objective

The general objective of this paper is examining the challenges and opportunities of outsourcing in CBE.

1.4.2 Specific Objectives

In addressing the general objective, the study concentrates on the following specific objectives:

- To assess the major expectations of the bank while outsourcing;
- To find out the opportunities obtained as a result of outsourcing;
- To examine the challenges encountered in carrying out outsourcing; and
- To identify the measures taken to overcome the identified challenges.

1.5 Significance of the Study

As the practice of outsourcing in Ethiopia is somehow new, the benefits and challenges out of it are not yet assessed in many organizations; especially in banking industry. Moreover, no formal research has been carried out to find out the country's potential in outsourcing. Therefore, the researcher believes that this research has great significance in creating awareness, about what challenges and opportunities it has; specifically for CBE for acknowledging the opportunities and to find out mechanisms to manage the challenges. More over it also has significance; among

the society, business people who want to engage in outsourcing business and need to outsource some of their activities and for scholars. Furthermore, this research can serve as stepping stone for other researchers who want to explore about outsourcing in Ethiopia's business.

1.6 Scope of the Study

This study focused on the organs of CBE at head office level and branches located at Addis Ababa City. It assessed the major challenges and opportunities of outsourcing and the study covers the outsourcing department staffs, user departments and sampled branches located in Addis Ababa city only.

1.7 Limitations of the Study

While conducting the research, the researcher faced the following limitations. Individuals were not able to respond to the questionnaires completely and on time and some of them did not respond accurately. The researcher have also faced shortage of adequate reference materials since there are no related research papers made regarding the title except for one research paper made on the topic of "Outsourcing in Ethiopia" (Meresa Mulat, Addis Ababa University, 2007) which had been done on historical background of outsourcing in Ethiopia

To minimize these limitations, the researcher tried to dig more on other literatures made on the topic. And to collect valid data on accurately filled questionnaires, the researcher handled data collection by lobbying the higher officials.

1.8 Organization of the Paper

The research report consists of five chapters. The first chapter focuses on introductory aspects like background of the study statement of the problem, objective of the study, scope of the study, significance and limitations of the study. Chapter two present the literature review, which served as a basis for understanding the subject matter. Chapter three focus on the methodology of the study. Chapter four concentrated with the presentation and analysis of data obtained from responses. The fifth chapter, which is the closing chapter, focuses on concise conclusions along with possible recommendation.

Chapter Two

Review of Related Literature

This chapter deals with a review of issues and factors that have been explored and studied in the existing literature on outsourcing.

2.1 The Concept of Outsourcing

Outsourcing is made up of two words – ‘out’ and ‘sourcing’. Hence, to define outsourcing we must first be clear on the meaning of ‘sourcing’. Sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. As managers, we constantly delegate or source work to our employees. Why do we engage in outsourcing? We must source out work because there are others who can do it cheaper, faster, better and because we have other, more important, demands on our resources. The organization will run at a loss by having a manager conduct the administrative task rather than sourcing it to an individual who is costing the organization less in terms of salary. Hence costs, both real (the salary) and opportunity (the time, attention and effort), are important determinants in the sourcing decision. Besides efficiency, outsourcing also helps get work done more effectively. Moreover, engaging in outsourcing allows an organization access to expertise, knowledge and capabilities found outside its bounds. Outsourcing initiatives have evolved from short-term projects focused on cost savings to executive-level business strategies that enable companies to gain – and sustain – revenues and profits in the competitive global marketplace (John, et.al. 2006).

Having the above brief description of outsourcing, next we will see how different scholars defined the term “outsourcing”.

Outsource magazine (2011), defined it as: Outsourcing is when any operation or process that could be or would usually be performed in-house by an organization’s employees is sub contracted to another organization for a substantial period. The outsourced tasks can be performed onsite or off-site.

Furthermore, Beaumont and Sohal (2004) give the following clarification for in-sourcing and Out-tasking so as to show their difference from outsourcing:

In-sourcing means applying outsourcing's discipline to internal suppliers, often having them compete with external suppliers. Out-tasking connotes work being done outside the organization, but the organization retaining full control over the operation; precisely defining the task and how it is to be done. The vendor has no discretion and performs a programmable task. Partnering implies that the client passes discretion for how the task is done to the vendor

Outsourcing is a hierarchical sequence of decisions. The fundamental decision is whether or not to outsource a business process or function. Outsourcing decisions can be complex because modern organization's applications tend to be integrated with each other, sensitive (poor task performance may affect the organization's reputation); IT applications permeate the firm touch that most activities performed; it may be difficult to hive-off and outsource a single application. The criteria used to evaluate outsourcing decisions may be multidimensional and intangible; besides difficult to estimate cost savings, the firm must consider intangible effects such as freeing up managerial time and possible dependence on the vendor (Nicholas Beaumont and Amrik Sohal, 2004).

Although various organizations have tried to look at what the different Authors have written and put it in consideration in their bid to outsource, they have not fully met their intentions like cost reduction, efficient and effective service provision from the service providers to whom they outsource their activities. This is partly due to the ever increasing prices of products which also mean increase in prices of services being outsourced.

2.2 History of Outsourcing

Since the Industrial Revolution, companies have grappled with how they can exploit their competitive advantage to increase their markets and their profits. The model for most of the 20th century was a large integrated company that can “own, manage, and directly control” its assets. In the 1950s and 1960s, the rallying cry was diversification to broaden corporate bases and take advantage of economies of scale. By diversifying, companies expected to protect profits, even though expansion required multiple layers of management. Subsequently, organizations attempting to compete globally in the 1970s and 1980s were handicapped by a lack of agility that resulted from bloated management structures. To increase their flexibility and creativity, many large companies developed a new strategy of focusing on their core business, which required identifying critical processes and deciding which could be outsourced (Handfield, 2006).

2.2.1 Initial Stages of Evolution

Outsourcing was not formally identified as a business strategy until 1989 (Handfield, 2006). However, most organizations were not totally self-sufficient; they outsourced those functions for which they had no competency internally. Publishers, for example, have often purchased composition, printing, and fulfillment services. The use of external suppliers for these essential but ancillary services might be termed the baseline stage in the evolution of outsourcing. Outsourcing support services is the next stage. In the 1990s, as organizations began to focus more on cost-saving measures, they started to outsource those functions necessary to run a company but not related specifically to the core business. Managers contracted with emerging service companies to deliver accounting, human resources, data processing, internal mail distribution, security, plant maintenance, and the like as a matter of “good housekeeping”. Outsourcing components to affect cost savings in key functions is yet another stage as managers seek to improve their finances (Handfield, 2006).

2.2.2 Strategic Partnerships

The current stage in the evolution of outsourcing is the development of strategic partnerships. Until recently it had been axiomatic that no organization would outsource core competencies, those functions that give the company a strategic advantage or make it unique. Often a core competency is also defined as any function that gets close to customers.

In the 1990s, outsourcing some core functions may be good strategy, not anathema. For example, some organizations outsource customer service, precisely because it is so important.

Eastman Kodak's decision to outsource the information technology systems that undergird its business was considered revolutionary in 1989, but it was actually the result of rethinking what their business was about. They were quickly followed by dozens of major corporations whose managers had determined it was not necessary to own the technology to get access to information they needed. The focus today is less on ownership and more on developing strategic partnerships to bring about enhanced results. Consequently, organizations are likely to select outsourcing more on the basis of who can deliver more effective results for a specific function than on whether the function is core or commodity (Handfield, 2006).

2.3 The Rational for Outsourcing

Outsourcing has moved from initiatives that were financially motivated to the current stage of being strategically motivated. Power (2006), quoted that financially motivated outsourcing efforts have been around since the early days of commerce. Manufacturing work, such as garment production, has long been outsourced to locations in South East Asia. The goal of these efforts was to get the best financial deal in terms of lowest cost of production. These efforts were mainly one-sided; information and requirements moved from the client to the vendor, who would then construct the product and/or service and deliver this back to the client. Information and knowledge would seldom flow back from the vendor to the client, as the client was assumed to be more knowledgeable than the vendor. In financially driven outsourcing efforts, it was common for a firm to structure a long-term deal with a single vendor so as to get the best possible discounts and secure the most stable relationship. After all, the goal here was to offload work to places where it could be done at lower cost.

Strategically driven outsourcing efforts are capability- and competency- intensive. The focus here is to tap into specialized expertise, knowledge, processes and capabilities found outside the organization, and to use these as inputs to help improve the effectiveness and efficiency of operations. More important, if done properly, strategically driven outsourcing efforts can not only help operations, but can also contribute to the strategic and competitive advantages of the organization.

Strategic outsourcing often involves partnerships between the client organization and multiple vendors. As a prime example consider the case of Dell Computers. Dell does not hold large amounts of computer hardware in its inventory; instead its core competency is its information systems and supply chain management systems. Dell takes in customer orders, and then coordinates the fulfillment process. To be successful in this, Dell must rely on a vast network of suppliers and manufacturers, not only for the products, but also for knowledge. Dell realizes that it does not have the necessary resources to have up-to-date information about each and every component of computer hardware (Power, 2006).

Such knowledge resides in the minds of Dell’s business partners and hence Dell must not only send order information to these suppliers, but must also access the knowledge possessed by them. In addition, Dell must ensure that knowledge from one supplier is shared with the others, so that each one benefits from improved knowledge and insights. Strategically driven outsourcing efforts involve such collaboration between the client and multiple vendors, because the client organization is focused on getting the best breed of knowledge and expertise, as these have serious ramifications on its strategic and competitive advantages (Power, 2006).

There are several factors that are influencing firms to consider outsourcing as a business strategy (see Figure 1). We will now enumerate these, recognizing the fact that some firms may be influenced more by some of these factors than others.

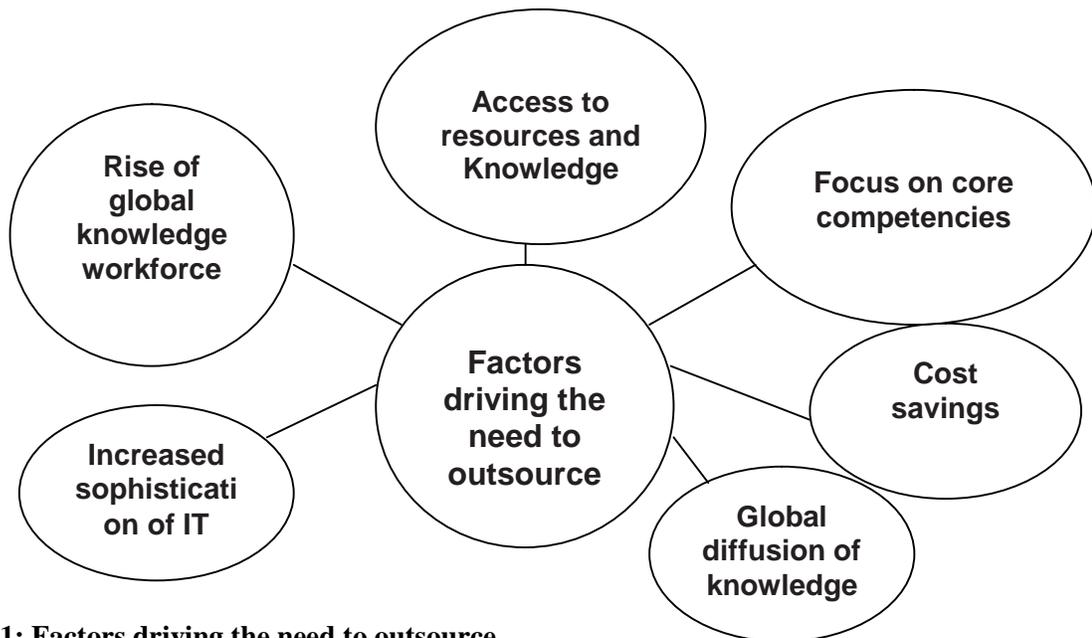


Figure 2.1: Factors driving the need to outsource

Source: Mark power, The Outsourcing Handbook: How to Implement a Successful Outsourcing Process, 2004

2.3.1 Access to Resources and Knowledge is Important, not Ownership

The earlier thinking about the ownership of factors of production for securing competitive advantages is outdated. Today, the more important detail is how an organization can access external resources and knowledge, rather than trying to own the resources. No organization is self-sufficient. Being self-sufficient is not economically viable for a basic reason – opportunity cost, which is the value derived from the best alternative use of a resource. If organizations try to do everything and spend all their resources to create expertise, skills and technology, they are under-utilizing their resources. Other firms in the marketplace may be able to provide them access to necessary resources at lower cost than it would take them to produce these resources. Moreover, sometimes the resources provided by external parties may be of far superior quality than organizations can produce internally.

There are many cases of outsourcing agreements where relationships are forged not just for basic cost saving but to get access to needed expertise, skills and technology. For example, Aon Corporation has outsourced the management of its US data centers, telecommunications networks, desktop support and help-desk services to Computer Sciences Corporation (CSC) (McDougall, 2004a, 2004b). In addition to the cost saving, the main benefits of the outsourcing agreement would include access to the state of the art in security practices and techniques – the core competencies of CSC – to help the organization better plan for business continuity and security management. The bottom line is that innovative knowledge is required in almost all areas of operations for a business, but the cost of creating this knowledge is significant. Hence, rather than expending resources to create such knowledge, organizations are purchasing this knowledge from external sources.

2.3.2 Cost Savings

According to McDougall, 2004a, 2004b the predominant reason given for engaging in outsourcing is the cost savings, which are realized in several ways. First, cost savings can come from the simple move from fixed to variable cost models. In the fixed cost model, you own all the resources and have to pay for their acquisition, upkeep and maintenance. These costs are fixed and occur no matter if you use the resource or not. For example, if you own a car you have certain fixed costs regardless of how much you drive it, such as maintenance or parking. If you drive the vehicle, then your expenses, such as fuel, increase. Under the variable-cost model, you do not incur the fixed costs associated with maintaining the asset but only pay a fee when you use the assets or access them, such as when renting a car. You are bound to save some costs

when moving from fixed to variable cost, especially when the resources you use are not needed on a regular basis.

Second, cost savings can come from the company doing the outsourced work. In the case of software development, most of the current outsourcing is occurring with companies in the so-called developing world. Here the wages and costs of labor are quite low compared to those in Western Europe or the United States. The savings in salaries can be significant, as in most IT projects labor costs comprise the greatest proportion of the costs.

Third, other cost savings could result from beneficial tax treaties and other foreign-trade agreements, wherein governments may encourage multinational and international corporations to open up businesses in the developing countries by giving tax concessions and other setup benefits.

2.3.3 Focus on Core Competencies

Outsourcing not only involves the transfer of work, but also the transfer of decision rights (Power, 2006). By transferring decision rights, the organization is reducing its need to focus high levels of resources on the effort of decision making. The vendor takes on the responsibility for decision making and is held accountable for the decision outcomes about achieving project goals. Transferring decision rights and accountability allows the client to pay more attention to its core competencies. Without engaging in outsourcing, the organization will perhaps not focus on areas in which it should invest manager attention and efforts.

An outcome of being able to focus on core competencies is that it allows the organization to rethink its organization structure and restructure or realign itself. Think about narrowing down your long to-do list and prioritizing it by items that are urgent and central and those that are peripheral. Doing this will help you to clean up your view of what needs to be done immediately and what can wait. Organizations are too often busy doing things and sometimes they do so at the expense of stopping to think about whether what is being done is indeed the most important or beneficial for the future of the organization. This results in lack of clear goal attainment and success. Organizations may be conducting work in projects that do not contribute to their core mission, or are in conflict with other projects. They may also be spending inordinate resources on tasks that are considered auxiliary, rather than core. Getting focused on what really matters, i.e. the core competencies, and outsourcing the rest, helps the organization better manage its activities. In some cases, an organization may have too many core competencies to focus on, and

may even decide to outsource a handful of them to external vendors who may be able to do the work at lower cost and/or better (McDougall, 2004a, 2004b).

2.3.4 Factors Driving Global Outsourcing Efforts

For McDougall, 2004a, 2004b The business practice of off shoring focuses on the relocation of labor-intensive service industry functions to locations remote to the business center, such as India, Ireland or the Philippines. Two main changes in the business environment have enabled off shoring. First, the improvement in international telecommunications capacity, and the associated reduction in global telecommunications costs, is fundamental to the economics of off-shoring. Second and just as important, over the past two decades the PC has enabled the computerization and digitization of most business services. As a result of these two changes, information can now be transmitted over long distances at very low cost and with little or no loss of quality. These changes make organizational boundaries and national borders much less important in deciding the location of service functions.

2.3.5 Increased Sophistications of IT

Another factor that has contributed to the increase in global outsourcing is the sophistication of collaborative technology solutions. Today, we have a wide array of devices that can be used to communicate with our counterparts across the globe. Mobile phones, e-mail, video conferencing, web conferencing and instant messaging are a few of the gamut of collaborative tools available. The costs of such tools have decreased sizably over the years. In some cases, they are even available for free. Microsoft, AOL and other companies offer customers use of their Instant Messaging software, which can be used for text, voice and even image and document sharing, for free (Power, 2006).

2.4 Types of Outsourcing

Outsourcing can be applied to most functions and services within the organization, but what an individual company outsources depends on the core competencies, core activities, and critical functions within the organization.

According to O’Riordan (1998), there are two main types of outsourcing. Total outsourcing is where companies outsource all the activities within the selected function or service within the company.

The other type is selective outsourcing. This can be done in four separate and distinct levels; individual, functional, process and component levels.

Other types of outsourcing that are used but not as widely as the total outsourcing and selective outsourcing are co-sourcing where the client company keeps responsibility for the management and strategic aspects of the outsourced activity while the outsourced provider supplies consultancy service and often experienced personnel to help keep the business streamlined. In other words, the responsibility of the outsourced service or function is held within the organization. In addition, in sourcing is the outsourcing of your work to other countries but instead of transferring all the responsibility to the outsourcing company your own company sets-up, staff and run the business there, except with much lower costs. It can help overcome the problems of skill shortage particularly in the areas of project management and technical work. A major advantage of the In-sourcing option is that because the suppliers are inside the organization, they are living with their client and because they are attending company meetings, they understand the business inside and out.

For Chamberland (2003), there are many typologies of outsourcing. At one end he classified outsourcing as “conventional” and “green field” outsourcing. In a conventional outsourcing, the people, the facilities the equipments and technology are transferred to the service provider. In a green field outsourcing the company buys new services from service provider that it would normally have performed in house (this is the make vs. buy decision)

At the other end he classified outsourcing as “tactical” and “strategic” outsourcing. Tactical outsourcing is typically driven by problem solving mentality while strategic outsourcing is more ambitious. Here, the outsourcing initiative is not designed just to fix a problem, but is structured so that it is aligned with the company’s long term strategies.

2.4.1 Types of Outsourced Services

This section deals with the most common types of outsourced services. Outsourcing is contracting with another company or person to do a particular function. Almost every organization outsources in some way (sourcingmag.com). Typically, the function being outsourced is considered non-core to the business. An insurance company, for example, might outsource its janitorial and landscaping operations to firms that specialize in those types of work since they are not related to insurance or strategic to the business. The outside firms that are providing the outsourcing services are third-party providers, or as they are more commonly called, service providers (sourcingmag.com).

Although outsourcing has been around as long as work specialization has existed, in recent history, companies began employing the outsourcing model to carry out narrow functions, such as payroll, billing and data entry. Those processes could be done more efficiently and therefore more cost-effectively, by other companies with specialized tools and facilities and specially trained personnel (sourcingmag.com).

Currently, outsourcing takes many forms. Organizations still hire service providers to handle distinct business processes, such as benefits management. But some organizations outsource whole operations. The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO) (sourcingmag.com).

BPO is the process of hiring another company to handle business activities for you. BPO is distinct from information technology (IT) outsourcing, which focuses on hiring a third-party company or service provider to do IT-related activities, such as application management and application development, data center operations, or testing and quality assurance. In the early days, BPO usually consisted of outsourcing processes such as payroll. Then it grew to include employee benefits management. Now it encompasses a number of functions that are considered "non-core" to the primary business strategy. Now it is common for organizations to outsource financial and administration (F&A) processes, human resources (HR) functions, call center and customer service activities and accounting and payroll (sourcingmag.com).

Frequently, BPO is also referred to as ITES -- information technology-enabled services. Since most business processes include some form of automation, IT "enables" these services to be performed.

An offshoot of BPO is KPO -- knowledge process outsourcing. Considered by some to be a subset of BPO, KPO includes those activities that require greater skill, knowledge, education and expertise to handle. For example, whereas an insurance company might outsource data entry of its claims forms as part of a BPO initiative, it may also choose to use a KPO service provider to evaluate new insurance applications based on a set of criteria or business rules; this work would require the efforts of a more knowledgeable set of workers than the data entry would. The current definition of KPO encompasses R&D, product development and legal e-discovery, as well as a number of other business functions.

According to Bragg (1998) the most common outsourced services are: Accounting Services, Human Resource Function, Maintenance and Janitorial Function, Outsourcing Materials-Management Function, Sales and Marketing Function and Administration Function.

2.5 Benefits of Outsourcing

There are many benefits that can be obtained to an organization as a result of outsourcing, however, these depend on whether the company goes about the outsourcing project in the appropriate manner and if they are willing to put the time and effort into helping their staff overcome the problems they may encounter as their jobs change and evolve. Outsourcing has helped to open up the global market as outsourcing organizations take advantage of regional labor markets and reduce operating costs.

According to O'Donnell (1998) the benefits can be separated into two distinct areas obvious benefits and hidden benefits.

The obvious ones are those that hit the bottom line of the company's financial sheet at the end of the month. These can include but are not limited to; lower prices, better quality goods and/or services, and a wider selection of products and services

Hidden benefits may include suppliers providing technical skills and ideas that might not have been able to develop in-house, and extending the scope of customer services. Probably the most important hidden benefit is that because as companies become more profitable and flexible "this protects many existing jobs and allows companies to invest additional money in the next-generation technologies and business ideas that will create the jobs of the future" . It can also help to eliminate the barriers that were created between different departments within an organization and allows for the merging of estranged departments.

Specifically Outsourcing is beneficial in the following ways:

2.5.1 Minimizing Cost

This is the lowering of the overall cost of the service to the business. This involves the score defining quality levels, repulsing, renegotiations, cost restructuring, access to lower cost economies through off showing cold labor arbitrage

Sabiti (2003) says that the organization that outsources is cutting administration cost of maintaining or doing the activity in house. The overriding factor in outsourcing decision is cost cutting, but whereas this may make business sense in the beginning, in some cases it could bring complications and put the whole exercise at a high risk if all concerns are not adequately assessed. This means that the outsourcing organization should not only look at the costs being low but also consider the outcomes of process of outsourcing at the end of everything to the organization.

Manzi (2004), states that the most common economic factor that influences the decision is the need to reduce costs. Where the benefits analysis has been carried out and has been established that it is most economic to outsource rather than continue to operate a given function looks forward to making profits in business.

Kulumba (2005), states that outsourcing is a popular phenomenon with managers because they believe that outsourcing vendors are inherently more efficient due to economies of scale. The outsourcing organization benefit from getting the services from the provider at a reduced cost since it is provided on a large scale and usually for a reasonable time if it is good work.

2.5.2 Specialization

Lysons and Gillingham, say that, Outsourcing allows an organization to concentrate on areas of business that derive competitive advantage and outsource non-core activities to specialist with better skills and expertise.

2.5.3 Access to innovation

There are opportunities to have access to capabilities of suppliers into the products and services of the customer organization rather than attempt to replicate the capabilities of a supply network.

2.6 Challenges of Outsourcing

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully (Procurement News December, 17th, 23rd 2003) and these may be; The possibility of over depending on or leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Over a long time, a supplier of outsourced service may become complacent or change ownership and also a risk of a fall in employees' morale for fear of being made redundant, confidentiality links of company matters and in some instances loss of intellectual property rights.

Eyaa (2006) says that, high prices being imposed on suppliers due to increasing trends in outsourcing, the demand for suppliers is so high and has pushed the rates being charged by the suppliers to be high. This later increases the costs, yet outsourcing is all about helping firms cut costs. Too much expectancy from suppliers as Company employees tend to expect too much from supplier firms as far as service provision is concerned because they are specialists yet things can go wrong once in awhile. Such issues should not be ignored.

Manzi (2005), according to him, there is a possibility that vital company information may be at a risk of being linked to the company's competitors which is dangerous since some suppliers may be spies to the company.

2.7 Empirical Study

As primary research objective the concept of outsourcing benefits are first introduced. As these benefits can be periled by several undesirable outcomes, the concept of outsourcing risk is subsequently discussed. As this paper addresses the major challenges and benefits in the context of outsourcing, research findings on risk and benefits of outsourcing are outlined.

2.7.1 Outsourcing Benefits

Numerous researches have been conducted to analyze outsourcing benefits. There are many reasons why companies choose to outsource. Academic effort has concentrated on factors that influence the sourcing decision. Theories like transaction cost economics (Wullenweber, 2007) and the resource based view (Wullenweber, 2007) explains the outsourcing decision from theoretical point of view and have been tested thoroughly in empirical studies. Fundamentally,

three drivers for outsourcing have been identified: economic, strategic and technological reasons (Wullenweber, 2007). The most important economic driver is anticipated cost reduction, as several researchers report. Companies are eager to reduce their overall expenditures (personnel, hard and software) and discuss any sourcing scenario to find out which is the most cost effective one. On a strategic level the demand for more flexible process and IT systems which support the business in times of rapid change and global reach is often quoted. This desire often results in the concept of focusing on core competencies through divestment of non core areas. In times of tight budget, companies need to allocate capital in the most efficient way and source out those activities which not provide substantial value to their core business. Technologically, companies expect to improve their operations through the access to new technology and skilled people by sourcing to a service provider specialized in the respective area ((Wullenweber, 2007). Thus, quality improvement is often a vital reason to outsource.

As this research aims at analyzing the challenges and opportunities (benefits) outsourcing benefits are viewed as potential benefits.

2.7.2 Outsourcing Risk

Several researchers have addressed the importance of outsourcing risk research. However, a consistent definition of outsourcing risk has not emerged. In rational decision theory, the concept of risk reflects the variation in the distribution of possible outcomes, their likelihood and their subjective value (Wullenweber, 2007). The theory suggests that decision makers deal with decisions under uncertainty in a rational way, i.e., by computing different alternatives and selecting the option that best suits their personal risk return profile, which is generally risk averse . However, empirical studies indicate that this theoretical view is not consistent with how managers deal with risky choices in reality: several studies have shown that managers follow a less precise calculus, not using accurate probability calculations. Instead managers follow a magnitude of undesired outcome concept neglecting the outcome probability. Therefore, perceived risk theory (Wullenweber, 2007) will be used to analyze managers risk perception. Perceived risk theory analyses the risk a person subjectively associates with the consequences of a decision. By doing this, it is possible to analyze individual risks using only one measure instead of two (loss severity and loss probability) thus overcoming the problem of how to combine these parameters.

Chapter Three

Research Design and Methodology

This chapter provides an over view of the methods to be used to collect and process data. It gives the research design the sample selection methods, size, and data processing.

3.1 Research Design

Research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information. It provides a framework or plan of action for the research (Zickmud, Babin, Carr and Griffin). In order to attain the objective of the study and answer the research questions; the researcher adopt Quantitative research approach and this study is a descriptive study.

Standard questioner is developed to collect the desired data and explanatory questions are included for further elaboration. The method is used to help carry out self-report data collection from the fascinated sample and allowing a thorough and easy analysis of the respondents' opinion. The survey designs adequately lead to collection of reliable information by portrayal of the challenges and opportunities in the study area.

3.2 Source of Data

In attempt to address the assessment of challenges and opportunities of outsourcing in CBE and to provide possible recommendations, the researcher used both primary and secondary data sources.

With regard to primary data, the data collected through questionnaire filled by Bank managers and key personnel in the head office areas. Bank managers are assumed to have the necessary information about outsourcing adequately since they are the beneficiaries of the services directly. The key personnel at head office areas like wise are expected to have the detailed information about the subject matter.

As far as secondary data is concerned, relevant data are collected from the organization, books and literatures, websites (internet) and other available sources and this is quoted where necessary and used to draw deductions as per the study.

3.3 Data Collection Methods

Based on the research objective, a questionnaire was prepared to bank managers to get information about the challenges and opportunities of outsourcing at CBE. The questionnaire consists of two parts.

Part one is prepared to gather general information about the respondent's age, department, profession and the time of service giving. Part two is prepared to ask respondents to answer challenges and opportunities faced by outsourcing their services. This part consists of multiple questions and measures the level of challenges and opportunities of outsourcing in the bank. The questions are five in general. The first question is about the type of services the bank currently outsources. The second question deals about the reasons of outsourcing. Why the bank prefers to outsource rather than performing it in-house. The third question is about the benefits from outsourcing the services of the bank. The fourth question deals with the major challenges faced from outsourcing its services. The final question is about the methods of overcoming the faced challenges.

Questions in part two are assessed by using a five point Likert scale. Each question of the questionnaire is assigned a number indicating strongly disagree measured as 1, disagree measured as 2, no opinion measured as 3, agree measured as 4, and strongly agree measured as 5.

3.4 Procedure for Data Collection

The purpose of questionnaires is to assess the challenges and opportunities of outsourcing in CBE. In these procedures the researcher collected data from the responsible officials who are at head office organs by judgmentally selecting the respondents and persuading them for their prompt cooperation. For the rest questioners at the remaining four districts data collectors made the task of data collection. Orientation was given for the Data collectors on how to precede the task. In addition, secondary sources of information are gathered from books and journals on outsourcing management. In these procedures the researcher collected data from the availed instruments.

3.5 Sample Size and Sampling Techniques

The population of the study includes all branches of the bank at Addis Ababa districts. The bank recently has 330 branches with 5 districts at Addis Ababa City i.e. East Addis Ababa district, West Addis Ababa district, South Addis Ababa district, North Addis Ababa district and Central Addis Ababa district; as it is described in Table 1 below. As a result, the total population of the study is 330. The sample size is equal to 175.

The sampling method applied was cluster random sampling technique in selecting the target population by grouping them in their respective districts and then selecting branches randomly from each five districts that could fill the questioners. 175 branches out of the total 330 branches were selected randomly and the branch managers of the Banks filled the questioner. In some cases judgmental sampling method was used for selecting officials at head office to fill the questionnaires. The researcher uses its own judgments to select these personnel that have direct relation to the raised issue. For the four districts at Addis Ababa the respondents were branch managers. Branches in those districts, but outlying Addis Ababa City are automatically disqualified from sampling.

The following formula is used to calculate the sample size of the study population.

$$s = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}.$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum Sample size)

d = the degree of accuracy expressed as a proportion (.05).

Table 1: Target Population & Number of Samples (Commercial Bank of Ethiopia)

Name of District in AA City	Total number of Branches in the District	Number of Branches to be surveyed
North	70	38
East	68	37
West	66	36
South	60	33
Central (Head Office)	56	31
Total	320	175

Source: Own information summarized from collected data, 2015.

3.6 Data analysis Methods

After collecting the data through different techniques, the researcher has organized and prepared the various data depending on the sources of information. Moreover, in order to ensure logical competence and consistency of responses, data editing was carried out each day by the researcher. Identified mistakes and data gaps were rectified as soon as possible. Once editing has done, data were analyzed. The data analysis was done by the use of version 19-SPSS software.

The collected data were analyzed and interpreted in accordance with statistical tools that included tables and tabular tools. In the interpretation part, descriptive type of interpretation that involved percentage, frequency, ranges, and mean were used. The researcher prefers to use descriptive statistics because descriptive statistics are used to describe the basic features of the data in a study. They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data. Descriptive Statistics are used to present quantitative descriptions in a manageable form. In a research study we may have lots of measures. Or we may measure a large number of people on any measure. Descriptive statistics help us to simplify large amounts of data in a sensible way. Each descriptive statistic reduces lots of data into a simpler summary.

3.7 Reliability test

Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees. It was first named by Lee Cronbach in 1951, as he had intended to continue with further coefficients. The measures can be viewed as an extension of the Kuder-Richardson Formula 20 (KR-20), which is an equivalent measure for dichotomous items (http://en.wikipedia.org/wiki/Cronbach's_alpha).

Hence, according to Lombard (2010), Coefficients of .90 or greater are nearly always acceptable, .80 Or greater is acceptable in most situations, and .70 may be appropriate in some exploratory studies for some indices. By tracing this literature the researcher tested the reliability of the items which were developed for respondents. Therefore, as shown in table 2 the reliability of the whole items is 0.916 which means the whole items were reliable and acceptable because as Lombard stated coefficients of 0.9 or greater are nearly always acceptable.

Table 2: Reliability Test

Cronbach's Alpha	Number of items
0.916	34

Source: SPSS reliability result output

3.8 Ethical Considerations

Confidentiality – the respondents were assured that they will not be confused and that their response will remain confidential. The information they provide is confidential and used for academic purpose only.

Organizational approval – A written letter that explains the research idea as well as a copy of the research proposal was provided to study the site. The researcher obtained approval prior to any research activity at the specified location is carried out.

Informed consent – Cover letters explain the purpose of the questionnaire were given to the respondents of this study. As well as explaining the purpose of the study and for what purpose the study is conducted.

Chapter Four

Major Research Findings, Discussions, Analysis and interpretations

This chapter deals with the analysis and discussion of the data gathered from the study respondents. It primarily discusses the major Challenges and opportunities of outsourcing in CBE. The data were gathered through questionnaire and secondary documents from the Bank and Commercial Nominees. The data analysis and discussion is supported by relevant literatures and researcher's own opinion. The chapter begins with the analysis of demographic characteristics of respondents and forges ahead with the analysis and discussion of major issues that include which services CBE get from outsourcing, the major reasons for outsourcing at CBE, benefits from outsourcing, challenges of outsourcing and methods of overcoming the faced challenges.

4.1 Demographic Characteristics of Respondents

A total of 175 questionnaires were circulated and 162 were received which presents more than 90% and no questionnaires were discarded due to missing data. Therefore, 162 questionnaires were considered for the study. The data received from the respondents were analyzed with the help of statistical software program SPSS-19.

I. Age of Respondents

The researcher needed to know the age distribution of respondents to help categorize employees by their age group. Table 2 below summarizes the data obtained on the ages of respondents.

Table 3: Respondents Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 years and below	2	1.2	1.2	1.2
	21-30 years	61	37.7	37.7	38.9
	31-40 years	79	48.8	48.8	87.7
	41-50 years	16	9.9	9.9	97.5
	above 50 years	4	2.5	2.5	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

Analyzing the data obtained from the questionnaire reveals that 61 respondents were between the age of 21 & 30 representing 37.7% and 79 respondents were between 31-40 years representing 48.8% which formed the majority. The other group of respondents falls under the age category of 41.50 representing 9.9% and they were 16 in number. The youngest age group which is 20 years and below only represents 1.2% of the total respondents 4 respondents aged above 50 years representing 2.5% therefore majority of the respondents are at the middle age group.

II. Gender of Respondents

Table 3 below presents data on Gender of respondents. It shows that male respondents formed majority of the target population with a total of 124 representing 76.5% while 38 respondents were female representing 23.5%

Table 4: Respondents Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	124	76.5	76.5	76.5
	Female	38	23.5	23.5	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

III. Respondent's Work Place (Department)

It was necessary for the study to determine the work place of the respondents to analyze how many have responded from the branch level and how many from head office organs. Of the total distributed questioners 116 which represent 71.6% were filled at the branch level and the rest 46 from different head office organs.

Table 5: Respondents Work Place (Department)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Branch	116	71.6	71.6	71.6
	District	20	12.3	12.3	84
	HRD	17	10.5	10.5	94.4
	Outsourcing dept	8	4.9	4.9	99.4
	Security department	1	0.6	0.6	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

IV. Position of Respondents at CBE

As described in the methodology of the study the main target population of this study are managers at branch level & at head office level and to the judgment of the researcher senior staff were also being considered as needed. Having this in mind the next table describes how many of the respondents are at managerial & senior level.

Table 6: Work Position of the respondents at CBE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Ass. manager	2	1.2	1.2	1.2
	CSM	72	44.4	44.4	45.7
	Manager	43	26.5	26.5	72.2
	Officer	12	7.4	7.4	79.6
	OSM	7	4.3	4.3	84
	Senior Officers	26	16	16	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

The categories assistant manager, customer service manager, branch manager and operation support managers fall under the category of managers and it accounts a total of 124 respondents representing 76.5%. 26 out of the total respondents were senior officers representing 16% and 12 respondents were officers but most of them have qualified experience to fill the questionnaires since they are working at head office organ specifically at outsourcing and Human Resource Department.

V. Years of Service in CBE

The study also sought to find out the years of services the respondents have rendered to CBE to enable us put their responses in to proper perspective. Table 7 below represents the categories of years of services as indicated by the respondents.

Table 7: Respondents Experience in CBE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 Year	49	30.2	30.2	30.2
	6-10 Years	50	30.9	30.9	61.1
	11-15Years	41	25.3	25.3	86.4
	16-20 Years	12	7.4	7.4	93.8
	21-25 Years	2	1.2	1.2	95.0
	26-30 Years	6	3.7	3.7	98.7
	Over 30 years	2	1.2	1.2	100.0
	Total	162	100.0	100.0	

Source: Survey Questionnaire, 2015

The respondents have served in CBE from one year to over 30 years. This means the organization has a blend of experienced and young professionals. It can be seen that respondents who have served for 1-5 years represent 30.2%, 6-10 years representing 30.9% and 11-15 years representing 25.3%. Majority of the respondents were under the category of 6-10 years and 1-5 years. The remaining respondents who have the experience above 16 years make up around 13%.

4.2 Data analysis part of the study

4.2.1 Major Outsourced Services of CBE

Literature gathered from CBE has noted that the impacts of customer need, privatization & liberalization have pushed CBE to embark on business process reengineering (BPR) in its effort of organizational transformation. BPR has to be re-enforced with instruments of strategic management such as result –oriented management and balanced score card (BSC). In due courses of time, the efficiency and effectiveness of the CBE have to be supported with the participation of outside specialists that leads to outsourcing. The Bank found it significantly important to consider outsourcing as a management option. It is at the end of 2009- August that CBE started outsourcing as its Management option.

CBE mainly outsources its non clerical services; among them the next table will summarize the respondents' opinion on the type of outsourced Services.

Table 8: Major outsourced services of CBE

Messenger service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	103	63.6	63.6	63.6
	partially outsourced	57	35.2	35.2	98.8
	kept in house	2	1.2	1.2	100
	Total	162	100	100	
Driver service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	18	11.1	11.1	11.1
	partially outsourced	113	69.8	69.8	80.9
	kept in house	19	11.7	11.7	92.6
	I have no idea	12	7.4	7.4	100
	Total	162	100	100	
Material management service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	12	7.4	7.4	7.4
	partially outsourced	20	12.3	12.3	19.8
	kept in house	93	57.4	57.4	77.2
	I have no idea	37	22.8	22.8	100
	Total	162	100	100	
Janitorial service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	93	57.4	57.4	57.4
	partially outsourced	65	40.1	40.1	97.5
	kept in house	3	1.9	1.9	99.4
	I have no idea	1	0.6	0.6	100
	Total	162	100	100	
security service					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	90	55.6	55.6	55.6
	partially outsourced	68	42	42	97.5
	kept in house	4	2.5	2.5	100
	Total	162	100	100	
Documents and printing					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fully outsourced	13	8	8	8
	partially outsourced	11	6.8	6.8	14.8
	kept in house	100	61.7	61.7	76.5
	i have no idea	38	23.5	23.5	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

I. Messenger Service

Messenger service is one among the rest that CBE has outsourced to other service provider. Of all the respondents 103 of them representing 63.6% believed that CBE has fully outsourced it, 57 of the respondents, 35.2% believed that it has been partially outsourced. This implies that messenger service is fully outsourced in some branches and partially outsourced in some others.

II. Driver Service

Out of the total 162 respondents 113 of them representing 69.8% believed which formed the majority that the service is partially outsourced. 11.1% responded that it is fully outsourced, 11.7% of them responded that the service is kept in house and 7.4% which counts to be 12 respondents have no idea. This infer that driver service is not fully outsourced because there are employees that are permanent to the bank at this position and will continue likewise until they upgraded them to other profession or some other option.

III. Material Management Service

Majority of the respondents which counts to be 93 representing 57.4% responded that the service is kept in house, 20 of them responded that it is partially outsourced and 7.4% and 22.8% of the respondents responded that the service is fully outsourced and have no idea respectively. The reason for the non uniformity as the researcher believed is that the bank did not get a company with an experience of performing the task fully. But currently it partially outsourced the service since it gets a company with some experience.

IV. Janitorial Services

In the questioner that asked whether janitorial service is outsourced fully, partially or kept in house, majority of the respondents in table 8 indicated that it is fully outsourced and this response represent 57.4%. Of the total respondents 40.1% of the respondents said the service is partially outsourced and only 1.9% of the respondents responded as the service is kept in house. Still the bank is not fully outsourcing the service due to the existence of former employees of the bank and until they all being promoted to other positions there will exist such situation.

V. Security Service

Table 8 above reveal that the majority of the respondents representing 55.6% agreed on the service being fully outsourced, however, 42% of the respondents agreed on the service being partially outsourced. From this we can note that the bank is not fully outsourcing the service due to the existence of former employees of the bank and until they all being promoted to other positions there will exist such situation.

VI. Documents and Printing

Among the total respondents 61.7% agreed on the service kept in house, 8% and 6.8% of the respondents agreed on fully outsourced and partially outsourced respectively. However, out of the total respondents 23.5% of them have no idea. From this the researcher can interpreted that the service by its nature has some secret issues in the industry that the bank is not fully outsourcing it.

4.2.2 Major Reasons for Outsourcing at CBE

The major reasons to outsource as documents from CBE has noted could be:

- *Coping with Market Volatility*

The entrance of new private banks into the market undoubtedly has an effect on the growth and market share for a long established financial institution. Such situation in market instability can force a large bank to abandon diversification in order to focus on core capabilities.

The fierce competition in the market, in turn, compels the large bank to think over how to respond to the prevailing environment. This envisages the development of mechanisms assisting in cost saving. The alternative in this regard is to reduce cost structures by turning fixed into variable costs.

- *Lack of Skills*

An organization doesn't have the expertise in all areas. They lack the skills in sectors that are outside of their spheres. Outsourcing in this regard helps to improve access to more skilled staff.

- *Improve Budget Allocation*

Some activities are so difficult to manage internally in line with market discipline. For instance, they can be a sort of specialized assets or changes occurring considerably, for instance, in the IT sector. The outsourcing of activities that are best performed by external specialists can bring about in improved budget allocation

Having this in mind the data obtained from our study gives the following facts on what were the expectations while outsourcing for the case of CBE.

Table 9: Reasons for Outsourcing

To reduce overhead and operational costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	41	25.3	25.3	25.3
	agree	86	53.1	53.1	78.4
	neutral	27	16.7	16.7	95.1
	disagree	8	4.9	4.9	100
	Total	162	100	100	
For price competitiveness					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	10	6.2	6.2	6.2
	agree	72	44.4	44.4	50.6
	neutral	59	36.4	36.4	87
	disagree	20	12.3	12.3	99.4
	strongly disagree	1	0.6	0.6	100
Total	162	100	100		
To have Easier and more economic access to latest technologies					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	16	9.9	9.9	9.9
	agree	37	22.8	22.8	32.7
	neutral	55	34	34	66.7
	disagree	46	28.4	28.4	95.1
	strongly disagree	8	4.9	4.9	100
Total	162	100	100		
To improve quality					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	27	16.7	16.7	16.7
	agree	69	42.6	42.6	59.3
	neutral	35	21.6	21.6	80.9
	disagree	25	15.4	15.4	96.3
	strongly disagree	6	3.7	3.7	100
Total	162	100	100		
To have the possibility of concentrating on bank's core business					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	94	58	58	58
	agree	38	23.5	23.5	81.5
	neutral	19	11.7	11.7	93.2
	disagree	10	6.2	6.2	99.4
	strongly disagree	1	0.6	0.6	100
Total	162	100	100		
Access to external competencies					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	31	19.1	19.1	19.1
	agree	70	43.2	43.2	62.3
	neutral	42	25.9	25.9	88.3
	disagree	16	9.9	9.9	98.1
	strongly disagree	3	1.9	1.9	100
Total	162	100	100		
The ability to spread commercial risk					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	16	9.9	9.9	9.9
	agree	52	32.1	32.1	42
	neutral	69	42.6	42.6	84.6
	disagree	19	11.7	11.7	96.3
	strongly disagree	6	3.7	3.7	100
Total	162	100	100		

Source: Survey Questionnaire, 2015

I. To reduce Overhead and Operational costs

The question was to indicate about whether CBE has noted to reduce its overhead and operational costs while outsourcing. This can be verified from the response filled by employees of CBE in table 9 above. As the researcher view from their response majority of the respondents that representing 53.1% agreed for considering the issue while starting outsourcing. 25.3% of the respondents strongly agreed upon the issue. 27 respondents were neutral and 8 respondents disagree for considering overhead and operational cost reduction while outsourcing. This shows that the bank highly expected to reduce its overhead and operational costs.

II. For Price Competitiveness

In addition to the above, the respondents were asked if bringing competitive price is one reason for outsourcing. Hence, it is indicated in table 9, majority of the respondents that representing 44.4% and 36.4% agreed and neutral. On the other hand 6.2% respondents strongly agreed and believed outsourcing brings about competitive price for CBE. Contrary to this 12.3% respondents disagree on considering outsourcing to bring competitive price. From this it can be said that half of the respondents expect to bring price competitiveness while outsourcing and the other half did not expect and neutral.

III. To have Easier and More Economic Access to Latest Technologies

The other point was about if outsourcing was planned to have easier and more economic access to latest technologies for CBE. As indicated in table 9, majority of the respondents representing 34% were neutral and 27.4% disagree and indicated that CBE doesn't plan to have easier and economic access to latest technology by outsourcing its services while 22.8% of the respondents agree up on the issue. Whereas 9.9% of the respondents strongly agree that they believe CBE planned to get the above mentioned issue and 4.9% of them contrary to the above they strongly disagree. The data obtained can show that its expectation is minimal in having easier and more economic access to latest technologies that much.

IV. To Improve Quality

Regarding quality of service expectation, table 9 depicted the following. Majority of the respondents representing 42.6% on expecting improved quality by outsourcing their services

agree and 16.7% of them strongly agree and strengthen the above argument while 15.4% and 3.5% of them disagree and strongly disagree respectively on expecting improved quality of service after outsourcing. Quality improvement as the data reveals was their prior expectation.

V. To Have the Possibility of Concentrating on Bank's Core Business

Furthermore, the researcher asked respondents if CBE expected the benefit of concentrating on bank's core business. Hence, majority of the respondents representing 58% out of the total respondents strongly agree that they believe outsourcing will make them concentrate on the bank's core business. And 23.5% out of the total respondents also agree on the above raised point. While 11.7%, 6.2% and 0.6% of them were neutral, strongly disagree and disagree on the benefit expected from outsourcing regarding concentrating on bank's core business. This clearly shows that the bank's prior expectation while outsourcing was to concentrate on the core activity.

VI. Access to External Competencies

Table 9 reveals that majority of the respondents representing 43% agreed on the benefit expected from outsourcing related to access to external competencies, and 19.1% of the total respondents strongly agree that CBE expects this benefit from outsourcing. However, 25.9% and 9.9% were neutral and disagree respectively. In addition to this only 1.9% of the respondents strongly disagree on the expected benefit i.e. access to external competencies. From this we can understand that getting external competencies was also the banks major expectation while outsourcing.

VII. The Ability to Spread Commercial Risk

The other point was about the ability to spread commercial risk. Hence, as shown in table 9, 42.6% were neutral about the expected benefit regarding ability to spread commercial risk. In the same table below, 32.1% of the total respondents agree that CBE outsourced its selected services expecting the above mentioned benefit and 9.9% out of the total respondents strengthen the fact by strongly agreeing on the point, while 11.7% and 3.7% of the respondents disagree and strongly disagree respectively. Like the rest reasons for outsourcing, the bank also highly expects it would have share its commercial risks by outsourcing its services to other service providers.

4.2.3 Benefits of Outsourcing

The most known benefits of outsourcing are Cost savings, Focus on core Business, Cost restructuring and improved quality as the literature gathered from CBE study documents indicate. In addition to the above benefits, the arrangement of activities for outsourcing is sorted out in a way to create access to intellectual property and wider experience and knowledge; to a larger talent pool and sustainable source of skills; to operational expertise/best practice that would be too difficult or time consuming to develop in-house; to scale up the catalyst for change that can't be achieved alone, and to enhance capacity for product/service innovation.

The bank has plenty of reasons for outsourcing its services that has been discussed in the above paragraph. And here in our study the respondents were asked to what extent outsourcing benefited the bank as compared to in-house sourcing.

Table 10: Benefits of Outsourcing

Reduced overhead and operational costs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	36	22.2	22.2	22.2
	much	36	22.2	22.2	44.4
	Average	63	38.9	38.9	83.3
	Not much	27	16.7	16.7	100
	Total	162	100	100	
Competitive price					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	15	9.3	9.3	9.3
	much	37	22.8	22.8	32.1
	Average	79	48.8	48.8	80.9
	Not much	25	15.4	15.4	96.3
	Not at all	6	3.7	3.7	100
	Total	162	100	100	
Easier and more economic access to latest technology					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	15	9.3	9.3	9.3
	much	23	14.2	14.2	23.5
	Average	32	19.8	19.8	43.2
	Not much	74	45.7	45.7	88.9
	Not at all	18	11.1	11.1	100
	Total	162	100	100	
Improved quality					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	16	9.9	9.9	9.9
	much	25	15.4	15.4	25.3
	Average	37	22.8	22.8	48.1
	Not much	71	43.8	43.8	92
	Not at all	113	8.0	8.0	100
	Total	162	100	100	
concentrating on Bank's core business					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	54	33.3	33.3	33.3
	much	35	21.6	21.6	54.9
	Average	63	38.9	38.9	93.8
	Not much	2	1.2	1.2	95.1
	Not at all	8	4.9	4.9	100
	Total	162	100	100	
Access to external competencies					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	14	8.6	8.6	8.6
	much	33	20.4	20.4	29
	Average	77	47.5	47.5	76.5
	Not much	33	20.4	20.4	96.9
	Not at all	5	3.1	3.1	100
	Total	162	100	100	
The ability to spread commercial Risk					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very much	13	8	8	8
	much	35	21.6	21.6	29.6
	Average	63	38.9	38.9	68.5
	Not much	33	20.4	20.4	88.9
	Not at all	18	11.1	11.1	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

I. Reduced Overhead and Operational Costs

Table 10 above reveals regarding the benefit of reduced overhead & operational costs, majority of respondents representing 38.9% believed that the benefit gained is average. Among the total respondents 22.2% of them believed outsourcing brings the above benefit very much and much respectively. While 16.7% respondents believe outsourcing does not (not much) bring the above mentioned benefit. This data can tell that outsourcing has reduced the overhead and operational costs in average terms.

II. Competitive Price

Regarding bringing competitive price, majority of the respondents representing 48.8% as shown in table 10, reported that the benefit is average. In addition to this 22.8% of respondents reported the benefit is much and 9.3% of them reported the benefit is very much. However, 15.4% of the total respondents believed that the benefit related to bringing competitive price is not much and only 3.7% of the respondents believed there is no benefit of bringing competitive price at all. Here it can be recognized that the benefit gained is average not as the way expected.

III. Easier and More Economic Access to Latest Technology

As show in the above table, relating to access to latest technology, majority of the respondents that represents 45.7% believed there is no much benefit related to access to technology by outsourcing its service. Additionally 11.1% of the respondents also believed there is no benefit at all related to the above mentioned issue. However, out of the total respondents 14.2% and 9.3% of them believed outsourcing benefited much and very much respectively in accessing latest technology by outsourcing some of its services. In addition to this 19.8% of them reported that outsourcing brings average benefit regarding access to latest technology. Here it can be noted that CBE did not get the advantage of access to latest technologies. Let's not forget that they did not even expect that much benefit from outsourcing.

IV. Improved Quality

The above table indicated that 43.8% of the respondents, which represents majority of them, reported that after outsourcing its services the quality improvement was not much, according to the response 22.8% of them believed quality improvement by outsourcing is average and 15.4%

and 9.9% out of the total respondents believed there exist much quality improvement and very much quality improvement is observed after outsourcing its services respectively. While 8% of the respondents believe there exists no benefit at all related to quality improvement. Quality improvement was the primary target while outsourcing but the data informed us that the bank does not satisfy with the quality of service delivered.

V. Concentrating on Bank's Core Business

As per the response 38.9% and 33.3% of the total respondents believed outsourcing brings the benefit of concentrating on bank's core business in average terms and very much respectively and 21.6% of them believed CBE benefited much from outsourcing in concentrating on its core business activities. Only 1.2% & 4.9% of them believed there is not much benefit out of it and there exists no benefit at all related to concentrating on Bank's core business respectively. Here we can note that the bank has concentrated on its core activity after outsourcing but the benefit gained is not absolute it is in average terms.

VI. Access to External Competencies

As table 10 depicts, 45.5% of the respondents said, outsourcing benefited the bank in accessing external competencies in average terms. 20.4% and 8.6% replied outsourcing benefited much and very much respectively regarding accessing external competencies. While 20.4% and 3.1% on the other hand replied outsourcing has not much benefited the Bank and it even has no benefit at all in accessing external competencies. As the result indicated above the benefit gained is only in average terms.

VII. The Ability to Spread Commercial Risk

The above table shows that 38.9% of the respondents reflected that outsourcing has an average benefit on its ability to spread commercial risk for CBE. 21.6% & 8% of the total respondents replied outsourcing has much and very much benefited the bank in spreading its risk. While the remaining 20.4% and 11.1% of them reflected that outsourcing does not bring much benefit for the bank and it even has no benefit at all regarding spreading of the Bank's Commercial Risk. Spreading the commercial risk was one of focused point while outsourcing but the finding indicated that the Bank is not yet benefited as expected.

4.2.4 Challenges Faced While Outsourcing

Like any restructuring exercise and management decision making in business, there are challenges associated with outsourcing that procurement managers or top management need to consider carefully (Procurement News December,17th,23rd 2003) and these may be; The possibility of over depending on or leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Over a long time, a supplier of outsourced service may become complacent or change ownership and also a risk of a fall in employees' morale for fear of being made redundant, confidentiality links of company matters and in some instances loss of intellectual property rights.

Getting into the service in detail the bank has faced different challenges after outsourcing its services. Next we will look how the respondents state the level of challenges the Bank has faced.

I. Low Employee Belongingness

Table 10 shows about 41.4% of the respondents replied that low employee belongingness is too high and 24.7% of the respondents replied it is far too high. While 22.2% of them believed the challenge regarding to this issue is just right and 10.5% and 1.2% of the total respondents replied the challenge is too low and far too low respectively. As the data indicated that employee belongingness is a very critical issue for the bank since it is too high. The fact that the institution is bank makes the issue more serious.

Table 11: Low employee belongingness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	40	24.7	24.7	24.7
	Too high	67	41.4	41.4	66
	Just right	36	22.2	22.2	88.3
	Too low	17	10.5	10.5	98.8
	Far too low	2	1.2	1.2	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

II. Conflict of Interest Among Outsourced and Permanent Employees

Table 12: Conflict of interest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	22	13.6	13.6	13.6
	Too high	38	23.5	23.5	37
	Just right	57	35.2	35.2	72.2
	Too low	40	24.7	24.7	96.9
	Far too low	5	3.1	3.1	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

Majority of the respondents representing 35.2% said the problem related to conflict of interest among outsourced & permanent employees is just right. 23.5% and 13.6% of the respondents responded that they believe the challenge is too high and far too high respectively. While the rest 24.7% and 3.1% of the total respondents believe the level of challenge is too low & far too low respectively. From the above data we can tell that conflict of interest among the employees that have been outsourced and permanent employees exists and it is high. Here again the conflict of interest is a serious issue that will bring about low belongingness for the bank.

III. Communication and Coordination Difficulties

Table 13: Communication and Coordination Difficulties

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	12	7.4	7.4	7.4
	Too high	45	27.8	27.8	35.2
	Just right	77	47.5	47.5	82.7
	Too low	26	16	16	98.8
	Far too low	2	1.2	1.2	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

Table 13 clearly reveals that majority of the respondents representing 47.5% believed the level of challenge regarding communication & coordination is just right and 27.8% & 7.4% responses filled that the level of challenge is too high and far too high respectively. The remaining 16% and 1.2% responded that the level of challenge is too low and far too low respectively. From the data obtained we can say that communication and coordination difficulties are not that much a problem faced while outsourcing.

IV. Contract Termination Problems

Table 14: Contract Termination Problems

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	8	4.9	4.9	4.9
	Too high	29	17.9	17.9	22.8
	Just right	84	51.9	51.9	74.7
	Too low	35	21.6	21.6	96.3
	Far too low	6	3.7	3.7	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

The above table reveals, as a majority of the respondents representing 51.9% replied contract termination problems are just right (Average), however 17.9% and 4.9% of the respondents believed the level of challenge in contract termination is too high and far too high respectively. Which the remaining respondents representing 21.6% and 3.7% believed the level of challenge is too low and far too low. So it is noted that contract termination is not a serious problem faced while outsourcing some of its services.

V. Quality of workers provided by the supplier is lower than anticipated.

Table 15: Low Quality of workers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	23	14.2	14.2	14.2
	Too high	69	42.6	42.6	56.8
	Just right	53	32.7	32.7	89.5
	Too low	12	7.4	7.4	96.9
	Far too low	5	3.1	3.1	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

Table 15 shows that 42.6% of the total respondents replied that the level of challenge on quality of workers provided by the supplier is too low than anticipated by the bank and 14.2% of the respondents strengthen this issue by replying the level of challenge regarding quality of worker is far too high. On the other hand 7.4% and 3.1% of the respondents responded that the level of challenge is too low and far too low respectively. In addition 32.7% of the total respondents believed the level of challenge is just right. From this it can be renowned that the quality of workers provided by outsourcing companies is not satisfactory. CBE has expected the quality service to be gained while outsourcing its services but the result is the reverse and it is still one big challenge faced.

VI. Loss of Control Over Key Information Resources

According to the response given to the level of challenge on loss of control over key information resources majority of the respondents representing 48.8% replied that the level of challenge is too low and 4.9% of them replied it is far too low. While 17.9% of them & 4.3% of the total respondents responded the level of challenge is too high & far too high respectively. The remaining 24.1% of the respondents believe the level of challenge is just right. From this the researcher understands that key information resources are not in danger because of outsourcing.

Table 16: Loss of Control over Key Information Resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	7	4.3	4.3	4.3
	Too high	29	17.9	17.9	22.2
	Just right	39	24.1	24.1	46.3
	Too low	79	48.8	48.8	95.1
	Far too low	8	4.9	4.9	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

VII. Continuous Increase in Price

Regarding the above issue, among the sample respondents, 49.4% of them believed the level of challenge regarding continuous increase in price is just right. 28.4% and 6.2% of them believed the challenge is too low and far too low respectively. The remaining 9.3% and 6.8% of them believed the level of challenge is too high and far too high respectively. We can infer from the result that price increment from the service providers is not that much a challenge faced while outsourcing.

Table 17: Increase in Price

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Far too high	11	6.8	6.8	6.8
	Too high	15	9.3	9.3	16
	Just right	80	49.4	49.4	65.4
	Too low	46	28.4	28.4	93.8
	Far too low	10	6.2	6.2	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

4.2.5 Methods of Overcoming the Faced Challenges

To mitigate the above stated challenges the bank has used different strategies which will be discussed in the next pages in brief. Respondents were asked that how does they assess the methods of overcoming the faced challenges. And they have responded in the following manner.

Table 18: Methods of Overcoming Faced Challenges

Terminating contract with the vendor and contacting with other					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	11	6.8	6.8	6.8
	Good	34	21	21	27.8
	Average	67	41.4	41.4	69.1
	Poor	42	25.9	25.9	95.1
	Very poor	8	4.9	4.9	100
	Total	162	100	100	
By establishing strong controlling mechanism					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	26	16	16	16
	Good	80	49.4	49.4	65.4
	Average	42	25.9	25.9	91.3
	Poor	10	6.2	6.2	97.5
	Very poor	4	2.5	2.5	100
	Total	162	100	100	
By in sourcing					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	28	17.3	17.3	17.3
	Good	18	11.1	11.1	28.4
	Average	55	34	34	62.3
	Poor	56	34.6	34.6	96.9
	Very poor	5	3.1	3.1	100
	Total	162	100	100	
Through court litigation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	9	5.6	5.6	5.6
	Good	14	8.6	8.6	14.2
	Average	48	29.6	29.6	43.8
	Poor	64	39.5	39.5	83.3
	Very poor	27	16.7	16.7	100
	Total	162	100	100	
Developing and using effective relationship management program					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	44	27.2	27.2	27.2
	Good	78	48.1	48.1	75.3
	Average	28	17.3	17.3	92.6
	Poor	12	7.4	7.4	100
	Total	162	100	100	
Through negotiation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	30	18.5	18.5	18.5
	Good	87	53.7	53.7	72.2
	Average	31	19.1	19.1	91.4
	Poor	11	6.8	6.8	98.1
	Very poor	3	1.9	1.9	100
	Total	162	100	100	

Source: Survey Questionnaire, 2015

I. Terminating Contract with the Vendor and Contracting with Others.

As show in the table 18 above, relating to terminating contract with the vendor and contracting with others, majority of the respondents that represents 41.4% believed the method of overcoming the challenge by CBE is average. Additionally 25.9% of the respondents also believed the method is poor that CBE is not using this method of overcoming the challenge. However, out of the total respondents 6.8% and 21% of them believed this method is excellent and good in overcoming the challenges faced respectively. In addition to this, only 4.9% of them reported that the method is very poor in mitigating the faced challenges. Here we can surmise that this way of overcoming the challenge by outsourcing is not being used widely.

II. Establishing Strong Controlling Mechanism

Table 17 reveals, as a majority of the respondents representing 49.4% replied strong controlling mechanism for overcoming the faced challenges is good and 16% of them responded the method is excellent in mitigating the challenges, however 25.9% of the respondents believed the method is in average term for CBE in overcoming the challenges. Which the remaining respondents representing 6.2% and 2.5% believed the method is poor and very poor respectively. Strong controlling mechanism as indicated from the data obtained is one good method but the data reveals that still things has to be done and use the method effectively to overcome the challenge.

III. By In- Sourcing

Majority of the respondents representing 34.6% said the method is poor related to CBE. 17.3% and 11.1% of the respondents responded that they believe the method is excellent and good respectively. While the rest 34% and 3.1% of the total respondents believe the method is average and very poor respectively. This method of challenge mitigation is poor and not that much working as we can infer from the data obtained.

IV. Through Court Litigation

Table 17 clearly reveals that majority of the respondents representing 39.5% believed the above mentioned method is poor in mitigating the challenges and 29.6% responses filled that the method is average while 5.6% and 8.6% of the respondents responded the method is excellent

and good respectively. The remaining 16.7% responded that the method is very poor in overcoming the faced challenges.

V. Developing and Using Effective Relationship Management Program

According to the response given to the above stated method of mitigating faced challenges majority of the respondents representing 48.1% replied that the method is good in mitigating the challenges and 27.2% of them replied the method is excellent. While 17.3% of them & 7.4% of the total respondents responded the method is average and poor in eliminating the faced challenges.

VI. Through Negotiation

Table 17 shows about 53.7% of the respondents replied that the above stated method of mitigating faced challenges is good and 18.5% of the total respondents believed the method is excellent for CBE while 19.1% of them believed the method is average. Only 6.8% and 1.9% of them believed this method is poor and very poor for overcoming the faced challenges from outsourcing. From this we can tell that negotiation is the best method used to mitigate the challenges faced by outsourcing some of its services.

Chapter Five

Summary, Conclusions and Recommendations

This chapter deals with summary of major findings, conclusions of the study findings and recommendation forwarded by the researcher.

5.1 Summary of Major Findings

The key findings of the study indicated the following facts:

In the study we have tried to assess why CBE started outsourcing as its management strategy. There are a lot of reasons why any company starts outsourcing and the major reasons could be reducing costs, Price Competitiveness, access to latest technologies, improve quality, to concentrate on bank's core business, access to external competencies, spread commercial risk and many more reasons. The study finds out that majority of the respondents expects the above listed benefits while outsourcing their services.

The other point the study signifies is that how much their expectation succeeded. Has outsourcing really benefited the bank as expected? Majority of the respondents believed the benefits from outsourcing is in an average term. For the case of accessing latest technology and improved quality, majority of them believed outsourcing haven't benefited as expected. For the case of concentrating on Bank's core business respondents agreed that outsourcing benefited the bank by concentrating on its core activities that could increase their organizational performance in general terms.

Another core issue was the level of challenges faced out of outsourcing. Literature has indicated that outsourcing also has different challenges like communication & Coordination difficulties, contract termination, low quality of service, low employee belongingness, loss of control over key information resources, continuous increase in price and other challenges. The study finds out that these listed challenges exist in the bank and the level is stated here below.

Low employee belongingness is one challenge faced by the bank and its level as indicated in the study is too high. The quality of workers provided by the supplier is lower than anticipated is also another challenge that respondents notified that quality of workers is too low. Conflict of interest among outsourced and permanent employees is one indicator where respondents state its level as high.

Lastly the study addresses the methods of overcoming the faced challenges. The study reveals that effective relationship management, negotiation and strong controlling mechanisms are the best methods for CBE to mitigate its challenges faced out of outsourcing. But the rest methods are not as effective as the mentioned methods. Strong controlling mechanism takes the leading position in overcoming the faced challenges followed by negotiation and strong controlling mechanism.

5.2 Conclusion

The following are the major conclusions remarks by the researcher:

- From the supported materials and results of the study it is concluded that starting from the beginning CBE has only outsourced its non clerical activities. Outsourcing is contracting with another company or person to do a particular function. Almost every organization outsources in some way. Typically, the function being outsourced is considered non-core to the business (sourcingmag.com). Even though outsourcing is recommended for a company's non-core activities CBE only concentrated on non-clerical activities.
- From responses of respondents the researcher can concluded CBE expected lots of benefits like reducing cost, price competitiveness, access to latest technologies, improve quality concentrate on bank's core business, access to external competencies, spread commercial risk and other benefits. But as the study indicates CBE has not yet benefited from outsourcing as it expected. But it is true that outsourcing has let the bank to concentrate on its core business that will bring the performance of the bank to increase.
- Moreover, performing any activity in any organization has its own benefits and challenges. The researcher can conclude that CBE has faced challenges like communication & Coordination difficulties, contract termination, low quality of service, low employee belongingness, loss of control over key information resources, continuous increase in price and other challenges. But of all the challenge the most serious ones are low employee belongingness and conflict of interest among outsourced employees and permanent employees of CBE as secondary data obtained from the bank indicated.
- The other issue is about the methods that have been used to mitigate the faced challenges. CBE has used different methods to tackle the challenges of outsourcing. And the most used and fruitful methods were negotiation and strong controlling mechanisms.

- Finally, concluding the whole research conducted it is found that the Bank has outsourced some of its activities expecting many benefits out of it. But it has not been benefited as expected. It also faced different challenges but tries to mitigate those challenges by using different strategies or mechanisms.

5.3 Recommendations

It is an undeniable fact that in recent times many organizations have come to the realization of the importance of outsourcing so as it increases the organization efficiency by concentrating on the core activities of the organization. Each enterprise that wants to outsource some of its activities must determine what benefits and risks are related to outsourcing. Many believe that if the expected benefits are realized, outsourcing will remain one of the strongest and most sustained trends in business. Despite its many advantages, outsourcing also involves considerable risks. Therefore identifying the major challenges and opportunities of outsourcing provided important inputs in risk management in outsourcing and give a better understanding of what would be anticipated when conducting outsourcing (Koszewska, 2004).

Based on the findings of the study, the following suggestions are forwarded:

- The Bank has to focus on outsourcing other non core activities of the bank so as to benefit from outsourcing as demanded and concentrate on the banks core activities as a result increasing the organizational performance. Since outsourcing has plenty of benefits or advantages the bank has to harvest those benefits by outsourcing activities like material management, IT, marketing and other non core banking activities.
- In order to increase the quality of service the bank should focus on strengthening its controlling mechanisms. Strong controlling mechanisms will help the bank and the service provider to identify the major quality gaps and strive to fill those gaps and provide/ receive quality service as demanded.
- Another mechanism to get quality service for the bank is mixing service providers. As per the documents gathered from the bank it is getting almost all services from one company called Commercial Nominees plc which is a subsidiary company for the bank. But there are also other service providers that might perform better than the existing one. The bank, as we have observed from different documents and from the study findings, tolerates the provider (Commercial Nominees) and did not control strongly.

- Parallel to the above mentioned the bank should mix its strategies to mitigate challenges. As per the finding the bank mainly concentrated on negotiation and neglecting other mechanisms like contract termination, court litigation and other. If the service provider is not performing according to the service level standards the bank should use contract termination strategy.
- The bank should give due emphasis on increasing employee belongingness. Since the area of work is risky in performing with such less countable employees the bank has to focus hard on this issue. It is better to communicate with the service provider and try to solve the issue together. **Better communication** with the employees from both sides is one key and important point that both the bank and the service provider take in to account in making the employees safe and belonged. In such communications the demand of the employees will be identified and clouded issues will be cleared.
- Conflict of interest among outsourced and permanent employees is also another important issue that the bank should give due emphasis. Employees that are performing the same job should be treated with the same rules and regulations and should be awarded with equal level in terms of salary and other benefits as long as they are working in the same company. Even if these employees are working in two different companies they did not understand it that way. Therefore the bank
 - ✓ Should fully outsource the services;
 - ✓ Should not let these employees work together at the same place so as to minimize conflict until they fully outsource it;
 - ✓ Should also communicate with the service provider and try to minimize their difference.
- In general CBE should concentrate on diversifying the type of services to be outsourced, the service providing company and strategies to mitigate challenges in order to gain the demanded benefits out of outsourcing. It also has to give prior attention on increasing employee's belongingness and minimizing the conflict of interest among outsourced and permanent employees here again in order to gain the demanded benefits and receive quality service.

Suggestions for Future Researches

Despite its popularity in most parts of the world, the experience of outsourcing in Ethiopia is minimal. Furthermore, no formal research has been done in this area to assess the challenges and opportunities of outsourcing in any organization in the country. To this end, this preliminary research provides findings, which can also serve as a stepping stone for other related research, regarding challenges and opportunities of outsourcing for an Ethiopian organization. However, this research has narrow scope which requires further investigations both in breadth and depth. Thus, future researches should consider an in-depth study on the benefits and challenges of outsourcing of different industries in addition to the banking industry.

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Appendix

ST. MARRY’S UNIVERSITY

SGS

Research Questionnaire

Questionnaire to be completed by the management and employees of Commercial Bank of Ethiopia

Dear Respondent:

My name is Selamawit Shitaye. I am a Post graduate student of MBA of St Mary’s University. Your Bank has been outsourcing most of its non-core functions, especially the non-clerical work areas. As a result, I wish to conduct a study on your bank on the major challenges and opportunities of outsourcing. The information given is purely needed for academic purposes and therefore will be treated with utmost confidentiality. I request you to spend a few minutes and answer this questionnaire. Your cooperation will be highly appreciated.

Part One: Demographic Characteristics of Respondents

1. 1. What is your gender?

Male Female

1.2. How old are you.

- 20 years and below
- 21-30years
- 31-40 years
- 41-50 years

- Above 50 years

1.3. a) In which department do you work?.....

b) What position do you hold?.....

c) What is your profession?.....

d) How long have you been in CBE?.....

Part Two: opinion survey on challenges and opportunities of outsourcing

2.1 When did CBE start outsourcing?.....

2.2 Which services does CBE get from outside providers? (Please mark (✓) in the best suited measures).

#	Name of the Service	Measures			
		Fully Outsourced	Partially Outsourced	Kept in House	I have no Idea
None core banking services					
1.	Messenger				
2.	Driver				
3.	Material management				
4.	Janitorial Functions				
5.	Security Service				
6.	Document & Printing				

Please list down services outsourced but not listed above

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2.3 What are the major reasons for outsourcing at CBE? (Please make (✓) in the best suited measures).

#	Reasons	Measures				
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	To Reduce overheads and operational costs					
2.	For Price competitiveness					
3.	To have Easier and more economic access to the latest technologies					
4.	To Improve quality					
5.	To have the Possibility of concentrating on bank's core business					
6.	Access to external competencies					
7.	The ability to spread commercial risk					

Other expected benefits.....

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2.4 To what extent outsourcing benefited the bank as compared to in-house sourcing? (Please make (✓) in the best suited measures)

#	Benefits	Measures				
		Very Much	Much	Average	Not Much	Not at All
1.	Reduced overheads and operational costs					
2.	Competitive price					
3.	Easier and more economic access to the latest technologies					
4.	Improved quality					
5.	concentrating on Bank's core business					
6.	Access to external competencies					
7.	The ability to spread commercial risk					

Others.....

2.5 State the levels of challenges in the following table. (Please make (✓) in the best suited measures)

#	Challenges	Measures				
		Far too high	Too high	Just right	Too low	Far too low
1.	Low employee belongingness					
2.	Conflict of interest between outsourced employees and permanent bank employees					
3.	Communication and coordination difficulties					
4.	Contract termination problems					
5.	Quality of workers provided by the supplier is lower than anticipated.					
6.	Loss of control over your key information resources					
7.	Continuous increase in price.					

Other challenges faced.....

2.6 How do you assess the methods of overcoming the faced challenges? (Please make (✓) in the best suited measures).

#	Estimated Methods	Measures				
		Excellent	Good	Average	Poor	Very poor
1.	Terminating contracts with the vendor(s) and contracting with other(s).					
2.	By establishing strong controlling mechanisms.					
3.	By in-sourcing (having the service by own workers).					
4.	Through court litigations.					
5.	Developing and using effective relationship management programs.					
6.	Through negotiation.					

Other Methods used

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Thank You for Your Cooperation

