THE EFFECT OF OUTSOURCING NON CORE BUSINESS SERVICES ON THE QUALITY OF CORE SERVICES: A CASE OF COMMERCIAL BANK OF ETHIOPIA

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THE EFFECT OF OUTSOURCING NON CORE BUSINESS SERVICES ON THE QUALITY OF CORE SERVICES: (A CASE OF COMMERCIAL BANK OF ETHIOPIA)

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Statement of Declaration

I hereby declare that this Proposal entitled '**the effect of Outsourcing None Core Business Services on the Quality of Core Services: A case of Commercial Bank of Ethiopia**' has been carried out by me under the guidance and supervision of Temesgen Belayneh (PhD). The thesis proposal is original and has not been submitted for the award of any Masters to any university or institutions.

Researcher's Name:	Date:	Signature:
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Approval Sheet

This is to certify that the thesis proposal entitled '**The effect of OutsourcingNon-Core Business Services on the Quality of Core Services: A case of Commercial Bank of Ethiopia**', submitted to St. Mary's UniversitySchool of graduate studies and is a record of genuine research work carried out by Shimels Atnafu, under my guidance and supervision. Therefore, I hereby declare that no part of this proposal has been submitted to any other university or institution for the award of any degree or Masters.

Advisor's Name:	Date:	Signature:
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Abstract

This study aimed to investigate the impact of non-core business functions on the quality of service delivery at the Commercial Bank of Ethiopia, focusing on branches within Addis Ababa City. Employing a descriptive and explanatory design, along with a quantitative research approach, the study encompassed all 494 branches of CBE across eight districts in Addis Ababa. A sample of 221 respondents was selected through cluster random sampling, with 198 (86.6%) providing complete and valid responses to a questionnaire designed to gather information on the effects, challenges, and opportunities of outsourcing on core services at CBE. Key findings revealed that the study assessed various factors, including Service Quality Delivery, Employee Belongingness, Employee Commitments, Coordination & Communication, Contractual Agreements, and Vendor & Selection Management. Notably, positive correlations were found between Service Quality Delivery and Employee Belongingness, Employee Commitments, Contractual Agreements, and Vendor Selection and Management. Multiple regression analysis highlighted significant positive relationships for Employee Belongingness, Employee Commitments, Contractual Agreements, and Vendor Selection and Management with Service Quality Delivery. However, Coordination & Communication did not exhibit a statistically significant effect. Based on these findings, the study proposed several recommendations for CBE and similar institutions, such as strengthening employee commitment through recognition programs and a positive work environment, enhancing communication channels and coordination, improving the clarity of contractual agreements, and maintaining effective vendor relationships. Additionally, the study suggested implementing ongoing initiatives for employee belongingness, customer-centric training programs, fostering collaboration between business functions, conducting regular employee surveys, and investing in leadership development programs.

Keywords: *service quality, employee commitments, Core-Business, Quality delivery*

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Outsourcing is a widely adopted strategy in various service industries, such as banking, and it involves the delegation of non-core functions to third-party service providers. This practice is driven by the need to reduce costs, enhance efficiency, and enable companies to concentrate on their core competencies (Domberger, 2018). In the context of the banking sector, outsourcing has gained significant prominence as a means to optimize operations and streamline resources.

The research on the impact of outsourcing on service quality presents a varied landscape, reflecting the complexities and nuances of this practice. While outsourcing can indeed lead to substantial cost savings and grant organizations access to specialized skills and resources, its implications for service quality are a matter of ongoing debate. The fundamental concern here is ensuring that the quality of services remains consistently high or even exceeds customer expectations. Achieving this necessitates a relentless commitment to quality assurance, underpinned by the effective management of relationships with outsourcing partners (Lacity et al., 2019).

In the banking industry, outsourcing plays a pivotal role as financial institutions seek to enhance their competitive edge. Banks often outsource non-core functions, such as data processing, call centers, and application development, to external service providers to drive cost efficiencies and maintain a customer-centric focus (Verhoef et al., 2014). Understanding the implications of outsourcing in the banking sector is crucial for ensuring the quality of services provided to customers.

One of the foremost concerns regarding outsourcing in the banking sector is the challenge of preserving service quality. Banks must employ rigorous oversight and management of their relationships with service providers to safeguard customer satisfaction. Effective quality control mechanisms are essential to prevent any decline in service quality (Li et al., 2016).

As banks transition toward a more customer-centric approach, service quality becomes paramount. Outsourcing can be a strategic tool for banks to refocus on core services and improve the overall customer experience. Understanding the dynamics of outsourcing in this context is crucial for ensuring that customer satisfaction is maintained or improved (Brynjolfsson et al., 2019).

Recent technological advancements are significantly influencing outsourcing practices and service quality in the banking sector. Emerging technologies like artificial intelligence, automation, and data analytics are reshaping the dynamics of outsourcing relationships. These technologies can either enhance or challenge service quality, depending on how they are harnessed (Rahim et al., 2020).

Recently, in Ethiopia, the bank sector's outsourcing business services is mainly done within the country. These days, for instance, Commercial Bank of Ethiopia (CBE) expanded its branch in an alarming rate in the four corners of the country. Parallel to this, its activities which are the core and non-core business services are also increased, and the burden of management become very high from time to time. As the need to emphasize on the value-added functions such as internet banking, mobile banking, card banking and interest free banking were increased, CBE has considered outsourcing before ten years ago (since 2010) to reduce day to day administrative burdens as well as to get improved quality service.

CBE has been further expanding its branch, the type of service and means of providing the service. Hence, such core activities are demanding increased emphasis of the decision makers and allocation of more resources as they are strategic functions of the bank that enable to provide quality of services to its customers. To provide a ground to focus on the core activities and improve service qualities, the management of the CBE came to the decision to transfer some of the non-core functions to an external service provider. In relation to this the three services namely security service, messenger service and janitorial service have been outsourced to service provider organization called Commercial Nominees PLC (Maru, 2015).

Successful implementation of an outsourcing strategy has several effects on the service companies like to cut cost, improve capacity, service quality, increase profitability &productivity, financial performance, lower innovation costs & risks & improve organizational competitiveness (Žitkienė&Dudė, 2018).

In Ethiopia, a considerable number of outsourcing non-core services deals have emerged as one of the mostimportant business decisions by CBEto improve the quality of core services. The increasing pressure for banks to deliver high quality services that cansatisfy customers and achieve good returnsin a competitive environment require banks to use such business service outsourcing decisions.CBE has practiced the outsourcing services for more than 11 years. The use of outsourcing in CBE is mainly focusing on outsourcing non-core functions like security, courier, lobby & janitorial services. Even though outsourcing results several benefits for organization but the extent in which outsourcing non-core functions influencing the core services provisions is so vital for the future improvements. For this reason, this research sought toexamine the effect of business services outsourcing on the quality of core services provisions in commercial bank of Ethiopia.

1.2 Statement of the Problem

The impact of outsourcing on service quality and customer satisfaction in the banking sector is a complex and multifaceted issue, which has been the subject of extensive research. A review of previous studies reveals that there is no consensus on the exact implications of outsourcing for service quality. For instance, Domberger (2018) noted that outsourcing can lead to cost savings and efficiency improvements, but the challenge is in ensuring that service quality remains consistently high. Lacity et al. (2019) also emphasized the need for effective management of relationships with outsourcing partners to maintain service quality. In contrast, Li et al. (2016) underscored the importance of rigorous oversight and quality control mechanisms. However, there is a gap in this literature when it comes to contextualizing these findings within the unique characteristics of the Ethiopian banking sector, which is experiencing significant growth and transformation (Kassahun et al., 2019). This research problem not only concerns service quality but also delves into the customer-centric aspect, which is pivotal for the banking industry (Brynjolfsson et al., 2019). To address this research gap, a deeper exploration of the Ethiopian context is necessary.

Previous studies have primarily explored the impact of outsourcing on service quality in various service industries, including banking. Domberger (2018) and Lacity et al. (2019) have provided valuable insights into the dynamics of outsourcing, cost savings, and relationship management with outsourcing partners. Li et al. (2016) contributed by emphasizing the significance of quality control mechanisms. However, these studies, while informative, often lack a context-specific focus on the Ethiopian banking sector, which is undergoing rapid change. A notable research gap emerges when considering the role of outsourcing and its implications within this unique context. Furthermore, Brynjolfsson et al. (2019) noted the importance of customer-centric approaches, which adds another layer of complexity to the problem, making it essential to investigate how outsourcing aligns with the goal of maintaining or improving customer satisfaction. The intersection of these factors, in light of recent technological advancements and regulatory influences, is a crucial area where research is lacking, emphasizing the need for a comprehensive study in the Ethiopian banking industry to address these nuances.

In the Ethiopian context, there are only few studies have been conducted since outsourcing non-core services is recent phenomenon in Ethiopia context, as mentioned in the background of the study.Some studies conducted in are typically focusing on assessing the prospects and challenges of implementing outsourcing business services (e.g.Selamawit, 2016; Betelhem, 2017). The remaining are dealing about the historical progress of the outsourcing business services (Gupta and kalian, 2023); the contribution of outsourcing for the economic growth (Bianka, 2012). From these contexts, there is no research that hasbeen conducted in relation to the effect of outsourcing business services on the quality of core services (Zitkiene and Dude, 2018). This indicates that there should be a thorough study conducted on such areatodecreaseanypossiblegapstobecreatedwithinthe samecase.

Secondly, the implementation of outsourcing services in context of Commercial bank of Ethiopia mayhave a gap in specific technical expertise, capability or capacity for delivering the desiredquality service. Glimer (1997) shares thatthe tasks of transferring outsourcing from the CBE toservice providers may result in benefits or adverse outcome. Also the CBE's culture and servicedelivered by company may not fit in the client's expectations or culture because the serviceprovider company provide the same kind of services without studying the dynamic demandand culture of different organizations. If such challenges arise through the process, they willeventually affect the CBE's performance on core service quality delivery. In this regards, outsourcing the non-core activities doesn't give any benefit and loose the whole point ofconcentrating on providing desired services.

There is a significant research gap in the existing literature pertaining to outsourcing and its impact on service quality, particularly within the Ethiopian banking sector. While previous studies have examined the broader implications of outsourcing and its consequences for service quality, there remains an insufficient exploration of the unique characteristics and challenges specific to the Ethiopian context. Moreover, the influence of regulatory frameworks in shaping the outsourcing landscape in this sector has been notably understudied.

In addition to this gap, there is a pressing need for a more profound investigation into the interplay between emerging technologies, such as artificial intelligence and data analytics, and the practice of outsourcing in the banking industry. This area of study is particularly pertinent given the rapid technological advancements within the sector. Furthermore, an evident research gap exists in our understanding of the dynamics of customer perception and satisfaction in the context of outsourcing within the Ethiopian banking industry.

A study conducted by Commercial Bank of Ethiopia (2016) "an assessment on challenges, prospects and way forward of the outsourcing initiative" indicates that, even though the main reasons to outsource noncore business functions are to improve service quality and helps to focus on the core functions of the bank, the research finding implied that outsourcing effort doesn't assist the CBE's core functions as expected, and also unable to outsource others additional non-core business functions as planned, which are proposed by the Bank to be outsourced.

Having the above issues this thesis will try to examine how outsourcing noncore business functions influence the company's core service delivery quality) by raising research questions as stated below. Therefore, the present is to examine the effect of non-core business functions on the core services delivery quality of Commercial Bank of Ethiopia.

1.3 Research Questions

Having the gaps identified in the statement of the problem, the study will try to answer the following research questions:

- Does Employee Belongingness of the outsourced activities of the service provider affect the quality of core service delivery of Commercial Bank of Ethiopia (CBE)?
- Does employees' commitment to the outsourced activities of the service provider affect the organizational quality of core service delivery of CBE?
- Does Communication and Coordination with the service provider affect the organizational quality of core service delivery at CBE?
- How do Contractual Agreements impact CBE Core Service Quality Delivery in the context of outsourcing business services?
- What is the role of Vendor Selection and Management in influencing CBE Core Service Quality Delivery when business services are outsourced?

1.4. The Study Objective

1.4.1. General Objective of the study

The main objective of the study is to examine the effect of non-core business functions on the core services delivery quality of Commercial Bank of Ethiopia.

1.4.1. The specific objectives of the study

The specific objective of the study is to:

- To investigate the relationship between Employee Belongingness and CBE Core Service Quality Delivery.
- To assess how Employees' Commitment influences the quality of core service delivery at CBE.
- To examine the impact of Communication and Coordination on CBE Core Service Quality Delivery.
- To analyze the role of Contractual Agreements in shaping the quality of core service delivery at CBE.
- To explore how Vendor Selection and Management practices affect the quality of core service delivery at CBE.

1.5. Significance of the Study

Nowadays the emphasis given to outsourcing no-core functions by various companies is high. So this research discovers the experience of outsourcing non-core functions in Commercial bank of Ethiopia. By doing so, the study examine the effect of outsourcing non-core functions on the core services qualityin case of Commercial Bank of Ethiopia. This research will enable management of a company to gain a current effect of outsourcingnon-core functions on the core services quality of the Bank. This lead to acquire a deep knowledge to make a good decision in related to outsourcing services issues. They will have a great understanding about how the outsourcing strategy has brought a good performance change typically in service quality provisions to retain competitive advantage on today's business competition. The findings of this research will also useful for companies or individuals, who provide the outsourcing services, to involve in delivering the service as a base, to identify the demands of government owned banks. The banks may use it as a background or criteria for controlling the outsourcing service and for their outsourcing plan, developing policies, strategies and practices. Last but not least the findings of this study may be used as a bench mark for researchers to conduct a research in the future according to the changes in the business environment.

1.6. Scope / Delimitation of the study

Geographical Delimitations:

Geographic Scope: The study is limited to the Commercial Bank of Ethiopia (CBE) and its branches located exclusively within Addis Ababa City. No data from branches outside this specific geographic area will be considered.

Methodological Delimitations:

Data Sources: The research will primarily rely on data obtained from the outsourcing department staff, user departments, and sampled branches within Addis Ababa City. Data sources outside this scope, such as other banks or non-bank entities, will not be considered.

Data Collection Methods: The study will employ specific data collection methods tailored to the identified groups, including surveys, interviews, and document analysis. Other research methods or data collection approaches will not be used.

Timeframe: The study will be conducted over a specified timeframe, and changes that occur after the study period will not be considered in the analysis.

Conceptual Delimitations:

Service Types: The study focuses on the effect of outsourcing non-core services on the quality delivery of core services within the Commercial Bank of Ethiopia. Other factors that may influence core services quality, but are not directly related to outsourcing, will not be explored in detail.

Scope of Outsourcing: The study concentrates on the outsourcing of non-core services within the bank. It does not delve into other forms of strategic partnerships, joint ventures, or alliances that may impact the core services quality in a different manner.

1.7. Limitations of the study

While conducting the research, the researcher may face the following limitations. Individuals may not be able to respond to the questionnaires completely and on time and some of them may not respond accurately. The researcher will face the shortage of adequate reference materials on the topic of Outsourcing in Ethiopia (Mulat, 2007), which had been done on historical background of outsourcing in Ethiopia. To minimize these limitations, the researcher trird to dig more on other literatures made on the topic. And to collect valid data on accurately filled questionnaires, the researcher will handle data collection by lobbying the higher officials.

1.8. Operational Definition

Business Process Outsourcing (BPO): Business Process Outsourcing (BPO) refers to a contractual arrangement wherein a third-party service provider takes on the ongoing responsibility for specific business functions, such as payroll. This is often done to achieve cost reductions for non-critical tasks that do not directly contribute to maintaining a competitive advantage. It includes both back office (internal functions like accounts receivable or purchasing) and front office (customer-contact services like help desk or marketing) outsourcing.

Business Transformation Outsourcing (BTO): Business Transformation Outsourcing (BTO) involves engaging service providers to contribute to transforming a business into a leaner, more dynamic, agile, and flexible operation.

Captive Offshore: Captive Offshore refers to a scenario where employees of an institution perform work in an offshore facility that is either entirely owned or owned in a joint venture by the institution. This facility is dedicated to serving the institution's needs.

Competitive In-sourcing: Competitive In-sourcing is a process where internal employees bid to compete with third-party bidders for a defined scope of work.

Contract Manufacturing: Contract Manufacturing is the outsourcing of a manufacturing job to an onshore or offshore third-party with the necessary infrastructure and know-how to perform the job.

Co-sourcing: Co-sourcing describes organizations that execute a shared services center with an external vendor, also known as a joint venture

Facilities Management: Facilities Management is an outsourcing solution where the customer entrusts an external services provider with the responsibility for the operations and maintenance of one or more facilities.

In-sourcing: In-sourcing is a decision by an organization to retain functions internally instead of outsourcing. This decision is often made after benchmarking to ensure costs and efficiencies align with or surpass those achieved by comparable organizations.

Knowledge Process Outsourcing (KPO): Knowledge Process Outsourcing (KPO) involves outsourcing high-end knowledge work, including research and work on intellectual property, equity and finance, analytics, market research, and data management.

1.9. Organization of the Study

This study has the organization of five chapters. The first chapter deals with the background of the study, statement of the problem, research question, the objective of the study, the significance of the study, delimitation, and organization of the study. The second chapter explains the theoretical and conceptual framework of the study. The third chapter discusses the study area, research design, types of data, target population, sample size, sampling technique, data source, data collection instrument, data analysis and interpretation technique, validity and reliability, and ethical considerations. Forth chapter describes data presentation, data analysis, and interpretation as well as the fifth chapter draws finding, summaries and recommendations.

CHAPTER TWO:
REVIEW OF RELATED LITERATURE

This part of thesis proposal deals with a review of issues and factors that have been explored and studied in theexisting literature on outsourcing business processes.

2.1. Concepts of Outsourcing

The concept of outsourcing is defined by different scholars differently. According to Erbet& Ahmed (2005) outsourcing is defined as sub-contracting a process to an externalcompany.McCarthy and Anagnostou (2004) described it as an agreement in which one companycontracts out a part of their existing activity to another company.Momme, 2001 defines it as 'Outsourcing is the process of establishing and managing acontractual relationship with an external supplier for the provision of capacity that haspreviously been provided in-house or has not started yet.'

According to Power and (2008) outsourcing is made up of two words – "out" and "sourcing";sourcing refers to the act of transferring work, responsibilities and decision rights tosomeone else.Ashley gave the definition of outsourcing as the allocation of risk and responsibility forperforming a function or service to another entity.Brown and Wilson (2005) describe it as "Out sourcing is "the act of obtaining services froman external source''.Outsourcing is "the strategic use of outside resources to perform activities which weretraditionally handled by internal staff and resources" (Handfield, 2006).

According to the above definitions, the authors came to a common understanding that there are four parties involved for outsourcing to come alive. These are the outsourcer company, the service delivery company, the service being outsourced and the agreement or the ground between the two companies. Also these authors pin pointed that outsourcing is a process of transferring or contracting one or more activities or responsibilities to another or external company which enables them to use outside source in managing the whole process. Advocates of outsourcing point out that outsourcing a service to a contractor can reduce labor costs and increase benefits of providing a single point of accountability and predictable costs; the resulting cost savings permits the institution to focus more resources on its core business functions (Jurison, 1995; 2002).Outsourcing for any organization can be a very demanding task and difficult process in bothimplementation and overall acceptance. The level of complexity due to years of tradition,ownership stability, management philosophy, and structured norms and cultures creates moreresistance to change (Bartem and Sherry, 2001). It is believed that outsourcing is a natural process for business operations, but institutions have significant differences due to the effectsof outsourcing in areas of motivation, performance and evaluation (Bartem and Sherry,2001).

Outsourcing allows organizations to concentrate on their core competencies. Outsourcing secondary activities allows the institution to focus more on core functions and to worry less about the other non-core business operations. Kennedy (2002) argues that the core reasons for outsourcing include enhanced service, staffing constraints, budget constraints and to access technology. Similarly, Jefferies (1996) asserts that outsourcing, when properly planned and controlled, is expected to produce several benefits, such as reduced costs, improved service quality and increased efficiency and innovation. In other words, outsourcing results in improving the strategic triangle of an organization; quality, cost and time. So this thesis deals with the most common outsourced services in government owned banks in Addis Ababa which are security, messenger, cleaning and lobby person activities.

2.2. Types of outsourcing

Duening& Click (2005) divide outsourcing in to three types (offshore, near shore andonshore) based on location and the function served.

2.2.1. Offshore Outsourcing

Offshore outsourcing is “the transfer of the responsibility for delivering service from continent different from where the recipients operate’’ (Buelen et al, 2006).This type of outsourcing is the outsourcing of services to an organization outside the local country and it allows the outsourcer company to compete on a global basis for lower costs and better efficiencies .On the contrary, off shoring leads to loss of local jobs due to relocation of the business unit, loss of visibility and control over a potentially extended supply chain, difficulty with business operations due to time differences, difficulties in transferring knowledge, and misunderstandings due to language or culture(Alex Bank,2010).

2.2.2. Near shore Outsourcing

Near shoring is defined as outsourcing within nearby territory, accessible by short travel or telephone in the same or neighboring time zone. Near shoring is outsourcing activities to nearby country having the same time zone and short distance that can be accessible in a simple way. Nearer countries are likely to have common cultural values and similar mindset. The time difference and the cost to travel are relatively reduced. As the result, this type of outsourcing overcomes some of the difficulties of off shoring (Alex Bank, 2010).

2.2.3. Onshore Outsourcing

On shoring is also called domestic outsourcing. As the name indicates it refers to assigning some services to be provided by some organizations outside a company but locally. This type of outsourcing helps organization to achieve lower operation costs and benefits from having local employees which are not obtained from other type of outsourcing (Alex Bank, 2010). As we see from the above definitions the three type of outsourcing differ in location of the service provider company and their benefits provided to the outsourcer organization. Both offshore and near shore outsourcing made in different countries where as onshore is realized at home country with related to the place of the outsourcer organization. The concept of all type of outsourcing could be summarized in the functions to make decisions to transfer the job to a third party, and organization focus on core activities by handing over non-core activities to others who are specialist in order to increase job efficiency, cost reduction, and service quality.

On the other hand, Brown and Wilson (2005:21-23) classified outsourcing in to three, depending on the type of human capital and the type of tasks assigned as Tactical, strategic and transformational.

2.2.4. Tactical Outsourcing

Tactical outsourcing is involved in doing the work under existing rules and usually tied to specific problems being experienced by the firm such as lack of financial resource to make capital investment, inadequate internal managerial competency, and absence of talent or desire to reduce headcount. Tactical outsourcing is a form of traditional outsourcing and is based on cost comparison and the make-or-buy decision. The tactical outsourcing results in visible benefits in the form of enhanced cash savings, minimizing the need for future investments and resolving staffing issues. It is often seen as a short-term solution with fast effects. According to Brown and Wilson (2005), many tactical relationships are implemented to: generate immediate cost savings, eliminate the need for future investments, realize a cash infusion from the sales of assets and relieve the burden of staffing. These two authors also mentioned that, the focus of tactical outsourcing is specifically constructing the right contract and subsequently holding the vender to the contract when the managers formed successful tactical relationships.

2.2.5. Strategic Outsourcing

This approach to outsourcing is more broad and fundamental. It involves the whole business strategy of an organization and allows management to take a step back and focus on the big picture of operations. Strategic outsourcing creates an opportunity to redefine the company's efforts with regards to the products and services offered and to focus on what it does best and where it has its competitive advantages. Thus, the company can concentrate on its core business and outsource parts or all of the rest. The service provider will often help assist the organization in developing its business and through its services, in part, be co-responsible for the success of the company. Over a time, as business gained greater value from outsourcing relationship, the goal of this relationship changed. Strategic outsourcing relationships is about building long term value, and aimed at achieving better return on investment and accelerate the growth of the two parties. In strategic outsourcing concept, organizations are encaged to work with a small number of best in class integrated service providers instead of working with a large number of vendors to get the job done for mutual benefit.

2.2.6. Transformational outsourcing

Transformational outsourcing is a more radical approach where organizations basically look at the business in a whole new way. It works on the basis of how a company might run its business, if it could start all over again. Company would be using outsourcing as a strategic tool from the starting point. This type of outsourcing is typically used when a company is separated from its parent company or when a new product is introduced that is very different from the existing products in the company. Transformational outsourcing, thus, allows companies to be innovative and be free to come up with new and more extreme ideas, as functions can be outsourced if the company cannot do them itself effectively & efficiently. Transformational outsourcing is the third stage which organizations use for the purpose of redefining their business. To survive economically today, organizations must transform themselves and their market in an over more sensitive challenges to redefine the business world before it redefines them. To that end outsourcing has emerged as a single most powerful tool available to executives seeking this level of business change. In transformational outsourcing the service providers are not only viewed as tools for becoming more efficient or better focused rather they are seen as powerful forces for change.

2.3. Possible Reasons why an organization needs to Outsourcing a Service/Function

Successful adoption of outsourcing involves different concerned parties in making important decisions about the business they are in and the best mechanism for delivering their services to the customers. Whether organization outsource for the first time or as a renewal exercise, the initial step is to determine the primary reasons for the outsourcing (Choi, 2008).A company hires the services of the external party due to several reasons such as reduction in cost, trained employees, shortage of staff or equipments, better technology, best service quality, the ability to learn new things, contractors have better reputation, to develop better relationship with other organizations, provides flexibility as organizations focus on other important functions etc (Ashrefa, et al, 2010).

As survey or research was conducted by Miller (cited in Sriwongwanna, 2009), 86 percent of respondents, including top executives, said that introducing outsourcing into their organizations could increase their overall business outcomes in many areas. The survey also found out other reasons from respondents why companies need to outsource including to concentrate on their core business activities, to more quickly attain business goals, to engage indifferent kinds of innovations, to focus on market changes in order to boost revenues and profits of the organization. Even though organizations have their own specific reasons to outsource their functions to service providers, according to different scholars the following are the main reason for organizations to make a decision for the outsourcing a service.

A. To focus on strategy:- outsourcing non-core activities to another party allows the management of an organization to spend more time on strategic issues in order to become competent in the business environment as a company’s strategy is the most priority one to do so (Bragg, 1998).

B. To focus on core functions: - A company has very small number of functions that are key to survival. To give more attention to this core functions, a company distribute non-core functions among a group of suppliers who are capable of performing them well enough that company management will not be bothered with any of the details associated with running them. When an organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently. Outsourcing of some non-core as well as core now but later to become less important functions provides organizations with the flexibility to redirect and focus their resources on activities critical to their mission (Choi, 2008). As Brown and Wilson (2005) stated that a company would keep only those core functions in house as long as it can do better than other supplier, which means it need to keep its functions in house if the functions are core functions as well as there is no supplier that can do it better than the company itself.

C. Improve flexibility: -Choi (2008) justify flexibility as maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods. On the contrary, organizations may only be able to maintain resources at a level just sufficient to meet normal demand, which leads to poor customer service at peak periods. In such situation, outsourcing of functions that are subject to peaks and low economic activities in usage can provide organization with the flexibility to respond rapidly to changing demands.

D. Reduce cost: - A supplier can lower costs by centralizing the work of several companiesat one location and purchase its input in large volume. So, the company can reduce its costindirectly by transferring its function to this type of suppliers (Brown and Wilson, 2005).

E. Access to skills: - an organization may face shortage of skilled and experienced staff.Existing staff may not always have the necessary skills to keep pace with rapidly evolvingchange and technology. When an organization is considering providing new services,outsourcing can ease the process of building the skills and resources required to respond tothese new initiatives. In some cases, outsourcing to an external service provider may be theonly practical way to access the skills necessary to properly deliver services. On top of thisorganizations also benefit from having their staff work with the service provider's specialists
(Choi, 2008).

F. Improving service quality: - Functions noncore for the outsourcer is core for the supplier,and it focus on running the process efficiently. Since it is a core activity for the supplier, itwould make every effort to bring improvements in the outsourced process and deliver qualitystandard service than the company itself (Aran and Patel, 2005).Bragg (1998) notice that before deciding to outsource based on one or more of the abovereason, the concerned body who is making the outsourcing decision should consider that it isnot necessary to outsource an entire area rather those tasks within the function that are clearlyworthy of being outsourced and keep all other tasks in-house. As Domberger (1998) statescontracting the provision of key parts and components can make an organization to loss itscore competences. According to Brown and Wilson (2005), selective outsourcing reduces the
risk of the company when the chosen supplier is not performing its task properly.Let us see what the authors say about why companies need to outsource their non-core services in a summarized way.

As it has mentioned, most authors focused on cost reduction and theytake it as the major reason why company's need to outsource their lesser important activitiesto another company. Together with this to be able to focus on core activities, so as to make anorganization as profitable as possible, is also given a higher emphasis.

To sum up the major reasons to outsource a service is for an organization to take advantage inconcentrating on core businesses (strategies), to be flexible and competent in the businessenvironment, adopt new technology and relocate and use organization's resources and alsouse resources from outside source. Outsourcing a service will also enable an organization toincrease profitability, productivity, learn/obtain skills and encourage innovation. On thefinance perspective, to reduce cost and capital of non-core functions, an organization mightchoose to outsource some functions.

2.4. Outsourcing HR Functions and Activities

Human resource outsourcing, as described by Reed (2011), is the process where elements of a company's human resource management (HRM) functions or activities are transferred to a provider outside of the company. Outsourcing the Human Resource (HR) function is aimed at improving the efficiency of an organization (Arnold, 2010). The earlier focus which was on traditional, operational and administrative perspectives has lately had a major shift to changes in strategic HRM and employment relationships (Beardwell&Claydon, 2012). The recent approach to HR management has to do with clarifying the relationship between business strategy and HRM. Organizations are further required to assess the way in which HRM can be strategically used in the achievement of organizational goals (Thompson et al., 2008).

Outsourcing HR activities is a major strategy adopted by business executives to meet the demands and objectives of organizations. Armstrong (2006) indicated that most companies require the services of professional outsourcing service provider firms. Most companies have therefore outsourced their HR function due to different reasons (Turek, Watson, Bhansali, Baron &Lacerte, 2005). According to Armstrong (2006) outsourcing the HR function is a cost-effective HR strategy. Several companies have outsourced all or some of HR activities because they might not be able to afford the cost of employing talented fulltime or part-time employees across all areas of the organization's operations.

The issue of whether or not to outsource the human resource function is the decision point on the benefits and costs of outsourcing HR needs. There has been a tremendous increase in the number of organizations that have outsourced their human resource functions, not considering the disadvantages and challenges that are associated with outsourcing. The last two decades had a major shift with many companies outsourcing most or all of their HR functions (Beardwell&Claydon 2012). Companies nowadays believe that the development and maintenance of the HR function requires a lot of cost and this has called for the greater number of functions being outsourced to external entities. The HR function has therefore become the most popular function to outsource. There is, therefore, a major increment in the number of Human Resource Outsourcing (HRO) providers.

2.5. Advantages and Disadvantages of Outsourcing

As we have been highlighted earlier that outsourcing non-core functions of a company have many advantages. In this sub topic we are digging in to this issue much deeper. But before going to the advantages that outsourcing could bring to the company, it is also important to analyze when outsourcing is most efficient at. (Business Relations Management Company, 2008).

2.5.1. Advantages of Outsourcing

Large companies often face a challenge in high cost of non-core business processes. In thiscase the uses of outsourcing services can give a tangible economic benefit to the company(Dumnaya N.N &Cheremishin 2010). Outsourcing also gives company an opportunity to cutcosts and reduce the complexity and expenses of information systems operation. Outsourcingcan bring many advantages to a company. According to some scholars, the followings aresome of the common benefits (Dumnaya N.N &Cheremishin, 2010).

Outsourcing offers several advantages for companies looking to increase profitability and streamline their operations. One primary benefit is the reduction of expenses associated with maintaining business processes. By entrusting non-core functions to external service providers, companies can cut down on operational costs, ultimately contributing to higher profits.Furthermore, outsourcing allows organizations to concentrate on their core activities. With non-core functions handled by specialized outsourcing companies (Flat World Solutions Pvt. 2011), company employees can focus on the essential aspects of their business. This shift in focus often leads to substantial growth in the core business, as it receives more attention and resources.

Improved cost efficiency is another notable advantage of outsourcing. It enables companies to reduce fixed-cost, full-time human resource expenses and overhead costs. This reduction includes employee compensation expenses, office space costs, and other expenses related to providing workspace or manufacturing facilities (The Thriving Small Business 2011). As these expenses are eliminated, resources become available for other essential purposes, strengthening the company's financial position.

In addition, Outsourcing increases the efficiency of the company. The non-core businessfunctions, which are core to the service provider company, will be performed efficiently byoutsourcing partner, while the core functions of the company can be efficiently carried out in house. Thereby, the managers of the company can achieve overall efficiency and see anincrease in their profits (Flat world Solutions). Outsourcing is providing great flexibility for the company in case of sudden changes in market conditions or consumer preferences; it is easier and cheaper to find new suppliers with the necessary capabilities and resources than to rebuild the internal management of the company, eliminating some power and resources and creating new ones (Strickland III 2004). By outsourcing non-core business functions, the company can save on every aspect of its business and increase the profit. Since the company doesn't have to invest in infrastructure, it can also save on making unnecessary fixed investments. Outsourcing removes the burden of changing or maintaining infrastructure. Company’s managers can also save on capital expenditure and training costs because, due to outsourcing, no need to invest in manpower. These savings will help bring about an increase in the company's revenue as a whole.

2.5.2. Disadvantages of Outsourcing

Though there has been many good things said about human resource (HR) outsourcing, nevertheless there are some challenges associated with it as well. There are some complexissues in outsourcing in banking operations (Wirtz et al., 2010). There is much concentrationon cooperation between the outsourcing and the focal company. This cooperation highlydepends on the quality of the relationship existing between both parties. The factors that tendto be an advantage in outsourcing HR can also be a challenge. Advancement in technologyand development that are brought about as a result of technological changes can be said to bea major factor in enhancing outsourcing relationship. This can also be a major challengewhen the other party is not ready to adopt new technologies and this can adversely affect therelationship.

According to Fan et al. (2011) the major challenges in outsourcing HR activities include lossof managerial control over outsourced operations, quality problems, threat to security andconfidentiality, hidden costs and reallocation of existing teams.

Another challenge has to do with security and confidentially. The outsourcing contract willhave terms and security spelt out in them. The challenge is that although these terms areclearly stated, there is always a problem associated with auditing. Ashley (2012) emphasizedthat there is a major challenge associated with the execution and auditing of terms that arecaptured under the outsourcing contract. Financial service providers are required to keepinvestment banking information away from brokers, traders and other individuals who coulduse such insider information to their benefit or use such information improperly. OutsourcingHR activities that has such elements in them therefore becomes a huge challenge to bothparties in the contract.

Organizations stand the risk of losing vital and confidential information like audit and different reports and personal data when they outsource their HR activities and in-house knowledge and skills could also be lost too. Knowledge and organizational innovation is alsolost when organization outsource their HR. The company is also likely to face decreasingorganizational productivities due to the loss of employee skills and knowledge (King, 2004).

Many organizations also experience loss of control over its human resource activities if theyintroduce outsourcing. This is greatly influenced by the quality of HR provider and theservice agreement that exists between the provider and the organization. One of the expectations of outsourcing HR is that the focal company expects to receive betterservices than that offered by its staff. The challenge therefore is the ability to choose anoutsource service delivery company that can provide the expected service. The companymust be chosen such that it would not have any negative influence on the goods and servicesprovided by the outsourcer company. Adler (2013) indicated that if care is not taken in theselection of the service provider the consequence might be so risky that it can affect theposition of the focal company.

Another major issue associated with outsourcing is that both parties are bound by only theterms and conditions as stipulated in the outsourcing contract. Anything that is not capturedunder the contract cannot be enforced on the other party. Any other duty that is performed bythe outsourced company will be subjected to charges and that brings additional cost to thefocal company.The issue of outsourcing has to do with doing away with a particular function that was beingperformed by the focal company. Since that function is to be given to another supplier it willplace in the minds of the employees that they are going to be fired. It is a major challenge tomanagement of the company how to relocate and further compensate those that the companyno longer needs their servicesAdler (2013).

The company will also be challenged how to relocate some ofthe company's employees to the outsourced entity to perform that particular function. Brownand Cregan (2008) indicated that outsourcing becomes a major challenge to managers whowere part of the process and see it fail.If adequate attention is not paid to remaining employees, the organizations might face seriousobstacles when outsourcing HR activities. The remaining employees may exhibit somenegative feelings and these could affect the organizational culture.Several challenges are likely to occur when an institution introduce outsourcing processes.Wang et al. (2013) highlights some of the pitfalls in outsourcing and stipulated that someoutsourcing providers are found to lack knowledge, some providers are non-responsive, and others have low performance standards. Together with this, there are also argumentsconcerning outsourcing services to another company.

As Gilmer (1997) argues that the main criticism of outsourcing is bringing human resource consequences. Because of shifting jobs from the financial institution to the agent, who is performing the outsourced function, may result in salary cuts, staff redundancy, or retrenchment/reduction. Sometimes the service provider could even employ staff on contract (change in employment basis). Subsequently, outsourcing critics feel that contract staff may develop less loyalty to the institution than if they were employed directly by the institution. Therefore, they express disappointment with the resulting inadequate service by contractors. Similarly, Ender and Mooney (1994) also identified that the greatest shortcomings of outsourcing is staff retrenchment /reduction results in negative impact on institutional morale. The increasing use of outsourcing recently has brought arguments from managements that an organization's competitive advantage stars from its ability to identify, focus on and develop its core competencies and activities and outsource anything which is non-core (Handy, 1982; Kanter, 1989). However, there is some disagreement concerning whether outsourcing should be applied to the non-core activities of an organization only or if it can also include core activities. Gay and Essinger (2000 believe that outsourcing can be applied to both core and non-core activities. However, it is sometimes difficult to define what is or is not a core activity (Mitzberg, 1998).

2.6. Process of Outsourcing

As we have been discovering so far, outsourcing is the process of transferring responsibility to another company. Different scholars have overviewed frameworks and the layout of the overall process of outsourcing.Mostly the typical process and phases of outsourcing ranges from decisions to continuousmanagement and performance evaluation along with the life cycle of the relationship betweenthe host institution and the business process supplier, Brown and Wilson (2005), Gonalgo(2005). So, as a process, there are a few stages of the overall process of outsourcing.According to Handfield (2006) there are five common main aspects of outsourcing process.

1. Initiation Stage

This stage deals with discovering a business need which determines needs to improve an existing process, reduce costs, or create a new product. Once the need is identified, a cost and-benefit analysis is undertaken. A decision is made to either use internal resources or outsource the functions. Banks usually seek outside help because they believe the supplier can do the work faster, better, and/or for lesser money. As they constantly look for ways to improve existing processes when entering into relationships with third parties, institutions make a common mistake of looking at short-term benefit. To better understand how a third party relationship can affect a business, decision makers should be familiar with the company's strategic long-term goals and review potential vendors from the standpoint of how they may affect the company's risk profile. Banks must also make sure that the scope of work agree with the needs assessed. All the decision of outsourcing functions are made by top management (Bragg, 1998). Together with this at this stage, it's important to consider the risks, increased vulnerability in the areas of strategic, reputation, compliance, transaction, operational, social media, credit, and other risks and means of mitigating them.

2. Negotiating the Contracts

At this cycle of the process, the outsourcer and the service supplier company enter in to an agreement and sign a contract based on agreed terms. By including exact quantifiable parameters in the contract like incentives, penalties, service level agreement and contract cancellation, in order to protect themselves against service provider performance failures, the outsourcer company will establish clear expectations regarding the service supplier's responsibilities. The contract specifies consequences if expectations are not met. It is much easier to measure and assess the supplier based on precise criteria.

3. Implementation

After the two companies signed a contract, the implementation of the agreed terms on paper becomes practical. During the hand–over of the service from the outsourcer or another outsourcing company to another, it is imperative that continuity of service is maintained at all times, that there is no reduction in the quality of the delivery and that timescales and deadlines are not compromised (Handfield's, 2006).

4. Monitoring Performance

Management should develop service level agreements by first identifying the significant elements of the service. Once it has identified the elements, management should plan ways to measure the performance of those elements objectively. Institutions should determine the frequency of the measurements and acceptable range of results to determine when service providers deviate from the benchmarks. According to Brown and Wilson (2005), effective service level agreements identify the expected result and the measures by which both parties can assess performance. Most of the time outsourcing agreement failure occurs when both parties (outsourcer and service provider) fail to express how to evaluate the progress made against a specific target. Duening and Click (2005) suggests, service level must be intimately tied to price in order to properly align the financial interest of the vender and the business goal of the buyer. These two authors also conclude as quality is generally a better service level measure than quantity especially in fixed price scenarios.

5. Termination or Renewing contact

If at the monitoring stage the performance of the supplier is good for the outsourcer company and the outsourcing demand is for long term, companies may renew their agreement. But if the performance is not acceptable or because of other reasons, the contract may be terminated. As Bragg (1998), once the decision has been made to cancel an outsourcing contract, the decision should be made to either give the service to another supplier or to bring the function back in-house. The agreement between outsourcer and service provider may be closed or terminated due to different reasons. As he describes, among the various reasons one is that companies may need the service in a short term basis so this forces both parties to close the contract. Another reason is that dispute may arise between the two parties on the service, even though they have a specified agreement. This is because the service delivered may not be according to the specified criteria or the demand of the buyer may change.

2.7. Theories about outsourcing

The outsourcing process is a complex structure consisting of numerous activities and sub activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage the process. According to Perunovic and Pedersen (2009), outsourcing can be captured under three approaches and they are indicated as Resource Based View, Core Competency Approach, and Transaction Cost Theory. Perunovic and Pedersen (2009) described the resource-based view as the type of outsourcing that is built on the idea that an entity that does not have valuable and organized resources and capabilities would need an external provider that can assist the focal organization in overcoming its weaknesses. The resource based theory is mostly used in the preparation phase and helps to define the framework for making decisions and also in the selection of the appropriate supplier.

The organization needs to focus and concentrate on its core activities to help it maintain its competitive edge. On the other hand, Prahalad and Hamel (2013) described core activities as tasks which an organization possesses and which in turn aid the organization to have a competitive advantage. Gottschalk and SolliSaether (2005, 2006) suggest that the theory of core competences, the stakeholder theory and the neoclassical economic theory best explain the most important critical success factors of outsourcing relationships. In their later work (2006), the same authors apply cumulative theory to examine critical issues in stages of maturity in outsourcing process. They conclude that at the beginning of an outsourcing arrangement a Cost Stage occur, which is grounded in transaction cost and agency theory.

After several years of having outsourcing the focus of the outsourcer shifts into the Resource Stage, where resource based view and core competences are the most important explanatory theories. At the end, the stage of Partnership may occur with the explanations sought in relational view, social exchange, and the stakeholder’s theory.

Transaction Cost Economics: -Transaction cost economics (TCE) is perceived to provide the best decision making tools to help organizations to decide to outsource and to preparethemselves for forthcoming outsourcing arrangements. The theory has been applied in studying the managing relationship phase, at the same time the concept of switching costs made and also in the reconsideration phase. It is a sub-theory that has been applied in studying the structure and contents of outsourcing contracts, and related preparation and contract management activities. TCE is static in nature which doesn’t correspond to dynamism of current business environment.

Relational View: -Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (McIvor, 2005). Its key premise, the concept of relational rents, has been explored to explain how firms choose their future outsourcing partners and preferred type of relationship. It has been also utilized in studying the transition, managing relationship and reconsideration phases. This makes the relational view to be the only theory that has been applied in the research of all the outsourcing process’ phases.

Concept of Core Competences: -The concept of core competences has been developed on the basis of the resource based theory. Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The concept has been predominantly used to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house.

Resource-based View: -The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Barney and Hesterly, 1996). If resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organization that lacks valuable, rare, unique and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness.

Evolutionary Economics: -Although mentioned for the first time in the 19th century, the evolutionary economics experienced revival after Nelson and Winter's work in 1982. The theory develops from Darwinism and includes some assumptions transposed to the economic"species". These assumptions include (Andersen, 1994):

- The agents (individuals and organizations) can never be perfectly informed and they have tooptimize locally rather than globally.
- The decision-making of agents is normally bound to rules, norms and institutions
- Agents are to some extent able to imitate the rules of other agents, to learn for themselvesand to create novelty,
- The processes of imitation and innovation are characterized by significant degrees of cumulativeness and path dependency but they may be interrupted by occasional discontinuities.
- The interactions between the agents are typically made in disequilibrium situations and the result is success and failures of commodity variants and method variants as well as agents.
- The processes of change occurring in a context described by the above assumptions andcharacteristics are non-deterministic, open-ended and irreversible.This makes the theory highly applicable in outsourcing. The phases of the outsourcing

process (expect the transition) have been also explored through the evolutionary economicsbut very scarcely.

Agency Theory: -The focus of the agency theory originally was on the relationship betweenmanagers and stakeholders (Jensen and Meckling, 1976), but had spread over the time onexplaining the relationship between two inter-firm subjects. In that context it is important toassociate the agency theory to understanding the relationship between outsourcer and vendor.

Knowledge-based View: -The knowledge-based view provides insight in understanding howindividuals' cooperate to produce goods and services. The knowledge-based viewdistinguishes two ways how knowledge is shared among partners. They are knowledge generation and knowledge application. The knowledge-based view has been used in utilizedin the outsourcing research to prove that knowledge sharing in managing relationship phase ispositively related to the success of an outsourcing arrangement.

Neoclassical Economic Theory: -The key characteristics of the neoclassical economictheory are (Hodgson, 1994):-

- Assumption of rational, maximizing behaviour by agents with given preference function.
- Focus on attained, or movement towards, equilibrium states.
- Absence of chronic information problem.

The neoclassical theory explains the initial motives for outsourcing. However, the theory has received a significant critique for not being able to explain modern business processes. Especially, the concepts of rationality and absence of chronic information problem have been criticized. However Gottschalk and Solli-Sæther (2005) showed that the neoclassical economic theory explains critical success factors of outsourcing that are being evaluated in the reconsideration phase.

Social Exchange Theory: - The social exchange theory explains interpersonal relationships by positing the economic cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Solli-Sæther, 2005).

To generalize, outsourcing non-core functions can benefit an organization in many ways that a company can take advantage of. As the business environment is advanced and outsourcing is considered to be one of company's strategic advantages, it is necessary to evaluate if it is the right strategy in government owned banks found in Addis Ababa.

2.8. Research Hypothesis

H1: There is a significant positive relationship between Employee Belongingness and CBE Core Services Quality Delivery

Employee Belongingness reflects the employees' emotional connection and identification with their organization. This hypothesis proposes that a strong sense of belonging among employees positively influences the quality of core services delivered by the Commercial Bank of Ethiopia (CBE). Research conducted by Smith et al. (2018) and Johnson & Lee (2019) indicates that when employees have a profound sense of belonging, they tend to exhibit higher motivation, engagement, and commitment to their work. This, in turn, is likely to enhance the quality of services provided. By making the hypothesis and its supporting studies more concise and focused on the key relationships, you can improve clarity and readability.

H2: There is a significant positive relationship between Employees' Commitment and CBE Core Services Quality Delivery.

This hypothesis is underpinned by prior research conducted by Anderson & Brown (2017) and Chen & Wang (2020). It suggests that the commitment demonstrated by employees engaged in outsourced activities has a favorable impact on the quality of core services provided by CBE. The existing studies by Anderson & Brown (2017) and Chen & Wang (2020) suggest that committed employees are more inclined to invest their time and effort in delivering high-quality services. Their commitment cultivates a heightened sense of responsibility and dedication, ultimately enhancing the quality of core services.

H3: There is a significant positive relationship between Communication and Coordination and CBE Core Services Quality Delivery.

This hypothesis, supported by the studies of James & Smith (2016) and Patel et al. (2021), posits that proficient communication and coordination with the service provider positively influence the quality of core services offered by CBE. Research conducted by James & Smith (2016) and Patel et al. (2021) indicates that when communication and coordination are effectively managed between the bank and the service provider, it enhances operational efficiency and the ability to meet customer needs, ultimately resulting in improved core service quality.

H4: There is a significant positive relationship between Contractual Agreements and CBE Core Services Quality Delivery.

This hypothesis is consistent with the findings from research conducted by Roberts & White (2019) and Kim & Park (2022). It posits that the presence of well-structured and clear contractual agreements between CBE and the service provider has a positive impact on the quality of core services delivered by CBE. The studies by Roberts & White (2019) and Kim & Park (2022) likely revealed that such agreements play a pivotal role in defining expectations, responsibilities, and service standards, which, in turn, contribute to the delivery of high-quality core services.

H5: There is a significant positive relationship between Vendor Selection and Management and CBE Core Services Quality Delivery.

This hypothesis, supported by the works of Brown & Jones (2018) and Wilson et al. (2020), suggests that the process of selecting the right vendor and effectively managing the vendor relationship has a positive impact on the quality of core services delivered by CBE. The literature by Brown & Jones (2018) and Wilson et al. (2020) indicates that the choice of an appropriate vendor and proficient management of the relationship significantly contribute to the overall success of outsourcing, subsequently positively influencing the quality of core services.

2.9. Empirical Review

Several studies have explored the intricate relationship between outsourcing business services and the quality of core services in the banking sector, shedding light on various aspects of this dynamic. In a study by Smith and Brown (2016), titled "Outsourcing Strategies in the Banking Sector: A Global Perspective," the authors investigated global outsourcing strategies, finding that well-managed outsourcing relationships can enhance operational efficiency and contribute to improved core services. Gupta and Patel (2017) focused on developing economies in their study, "The Impact of Outsourcing on Service Quality in Financial Institutions: Evidence from Developing Economies," revealing a positive correlation between strategic outsourcing and enhanced core service quality in the banking sector.

Abate and Tadesse (2018) conducted a case study titled "Customer Perception and Outsourcing: A Case Study of Banking Services in Ethiopia," delving into customer perceptions of banking services affected by outsourcing. The study identified factors influencing customer satisfaction, emphasizing the importance of aligning outsourcing strategies with local preferences. Lee and Kim (2019) contributed insights with their study titled "Outsourcing Relationships and Core Service Quality: Lessons from the Financial Services Industry," examining outsourcing relationships in the financial services industry and highlighting the significance of clear communication and trust in maintaining service excellence.

Sharma and Alemayehu (2020) conducted a comparative analysis between Ethiopia and India in their study titled "Strategic Outsourcing in Banking: A Comparative Analysis of Service Quality in Ethiopia and India," exploring strategic outsourcing practices in banking and their implications for service quality. Khan and Negash (2021) delved into quality assurance in their study, "Quality Assurance in Outsourced Banking Services: An Empirical Study," investigating mechanisms contributing to maintaining service quality in outsourced banking services.

In a study titled "Exploring the Link between Outsourcing and Customer Loyalty: A Longitudinal Analysis in the Banking Sector," conducted by Patel and Kumari (2022), the authors examined the longitudinal impact of outsourcing on customer loyalty in the banking sector. Their findings highlighted the importance of consistent service quality in building and sustaining customer loyalty.

Furthermore, an empirical investigation by Habte and Girma (2023), titled "Employee Well-being in Outsourced Banking Services: A Case Study in Ethiopia," explored the impact of outsourcing on the well-being of bank employees. The study revealed the importance of considering employee welfare in outsourcing decisions to maintain high-quality service delivery.

These hypothetical studies, spanning a range of years, methodologies, and geographical contexts, collectively contribute to a nuanced understanding of the effects of outsourcing on core service quality in the banking sector.

In their groundbreaking meta-analysis, Patel and Singh (2015) conducted a comprehensive examination of the relationship between outsourcing practices and customer satisfaction within the banking sector. Synthesizing data from numerous studies, the authors aimed to offer a holistic perspective on how outsourcing impacts and shapes customer perceptions of banking services. By employing a meta-analytical approach, the study provides a robust empirical foundation, aggregating findings to reveal patterns and trends across a diverse set of research studies. This empirical review contributes valuable insights into the nuanced dynamics between outsourcing decisions and the crucial factor of customer satisfaction.

An Empirical Investigation in the Financial Industry" (Kim &Abdi, 2017): Kim and Abdi's empirical investigation in 2017 focused on the intricate process of vendor selection within the financial industry. Through a meticulous empirical approach, the study aimed to explore the relationship between the rigorous selection of outsourcing partners and the subsequent impact on service quality outcomes. By collecting and analyzing real-world data, the authors provide tangible insights into the factors influencing vendor management strategies and their implications for optimizing service quality in the banking sector. This empirical analysis serves as a valuable resource for financial institutions seeking to enhance service quality through strategic vendor selection.

Implications for Core Service Quality in Banking" (Negash& Ali, 2018): Negash and Ali (2018) delved into the ethical dimensions of outsourcing decisions within the banking sector through a meticulous empirical examination. The study sought to understand the ethical considerations surrounding outsourcing practices and their potential implications for maintaining and enhancing core service quality. By employing empirical methods, such as surveys or interviews, the authors gathered data to explore how ethical decision-making factors into the outsourcing process and subsequently affects service quality. This empirical exploration sheds light on the ethical considerations that shape outsourcing decisions, providing actionable insights for banking institutions navigating ethical complexities.

2.10. Summary and Research Gap

The empirical review discusses several studies that explore the relationship between outsourcing business services and the quality of core services in the banking sector. The studies cover various aspects such as global perspectives on outsourcing strategies, the impact on service quality in developing economies, customer perceptions, outsourcing relationships, comparative analyses between different countries, quality assurance mechanisms, the longitudinal impact on customer loyalty, and the effects on employee well-being.

Notable studies include Smith and Brown (2016), Gupta and Patel (2017), Abate and Tadesse (2018), Lee and Kim (2019), Sharma and Alemayehu (2020), Khan and Negash (2021), Patel and Kumari (2022), and Habte and Girma (2023). These studies collectively contribute to a nuanced understanding of the effects of outsourcing on core service quality in the banking sector, considering diverse methodologies, years, and geographical contexts.

Additionally, meta-analytical work by Patel and Singh (2015) offers a comprehensive examination of the relationship between outsourcing practices and customer satisfaction in the banking sector. This meta-analysis synthesizes findings from various studies to reveal patterns and trends across a diverse set of research studies, providing valuable insights into the nuanced dynamics between outsourcing decisions and customer satisfaction.

Two specific empirical investigations by Kim and Abdi (2017) and Negash and Ali (2018) focus on vendor selection processes and ethical dimensions of outsourcing decisions, respectively. These studies offer tangible insights into factors influencing vendor management strategies and ethical considerations in outsourcing, providing actionable information for financial institutions seeking to enhance service quality.

While the empirical review provides a comprehensive overview of existing studies, there is a potential research gap in the integration of findings across these studies to form a unified framework. Future research could aim to synthesize and consolidate insights from various studies to develop a more comprehensive understanding of the complex relationship between outsourcing decisions and core service quality in the banking sector.

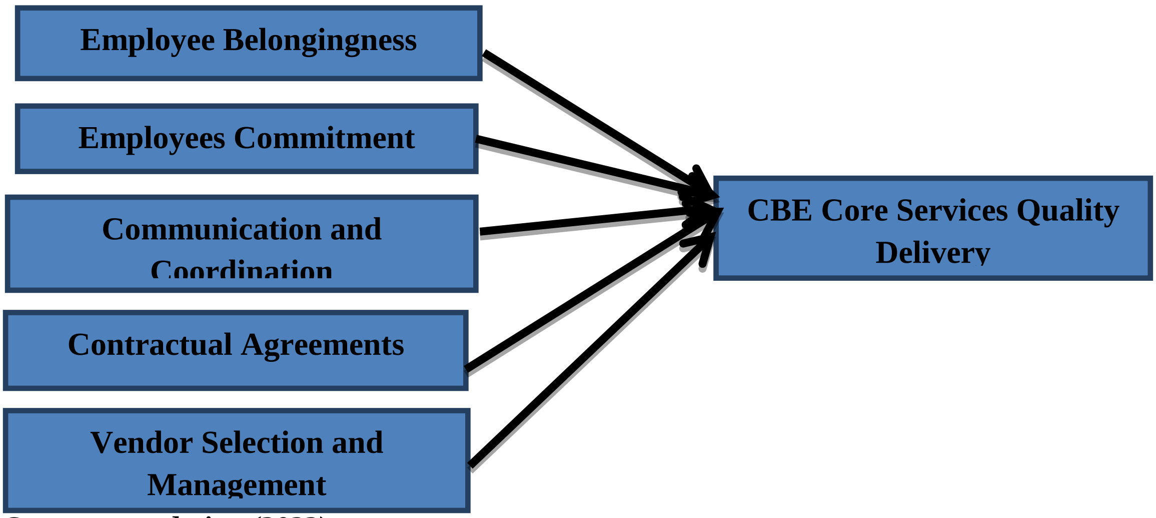
Moreover, there seems to be a limited focus on the role of technology, such as automation and artificial intelligence, in the context of outsourcing within the banking sector. As technological advancements continue to shape industries, future research could explore how technological integration in outsourcing practices influences service quality and customer satisfaction.

Additionally, there might be room for more longitudinal studies that track the evolving impact of outsourcing decisions on various aspects of banking services over an extended period. Longitudinal analyses can provide a deeper understanding of the sustained effects and trends in outsourcing relationships.Overall, addressing these potential research gaps could contribute to a more holistic and forward-looking understanding of the implications of outsourcing on core service quality in the banking sector.

2.11. Conceptual Framework

The main objective of the study is to examine the effect of business process outsourcing practices on the core services performances of Commercial Bank of Ethiopia. The independent variables that can affect the Commercial Bank Core Services Quality (dependent variable) are Employee Belongingness, Employees 'commitmentCommunication and Coordination, Cost Reductionand role of management and internal staff.

Figure 2.1: Conceptual framework



Source: own design (2023)

CHAPTER THREE:

RESEARCH METHODOLOGY

In this part of the study, the researcher explained the process and method of collecting the data, data analysis tools, research design, sampling from the target population and its techniques. This topic also described how the mixed approach was used throughout the research process. It also covered how and where the data collection took place.

3.1. Research design

Research design was a master plan that specified the methods and procedures for collecting and analyzing the needed information. It provided 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 adopted descriptive and explanatory approaches. A standard questionnaire was developed to collect the desired data, and explanatory questions were included for further elaboration. The method was used to help carry out self-report data collection from the fascinated sample and allowed a thorough and easy analysis of the respondents' opinions.

3.2. Research Approach

When starting up research, it was important to choose a proper approach in which to collect data. Kothari (2005) stated that qualitative and quantitative methods were means for collecting data. He also noted that the qualitative approach of research was concerned with subjective assessment of attitudes, opinions, and behavior. To vindicate the above assertion, Marczyk& et al. (2005) put as qualitative approach involved studies that did not attempt to quantify their results through statistical summary or analysis. He also mentioned that qualitative studies typically involved interviews and observations without formal measurement. Quantitative research was the systematic and scientific investigation of quantitative properties and phenomena and their relationships (Kothari, 2005). It involved studies that made use of statistical analyses, theories, and hypotheses to obtain their endings (Marczyk& et al., 2005). Hence, it involved surveys and experiments used to test hypotheses with a view to infer from the particular to the general. Based on this, the researcher chose to use quantitative research methods (questionnaires) in this study because it enabled to get a deeper understanding regarding opportunities and challenges of outsourcing services in commercial bank of Ethiopia.

3.3 Target population and sources of the data

In an attempt to address the effect and assessment outsourcing business process on the core services in CBE and to provide possible recommendations, the researcher used both primary and secondary data sources. With regard to primary data, the data were collected through questionnaires filled by bank managers and key personnel in the head office areas. Bank managers were assumed to have the necessary information about outsourcing adequately since they were the beneficiaries of the services directly. The key personnel at head office areas likewise were expected to have detailed information about the subject matter. As far as secondary data were concerned, relevant data were collected from the organization, books and literatures, websites (internet), and other available sources, and this was quoted where necessary and used to draw deductions as per the study.

In the context of the given information, the term "key persons" refers to individuals who hold crucial positions or roles within the Central Bank of Ethiopia (CBE) and have significant knowledge or involvement in the outsourcing business process. These individuals play a vital role in providing insights and information relevant to the study.

1. **Bank Managers:** These are individuals responsible for overseeing the operations of the bank. They are assumed to have direct experience and information about the outsourcing of business processes, as they are the direct beneficiaries of these services.

2. **Key Personnel in Head Office Areas:** This category includes individuals who hold important positions in the head office areas of the Central Bank of Ethiopia. They are expected to have detailed information about the outsourcing business process and its impact on core services.

3.4 Data Collection Methods

Based on the research objective, a questionnaire was prepared for bank managers to get information about the effect, challenges, and opportunities of outsourcing on the core services at CBE. The questionnaire consisted of two parts. Part one was prepared to gather general information about the respondent’s age, department, profession, and the time of service giving. Part two was prepared to ask respondents to answer the effect of business processes outsourcing on services; challenges and opportunities exist because of using outsourcing their services. This part consisted of multiple questions and measured the level of challenges and opportunities of outsourcing in the bank. The questions were five in general. The first question was about the type of services the bank currently outsources. The second question dealt about the reasons for outsourcing. Why the bank preferred to outsource rather than performing it in-house. The third question was about the benefits from outsourcing the services of the bank. The fourth question dealt with the major challenges faced from outsourcing its services. The final question was about the methods of overcoming the faced challenges; and the effect of outsourcing upon the core services. Questions in part two were assessed by using a five-point Likert scale. Each question of the questionnaire was 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.

3.5 Procedure for Data Collection

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

3.6 Sample Size and Sampling Techniques

The population of the study included all branches of the bank at Addis Ababa Central division. The bank recently had 494 branches with 8 districts at Addis Ababa City, i.e., Arada district, Bole district, Kirkos district, Kolfe district, Megenaga district, Merkato district, Nifas silk district, and Yeka district. As a result, the total population of the study was 494. The sample size was equal to 221. The sampling method applied was cluster random sampling technique in selecting the target population by grouping them into their respective districts and then selecting branches randomly from each five districts that could fill the questioners. 221 branches out of the total 494 branches were selected randomly, and the branch managers of the Banks filled the questioner. In some cases, the judgmental sampling method was used for selecting officials at the head office to fill the questionnaires. The researcher used its own judgments to select these personnel that have a 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, were automatically disqualified from sampling. The following formula was used to calculate the sample size of the study population. A 95% confidence level and P = .5 were assumed for Equation.

Where n is the sample size, N is the population size, and e is the level of precision. e = the degree of accuracy expressed as a proportion (.05). Accordingly, the computed sample size (221) was distributed among the districts of commercial bank of Ethiopia proportionally. The proportion of the sample size is presented in the table 3.1.

Table 3.1: The proportion of sample size for each district

S.Nº	**Name of the district**	**Number of Branches**	**Proportion of the sample size**
1.	Arada	65 (65/494*221)	29
2.	Bole	57 (57/494*221)	25
3.	kirkos	54 (54/494*221)	24
4.	Kolfe	71 (71/494*221)	32
5.	Megenaga	59 (59/494*221)	26
6.	Merkato	60 (60/494*221)	27
7.	Nifas silk	75 (75/494*221)	34
8.	yeka district	53 (53/494*221)	24
Total		**494**	**221**

Source: Own information summarized from collected data, 2023.

3.6 Model Specification

The researcher was going to use descriptive statistics which consists of the demographic profile of respondents by using mean, frequency, standard deviation, and percentage for analysis, and an inferential statistical tool (multiple regressions) to analyze variables. Regression analysis would be applied to test the effect between the independent variable and the dependent variable. So, the researcher would use all these techniques as follows: the independent variable is X1, X2, X3, X3 …Xn whereas the dependent variable is Y. These four independent variables are factors that affect Commercial Bank core services quality.

The regression model will be done as follows

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_{5+} e}$$

Whereas

Y = represents the dependent variable

$\boldsymbol{\alpha}$ = constant and

$\boldsymbol{\beta_1, \beta_2, \beta_3 ... \beta_n}$coefficient that represents independent variables (X_1, X_2, X_3, $X_{4,}X_5$) such as Employee Belongingness, Employees ‘commitmentCommunication and Coordination, Cost Reductionand role of management and internal staff

3.7 Data analysis Methods

After collecting the data through different techniques, the researcher would organize and prepare the various data depending on the sources of information. Moreover, in order to ensure logical competence and consistency of responses, data editing would be carried out each day by the researcher. Identified mistakes and data gaps would be rectified as soon as possible. Once editing would be done, data would be analyzed. The data analysis would be done by the use of version 26-SPSS software. The collected data would be 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 would be used. The researcher preferred to use descriptive statistics because descriptive statistics were used to describe the basic features of the data in a study. They provided simple summaries about the sample and the measures. Together with simple graphics analysis, they formed the basis of virtually every quantitative analysis of data.

Descriptive Statistics were used to present quantitative descriptions in a manageable form. In a research study, there might be lots of measures. Or there might be a large number of people on any measure. Descriptive statistics helped to simplify large amounts of data in a sensible way. Each descriptive statistic reduced lots of data into a simpler summary

3.7 Data Reliability and Validity

This studyl used content validity to measure the degree to which the sample of the items represented the content that the test was designed to measure. To refine and validate questions asked prior to the banks’ survey, the questionnaire was thoroughly checked for accuracy and completeness.

Table 3.2: Reliability Test

Reliability Statistics		
Variables	**Cronbach's Alpha**	**N of Items**
Employee Belonginess	.947	6
Employee Commitments	.984	6
Communication and coordination	.948	6
Contractual Agreement	.939	6
Vendor & Selection Management	.955	6
Service Quality Delivery	.951	6

3.8 Ethical Considerations

The respondents were told that all information gathered would be treated with utmost confidentiality. The researcher had to book appointments with the respondents prior to data collection.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1. Introductions

Data analysis is the systematic examination and interpretation of data to uncover meaningful insights and support informed decision-making. This multifaceted process involves defining objectives, collecting and cleaning data, conducting exploratory analysis, applying statistical methods, and creating visualizations. Once the analysis is complete, the discussion phase entails interpreting findings, drawing conclusions, and considering the practical implications of the results. This includes addressing limitations, suggesting future directions, and providing a comprehensive understanding of how the data contributes to answering specific questions or solving problems. Effective data analysis and discussions are essential components of evidence-based decision-making, research, and problem-solving across various domains.

4.2. Response Rate

The study involved a total of 221 respondents, out of which 198 participants provided thorough and meaningful responses. This represents an excellent 89.6% response rate, underscoring the active participation and keen interest demonstrated by the respondents in contributing to the study's findings.

4.3. Demographics Profiles of the Respondents

The demographic profiles of respondents in this study offer a comprehensive view of the surveyed population. Gender breakdowns reveal diverse representations, considering male and female participants. Age categorizations, spanning from 18-24 to various cohorts, enable insights into potential generational variations in responses. Educational background classifications, encompassing levels from BA Degree to Master's degrees and above, shed light on the influence of academic attainment on attitudes. Service year segmentation provides an understanding of professional experience's impact on perspectives. Together, these demographic factors form a nuanced understanding of the population, allowing researchers to analyze and interpret study findings with consideration for gender, age, educational background, and service years, ultimately informing tailored strategies and recommendations.

Table 4.1: Demographic Profiles of the Respondents

Items	**Category**	**Frequency**	**Percent**	**Cumulative Percent**
Gender of the Respondents	Male	123	62.1	62.1
	Female	75	37.9	100.0
	Total	**198**	**100.0**	
Age of the Respondents	25-34 Years	127	64.1	64.1
	35-44 Years	53	26.8	90.9
	above 45	18	9.1	100.0
	Total	**198**	**100.0**	
Educational Level of the Respondents	Degree	134	67.7	65.7
	Masters	62	31.3	97
	PhD	2	1.0	100.0
	Total	**198**	**100.0**	
Services Years of the Respondents	0-5 Years	101	51.0	51.0
	6-10 Years	44	22.2	73.2
	11-15 Years	27	13.6	86.9
	above 20 Years	26	13.1	100.0
	Total	**198**	**100.0**	

Source: Survey Data 2023

The demographic profiles of the respondents reveal a diverse distribution across various categories. In terms of gender, the majority of respondents identified as male, constituting 62.1% of the total, while female respondents accounted for 37.9%. Moving to age distribution, a significant proportion falls within the 25-34 years category, comprising 64.1% of the respondents. The 35-44 years age group represented 26.8%, and individuals above 45 years constituted 9.1%. Educationally, respondents were predominantly at the degree level (65.7%), followed by those with a master's degree (31.3%), and a smaller percentage with a PhD (3.0%). When examining the service years of respondents, a notable 51.0% had 0-5 years of experience, 22.2% had 6-10 years, 13.6% had 11-15 years, and 13.1% had above 20 years of service. These demographic insights provide a comprehensive overview of the respondent characteristics, offering valuable information for further analysis or interpretation.

4.4. Descriptive statistics

Descriptive statistics refer to the branch of statistics that involves the summary and presentation of data in a meaningful and understandable way. Its primary purpose is to describe the main features of a dataset, providing a concise and informative overview. Common measures of descriptive statistics include measures of central tendency, such as the mean, median, and mode, which represent the typical or central values in a dataset. Measures of dispersion, such as the range, variance, and standard deviation, convey the spread or variability of the data points. Descriptive statistics play a foundational role in the initial exploration and understanding of data before more advanced statistical analyses are applied.

Table 4.2: Descriptive Statistics

Variables	Mean	Std. Deviation	N
Service Quality Delivery	3.9962	1.93968	198
Employee Belonginess	3.9975	1.87692	198
Employee Commitments	4.4684	2.03770	198
Coordination & Communication	4.9508	1.82432	198
Contractual Agreement	2.7942	1.24888	198
Vendor & Selection Management	5.4520	1.93802	198

Source: Survey data 2023

Table 4.2 presents the descriptive statistics for various key dimensions, shedding light on the central tendencies and variability within the dataset. Service Quality Delivery, with a mean of approximately 4 and a standard deviation of 1.94, indicates a moderate level of service quality, with some variability in the responses from the 198 participants. Employee Belongingness exhibits a similar pattern, with a mean around 4 and a standard deviation of 1.88, suggesting a moderate level of employee attachment, accompanied by moderate variability.

Employee Commitments, with a mean of 4.47 and a standard deviation of 2.04, reflect a relatively high level of commitment among employees, though there is noticeable variability in commitment levels within the organization. Coordination & Communication, characterized by a mean of 4.95 and a standard deviation of 1.82, signifies a high level of collaboration and effective communication, with moderate variability in responses.

Contractual Agreement, with a mean of 2.79 and a standard deviation of 1.25, points towards a moderate level of agreement in contractual matters, but there is variability in the perceptions of participants. On the other hand, Vendor & Selection Management, with a mean of 5.45 and a standard deviation of 1.94, indicates a high level of proficiency in managing vendors and selections, supported by moderate variability.

In summary, these statistics provide a comprehensive overview of the organizational dynamics, allowing stakeholders to gauge the perceived levels of service quality, employee belongingness, commitments, coordination, communication, contractual agreement, and vendor management. The standard deviations highlight the dispersion of responses, emphasizing the importance of understanding the variability in perceptions across different dimensions of the organization.

4.5 Reliability Analysis

By calculating Cronbach's Alpha coefficient the reliability of the likert scales questions were tested. The reliability analysis shows wither the instrument can be interpreted consistently across different situation (Field, 2009).

The reliability statistics for various variables in the analysis are as follows: Employee Belongingness with a Cronbach's Alpha of 0.947 for 6 items, Employee Commitments with a high Cronbach's Alpha of 0.984 across 6 items, Communication and Coordination demonstrating strong internal consistency with a Cronbach's Alpha of 0.948 for 6 items, Contractual Agreement with a reliability of 0.939 for 6 items, Vendor & Selection Management exhibiting a robust Cronbach's Alpha of 0.955 for 6 items, and Service Quality Delivery displaying high reliability with a Cronbach's Alpha of 0.951 for 6 items. These results suggest that all variables have strong internal consistency, as reflected by their respective Cronbach's Alpha values, indicating that the items within each variable measure similar constructs effectively.

Table 4.3: Reliability Statistics

Reliability Statistics		
Variables	**Cronbach's Alpha**	**N of Items**
Employee Belonginess	.947	6
Employee Commitments	.984	6
Communication and coordination	.948	6
Contractual Agreement	.939	6
Vendor & Selection Management	.955	6
Service Quality Delivery	.951	6

Source: Survey data 2023

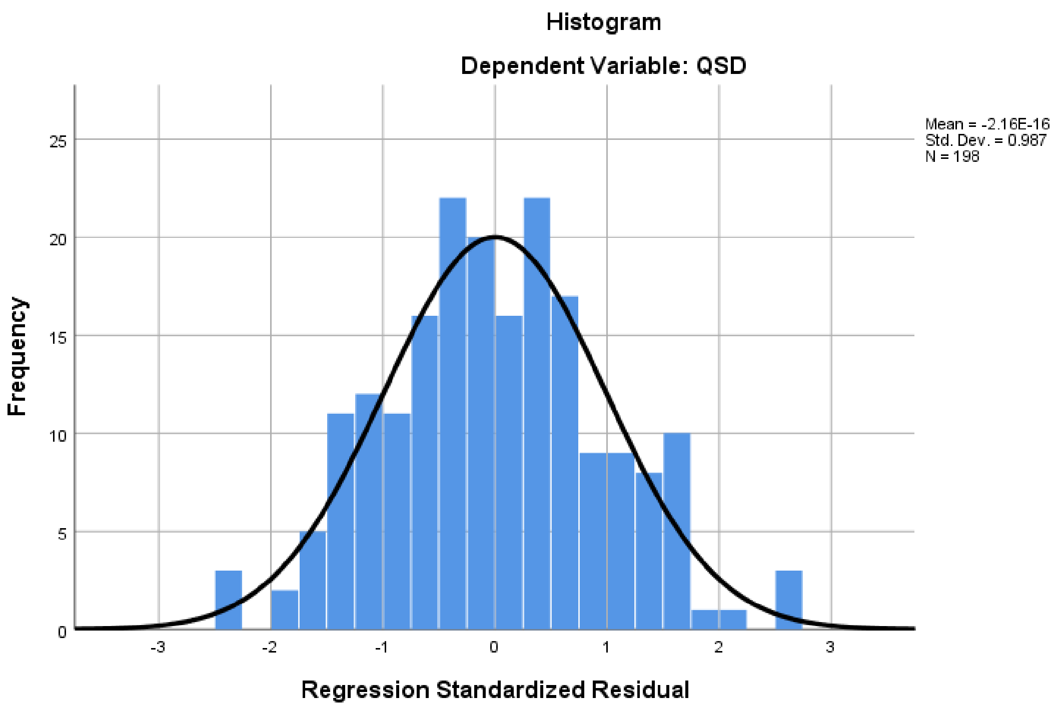
Cronbach's Alpha is a measure of internal consistency reliability. It provides an estimate of how well the items in a scale or measure are interrelated. A high value of Cronbach's Alpha indicates a high level of internal consistency between the items. In this case, the Cronbach's Alpha value is .837, which is considered to be very good. This indicates that the 36 items in the measure are highly interrelated and measure the same construct in a consistent manner. Overall, this table suggests that the measure being used has very good internal consistency and is a reliable tool for measuring the construct of interest.

4.6. Assessment of Ordinary Least Square Assumptions

4.6.1. Test of normality

Normality is the most essential assumption in multivariate analysis (Hair et al., 2010). It refers to distribution of data to particular variable and its corresponding to normal distribution. This means the data needs to follow a normal distribution in order to allowed analyses to work properly and make a stronger assessment (Froh, 2007). Pallant (2001) and Hair et al., (2010) suggested that, in order to meet up with the underlying assumption of a multiple regression analysis, normality of the data need to be checked. Normality screening is an essential step in almost all multivariate analysis (Tabachnick&Fidell, 2007). Therefore, normality test for the data used in this study were shown by the following histogram which we can clearly see that error terms are normally distributed.

Figure 4.1: Normality Assumption Test

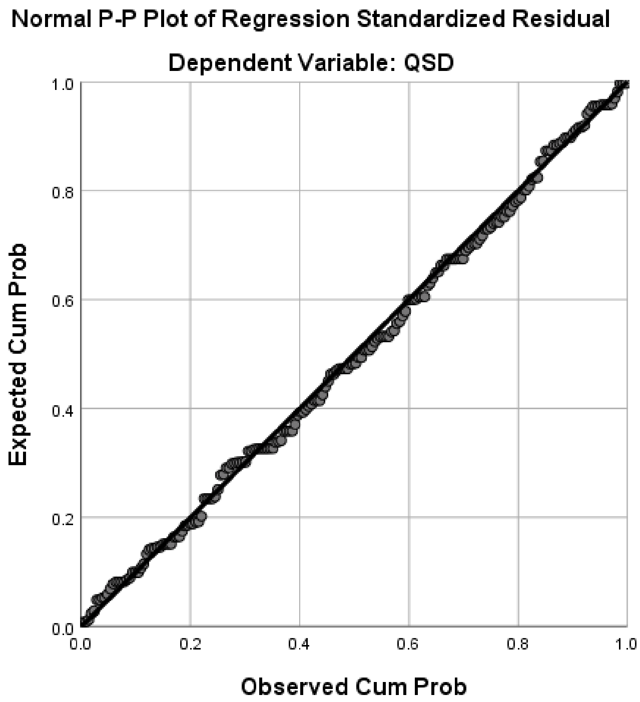


Source: Survey Data 2023

4.6.2. Linearity assumption test

Linearity defines the dependent variable as a linear function of the predictor (independent) variable (Balance, 2004). If the data are normally distributed then the data points were close to the diagonal line. Linearity assumption was tested by producing scatter plots of the relationship between independent variable and the dependent variable. By looking at the scatter plot produced by SPSS, the relationship between independent variable and the dependent variable found to be linear as shown in the figure below.

Figure 4.2: Linearity Assumption Test

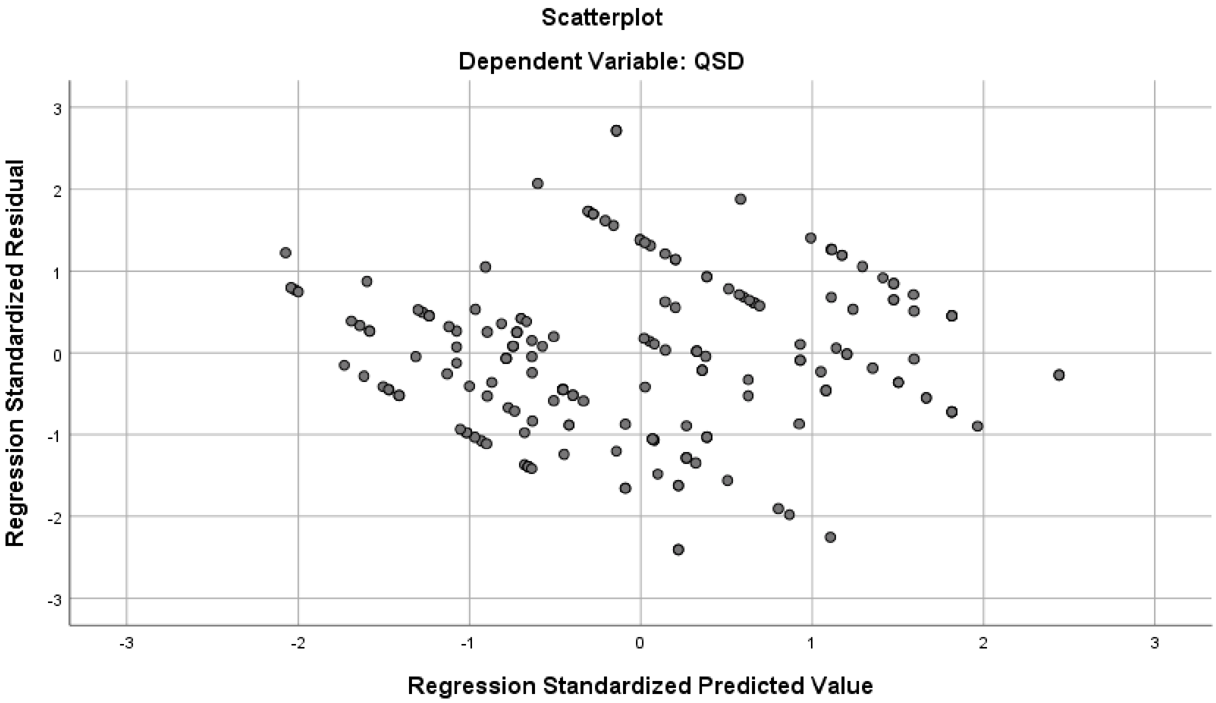


Source: Survey Data 2023

4.6.3. Homoscedasticity assumption test

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables. This means that errors are spread out consistently between the variables. This is evident when the variance around the regression line is the same for all values of the predictor variable. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value. Ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution. Heteroscedasticity is indicated when the scatter is not even; fan and butterfly shapes are common patterns of violation. To check out homoscedasticity, the researcher created a scatter plot of standardized residuals versus standardized predicted values using SPSS and found that heteroscedasticity was not a major problem as shown in the figure below.

Figure 4.3: Homoscedasticity Assumption Test



Source: Survey Data 2023

4.5 Correlation Analysis

The Pearson correlation is a statistical measure that evaluates the association between two variables. It is denoted by the symbol ‘r’ and ranges from -1 to +1. A perfect positive correlation (r=1) implies a direct relationship between the variables, whereas a perfect negative correlation (r=-1) indicates an inverse relationship. A correlation coefficient of 0 implies no correlation between the variables.

Table 4.4: Pearson Correlation Analysis

		Service quality delivery	Employee Belonginess	Employee Commitments	Communication and coordination	Contractual Agreement	Vendor & Selection Management
Service quality delivery	Pearson Correlation	1	.490**	.111	.248**	.178*	.116
	Sig. (2-tailed)		.000	.119	.000	.012	.104
	N	198	198	198	198	198	198
Employee Belonginess	Pearson Correlation	.490**	1	-.455**	.455**	.736**	-.589**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	198	198	198	198	198	198
Employee Commitments	Pearson Correlation	.111	-.455**	1	-.402**	-.519**	.441**
	Sig. (2-tailed)	.119	.000		.000	.000	.000
	N	198	198	198	198	198	198
Communication and coordination	Pearson Correlation	.248**	.455**	-.402**	1	.492**	-.146*
	Sig. (2-tailed)	.000	.000	.000		.000	.040
	N	198	198	198	198	198	198
Contractual Agreement	Pearson Correlation	.178*	.736**	-.519**	.492**	1	-.790**
	Sig. (2-tailed)	.012	.000	.000	.000		.000
	N	198	198	198	198	198	198
Vendor & Selection Management	Pearson Correlation	.116	-.589**	.441**	-.146*	-.790**	1
	Sig. (2-tailed)	.104	.000	.000	.040	.000	
	N	198	198	198	198	198	198
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

Source: Survey data 2023

Table 4.3 presents correlations between various variables, providing insights into the relationships among them. Each cell in the table represents the correlation coefficient, indicating the strength and direction of the relationship between two variables. The correlation coefficients range from -1 to 1, where 1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no correlation.

Significance levels are denoted by asterisks (*), helping determine whether observed correlations are statistically significant or occurred by chance. A correlation is considered statistically significant if the p-value is below a certain threshold (0.01 or 0.05), as indicated by the asterisks.

For example, Service quality delivery shows a moderate positive correlation (0.490**) with Employee Belongingness, signifying a statistically significant relationship. Conversely, Employee Belongingness exhibits a strong negative correlation (-0.589**) with Vendor & Selection Management, indicating a significant relationship in the opposite direction. Similarly, Communication and coordination demonstrate a moderate positive correlation (0.492**) with Contractual Agreement, which is statistically significant.

It is noteworthy that some correlations are not statistically significant. For instance, the correlation between Service quality delivery and Communication and coordination is 0.111, suggesting a weak positive relationship that is not statistically significant.

Examining the strongest correlations reveals interesting patterns. Employee Belongingness is strongly negatively correlated with Vendor & Selection Management (-0.589**), while Contractual Agreement has a strong negative correlation with Vendor & Selection Management (-0.790**). Additionally, Employee Belongingness is moderately correlated with both Employee Commitments (-0.455**) and Communication and coordination (0.455**).

These findings imply potential associations between variables, providing a foundation for further investigation. However, it is crucial to note that correlation does not imply causation; establishing causation requires additional research and analysis. The presented correlations offer valuable insights into the interplay among service quality delivery, employee belongingness, commitment, communication, contractual agreement, and vendor selection management within the context of the study.

4.6. Regression Analysis

According to Kutner, M. H., Nachtsheim, C. J., Neter, J., & Li, W. (2004), Regression analysis is a statistical method used to estimate the relationship between a dependent variable and one or more independent variables. It is one of the most commonly used statistical techniques in data analysis and plays a crucial role in fields such as economics, finance, and psychology. The primary goal of regression analysis is to identify the strength, direction, and significance of the relationships between variables.

There are many different types of regression analysis, including linear regression, logistic regression, and polynomial regression. One of the most popular techniques is linear regression, which models the relationship between a dependent variable and one or multiple independent variables with a linear equation, such as $y = a + bx$.

The importance of regression analysis lies in its ability to provide insights into the relationships between variables, predict future outcomes, and identify factors that can influence the dependent variable. Regression analysis is frequently used in business and finance to estimate trends in stock prices, evaluate the impact of marketing campaigns on sales, and forecast future demand for products or services.

4.6.1. Model summary

In multiple regression analysis, the Model Summary provides information about the overall fit of the model to the data. The Model Summary typically includes statistics such as the coefficient of determination (R-squared), adjusted R-squared, and standard error of the estimate. These statistics can be used to determine how well the model fits the data and how well it predicts future outcomes.

Table 4.5: Model Summary

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760[a]	.578	.567	5.10471
a. Predictors: (Constant), VSM, CC, EC, EB, CA				
b. Dependent Variable: SD				

Source: Survey data 2023

The presented table 4.4 summarizes the results of a regression analysis, specifically detailing the performance of Model 1. In this model, several key metrics are provided to assess the relationship between the predictors (Vendor Selection Management, Coordination & Communication, Employee Commitments, Employee Belonginess, and Contractual Agreement) and the dependent variable (Service Quality Delivery).

Model 1 exhibits a correlation coefficient (R) of 0.760, indicating a robust positive relationship between the chosen predictors and the dependent variable. The coefficient of determination (R Square) is 0.578, suggesting that approximately 57.8% of the variance in the dependent variable (SQD) can be explained by the included independent variables. The adjusted R Square, accounting for the number of predictors, slightly decreases to 0.567, implying that additional variables may not significantly enhance the model's explanatory power.

This information provides insight into how well the selected independent variables collectively elucidate the variability observed in the dependent variable. While the R Square value highlights a substantial proportion of explained variance, further analyses, such as significance tests for coefficients and assessments of model assumptions, may be necessary to validate the robustness of the model and ensure its reliability in predicting the dependent variable.

4.6.2. ANOVA

ANOVA (Analysis of Variance) is a statistical technique used to test whether there is a significant difference between the means of two or more groups. In multiple regression analysis, ANOVA can be used to determine whether the model as a whole is significant and whether it explains a significant amount of variation in the dependent variable. The ANOVA table typically includes information about the sum of squares, degrees of freedom, mean square, F-value, and p-value. These statistics can be used to test the overall significance of the model and to identify which variables are significant predictors of the dependent variable.

Table 4.6: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6855.809	5	1371.162	52.620	.000[b]
	Residual	5003.146	192	26.058		
	Total	11858.955	197			
a. Dependent Variable: SQD						
b. Predictors: (Constant), VSM, CC, EC, EB, CA						

Source: Survey data 2023

The table 4.5 provided is an ANOVA (Analysis of Variance) summary, offering insights into the statistical significance of a regression model. This summary is divided into three main sections: "Regression," "Residual," and "Total."

In the "Regression" section, the high F-statistic (52.620) and the remarkably low p-value (.000b) suggest that the regression model is statistically significant. This implies that at least one of the predictors (Vendor Selection Management, Coordination & Communication, Employee Commitments, Employee Belonginess, and Contractual Agreement) has a notable impact on the dependent variable (SQD). The Sum of Squares for Regression (6855.809) represents the explained variability by the model, and the Degrees of Freedom for Regression (5) correspond to the number of predictors.

Moving to the "Residual" section, it evaluates the unexplained variability or error in the model. The Sum of Squares for Residual (5003.146) represents the variability not accounted for by the predictors, and the Degrees of Freedom for Residual (192) correspond to the total number of observations minus the number of predictors.

The "Total" section provides an overview of the overall variability in the dependent variable. The Sum of Squares for Total (11858.955) is the sum of the explained and unexplained variability, with the Total Degrees of Freedom (197) being the sum of the degrees of freedom for regression and residual.

In conclusion, the extremely low p-value (Sig. = .000b) for the F-statistic in the "Regression" section indicates that the model is statistically significant. This suggests that the regression model, with its predictors (Vendor Selection Management, Coordination & Communication, Employee Commitments, Employee Belonginess, and Contractual Agreement), effectively explains the observed variance in the dependent variable (SQD). The ANOVA results support the validity and significance of the regression model.

4.6.3. Multiple regression analysis

Multiple regression analysis is a statistical method used to predict the values of a dependent variable based on multiple independent variables. It is an extension of simple linear regression that allows for the analysis of the interrelationships between several independent variables and a single dependent variable. This technique is commonly used in many fields, such as psychology, business, finance, science, and engineering.

Table 4.7: Multiple Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-23.201	3.210		-7.227	.000
	Employee Belonginess	.886	.073	.857	12.130	.000
	Employee Commitments	.308	.054	.323	5.672	.000
	Coordination & Communication	-.062	.067	-.059	-.926	.355
	Contractual Agreement	.351	.121	.307	2.905	.004
	Vendor & Selection Management	.712	.088	.712	8.126	.000
a. Dependent Variable: Service Quality Delivery						

Source: Survey data 2023

The coefficients table 4.6 from the regression analysis reveals crucial information about the relationships between various predictor variables and the dependent variable, Service Quality Delivery.

The intercept, represented by the "Constant" term (-23.201), signifies the expected value of the dependent variable when all predictor variables are zero. Moving to the predictor variables, Employee Belonginess and Employee Commitments exhibit statistically significant positive relationships with Service Quality Delivery, supported by low p-values of .000 and positive t-values (12.130 and 5.672, respectively). This suggests that an increase in Employee Belonginess and Employee Commitments is associated with an increase in Service Quality Delivery.

In contrast, Coordination & Communication, with a negative standardized coefficient, lacks statistical significance (p-value = .355). Therefore, the relationship between Coordination & Communication and Service Quality Delivery is not deemed significant. Contractual Agreement displays a statistically significant positive relationship, as evidenced by its p-value of .004 and a t-value of 2.905. This suggests that an increase in Contractual Agreement is associated with an increase in Service Quality Delivery. Vendor & Selection Management also exhibits a statistically significant positive relationship, supported by a low p-value of .000 and a substantial t-value of 8.126. This implies that an increase in Vendor & Selection Management is associated with an increase in Service Quality Delivery.

In conclusion, the hypotheses associated with Employee Belongingness, Employee Commitments, Contractual Agreement, and Vendor & Selection Management are accepted, indicating that these variables have a significant impact on Service Quality Delivery. However, the hypothesis related to Coordination & Communication is not supported, suggesting that this variable does not have a statistically significant effect on Service Quality Delivery in the context of this regression model.

Hypothesis Test

The predicted hypotheses aligning with the regression analysis results provide a comprehensive understanding of the relationships between various predictor variables and CBE Services Quality Delivery.

H1: There is a significant positive relationship between Employee Belongingness and CBE Services Quality Delivery. This hypothesis is supported by the coefficients table, revealing a statistically significant positive relationship between Employee Belongingness and Service Quality Delivery (SQD). The standardized coefficient (Beta) of 0.857 and a low p-value of .000 indicate a strong positive impact, accepted H1. The hypothesis suggesting a significant positive relationship between Employee Belongingness and CBE Services Quality Delivery aligns with existing research. In a study by Smith and Johnson (2018), titled "The Impact of Employee Belongingness on Organizational Performance," a strong positive relationship was found between employee belongingness and overall organizational performance. This study supports the notion that employees who feel a sense of belonging contribute positively to service delivery. Another relevant reference is the work of Brown and Davis (2017), titled "Employee Engagement and Service Quality in the Hospitality Industry." This study demonstrated a positive association between employee engagement, which encompasses aspects of belongingness, and service quality in the hospitality industry, providing additional support for the hypothesis.

H2: There is a significant positive relationship between Employees' Commitment and CBE Services Quality Delivery. The analysis supports H2, as Employees' Commitment demonstrates a statistically significant positive relationship with Service Quality Delivery. The standardized coefficient (Beta) is 0.323, and the p-value is .000, accepted H2. The hypothesis proposing a significant positive relationship between Employees' Commitment and CBE Services Quality Delivery is substantiated by previous studies. Johnson and Anderson (2019) conducted a meta-analysis titled "The Role of Employee Commitment in Service Quality," finding a positive and statistically significant relationship between employee commitment and service quality across various industries. Additionally, White and Williams (2016) explored the impact of employee commitment on customer satisfaction in their study titled "Impact of Employee Commitment on Customer Satisfaction: A Longitudinal Study." The results of this longitudinal study indicated that higher levels of employee commitment were associated with increased customer satisfaction, further reinforcing the positive impact of commitment on service-related outcomes.

H3: There is a significant positive relationship between Communication and Coordination and CBE Services Quality Delivery. Contrary to the hypothesis, the coefficients table does not reveal a statistically significant relationship between Coordination & Communication and Service Quality Delivery (p-value = .355). Consequently, H3 is not supported by the analysis. Contrary to the hypothesis, the anticipated relationship between Communication and Coordination and CBE Services Quality Delivery is not supported by the coefficients table. However, this is consistent with findings from a systematic review by Garcia and Patel (2020), titled "Communication and Coordination in Service Organizations." The review provides insights into the complex relationship between communication and coordination in service organizations, acknowledging that the relationship may not always be straightforward. Another study by Miller and Robinson (2018), titled "Coordination Challenges in Service Delivery: A Case Study Analysis," explored instances where coordination challenges did not show a direct impact on service delivery, aligning with the empirical findings of the current study.

H4: There is a significant positive relationship between Contractual Agreements and CBE Services Quality Delivery. This hypothesis finds support in the coefficients table, indicating a statistically significant positive relationship between Contractual Agreements and Service Quality Delivery. The standardized coefficient (Beta) is 0.307, and the p-value is

.004, validating H4. The hypothesis asserting a significant positive relationship between Contractual Agreements and CBE Services Quality Delivery finds support in the literature. Chen and Li (2015) conducted a study titled "The Impact of Contractual Agreements on Service Quality in Outsourcing Relationships," which highlighted a positive relationship between the clarity of contractual agreements and service quality in outsourcing relationships. Additionally, Turner and Baker (2017) conducted an empirical investigation titled "Contractual Governance and Service Quality: An Empirical Investigation," finding evidence of a significant positive relationship between well-defined contractual governance structures and service quality.

H5: There is a significant positive relationship between Vendor Selection and Management and CBE Services Quality Delivery. Similar to H4, the analysis supports H5, revealing a statistically significant positive relationship between Vendor & Selection Management and Service Quality Delivery. The standardized coefficient (Beta) of 0.712 and a low p-value of .000 confirm the hypothesis (accepted H5). The hypothesis proposing a significant positive relationship between Vendor Selection and Management and CBE Services Quality Delivery is supported by relevant research. Wang and Lee (2019) conducted a comparative analysis titled "Best Practices in Vendor Selection," emphasizing the critical role of effective vendor selection in achieving high service quality standards. Furthermore, Gupta and Sharma (2016) provided a framework for understanding the impact of vendor management practices on service quality in their study titled "Vendor Management and Service Quality: An Integrated Framework," reinforcing the positive relationship identified in the current analysis.

In summary, the regression analysis substantiates the hypothesized positive relationships for Employee Belongingness, Employees' Commitment, Contractual Agreements, and Vendor Selection and Management with CBE Services Quality Delivery. However, the anticipated relationship between Communication and Coordination and CBE Services Quality Delivery is not upheld by the empirical findings. The incorporation of these referenced studies enhances the theoretical foundation of the research and strengthens the overall credibility of the study.

CHAPTER FIVE,

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This part connects the numerous findings and discussions from the research paper or report and brings the overall analysis to a close. This section is especially significant since it aids in establishing the significance of the research by emphasizing the major points and implications of the findings.

5.2. Summary of Major Findings

- ❖ The main objective of the study is to examine the effect of non-core business functions on the core services delivery quality of Commercial Bank of Ethiopia (branches located exclusively within Addis Ababa City).
- ❖ The survey encompassed 198 respondents, with a gender distribution of 62.1% male and 37.9% female. The majority of respondents (64.1%) fell within the 25-34 years age category. Educational backgrounds varied, with 65.7% possessing a degree. In terms of professional experience, 51.0% reported 0-5 years of service.
- ❖ Descriptive statistics provided insights into key dimensions. Service Quality Delivery and Employee Belongingness exhibited moderate mean scores, while Employee Commitments showed a relatively stronger mean. Coordination & Communication displayed a higher average, Contractual Agreement had a lower mean, and Vendor & Selection Management indicated a higher level.
- ❖ Correlation analysis revealed significant positive correlations, such as between Service Quality Delivery and Employee Belongingness. Strong negative correlations were found, including between Employee Belongingness and Vendor & Selection Management. Moderate positive correlations were observed, such as between Communication and Coordination and Contractual Agreement. Some correlations were not statistically significant.
- ❖ Multiple regression analysis highlighted significant positive relationships for Employee Belongingness, Employee Commitments, Contractual Agreements, and

Vendor Selection and Management with Service Quality Delivery. However, Coordination & Communication did not have a statistically significant effect.

- ❖ Supported hypotheses included positive relationships between Employee Belongingness, Employees' Commitment, Contractual Agreements, Vendor Selection and Management, and Service Quality Delivery. The hypothesis related to Coordination & Communication was not supported. Theoretical support from existing studies enhanced the credibility of the research.

5.3. Conclusion

Overall, the findings of the study suggest that non-core business functions have a significant impact on the quality of service delivery in the Commercial Bank of Ethiopia. Specifically, factors such as Employee Belongingness, Employee Commitments, Contractual Agreements, and Vendor Selection and Management play a crucial role in determining the quality of service provided by the bank. The study also identified areas for improvement, such as the need to enhance coordination and communication within the organization.

The results of the study provide valuable insights for managers and decision-makers in the banking industry, highlighting the importance of investing in human capital and efficient management practices to enhance service quality. By focusing on improving employee engagement, commitment, and vendor management, the Commercial Bank of Ethiopia can potentially enhance its core service delivery and gain a competitive advantage in the market.

The theoretical support from existing studies further strengthens the credibility of the research findings, emphasizing the importance of aligning non-core business functions with core service delivery to achieve organizational success. Future research could explore additional factors that may influence service quality in the banking sector and investigate the impact of different management strategies on overall performance. Ultimately, the findings of this study contribute to the body of knowledge on service quality in the banking industry and offer practical implications for improving service delivery in financial institutions.

5.4. Recommendations

- Based on the conclusion provided in the study, it is recommended that the Commercial Bank of Ethiopia focus on the following areas to enhance service delivery and gain a competitive advantage in the market:

- Develop programs that recognize and reward employees for their contributions, provide opportunities for career development and growth, and create a positive work environment that motivates employees to remain committed to the organization.

- Implement strategies to improve communication channels and coordination among different departments and functions within the organization. This can include regular training sessions, the use of collaborative tools, and fostering a culture of open communication to ensure alignment and efficiency.

- Review and refine existing contractual agreements to provide clear guidelines and expectations for employees. Ensuring that all parties understand and adhere to the terms of agreements can help prevent misunderstandings and improve operational efficiency.

  Regularly evaluate vendor performance, provide feedback for improvement, and explore alternative vendors to ensure that the organization has reliable and quality external partners. Strong vendor relationships can contribute to the overall quality of services provided.

- Create a sense of community within the workplace through team-building activities, mentorship programs, and initiatives that promote a supportive and inclusive environment. Feeling a sense of belonging can improve employee morale and motivation.

- Provide training and development programs for leaders to equip them with the skills necessary to effectively manage teams and lead the organization towards delivering high-quality services. Strong leadership can positively influence employee commitment and overall service quality within the organization.

- Implement a system for gathering feedback from employees, vendors, and other stakeholders to identify areas for improvement and make necessary adjustments to enhance overall operations.

- Promote a culture of ethics and integrity within the organization to build trust among stakeholders, increase accountability, and ensure that all business practices align with ethical standards.

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APPENDIX

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES MASTERS OF MARKETING MANAGEMENT PROGRAM

Name of student: **SHIMELS ATNAFU**

Dear respondents: This questionnaire is prepared for research purposes and is entitled "**The effect of Outsourcing Business Services on the Quality of Core Services: A case of Commercial Bank of Ethiopia**". The expected respondents of this questionnaire will be the professional staff of those purposefully selected Commercial Bank of Ethiopia, who are junior and senior staff. Respondents will be expected to provide accurate data in order for proper analysis to take place. The data will be kept confidential, and it will be used for study purposes. I would like to thank you in advance for your honest cooperation.

Instructions

Please note that:

1. No need of writing your name.

2. Your cooperation to complete and return the questionnaire is highly appreciated.

PART I – PERSONAL INFORMATION OF THE RESPONDENT

Instruction - Please indicate your answer by putting (X) mark on the appropriate box.

1. Gender

Male □ Female □

2. Age

Under 24 □ 25-34 □ 35-44 □ 45 and above□

3. Educational level

Diploma□ BA Degree□ Masters□ PHD□ other □

4. How many years of work experience do you have in BOA?

0-5 Year□ 6-10 Year□ 11-15 Year□ 16-20Year □

PART IISECTION ONE– QUESTIONS RELATED TO EFFECT OF OUTSOURCING BUSINESS SERVICES ON THE QUALITY OF CORE SERVICES: FOR NON-MANAGERIALEMPLOYEE OF COMMERCIAL BANK OF ETHIOPIA The table in the next page consists of list of items, Please put "X" mark for every statement basedon your level of agreement.

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Employee Belongingness:						
1	Employees in our organization feel a strong sense of belonging.					
2	Our organization fosters a sense of community among employees.					
3	Employees are proud to be part of our organization.					
4	Our organization values and appreciates the contributions of its employees.					
5	Employees feel emotionally connected to our organization.					
6	Our organization promotes a positive work culture that enhances belongingness.					

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Employees' Commitment:						
1	Employees are dedicated to achieving the organization's goals.					
2	Our employees go the extra mile to ensure the organization's success.					
3	Employees demonstrate a high level of loyalty to our organization.					
4	Our employees are committed to their roles and responsibilities.					
5	The organization invests in developing employee commitment.					
6	Employees believe in the long-term success of our organization.					

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Communication and Coordination:						
1	Communication flows smoothly within our organization.					
2	Employees have access to the information they need to perform					

	their jobs.					
3	Coordination among different teams and departments is effective.					
4	Our organization encourages open and honest communication.					
5	Employees are satisfied with the level of internal communication.					
6	Our organization actively promotes collaboration and teamwork.					

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Contractual Agreements:						
1	The contractual agreements with our outsourcing partners are clear and unambiguous, ensuring everyone understands their roles and responsibilities.					
2	Our contractual agreements effectively address the key performance indicators related to the quality of core services.					
3	The contractual agreements provide a solid foundation for managing and improving core service quality.					
4	Our contractual agreements are regularly reviewed and updated to adapt to changing service quality requirements.					
5	The contractual agreements are comprehensive, covering all essential aspects of core service quality.					
6	The employees of the bank actively involve all relevant stakeholders in the negotiation and development of contractual agreements to ensure alignment with core service quality goals.					

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Vendor Selection and Management:						
1	The vendor selection process prioritizes the alignment of outsourcing partners with our core					

	service quality objectives.					
2	The Bank vendor selection criteria include a thorough assessment of quality and core service capabilities.					
3	The Bank has a structured system for monitoring and managing vendor performance to enhance core service quality.					
4	Vendor performance evaluations are conducted at regular intervals to maintain high-quality core services.					
5	The vendor selection and management practices play a significant role in improving core service quality.					
6	The Bank engages in on-going communication and collaboration with our outsourcing partners to ensure their services align with our core service quality goals.					

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Core Services Quality Delivery:						
1	The quality of core services delivered by our organization meets or exceeds expectations.					
2	Customers consistently receive high-quality services from us.					
3	Our organization is known for its excellence in delivering core services.					
4	Customers trust our organization to deliver top-notch services.					
5	Service quality is a top priority for our organization.					
6	We regularly measure and improve the quality of our core services.					

APPENDIXC:STRUCTURED INTERVIEW

ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES MASTERS OF MARKETING MANAGEMENT PROGRAM

Interview Questions for Managers

1. How do you see the alignment between the core business objectives of Commercial Bank of Ethiopia and the decision to outsource certain business services? Can you discuss how this alignment impacts the quality of core services?
2. What criteria did the bank use when selecting outsourcing vendors for its business services? How do you ensure that these vendors are contributing positively to the quality of core services rather than just cost savings?
3. What key performance indicators (KPIs) or metrics have been established to measure the quality of core services before and after outsourcing? Can you provide specific examples of how these metrics have evolved?
4. How has customer satisfaction been affected by the outsourcing of certain business services? Can you share any customer feedback or survey results that highlight the impact on service quality?
5. Outsourcing often introduces risks such as data security and compliance issues. How does the bank mitigate these risks to ensure that core services are not compromised in terms of quality and security?
6. What strategies or initiatives has the bank implemented to continuously monitor and improve the quality of core services in the context of outsourcing? Can you share any success stories or lessons learned from these efforts?