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**ASSESSMENT OF OUTSOURCING PRACTICES AND
EFFECTS ON SERVICE QUALITY: THE CASE OF
COMMERCIAL BANK OF ETHIOPIA HEADQUARTERS.**

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**ASSESSMENT OF OUTSOURCING PRACTICES ON SERVICE
QUALITY: THE CASE OF COMMERCIAL BANK OF ETHIOPIA
HEADQUARTERS.**

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Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted at any university for a degree.

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This is to Certify that the thesis prepared by *Anteneh Kinde*, entitled: *ASSESSMENT OF OUTSOURCING PRACTICES ON SERVICE QUALITY: THE CASE OF COMMERCIAL BANK OF ETHIOPIA HEADQUARTERS*, submitted in partial fulfillment of the requirements for the Master of Arts in *Logistics and Supply Chain Management* complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Abstract

The study aims to assess the practice of outsourcing on service quality, focusing services at the Commercial Bank of Ethiopia (CBE) headquarters. Data were collected from 253 CBE headquarters employees and 57 Commercial Nominees workers. Descriptive statistics were used to analyze the questionnaire data. Results indicated that service providers were rated higher than in-house services, with an average mean score of 3.156 after outsourcing compared to 3.153 before outsourcing. Responsiveness improved, showing a mean score of 2.98 post-outsourcing versus 2.75 pre-outsourcing. Tangible aspects of service quality had a mean score of 3.10 after outsourcing, slightly lower than the 3.23 before outsourcing. Assurance saw a decline, with a grand mean of 3.715 post-outsourcing compared to 3.53 pre-outsourcing. Empathy ratings decreased from 3.25 before outsourcing to 2.97 after outsourcing. The paired sample test revealed a significant improvement in service quality post-outsourcing, with a t-value of 12.260 and a p-value of .000, rejecting the null hypothesis of no significant difference. In conclusion, service quality improved post-outsourcing. Recommendations include expanding outsourcing to all branches, improving logistics management, ensuring material standards, and enhancing communication with service providers. Future research should examine the practice and other outsourced services across various sectors to build on these findings.

Keywords: *Reliability, responsiveness, tangibles, assurance, empathy, Commercial Nominees, Commercial Bank of Ethiopia*

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Acronyms

CBE: Commercial Bank of Ethiopia

CN: Commercial Nominees

SLS: Service Level Standard

SERVQUAL: Service Quality Model

SCM: Supply Chain Management

RFP: Request For Proposal

REQ: Request For Quotation

SLAs: Service Level Agreements

SEM: Structural Equation Modeling

KPIs: Key Performance Indicators

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Chapter One

1. Introduction

This paper's introduction incorporated the study's background, problem statement, research objectives, research questions, significance of the study, scope, definitions, concepts, terms, and organization.

1.1. Background of the Study

Outsourcing involves transferring traditional business functions to external companies Mikhailov (2006). Rumyantseva (2006) notes that it enhances company efficiency by delegating non-core tasks to specialized firms. Raizberg et al. (2005) describe outsourcing as delegating non-core functions to skilled subcontractors, viewing it as a collaborative method to streamline business processes. Furthermore, outsourcing effectively allocates internal and external resources to meet contemporary business challenges (Kalendzhyan, 2003).

Weiner and Seuring (2009) explain that outsourcing involves using external resources for operational tasks and shifting work previously done internally to third-party organizations. This allows companies to focus on core functions, adopt new technologies, enhance reliability, and significantly reduce production costs. For the Commercial Bank of Ethiopia (CBE), outsourcing is in its early stages, with only a few services currently outsourced.

The literature presents mixed views on outsourcing's effects. Gilmer (1997) criticizes it for its impact on human resources, such as salary reductions, staff redundancy, or layoffs when jobs are transferred to external agents. Contractual employment by service providers can lead to less loyalty compared to direct employment, potentially affecting service quality. Ender and Mooney (1994) also highlight staff reduction as a significant drawback that can harm institutional morale. To mitigate these impacts, they suggest outsourcing management personnel only, reducing staff through attrition, involving employees in the contractor selection process, and re-bidding contracts frequently.

Over the past two decades, the rise of outsourcing has been driven by the idea that a company's competitive advantage lies in focusing on core competencies while outsourcing non-core activities (Prahalad & Hamel, 1990). However, there is debate about whether outsourcing should include core functions. Prahalad and Hamel (1990) argue that core competencies are crucial and should not be outsourced, while Gay and Essinger (2000) believe that both core and non-core activities

can be outsourced. Defining core activities can be challenging Mintzberg (1998) cited in Workalemahu (2015), yet outsourcing is increasingly preferred over vertical integration for providing various services (Gay & Essinger,2000).

Brown and Wilson (2005) identify three types of outsourcing: selective, full, tactical, strategic, and transformational. According to Selamawit (2016), CBE has undertaken business process reengineering (BPR) due to customer needs, privatization, and liberalization, using strategic management tools like result-oriented management and a balanced scorecard (BSC). Over time, CBE recognized the need for external specialists, leading to outsourcing starting in late 2009. Currently, CBE outsources services such as motorist service, security, janitorial/cleaning, and messenger or courier services (Workalemahu,2015).

The researcher aims to investigate the practice of outsourcing on service quality, focusing at the Commercial Bank of Ethiopia's headquarters.

1.2. Statement of the Problem

Outsourcing has become more sophisticated globally, encompassing non-core functions like janitorial services and core functions such as production and marketing. In Ethiopia, the Commercial Bank of Ethiopia (CBE) is a major user of outsourcing services within the business sector. Outsourcing is a relatively new concept in Ethiopia, particularly in the banking sector. Recently, many organizations have adopted outsourcing, operating under the premise that if they cannot provide a service or product at a lower cost and equal quality compared to an external provider, they should outsource it (Workalemahu, 2015).

Organizations outsource non-core business functions to third parties to reduce transaction costs, improve service quality, and focus on core competencies. However, outsourcing can negatively impact service recipients. One issue is that service providers may lack the technical expertise, capability, and capacity needed to deliver the desired performance Aron et al. (2005). Additionally, Gilmer (1997) notes that outsourcing can lead to job transfers, potentially resulting in lower salaries or benefits.

Various studies have examined the impact of outsourcing on service quality internationally. Ikenwa and Olusegun (2019) found that cleaning service quality at the University of Lagos improved after outsourcing. Similarly, Muraguri EK et al. (2015) discovered significant differences in the quality of outsourced versus in-house cleaning services at Kenyan public universities. Igoche et al. (2022) revealed that the quality of cleaning services at Nigeria's Bank

of Agriculture improved post-outsourcing. Shimaa et al. (2019) found that private cleaning providers were more cost-effective but provided lower cleanliness compared to in-house services, emphasizing cost-effectiveness over service quality.

These studies highlight the benefits of outsourcing but also potential drawbacks, such as reduced service quality. No similar study has been conducted in Ethiopia, indicating a knowledge gap regarding the impact of outsourcing on service quality. This study aims to address that gap by examining the practice of outsourcing on the quality of services rendered at the CBE headquarters. According to CBE literature, customer needs, privatization, and liberalization have driven the bank to engage in BPR for organizational transformation, supported by strategic management tools like result-oriented management and a balanced scorecard (BSC). Over time, CBE has recognized the need for external specialists, leading to outsourcing as a management option, which began in late 2009. By May 2008, CBE had started outsourcing cleaning and security services, selecting providers based on service level standards and experience.

1.3. Objectives of the Study

1.3.1. General Objective of the Study

The primary aim of this study is to evaluate how outsourcing impacts the quality of services at the headquarters of the Commercial Bank of Ethiopia.

1.3.2. Specific Objectives of the Study

This study aims to:

1. To examine the types and processes involved in the current outsourcing practices for various services at the Commercial Bank of Ethiopia headquarters.
2. To identify the main reasons behind the outsourcing decisions at the Commercial Bank of Ethiopia headquarters.
3. To assess the service quality regarding reliability, responsiveness, tangibles, assurance, and empathy at the Commercial Bank of Ethiopia headquarters.
4. To analyze the effects of outsourcing on the overall service quality at the Commercial Bank of Ethiopia headquarters.

1.4. Research Question

To address the problems stated in the problem statement, this study tried to answer the following research Questions:

1. What types and processes do CBE follow to outsource services?

2. What are the primary reasons for the current outsourcing practice of the Commercial Bank of Ethiopia headquarters' services?
3. To what extent is the service quality (reliability, responsiveness, tangibles, assurance, and empathy) of the Commercial Bank of Ethiopia headquarters cleaning services?
4. How does outsourcing affect the service quality in the case of the Commercial Bank of Ethiopia's headquarters?

1.5. Significance of the study

Business outsourcing is closely linked to globalization. As globalization rapidly advances, it compels continents and countries to participate or risk becoming irrelevant. However, Ethiopia has shown slow progress in attracting investors, particularly in the realm of offshore outsourcing businesses. There is still considerable room for development in expanding the variety of outsourcing types. This study examines current outsourcing practices and identifies the opportunities and challenges that arise post-outsourcing. The insights and recommendations derived from this research are expected to be valuable to the Commercial Bank of Ethiopia and similar organizations, especially those contemplating outsourcing or seeking to broaden their service offerings.

This research provides a novel perspective by distinguishing the differences in service quality between outsourced and in-house cleaning services. The study's findings are informative and highly relevant to the local context of outsourcing practices. Moreover, this research serves as a foundational reference for future studies, inspiring curiosity and further exploration among the audience

1.6. Scope

This study was conducted at the Commercial Bank of Ethiopia (CBE) headquarters in Addis Ababa, Ethiopia. The CBE headquarters is a skyscraper completed on February 13, 2022, and is the tallest building in Ethiopia. It serves as the headquarters for the state-owned Commercial Bank of Ethiopia, the country's largest bank. The study focused on three main areas: the outsourcing practice of services, the service quality differences between outsourced and in-house cleaning services using the Parasuraman (1998) model, which includes five dimensions (reliability, responsiveness, tangibles, assurance, and empathy) with a total of 22 items, and the effect of outsourcing on the quality of services. Conducted in 2024, the study utilized a robust research methodology to ensure the validity of the results.

1.6. Limitation

This study had a limited scope, concentrating solely on specific areas and particular types of outsourced services. Future research should expand to include services in other regions and consider a wider range of outsourced services. This broader approach will offer a more comprehensive understanding of the subject. Exploring diverse geographic locations and additional service categories will provide more generalizable insights and potentially uncover varying dynamics in outsourcing practices across different contexts.

1.7. Definition of Terms

Inventory Management: This area focuses on maintaining an efficient flow of inventory, ensuring accurate inventory practices, and optimizing inventory turnover to make the best use of available space.

Warehousing Management Activities: This involves maintaining high standards of housekeeping, implementing proper receipt procedures, minimizing commodity damage through effective storage techniques, and addressing health and safety concerns to improve staff welfare.

Material Handling Activities: This includes conducting quality checks on materials, adopting modern storage infrastructure, utilizing advanced material handling equipment to enhance efficiency, and ensuring that suppliers comply with regulations such as emissions limits, hazardous material labeling, and product specifications to improve product quality.

Transport Management: This focuses on optimizing vehicle route scheduling, enhancing fleet visibility with tracking tools, and ensuring the overall efficiency of transportation operations.

Procurement Logistics Management: This involves implementing transparent supplier sourcing practices, maintaining good relationships with suppliers, and ensuring effective communication with service providers.

1.8. Organization of the study

The research paper is structured into five chapters. Chapter One includes the introduction, study background, problem statement, research objectives and questions, significance, scope, and definitions of key terms. Chapter two covers the theoretical framework, empirical literature review, and conceptual framework. Chapter three outlines the research methodology. Chapter four presents

the data analysis, results, and interpretation. The fifth and final chapter provides the summary, conclusion, and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1. Introduction

Chapter two presents a theoretical review of empirical studies, a review of the research gap, and a conceptual framework.

2.2. Theoretical Review

2.2.1. The concept of outsourcing

Outsourcing is a relatively new practice in financial institutions in Ethiopia. Understanding how these institutions decide whether to manage services or procure them from third-party providers internally is crucial. Theoretical frameworks developed by scholars such as Jurison (1995) and Bauer (1967) offer insights into these decisions. Jurison's decision theory involves a risk-benefit analysis, comparing potential risks and expected benefits to determine the optimal outcome. When applied to outsourcing, decision-makers must evaluate all possible risks and benefits before making a decision.

Bauer's risk theory focuses on the individual's perception of risk and how it influences their decision to proceed with a transaction. It posits that if the expected benefits outweigh the risks, a positive attitude toward the decision will prevail. In business, perceived risks play a significant role, especially in adopting new technologies. Perceptions of outsourcing can be positive or negative, with negative views often linked to the potential for outsourcing failures Aubert (1998). Despite the risks, outsourcing offers advantages summarized by Dibbern and Goles (2004), who also use a risk-benefit framework similar to decision theory (Tamura, 2005). Jurison (1995) suggests that financial administrators must thoroughly assess perceived risks and benefits before deciding on outsourcing. This analysis helps determine whether to outsource non-core business functions, allowing organizations to focus on their primary competencies and offload secondary functions. The underlying assumption is that if an external provider can deliver a service at a lower cost and equal quality, the institution should outsource it. Proponents argue that the private sector often delivers services more efficiently and at a lower cost than the public sector.

Outsourcing, or contracting out, involves procuring services or products from external suppliers instead of in-house. The key to successful outsourcing is ensuring it aligns with the institution's mission and long-term goals. Financial institutions require various support services, and if they

cannot maintain these services to the community's expectations, outsourcing to external experts is advisable (Jefferies, 1996).

However, implementing outsourcing can be challenging due to entrenched traditions, stable ownership, management philosophies, and established norms and cultures, which can resist change (Bartem, 2002). Despite being a natural business process, outsourcing impacts motivation, performance, and evaluation differently across institutions. Kennedy (2002) notes that outsourcing allows organizations to focus on core activities by offloading secondary ones, driven by factors such as improved service, staffing constraints, budget limitations, and access to technology. Jefferies (1996) adds that well-planned outsourcing can lead to reduced costs, improved service quality, and increased efficiency and innovation.

Outsourcing can enhance an organization's strategic triangle of quality, cost, and time. Private-sector vendors often provide services more efficiently and at lower costs, thanks to added expertise and economies of scale. Vendors bear the costs of new equipment and technology, bringing in new expertise and business knowledge. Institutions benefit from the vendors' latest technology and knowledge without investing in market research. Vendors, specializing in specific services, achieve economies of scale, acquiring inputs at lower costs. They also strive to provide cost-effective services to ensure profit, benefiting the financial institution's goals (Kaganoff, 1998).

Strategic decision-making in outsourcing involves considering various issues and exploring all options to select the best approach for the institution. Understanding the functional area's current operation and assessing its strengths, weaknesses, opportunities, and threats enables informed decisions. The increasing use of outsourcing globally indicates its acceptance as a cost-reducing and efficiency-enhancing strategy by institutional authorities (Goldstein, 1993).

Table 2.1: Summary of definitions of outsourcing

Sources	The definition of "Outsourcing."
(Mikhailov, 2006, p. 12)	The outsourcing of standard and naturally existing functions of the entities to external firms.
(Rumyantseva, 2006, pp. 31-32),	Optimizing the company can be achieved by outsourcing non-core functions to specialized external firms.

(Raizberg et al, 2005, p. 29)	Outsourcing traditional non-core functions to highly qualified third-party subcontractors while forgoing internal business processes is viewed as a form of collaboration.
(Kalendzhyan, 2003, p. 270)	This tool efficiently distributes internal and external resources and funding to meet the objectives and challenges encountered by modern businesses in highly dynamic conditions.
(Lonsdale and Cox, 2005)	The process of outsourcing current functions from the company to an external firm.
In summary, outsourcing is a successful business strategy that leverages external resources to accomplish organizational objectives.	

2.2.2. Types of Outsourcing

Brown and Wilson (2005) identified various categories of outsourcing, which are described below:

- 1. Selective and Full Outsourcing
- 2. Tactical and Strategic Outsourcing
- 3. Transformational Outsourcing

2.1.2.1 Selective and full outsourcing

Outsourcing enables organizations to focus on their core strengths and can be divided into two categories based on the type of human capital and work function involved. Selective outsourcing involves outsourcing specific unwanted functions within an organization as a tactical measure, helping to reduce costs and allowing the institution to focus on more critical areas. Strategic-shift outsourcing is a more extensive form that brings in highly specialized talent that is scarce, aiming to achieve the same cost-reduction goals as selective outsourcing while also establishing a mutually beneficial relationship due to the contract's scale and implications.

2.1.2.2. Tactical and strategic outsourcing

Tactical Outsourcing: Used to address specific issues such as financial constraints, inadequate in-house management, or a need to downsize. This traditional form of outsourcing is based on cost comparison and the make-or-buy decision, offering benefits like cost savings, reduced future investments, and staffing solutions. It involves executing business processes according to existing

rules and can extend to peripheral activities, allowing management to acquire industry-specific capabilities through chosen vendors Hussey & Jenster (2003). Large corporations often use this method for high-volume tasks like payroll, HR administration, and procurement.

Strategic Outsourcing: Redefines the organization by freeing management to focus on core business functions. It builds long-term value through relationships with a small number of best-in-class service providers.

2.1.2.3 Transformational Outsourcing

Transformational outsourcing is used to redefine a business, helping institutions maintain leadership positions, build sustainable competitive advantages, and generate high value (Linder, 2004). It addresses issues such as good governance, mature business process knowledge, and well-monitored service level agreements (SLAs). Although the risks associated with strategic and transformational outsourcing are higher than those with tactical outsourcing, they are usually shared with the outsourcing partner. Effective risk mitigation plans, high-security levels, mature project management skills, and proven business continuity plans must be in place before initiating such arrangements.

2.2.3. Outsourcing Process

The standard procedure and stages of outsourcing, including initial decisions, ongoing management, and performance assessment, as well as the evolution of the relationship between the host organization and the business process vendor, were outlined by Brown and Wilson (2005). The strategy phase usually marks the start of an outsourcing endeavor, where the host organization defines the objectives, scope, and feasibility of the outsourcing concept before proceeding. Additionally, estimates are made regarding the total time, budget, and required resources. At this stage, a request for information (RFI) may be prepared and circulated, inviting responses from interested service providers to gain deeper insights into various aspects of the outsourcing arrangement.

Moving into the scoping phase, the host organization establishes baselines and service levels expected from the vendors. Clarity is achieved regarding which functions will be outsourced and which will remain in-house. A request for proposal (RFP) is then formulated, with only vendors meeting the criteria from the RFI response being eligible to respond to the RFP. The responses to the RFP are evaluated, and vendors are selected. Subsequent negotiations take place, during which the host organization may create a request for quotation (RFQ) to understand the pricing model of the selected vendor. Common pricing models such as cost per full-time equivalent, time and

material, price per unit, volume-based pricing, managed service fee, no cure – no pay, and fixed price are considered during negotiations Bartell (1998), as cited in (Workalemahu, 2015).

Negotiations result in a contract being signed between the host organization and the chosen vendor. Vendors may be required to demonstrate their capabilities outlined in the RFP/RFQ response by executing a pilot project. The host organization evaluates the vendor's services during this pilot phase to assess their competence in delivering the proposed service. Depending on the nature of the outsourced work, it may involve a one-time contract for non-continuous services, and the host organization aligns its processes accordingly and defines appropriate interfaces between the buyer and the service providers Gonalgo et al. (2005). Change management initiation and implementation are crucial during this phase for a successful transition from contractual to post-contractual phases.

The completion phase manages end-of-life arrangements, including evaluating contracts due for renewal. The host organization decides whether to extend the contract, part ways amicably with the vendor to engage another, or bring the function back in-house. Renewal of contracts highlights the cyclical nature of outsourcing activities, and risks associated with outsourcing can be mitigated through thorough planning (Aron et al., 2005). Operational and strategic risks are identified, with operational risks stemming from the complexity of the activity itself and continuous in nature, such as signing multi-year renewable contracts.

The implementation phase signifies the shift from in-house processes to the outsourced vendor, often involving a requirements assessment sub-phase where the vendor optimizes operations through process re-engineering. Following a successful transition, continuous monitoring and management are carried out in the management phase, integrating the client's processes with the external vendor's operations and defining suitable interfaces between the buyer and the service providers (Gonalgo et al.,2005). Effective change management is critical during this phase, marking the transition from contractual to post-contractual phases for a successful outsourcing outcome.

2.2.4. Arguments on Outsourcing

Gilmer (1997) argues that the primary critique of outsourcing revolves around its impact on human resources. The transfer of jobs from the financial institution to the outsourced agent can lead to salary reductions, staff layoffs, or downsizing. In some cases, the service provider might hire contract workers, potentially leading to lower loyalty to the institution compared to direct

employment. Consequently, critics of outsourcing express dissatisfaction with the quality of service provided by contractors.

Similarly, Ender and Mooney (1994) highlight that the major downside of outsourcing is staff layoffs, which can negatively affect the morale within the institution. They proposed a set of guidelines to mitigate these negative effects, such as limiting outsourcing to management personnel, reducing staff through attrition, involving employees in contractor selection, and frequently re-evaluating contracts.

Conversely, the increasing adoption of outsourcing in the past two decades has been supported by arguments from management experts and academics. They argue that an organization's competitive edge lies in identifying, focusing on, and enhancing its core competencies while outsourcing non-core functions (Prahalad & Hamel, 1990). However, there's debate on whether outsourcing should be limited to non-core activities or if it can also encompass core activities.

According to Prahalad and Hamel (1990), core competencies should not be outsourced as they are crucial to an organization's success. In contrast, Gay and Essinger (2000) advocate for outsourcing core and non-core activities. Nonetheless, defining what constitutes a core activity can be challenging (Mitzberg, 1998). Despite these debates and definitions, evidence suggests that outsourcing is increasingly replacing vertical integration as the preferred method for organizing the provision of goods, processes, and services (Gay & Essinger, 2000).

2.2.5. Reasons of Outsourcing

The primary motivations for outsourcing encompass both financial and technical aspects. Financially, organizations are driven by the desire to lower costs, boost profits, and reduce initial capital investment through regular payments (Bhattacharya, 2003). On the technical front, outsourcing is pursued for reasons such as enhancing quality, accessing new skills and technologies, tapping into vendor expertise, and benefiting from economies of scale. Notably, tactical drivers like skill shortages and cost-saving opportunities play a significant role in outsourcing decisions.

Strategically, organizations aim to redirect focus toward innovation and core strengths. Top-performing companies are streamlining their business processes, improving feedback mechanisms (Brown and Wilson (2005), and elevating quality benchmarks. Chamberland (2003) categorizes outsourcing drivers into three main areas: organizational enhancement, financial gains, and cost efficiencies, each contributing to the overall rationale behind outsourcing initiatives.

2.2.5.1. Organizational drivers

The primary goals of the organization-driven initiative are to intensify focus on core business activities, enhance adaptability to dynamic business landscapes and customer demands, harness emerging technologies, and enhance overall stakeholder value. Delegating the tactical aspects of managerial tasks to external parties enables management to devote time to strategic matters, such as refining core business operations and elevating service quality. Outsourcing also facilitates reallocating resources from non-core functions to that delivering higher customer value.

Specific functions of this nature are identified, segregated, and then assigned to specialized vendors. Additionally, the organization can proactively identify current core functions that may diminish in importance due to strategic shifts. These initiatives contribute to employees' career progression, fostering greater commitment and vigor in non-core areas. Employees are recognized as pivotal assets, particularly in labor-intensive service sectors.

2.2.5.2. Improvement drivers

The primary aims of this initiative include enhancing operational performance, acquiring specialized expertise, skills, and technologies, improving management and control, strengthening risk management, fostering innovation, and boosting credibility and reputation by partnering with top-tier providers. Key performance indicators such as productivity, quality, timeliness, cycle time, and utilization can be targeted for enhancement. When an organization recognizes that its internal capabilities are insufficient for a specific function due to evolving business dynamics, it may delegate this function to a specialized service provider. This provider would bring superior administrative competence, employ well-trained and experienced staff, and utilize industry best practices. By outsourcing, organizations become more flexible, dynamic, and capable of adapting to new opportunities.

2.2.5.3. Financial and cost drivers

This initiative aims to lower investment costs in assets, free up resources for other uses, and generate cash by transferring assets to the service provider. By outsourcing these business processes, the host institution can avoid the investments needed to modernize them. Outsourcing also helps in reducing or controlling operating expenses. One of the most attractive short-term benefits is gaining access to the service provider's lower cost structure. Additionally, institutions benefit from reduced costs with improved performance and the ability to convert fixed costs into variable ones. Service providers are often more efficient at managing fluctuating demands due to economies of scale, automation, process maturity, and investment in cutting-edge technology.

2.2.6. Major Reasons for Outsourcing at CBE

Coping with Market Instability:

The emergence of new private banks significantly influences the growth and market share of established financial institutions like the Commercial Bank of Ethiopia (CBE). Market instability can prompt large banks to reevaluate their strategies, focusing on core capabilities rather than diversification. To navigate intense competition and adapt to changing environments, large banks need to implement mechanisms that aid in cost reduction. One effective approach is converting fixed costs into variable costs by outsourcing non-core functions, achieving greater financial flexibility to respond swiftly to market fluctuations without the burden of high fixed costs. This adaptability is crucial for maintaining competitiveness in an unpredictable market (Kakabadse & Kakabadse, 2002).

Absence of Skills:

No organization can be an expert in every field. Financial institutions, in particular, may lack expertise in areas beyond their primary operations, which can hinder their ability to efficiently perform certain functions. Outsourcing serves as a strategic solution to address this skills gap. By collaborating with external service providers, banks can access highly skilled professionals with specialized expertise. This enhances the quality of the outsourced tasks and allows the institution to concentrate on its core competencies. For example, outsourcing IT services to a specialist firm ensures the bank benefits from the latest technological advancements and best practices without needing to develop these capabilities internally (Quinn, 1999).

Advance Budget Distribution:

Certain activities within a financial institution are challenging to manage internally, especially when aligning with market discipline. This difficulty is pronounced in areas requiring specialized assets or undergoing significant changes, such as the IT sector. Outsourcing these activities to external experts can lead to more efficient budget allocation. By allowing specialized tasks to be managed externally, the institution can avoid the high costs associated with developing and maintaining these capabilities in-house. Instead, the bank can allocate its budget more effectively, focusing resources on core business areas that drive growth and profitability. For instance, outsourcing IT infrastructure management enables the bank to benefit from cutting-edge technology and expert management without the capital expenditure and operational costs of maintaining such systems internally, according to (Lacity & Hirschheim, 1995).

Risk Mitigation:

Outsourcing plays a crucial role in risk management. Financial institutions can mitigate operational risks by delegating non-core functions to specialized service providers. External vendors often have robust systems and processes to manage risks associated with specific functions, resulting in enhanced service reliability and reduced risk exposure for the bank (Deloitte, 2016).

Focus on Core Competencies:

A primary advantage of outsourcing is that it allows institutions to focus on their core competencies. By offloading non-core activities to external providers, banks can concentrate their efforts on critical activities aligned with their mission and strategic goals. This focused approach can lead to improved performance and a stronger competitive position in the market (Prahalad & Hamel, 1990).

Scalability and Flexibility:

Outsourcing provides scalability and flexibility that are difficult to achieve with in-house operations. External service providers can quickly adjust their services to meet the bank's needs, giving the institution the agility to respond to market demands and opportunities. This scalability is particularly valuable during periods of rapid growth or market expansion (Willcocks & Lacity, 1998).

Access to Innovation:

Outsourcing can foster innovation within financial institutions. External vendors often bring new perspectives, advanced technologies, and innovative solutions that the bank might not develop independently. By leveraging the expertise of these vendors, banks can stay at the forefront of industry developments and continuously enhance their service offerings (Brown & Wilson, 2005).

Cost Efficiency:

Cost efficiency is a key driver for outsourcing. External providers can often perform functions at a lower cost due to economies of scale, specialized expertise, and optimized processes. This cost efficiency allows banks to reduce operational expenses and reinvest the savings into strategic initiatives that promote growth and competitiveness (Lacity & Willcocks, 2001).

Regulatory Compliance:

In the highly regulated financial industry, ensuring compliance with various regulations is critical. Outsourcing certain functions, especially those related to compliance and risk management, to specialized providers can help banks maintain regulatory compliance. These providers typically

have a deep understanding of the regulatory landscape and can ensure the bank's operations adhere to all necessary standards (Gospel & Sako, 2010).

Outsourcing offers financial institutions like the Commercial Bank of Ethiopia a strategic opportunity to enhance operational efficiency, access specialized skills, improve budget allocation, and navigate market volatility. By leveraging external service providers' expertise, banks can focus on their core competencies, drive innovation, and achieve greater flexibility and cost efficiency. Strategic outsourcing not only addresses immediate challenges but also positions the institution for long-term success in a competitive and rapidly evolving market.

2.2.7. Service Level Standard of the CBE

CBE has established a Service Level Standard (SLS) with its service providers through contractual agreements. The SLS defines the minimum required service levels, forming the foundation for managing outsourced services and ensuring mutual understanding between CBE and the service provider. This standard allows CBE to monitor and control the service provider's performance, promoting accountability (CBE, 2018).

Key inputs to maintaining the required SLS include ensuring that non-clerical employees provided by the service provider are qualified, disciplined, efficient, and possess integrity, trustworthiness, respectfulness, attentiveness, and are free from drug addiction. The service provider must verify that each employee meets education, experience, health, training, and special requirements and has no criminal record. Employees should be between 18 and 55 years old and receive adequate orientation about the services and CBE in general.

Non-clerical employees must adhere to CBE's rules and regulations. Misconduct such as unauthorized use of resources, theft, submitting false documents, gambling, offensive interactions with CBE personnel or customers, and disruptive behavior in the office is unacceptable.

For security services, the SLS specifies that security guards must protect offices, buildings, vehicles, and other properties 24/7. They should safeguard CBE property, personnel, and customers, prevent crimes, and communicate promptly within 30 minutes of any incident. Security guards also aim to prevent fires, explosions, collapses, and other disasters, and provide assistance and escort services within CBE branches or district offices as detailed in the SLS (CBE, 2018).

2.2.8. Outsourcing and Improved Quality Service

Parasuraman (1998) describes service quality as the customer's overall perception or judgment of a service. It pertains to the extent to which a service meets or exceeds customer expectations,

leading to customer satisfaction. High-quality service delivers value for money, even if it comes at a higher cost, as the benefits justify the expense. The goal of government spending is often to obtain substantial value rather than merely secure low-cost services.

The literature suggests that the pursuit of high-quality service is a major driver for organizations to outsource (Pahiratan, 2017). Service quality can be a crucial factor in determining business strategies. For instance, although cleaning is a non-core activity for banks, maintaining a clean environment is essential for the health and well-being of both staff and customers, preventing the spread of diseases. A clean environment is critical because no customer wants to transact in a dirty setting, and no employee can perform effectively in such conditions. Therefore, banks aiming to achieve their primary objectives may consider outsourcing support services like cleaning despite potential risks.

However, opinions on outsourcing's ability to ensure quality service are mixed. Muraguri EK et al. (2015) found that outsourced cleaning services generally provide better quality than in-house services, achieving higher value for money despite higher costs. Conversely, a study by Domberger et al. (1995) on public institutions in New South Wales, Australia, using data from 61 cleaning service contracts, indicated that while outsourced services maintained quality, they did not improve it, and costs were reduced due to competitive tendering and contracting. Additionally, a survey in the same area reported a decline in the quality of cleaning services post-outsourcing. Based on these findings, the researcher hypothesizes:

H1: There is a significant difference in cleaning service quality before and after outsourcing at the CBE headquarters.

2.2.9. Service Quality

Parasuraman (1998) introduced the gap model to measure consumer perceptions of service quality. This model identifies the differences between what users expect and what is actually delivered. It distinguishes five types of gaps:

Gap 1: The difference between what users expect and what the institution perceives those expectations to be. This occurs when the institution does not fully understand customer expectations.

Gap 2: The difference between the institution's understanding of customer expectations and the actual service specifications. This happens when service standards are not aligned with customer expectations.

Gap 3: The difference between the specified service quality and the actual service delivered. This indicates a discrepancy in-service performance.

Gap 4: The difference between the actual service delivered and the communication to customers about the service. This gap highlights the inconsistency between promised and delivered service.

Gap 5: The cumulative effect of the first four gaps, representing the overall difference between expected service and perceived service.

Parasuraman et al. developed the "SERVQUAL" scale to measure customer perceptions of service quality (Parasuraman, 1998).

SERVQUAL

The SERVQUAL model, introduced by Parasuraman (1998), is a tool for evaluating service quality. It has undergone several revisions, with the most notable one in 1994. SERVQUAL is widely recognized and accepted for measuring service quality. It primarily measures the gap between customer expectations of service and the actual service delivered by an organization.

Initially, service quality was considered a multi-dimensional concept with ten attributes: reliability, responsiveness, competence, accessibility, courtesy, communication, credibility, security, understanding the customer, and tangibles. Later revisions condensed these attributes into five key dimensions (Buttle, 2013).

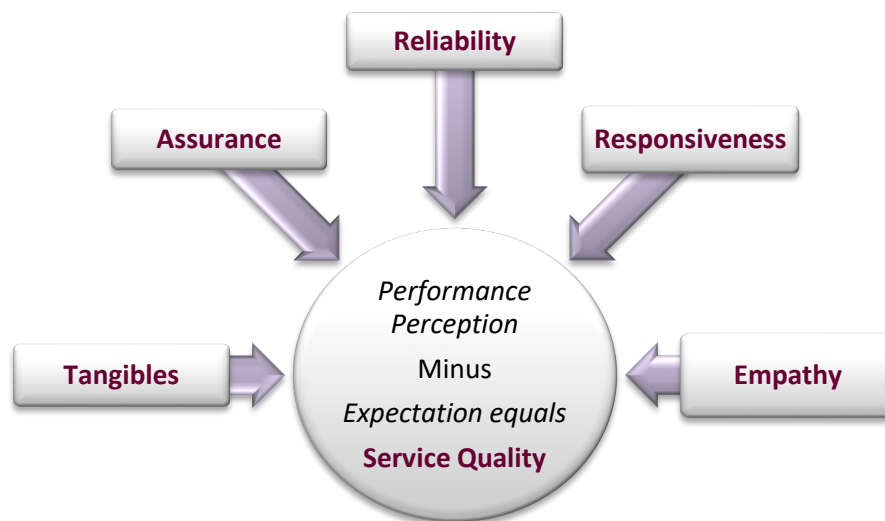


Figure 1.1. SERVQUAL Model

According to Parasuraman (1998), the components depicted above are considered the amalgamation of their prior efforts, and the users' feedback on the items under these components is critical.

Performance Perception - Expectation = Service Quality	8
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By then, the quality of services must be assessed by computing the variance between what the users imagine and what they have found on the ground (Hazlett, 1997).

2.3. Review of Previous Empirical Studies

2.3.1. Empirical studies on the practices of Outsourcing Services

Igoche et al. (2022) conducted a study titled "Outsourcing Cleaning Services as an Alternative to In-House Cleaning in an Organization: A Case Study of the Bank of Agriculture (BOA), Bauchi Plaza." This research focused on the effects of outsourcing cleaning services at the Bank of Agriculture Plaza in Bauchi, Nigeria. Using purposive sampling, 36 bank employees were selected, and data were collected through questionnaires. Descriptive statistics revealed a significant improvement in cleaning service quality after outsourcing. The study recommended that the bank continue outsourcing to enhance operational efficiency and resource allocation.

Shimaa et al. (2019) examined the efficiency and effectiveness of outsourcing cleaning services in their study "Cheap and Dirty: The Effect of Contracting Out Cleaning on Efficiency and Effectiveness." They noted that outsourcing public services, particularly ancillary services, has been prevalent since the 1980s. By 2014, over £100 billion of U.K. public services were outsourced annually. This study tested various hypotheses related to service quality and cost-effectiveness in the English National Health Service. Data from 2010 to 2014 for 130 NHS trusts indicated that private providers were more cost-effective but provided lower-quality cleaning services compared to in-house teams.

Selamawit (2016) explored the opportunities and challenges of outsourcing at the Commercial Bank of Ethiopia (CBE). This descriptive, quantitative study assessed the benefits and challenges the bank faced in outsourcing non-core activities. Data collected through cluster random sampling and analyzed using descriptive statistics showed that outsourcing helped CBE access specialized expertise, reduce costs, improve quality, and focus on core activities. However, the bank also faced challenges such as employee conflict, low service quality, and reduced employee loyalty. The study recommended diversifying outsourced services and providers to maximize benefits.

Workalemahu (2015) investigated the benefits and challenges of outsourcing practices at CBE, focusing on non-core functions like security, cleaning, driving, and courier services. Data from questionnaires and interviews were analyzed using SPSS. Findings revealed significant challenges, including a lack of internal expertise, increased costs, and low employee loyalty. Despite these

issues, benefits included reduced administrative burden, increased flexibility, and improved cleaning equipment. The study recommended improving the monitoring and evaluation of outsourced services to address these challenges.

Sisay (2017) conducted a study on outsourcing at the Development Bank of Ethiopia (DBE), examining its benefits and challenges. Using both primary and secondary data sources, the study involved questionnaires distributed to 252 employees. Results indicated that outsourcing saved time and money, allowed the bank to focus on core functions, and facilitated strategic focus. However, challenges included poor resource handling, high maintenance costs, and quality control issues. The study recommended continuous training, better resource monitoring, and integrating effective outsourced workers into permanent roles to enhance employee morale and service quality.

2.3.2. Empirical studies on Outsourcing services Logistics and SCM

Raja and Kherun (2018) explored the connection between Supply Chain Management (SCM) and outsourcing. They highlighted that SCM and outsourcing are critical tools for improving organizational performance, each with distinct features, processes, advantages, and disadvantages. This study discussed the possible links between SCM and outsourcing, elaborating on their individual characteristics and potential interrelationships.

Kariko (2016) examined "Logistics Outsourcing and Supply Chain Performance: A Survey of Universities in Nairobi County." This study investigated logistics outsourcing practices among Nairobi County universities through primary data collected via self-administered questionnaires. Analyzing the data using descriptive statistics and regression analysis, the study found that while in-house transport was the most common, logistics outsourcing significantly improved supply chain performance. The study concluded that logistics outsourcing helps reduce costs, focus on core activities, reduce risks, and gain competitive advantages. However, challenges included loss of control, student non-cooperation, industrial unrest, switching costs, information leaks, and stakeholder resistance to change.

Charles (2016) reviewed "Outsourcing (Logistics) Services and Supply Chain Efficiency: A Critical Review of Outsourcing Function in Mukwano Group of Companies." This paper examined the impact of outsourcing on overall organizational performance, discussing various approaches and terminologies used by organizations. It analyzed the current market and the effects of outsourcing decisions on organizations, presenting insights into sector-specific outsourced

activities. The study concluded by predicting future trends in outsourcing and making recommendations for organizations considering outsourcing.

Awurr (2018) studied "Service Outsourcing and Supply Chain Performance of Private Hospitals in Nairobi, Kenya." The study aimed to determine the most commonly outsourced services and their impact on supply chain performance in Nairobi's private hospitals. Using a descriptive research design, the study found that ICT, logistics management, cleaning, and security services were the most frequently outsourced. The findings indicated a positive relationship between service outsourcing and supply chain performance. The study recommended that companies carefully review their outsourcing strategies, although it faced limitations due to hospitals' reluctance to participate.

Zeky (2017) assessed the "Logistics Outsourcing Practice of Commercial Bank of Ethiopia (CBE)." This research aimed to evaluate the challenges and prospects of outsourcing logistics services at CBE. Using both primary and secondary data, the study found that outsourcing enabled the bank to save managerial time, focus on core functions, and aggressively expand its branches. However, challenges included defining service level agreements (SLAs), selecting appropriate vendors, reducing direct control, and measuring service quality. The study recommended that CBE revise its SLAs with service providers and closely monitor service quality. It concluded that while outsourcing helped CBE focus on core activities, it did not yield as many benefits as expected, and the bank faced several challenges that needed mitigation through strategic diversification and improved management practices.

2.3.3. Empirical studies on the effect of Outsourcing Services on Quality

Muraguri et al. (2015) conducted a comparative study titled "Effects of Outsourcing Cleaning Functions on Service Quality in Public Universities in Kenya: A Comparative Study of Outsourced and In-House Cleaning Services." The research aimed to compare the service quality between outsourced and in-house cleaning services at Kenyatta University, which outsources its cleaning services, and Karatina University, which uses in-house cleaning. Targeting faculty, non-teaching staff, and business school students, the study sampled 74 respondents from Kenyatta and 67 from Karatina. Using the SERVQUAL model for data collection, the study found a significant difference in service quality between the two approaches, with outsourced services yielding better quality ($t = 3.901$, $p = 0.000$). The satisfaction index also favored outsourced services (0.7111)

over in-house services (0.5951), leading to the recommendation that public universities prioritize outsourcing cleaning services.

Dubem et al. (2014) explored service quality and user satisfaction of outsourced facilities management (FM) services in Nigerian public hospitals. An empirical survey of 208 stakeholders assessed satisfaction levels with outsourced FM services and validated a conceptual model using structural equation modeling (SEM). The study identified cleaning, security, and landscape maintenance as the top-rated services, while plant maintenance was the least rated. The SEM results indicated that all six service quality satisfaction hypotheses were supported, with security services (path loading 0.88) and cleaning services (0.82) contributing significantly to overall satisfaction. This study highlighted the strong causal relationship between service quality and satisfaction in the context of Nigerian public hospitals.

Ikenwa et al. (2019) examined the "Impact of Outsourcing on Cleaning Service Quality: A Study of The University of Lagos." The study used questionnaires to collect primary data from 43 staff members, analyzing the data with descriptive and inferential (t-test) statistics. The results showed a significant improvement in cleaning service quality post-outsourcing ($t = 5.790$, $p = 0.000$). The study recommended that the university consider outsourcing other non-core support activities to enhance administrative efficiency and resource allocation.

Faustina (2019) studied "Outsourcing Cleaning Services in the Tourism and Hospitality Business." The research emphasized that hotels could benefit from the expertise of external outsourcing suppliers to ensure high-quality cleaning services. The study discussed the strategic importance of outsourcing, the risks involved, and the necessity of careful planning and drafting service level agreements (SLAs) aligned with hotel goals. It also highlighted the challenges of quality control and supervision, the importance of integrating the cleaning company into the hotel's objectives, and the use of key performance indicators (KPIs) to monitor and maintain service standards.

Mohammed et al. (2019) surveyed the satisfaction of the university community with in-house sourcing versus outsourcing in selected Ethiopian government universities. The study found that outsourcing non-core activities led to better resource management, reduced administrative burdens, fewer staff complaints, and lower operational and recruitment costs. The research concluded that university communities—comprising students, academic staff, and support staff—showed higher satisfaction levels with outsourced services compared to in-house services, emphasizing the benefits of outsourcing in improving service quality and operational efficiency.

2.4. Research Gap

2.4.1. Summary of the empirical studies on the practices of Outsourcing Services

Table 2.2. Summary of the empirical studies on the practices of Outsourcing Services

No	Author	Title	Methodology	Variables	Finding	Gap
1	(Igoche et al, 2022)	Outsourcing Cleaning Services as an Alternative to In-House Cleaning in an Organization: A Case Study of the Bank of Agriculture (BOA), Bauchi Plaza	Descriptive statistics.	Responsiveness, Reliability, Tangibility and Competence	There is significant variation in cleaning service quality between the two scenarios. And the satisfaction gained from continuing the contracted cleaning solutions	Scope gap
2	(Shimaa et al, 2019)	Cheap and Dirty: The Effect of Contracting Out Cleaning on Efficiency and Effectiveness	Using data from 2010–11 to 2013–14 for 130 National Health Service trusts	Quality cleaning performance (quality shading), cleaning costs (contestability) and cleaning services	Private providers are cheaper but dirtier than their in-house counterparts.	Limited to the UK in the context of cleaning services in the English National Health Service.

3	(Selamawit, 2016).	Outsourcing in Commercial Bank of Ethiopia: Opportunities and Challenges	a descriptive study applying a quantitative approach	Challenges and opportunities	<p>Opportunities: Gaining access to specialized expertise, lowering overhead and operational expenses, enhancing service quality, distributing commercial risk, and freeing up time to focus on core activities.</p> <p>Challenges: Experiencing low employee engagement, conflicts of interest between outsourced and permanent staff, and the provision of substandard services.</p>	Limited to the challenges only
4	(Workalemahu, 2015)	Benefits and Challenges of Outsourcing Practices At Commercial Bank of Ethiopia	Descriptive	Benefits and challenges	<p>Challenges: The lack of internal expertise and the performance of outsourced driving services lead to higher costs, decreased loyalty and confidentiality, inadequate monitoring and evaluation of security, cleaning, driving, and courier services, and subpar quality from outsourced service providers.</p> <p>Benefits: Reducing administrative burdens, increasing flexibility, minimizing fixed costs, reducing budget wastage, and introducing improved cleaning equipment.</p>	Riveted on the benefits and challenges

5	(Sisay, 2017)	Outsourcing and Its Benefits and Challenges at the Development Bank of Ethiopia	Descriptive	Benefits and challenges	<p>Benefits: save time and money, reduce costs and personal work, help the bank focus more on its core functions, and focus more on strategies.</p> <p>Challenges: Ineffective management of the bank’s resources and high maintenance expenses, difficulties in supervising outsourced staff during working hours, issues with service quality, lack of ownership and belonging, and poor communication.</p>	Focused on the benefits and challenges
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2.4.2. Summary of the empirical studies on Outsourcing services Logistics and SCM

Table 1.3. Summary of the empirical studies on Outsourcing of services, Logistics, and SCM.

No	Author	Title	Methodology	Variables	Major findings	Gap
1	(Raja and Kherun, 2018)	Relationship between Supply Chain Management and Outsourcing	Descriptive	SCM and outsourcing	In the end, about 80% of outsourcing could result in the implementation of supply chain management.	Unable to show its relationship with quality service
2	(Kariko, 2016)	Logistics Outsourcing and Supply Chain Performance: A Survey of Universities In Nairobi County''	descriptive statistics and regression analysis	SCM, Logistics outsourcing, Management policy, Adequate technology, supportive external environment	There is a drive to use logistics outsourcing as a strategy to reduce costs, pursue core business activities, reduce risks, and gain competitive advantage.	Unable to show its relationship with quality service
3	(Charles, 2016).	Outsourcing (Logistics) Services and Supply Chain Efficiency.	descriptive statistics and regression analysis	Supply chain efficiency, outsourcing administration	Outsourcing planning positively influences Supply chain efficiency, and outsourcing administration has a significantly (dominant) positive influence on overall efficiency in relation to decision-making and planning.	Unable to show its relationship with quality service
4	(Awurr, 2018) titled	Service Outsourcing and Supply Chain Performance of Private	descriptive research design	Service outsourcing and supply chain performance	There was a positive relationship between service outsourcing and supply chain performance.	Unable to show its relationship

		Hospitals in Nairobi, Kenya				with quality service
5	(Zeky, 2017).	Assessment of the Logistics Outsourcing Practice of Commercial Bank of Ethiopia (CBE)	Descriptive research	Inventory Management, warehousing Management, Material handling Activities, Transport Management, procurement Logistics Management	The performance of the service provider was not as per service level agreement.	

2.4.3. Empirical studies on the effect of Outsourcing Services on Quality

Table 2.4. Empirical studies on the effect of Outsourcing Services on Quality

No	Author	Title	Methodology	Variables	Result	Limitation
1	(Muraguri et al, 2015)	Effects of Outsourcing Cleaning Functions on Service Quality in Public Universities in Kenya: A Comparative Study of Outsourced and in-House Cleaning Services.	A simple t-test was a descriptive and inferential (t-test) statistic	five dimensions of SERVQUAL	There existed a significant difference between the service quality of outsourced and in-house cleaning services.	Contextual gap
2	(Ikenwa et al, 2019)	“Impact of Outsourcing on Cleaning Service Quality: A Study of The University of Lagos”.	Descriptive and inferential (t-test) statistic	SERVQUAL model but Rephrased into 16 statements	The quality of the cleaning service improved after it was outsourced	Contextual gap
3	(Dubem et al, 2014).	Service quality and user satisfaction of outsourced facilities	Structural Equation	SERVQUAL model dimensions	The three top services are cleaning, security, and landscape maintenance,	Unable to show its relationship with quality service

		management (FM) services in Nigeria's public hospitals	Modelling (SEM)		while plant maintenance and its personnel are the least-rated services.	
4	(Faustina, 2019)	Outsourcing cleaning services in the tourism and hospitality business	Descriptive	Outsourcing cleaning services	Outsourcing may expose the hotel to several types of risk, and this is because the outcome of the job done by the cleaning staff is directly seen and judged by the hotel's customers.	Unable to show its relationship with quality service
5	(Mohammed et al, 2019)	Satisfaction of the University Community on in-house sourcing of some selected Universities in Ethiopia	Econometric Analysis		Outsourcing afforded the university the opportunity to improve resource management, reduce administrative burden, reduce staff complaints, and reduce operational and recruitment costs.	Focused on satisfaction, and their satisfaction may be the result of other factors. The study is unable to show how outsourcing is related to quality services.

2.5. Conceptual Framework

Zeky (2017) examined several key aspects in the context of inventory management and outsourcing. These aspects include:

1. **Inventory Management:** This involves ensuring the smooth flow of inventory, accurate inventory practices, and optimal space utilization through efficient inventory turnover.
2. **Warehousing Management Activities:** This focuses on maintaining good housekeeping practices, implementing proper receipt procedures, mitigating commodity damages through proper storage, and enhancing staff welfare through health initiatives.
3. **Material Handling Activities:** This includes performing quality checks on materials, adopting modern storage infrastructure, improving efficiency with advanced material handling equipment, and ensuring supplier compliance with regulations such as emission caps, hazardous material labeling, and product specifications to enhance product quality.
4. **Transport Management:** This aims to optimize routes in vehicle scheduling and increase vehicle visibility through improved fleet tracking tools.
5. **Procurement Logistics Management:** This involves transparent supplier sourcing, maintaining good supplier relations, and ensuring effective communication with service providers.

These parameters were utilized to evaluate the outsourcing practices of services at the Commercial Bank of Ethiopia (CBE).

Sisay (2017) identified several primary motivations for outsourcing, including saving time and money, reducing costs, and allowing the bank to focus on core functions and strategic activities. However, challenges such as poor resource management, high maintenance costs, difficulties in controlling outsourced staff, quality issues, lack of ownership, and communication problems were also noted. The current study aims to justify the reasons for outsourcing services at CBE headquarters.

Previous studies by Muraguri et al. (2015), Ikenwa et al. (2019), and Dubem et al. (2014) utilized the SERVQUAL model developed by Parasuraman (1998). This model evaluates service quality based on five variables: reliability, responsiveness, tangibles, assurance, and empathy. These studies were used to assess the quality of outsourced cleaning services compared to in-house

services. The current study adopts this model, incorporating service quality (the difference between outsourced and in-house cleaning services) and the five variables from the SERVQUAL model, albeit with some modifications.

Outsourcing Practices: The types of services outsourced include specific areas such as janitorial, security, and IT services. Understanding the processes involved in outsourcing requires examining the procedures followed to outsource these services, which encompasses selection criteria, contract formulation, and management practices. Additionally, it is crucial to explore the reasons for outsourcing, including motivations such as cost reduction, allowing the organization to focus on its core competencies, and accessing specialized skills.

Service Quality Dimensions:

1. **Reliability:** Consistency and dependability of the outsourced services.
2. **Responsiveness:** Willingness and ability of service providers to address issues and meet the bank's needs promptly.
3. **Tangibles:** Physical appearance and equipment quality associated with the outsourced services.
4. **Assurance:** Knowledge and courtesy of the service providers and their ability to inspire trust and confidence.
5. **Empathy:** Degree of care and personalized attention provided by the outsourced service providers.

The conceptual framework for the current study is as follows:

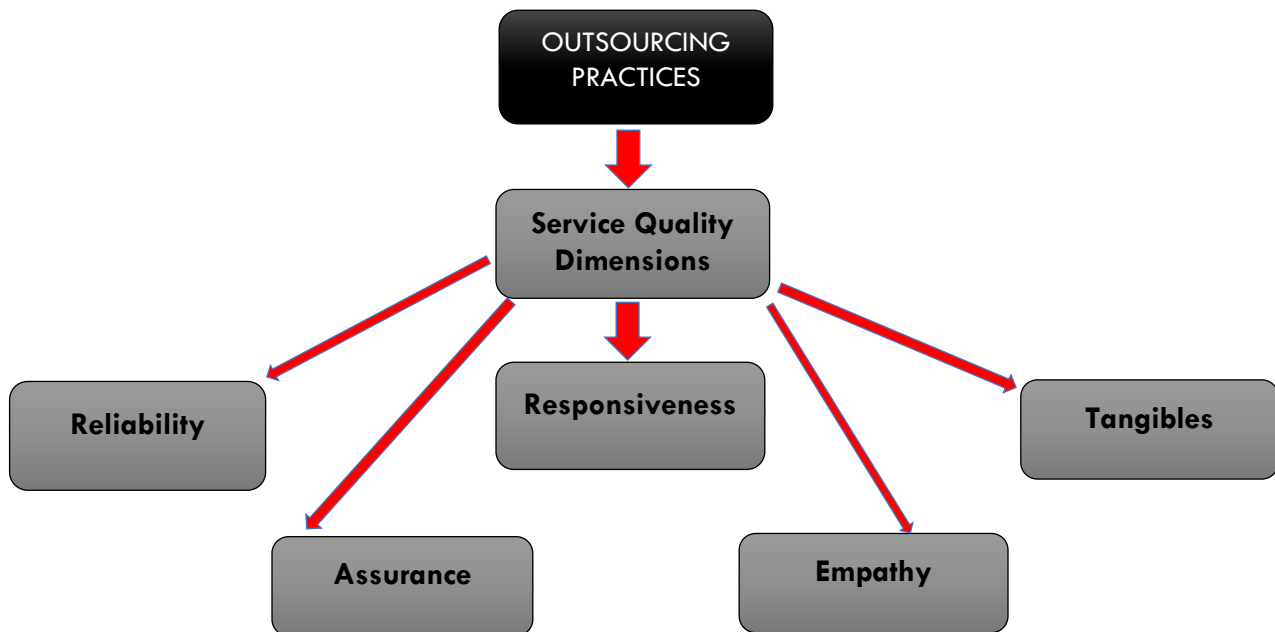


Figure 1.2. Conceptual framework (Source: (Parasuraman, 1998))

Chapter Three

3. Research Methodology

3.1. Introduction

Chapter three covers methodological issues such as research design, research approach, population and sampling, sources of data, tools of data collection, data analysis, and presentation.

3.2. Study Setting

Brief History

The banking industry in Ethiopia began with the establishment of the Bank of Abyssinia in 1905, a partnership between the Ethiopian Government and the National Bank of Egypt. This bank operated until 1931, after which it was acquired by the Ethiopian Government and renamed "The Bank of Ethiopia." The bank continued its operations until the Italian invasion in 1936 (<http://www.combanketh.com/> Accessed date 12/05/2013).

The State Bank of Ethiopia was established in August 1942 following Ethiopia's victory over Fascist Italy from 1943 to 1963. Initially intended as a commercial bank, it was assigned central banking duties in 1943, marking the inception of today's Commercial Bank of Ethiopia (CBE). The State Bank of Ethiopia managed central and commercial banking functions until 1963.

In 1963, the Monetary Proclamation created two separate entities: the Commercial Bank of Ethiopia and the National Bank of Ethiopia, responsible for commercial and national banking functions, respectively. During the 17-year command economy period, the Commercial Bank of Ethiopia was the sole commercial bank in the country, serving as an instrument of the government's central planning and socialist policies. The Banking Proclamation of 1994 opened the door for private sector involvement in banking, ending CBE's monopoly.

Today, the Commercial Bank of Ethiopia is the nation's leading bank in terms of capacity, accessibility, and deposit mobilization. Since its establishment in 1942, the CBE has played a crucial role in Ethiopia's economic development. Despite the emergence of private commercial banks, the CBE continues to lead in assets, deposits, capital, customer base, and branch network.

Vision

“To become a World-Class Commercial Bank by 2025.”

Mission

“We are committed to realizing stakeholders’ values through enhanced financial intermediation by deploying the best professionals and technology.”

Now

Branches

CBE has more than 836 branches throughout the country, including subsidiaries in the Republic of Southern Sudan, the so-called Juba. (<http://www.combanketh.com/> Accessed on 12/06/2014) Commercial Bank of Ethiopia combines a wide capital base with more than 18,000 talented and committed employees as of June 2014. The Commercial Bank of Ethiopia is arranged into fifteen (15) districts and has a head office for administrative purposes.

The CBE Headquarters is now a skyscraper in Addis Ababa, Ethiopia. It was completed on 13 February 2022 and has become the tallest building in Ethiopia. It serves as the headquarters of the state-owned Commercial Bank of Ethiopia, the country's largest bank. It is also the tallest building in all of East Africa (Barnes, 2022).

3.3. Research Design

The current study adopted both descriptive designs. It described the characteristics and depth of outsourcing services at CBE headquarters and provided the existing phenomena with implications for the area under investigation. According to Kothari (2004), the descriptive type's main drive is to explain a given situation's current status. Descriptive research is a typical instrument for defining the features of a given occurrence.

3.4. Research Approach

A mixed qualitative and quantitative research approach was adopted in this study. The study tried to gain an understanding of the underlying five dimensions of service quality postulated by (Parasuraman, 1998). Accordingly, this study employed a qualitative approach in addition to the quantitative approach.

3.5. Population and Sampling

3.5.1. Target population

There are two groups of population: (1) the employees of Commercial Bank of Ethiopia headquarters and (2) the workers of Commercial Nominees/CN. As per the annual report of CBE 2023 (CBE, 2023), the total number of employees in the Commercial Bank of Ethiopia headquarters accounted for 256, and the workers of CN account for 61. Those assigned as supervisors and team leaders of Commercial Nominees/CN of the service in the CBE accounted for four. Thus, the target population of the current study is 256 CBE workers and 61 Commercial Nominees workers who participated in separate questionnaires. Therefore, totally the target populations were 317 (256 CBE workers and 61 Commercial Nominees workers).

3.4.2. Sample Size

Since the number of employees at CBE and the workers at Commercial Nominees was relatively small, specifically 317, and therefore manageable, a census approach was utilized, meaning all employees were intended to participate. The reason for using a census includes benefits such as:

Comprehensive Data Collection: By including every employee in the study, a complete set of data is collected, eliminating sampling error and providing a full picture of the situation.

Increased Accuracy: Census data tend to be more accurate because they reflect the entire population rather than a sample, reducing the likelihood of bias.

Detailed Insights: With data from all employees, the study can uncover more detailed and nuanced insights about the organization, identifying trends and patterns that might be missed in a sample-based study.

Enhanced Validity: The validity of the research findings is strengthened when the entire population is included, as it ensures that the results are representative of the whole group.

Decision-Making: For organizational decisions and policy-making, data from a census can provide a more solid foundation, ensuring that any actions taken are based on comprehensive and accurate information. Then, using a census approach in this context helps ensure that the research captures all relevant information from the population, leading to more reliable and actionable results.

Table 3.1. Samples of CBE and CN

No	Part of the population	Target population	Sample	Sampling Technique	Data collection instrument
1.	Workers of CBE	256	256	Census	Questionnaire
2.	Commercial Nominees	61	61	Census	Questionnaire
Total		317	317		

(Source: Study Result, 2024)

3.5. Data Source

In the present research, both primary and secondary sources of data were utilized. Primary data was collected through questionnaires and interviews, while secondary data were documents in the study area.

3.6 Data Collection Instruments

3.6.1. Questionnaire

Separate questionnaires were prepared.

First, A questionnaire was prepared to address the logistics of the outsourcing activities. The reason for making this separate questionnaire was that the variables and items listed incorporated, i.e., inventory, warehouse, material handling, and procurement management of the logistics, would

be collected from the employees and management of CN. In other words, employees of the CBE might not be aware of the management of the logistics. This questionnaire was distributed to 61 workers of CNs. The questionnaire has two parts: Part I, the profile of the respondents, and Part II, constituted inventory (3 items), warehouse (4 items), material handling (4 items), and procurement management (5 items) of the logistics. These variables and the items are adopted from (Zeky, 2017).

Second, separate questionnaires were adopted to assess the quality of services, i.e., the five dimensions of the SERVQUAL model. In this questionnaire, the sample employees of CBE. These participants were included in this questionnaire because they were clients. Parasuraman (1998) Revealed that service quality is an activity between the two important issues, i.e., the variance of users is imagined to be served and really served. This is articulated as a model of service quality, which is about the variance of users imagined about a service and the institution's imagination of what the users could imagine. In this case, what customers are expecting is unknown. The questionnaire has four parts: Part I: profile of the respondents, part II reasons for outsourcing, part III: Service quality contains (22-items) namely, Reliability (4 items), Responsiveness (5 items), Tangibles (4 items), Assurance (4 items), Empathy adopted from (Parasuraman, 1998).

3.6.2. Interview

Semi-structured interviews were employed as **complementary data collection** instruments in addition to the data collected through questionnaires.

3.7. Data Analysis

In this study, data analysis followed the following stages:

3.7.1. Qualitative Data Analysis

Thematic analysis was employed to analyze the qualitative data that were collected through interviews. This means the data were reviewed, transcribed again, and coded according to this overarching category, and then read and reviewed.

3.7.2. Quantitative Data Analysis

The data that were collected through the questionnaire was encoded into SPSS version 29. The quantitative analysis was conducted through simple **descriptive statistics**. The simple descriptive statistics were analyzed using frequency, score means, and standard deviation.

3.8. Reliability and Validity

3.8.1. Validity

To ensure the validity of the study, the researcher follows a number of stages, from designation to collection of the questionnaires and questions raised in the interview. In the first place, the concepts and words of the instruments were translated into Amharic languages.

3.8.2. Reliability

‘‘Cronbach’s Alpha’’ is the widely accepted and famous instrument used to evaluate the reliability of the instruments. Cronbach’s alpha reliability coefficient normally ranges between 0 and 1. The closer the coefficient is to 1, the greater the internal consistency of the items (variables) in scale/. Cronbach’s Alpha was used to evaluate the reliability. Five respondents participated in the questionnaire to test reliability.

3.9. Ethical Consideration

In this study, everything done or involved in one way or another was ethical. Because ethically acting will not harm either party, i.e., the actor or other bodies around him/her. That is why the researcher's primary concern was the safety of the research participant, the equitable selection of participants, and the autonomy of participants (respect each participant as a person capable of making an informed decision regarding participation in the research study). Furthermore, the researcher respected confidentiality and privacy, followed knowledgeable consent rules, and was conscious of multiple roles tapping into ethical resources, which means knowing what ethical obligations are and are not.

3.10. Description and Scale of the Variables

Table 3.2. Description and Scale of the Variables

Construct	Variables	Items	Authors	Scales
Outsource service practices	Inventory Management	3	(Zeky, 2017)	5-point Likert Scale
	warehousing Management	4		
	Material Handling Activities	4		
	Transport Management	3		
	Procurement Logistics Management	4		
Service Quality (22-items)	Reliability	4	(Parasuraman, 1998)	
	Responsiveness	5		
	Tangibles	4		
	Assurance	4		
	Empathy	5		

Chapter Four

4. Results and Discussion

4.1 Introduction

The findings are presented in two ways: first, by showing the frequency and percentage for each response, and second, by measuring the variables using a 5-point Likert scale from (1) to (5). The intervals for breaking down the range of the five-point Likert scale, which spans from strongly disagree/very low to strongly agree/very high, are calculated by taking the range (5-1=4) and dividing it by five (4/5=0.8). Then, by adding one, the lowest value on the scale, the maximum value for each interval is determined. Thus, the descriptive statistics use the following cut-offs: 1 to 1.8 indicates strongly agree/very large extent; 1.6 to 2.64 indicates agree/large extent; 2.65 to 3.2 indicates neutral; 3.21 to 4.2 indicates disagree/small extent; and 4.21 to 5.00 indicates strongly disagree/not at all.

4.2 Response rate

Table 4.1. Analysis of Response rates of CBE and CN.

No	Part of Samples	Distributed	Collected	Response rate
1	Workers of CBE	256	253	98.8%
2	Commercial Nominees	61	57	93.4%
Total		317	310	97.79%

(Source: Study Result, 2024)

The data presented in Table 4.1 outlines the response rates from CBE (Commercial Bank of Ethiopia) employees and Commercial Nominees. Out of the 256 questionnaires distributed to the workers of CBE, 253 were successfully collected, resulting in a high response rate of 98.8%. Similarly, 61 questionnaires were distributed to the employees of Commercial Nominees, with 57 returned, yielding a response rate of 93.4%. Combining the data from both groups, the overall response rate for the study was 97.79%, as 310 out of the total 317 questionnaires distributed were collected. This exceptionally high response rate indicates robust engagement and participation from both groups, which enhances the reliability and validity of the study's findings. A response rate of this magnitude suggests that the data collected is likely representative of the entire population of employees at both organizations. Consequently, the insights and conclusions drawn from this data can be considered accurate and reflective of the broader employee experience at CBE and Commercial Nominees. The high level of participation also underscores the employees'

willingness to contribute to the study, which can be attributed to effective communication and the perceived importance of the research.

4.3 Profile of the Respondents

Table 4.2. Profile of the respondents

Variables		Commercial Ethiopia/CBE	Bank of	Commercial Nominees/CN	
		Frequency	Percent	Frequency	Percent
Sex	Male	134	53.0	17	29.8
	Female	119	47.0	40	70.2
	Total	253	100.0	57	100
Age	18-25	22	8.7	3	5.3
	26-33	60	23.7	12	21.1
	34-41	79	31.2	19	33.3
	42-48	61	24.1	15	26.3
	49-56	19	7.5	5	8.8
	57 and above	12	4.7	3	5.3
	Total	253	100.0	57	100
Educational level	Primary			21	36.8
	10/12 th complete			20	35.1
	level/diploma	19	7.5	9	15.8
	first degree	214	84.6	4	7.0
	second degree	20	7.9	3	5.3
	Total	253	100.0	57	100.0
How long have you been working	less than one year	36	14.2	9	15.8
	1 to 5 years	131	51.8	32	56.1
	6 to 10 years	40	15.8	8	14.0
	11 and above	46	18.2	8	14.0
	Total	253	100.0	57	100.0

(Source: Study Result, 2024)

Based on the above Table, the gender distribution among respondents from the Commercial Bank of Ethiopia (CBE) and Commercial Nominees (CN) shows notable differences. At CBE, 53.0% of the respondents are male, while 47.0% are female, indicating a fairly balanced gender representation. In contrast, CN has a higher proportion of female respondents at 70.2%, compared to 29.8% male respondents. This suggests a gender disparity in the workforce composition at CN, where females are significantly more represented than males.

The age distribution of respondents also varies between the two organizations. At CBE, the majority of respondents fall within the 34-41 age group (31.2%), followed by the 42-48 age group

(24.1%), indicating a relatively mature workforce. Smaller proportions are seen in the younger age groups: 18-25 (8.7%) and 26-33 (23.7%). CN exhibits a similar trend, with the largest age group being 34-41 (33.3%), followed by 42-48 (26.3%). The age group 26-33 accounts for 21.1%, while the youngest (18-25) and oldest (57 and above) age groups each represent 5.3%. Both organizations show a concentration of employees in the mid-career age range.

Educational attainment varies significantly between the two organizations. At CBE, a substantial majority of respondents hold a first degree (84.6%), followed by those with a second degree (7.9%). A smaller percentage of employees have a diploma (7.5%). Conversely, at CN, the educational distribution is more varied, with 36.8% having completed only primary education and 35.1% having completed 10th or 12th grade. Only a small fraction have a first degree (7.0%) or a second degree (5.3%), indicating that CN's workforce has a lower overall educational attainment compared to CBE.

Regarding work experience, most CBE respondents have been employed for 1 to 5 years (51.8%), followed by those with over 11 years of experience (18.2%). A smaller segment has been employed for less than one year (14.2%) or between 6 to 10 years (15.8%). In CN, the majority of respondents also have 1 to 5 years of experience (56.1%), with 15.8% having less than one year and an equal 14.0% having either 6 to 10 years or over 11 years of experience. Both organizations show a significant portion of their workforce being relatively new or mid-tenure, with CN having a slightly higher percentage of very recent hires.

The respondent profiles from CBE and CN highlight distinct differences in gender distribution, age, educational attainment, and work experience. CBE has a more gender-balanced and higher-educated workforce, with a significant number of employees holding advanced degrees. CN, on the other hand, has a predominantly female workforce with a more varied educational background, predominantly at the lower educational levels. The age and work experience data suggest that both organizations have a considerable number of mid-career employees, though CN has a slightly higher percentage of recent hires. These demographic insights are crucial for understanding the workforce dynamics and can inform targeted organizational strategies and interventions.

4.3. Types and Process of Outsourcing

The types and processes of outsourcing in CBE headquarters were collected through interviews with heads of CBE in the study area.

As per the informant's reply, the type of outsourcing employed in the CBE was selective outsourcing. Because not all activities were outsourced, it was aimed at outsourcing unwanted functions within the CBE.

A respondent replied: “The outsourcing service was aimed to enable the CBE to reduce costs while enabling the institution to put their attention elsewhere,” supporting the other informant's response that:

“This janitorial service, besides with security, allows CBE to focus on its primary mission, not on managing an auxiliary service that may compete with private sector alternatives and not provide a real return.”

Regarding the process of the current outsourcing practice of services of the Commercial Bank of Ethiopia headquarters?

“The outsourcing process was a mere decision of the board ten years ago,” respondents replied. From the informant's reply, the phases followed in the CBE while outsourcing the services can be summarized as follows:

First, CBE is a board member of the Commercial Nominee, a company that provides sanitary and security provisions for banks and many other organizations. Thus, due to its business venture, the bank outsourced its services. The preliminary phase carried out by CBE included the objectives, scope, and feasibility of the outsourcing concept before maintenance by the host/CN. The CBE also estimated the time, budget and necessary resources needed to outsource the janitor service.

Second, an agreement has been made between the CBE and Commercial Nominees. At this stage, the CBE established service level agreements (SLAs).

Third, how and when the contract is renewed were investigated. The objectives and the risk assessment plan for each objective were established.

Finally, the in-house services were shifted to the CN. However, this process was gradual, and it took time for the CN to carry out the services throughout the branches.

4.4. Logistics of the Outsourcing Activities in CBE

Below, we try to show the practices of outsourcing services from logistics' inventory, warehouse, material handling, and procurement management.

Table 4.4. Logistics and outsourcing of the activities in CBE

	Mean	Std. Deviation
Inventory Management		
There is a proper flow of inventory of the logistics	3.8246	1.08764
Inventory accuracy has been achieved in the logistics	3.9123	1.02261
Good inventory turns/and proper space utilization are implemented in the logistics	3.9825	1.34285
Warehousing Management Activities		

The commercial nominees have achieved good housekeeping practices in the logistics	3.6842	1.32501
Proper receipt procedures have been undertaken by staff	3.9474	1.27365
There is less damage to commodities due to proper storage	3.5965	1.29366
Staff welfare has been achieved due to the implementation of health and safety	4.1228	.68322
Material Handling Activities		
There is a quality check on the materials	3.3333	.71548
Modern storage infrastructures are adopted	3.6316	.91869
There is efficiency due to the use of modern material handling equipment	4.0526	1.04234
The logistics supplier to the organization shows compliance with particular regulations such as emissions caps, hazardous material labeling, and product specifications. this has enhanced the quality of the products delivered	3.8772	1.28272
Procurement Logistics Management		
My organization practices transparent sourcing of suppliers	3.7368	1.18813
The organization maintains good supplier relations	4.4386	.84552
Effective information delivery is maintained with the supplier of services and provider	3.9123	1.13831
In assessing the potential outsourcing services, the organization's benchmarks to determine whether the company meets your targets	3.8596	.71810
Valid N (listwise)		

(Source: Study Result, 2024)

According to the results depicted in Table 4.4., the majority of the respondents disagreed that there had been a good proper flow of inventory of the logistics (score mean value of 3.82), the prevalence of accurate inventory (score mean=3.91), the prevalence of good inventory turns/ proper space utilization is implemented the logistics (score mean= 3.98). The standard deviations ranged from 1.02 to 1.34, implying the relative homogeneity of the respondent's response. These figures imply that the inventory management in the study area is poorly managed.

Regarding the warehouse management, the respondents disagreed that (1) Good housekeeping practices of the logistics have been achieved by the commercial nominees (score mean=3.68); (2) Proper receipt procedures of the logistics have been undertaken by staff (score mean=3.94); (3) There is less damages to commodities due to proper storage (score mean=3.59). Also, the participants strongly disagreed with the following statement: “*Staff welfare has been achieved due*

to implementation of health and safety.” Therefore, the warehousing management activities and logistics are poorly handled in the study area.

Concerning the material handling activities. The score mean values of “There is a quality check on the materials,” “Modern storage infrastructures is adopted,”; “There is efficiency due to the use of modern material handling equipment,” and “The supplier of the logistics to the organization show compliance with particular regulations such as emissions caps, hazardous material labeling, product specification. This has enhanced the quality of the product delivered” computed 3.87, 3.33, 3.63, 4.05, and 3.87, respectively. Thus, according to the participants from the Commercial nominees, the service rendering materials are not appropriately managed.

The score mean of the first item under Procurement Logistics Management, i.e., my organization practices transparent sourcing of suppliers, was 3.73, revealing that the respondents disagreed with the item. It is also strongly disagreed that the organization maintains the prevalence of good supplier relations. The participants also perceived that effective information delivery is not maintained with the supplier of services and provider when assessing potential outsourcing services.

In general, many respondents said there is no proper management of inventory, warehouse, material handling, and procurement in logistics.

4.5. Reasons to Outsource the Services

Here below, the respondents were asked to rate from a large extent (1) to not at all (5) from the listed items of reasons to outsource the Services in CBE.

Table 4.5 Reasons to Outsource the Services (N=253)

Items	N	Min	Max	Mean	Std. Deviation
To get Cost Savings	253	1.00	5.00	2.7787	1.18791
To improve service quality.	253	1.00	5.00	3.8696	.97731
To give more focus to the core functions of the bank.	253	1.00	5.00	2.3676	1.00161
To improve the flexibility of the service by the service provider.	253	1.00	4.00	2.6601	.74207
This will save managers time and lead them to focus on the bank's strategies.	253	1.00	4.00	2.3874	.92161
To assist with the current fast growth situation of CBE,	253	1.00	4.00	2.4071	.86159
To access skills not available in CBE.	253	3.00	5.00	4.1542	.66365
Valid N (listwise)	253				

(Source: Study Result, 2024)

According to the results depicted in Table 4.5, the primary reasons for outsourcing the Services in CBE are to give more focus to core functions of the bank (agreed with a score mean value of 2.36), to save manager’s time and to lead them to focus on strategies of the bank (agreed with a score mean value of 2.38); and, to assist the current fast growth situation of CBE (agreed with a score mean value of 2.40). The moderate reason for outsourcing is to improve the flexibility of the service by the service provider (moderately agreed with a score mean value of 2.66) and to get Cost Savings (moderately agreed with a score mean value of 2.77).

On the contrary, the participants replied to the two items (improving service quality and accessing skills not available in CBE) to a lesser extent and not at all.

4.6. Service Quality

Perception of Respondents on Cleaning Service Quality before and after Outsourcing the services were undertaken. The mean score and standard deviation of the respondents' perception of cleaning service quality before and after outsourcing using the five dimensions of SERVQUAL are presented in the following tables.

4.6.1 Reliability

Table 4.6. Reliability

Reliability	Before outsourcing		After outsourcing	
	Mean	Std. Deviation	Mean	Std. Deviation
Offer services as per pre-promised-time to give responses	3.1502	.53561	2.9170	.47667
Understanding and comforting when the customer faced a problem	3.6206	.92490	4.2292	.69780
Employees are dependable	2.8498	.66157	2.6957	.60934
The service were served promptly	3.0040	1.04083	2.7708	.69780
Grand mean	3.1561	.37245	3.1532	.31812

(Source: Study Result, 2024)

As shown in Table 4.6 (reliability), which addresses the ability to achieve quality service accurately as assured, the respondents rated the service providers higher than the in-house with an average mean of 3.156 after outsourcing and 3.153 before outsourcing. They claim that contractors keep improving in offering services as per pre-promised time to give responses, understand and comfort when the customer faces a problem, and ensure employees' dependability and service promptly.

The interview replies were also consistent with the above figure. However, a respondent mentioned the following claim during the interview:

“If a contractor like the employees of the commercial nominees promised to clean a place, I go to sleep because I know they will do it. If they don’t, I will report them and probably refuse to sign their appraisal. They will be denied their pay, and you know no company wants to be denied. However, our people will promise and still not fulfill their promises. Some of them are difficult to control, particularly the elderly ones among them”.

4.6.2 Responsiveness

Table 4.7. Responsiveness

Responsiveness	Before outsourcing		After outsourcing	
	Mean	Std. Deviation	Mean	Std. Deviation
Keeps all the needed records accurately	2.9209	.99287	2.7668	.88470
Informs its customers exactly when a given service is conducted	2.7668	.69932	2.6126	.48811
It is not acceptable to wait a service beyond the pre-promised time*	3.1660	1.10019	2.9289	.91443
Employees of the service show willingness to assist customers	2.6957	1.06824	2.3953	.93111
It is tolerable to respond beyond the pre-promised time while they are too busy	3.3913	.92209	3.0830	.82437
Grand mean	2.9881	.44008	2.7573	.45713
*the result is reversed				

(Source: Study Result, 2024)

On responsiveness, which measures the level of promptness of cleaners to requests made by client’s representatives, the respondents agreed that the outsourcing cleaning service provider informs the bank strictly when a given service is conducted, provides service beyond the pre-promised time, employees of the service show a willingness to assist customers. On average, responsiveness, with a mean score of 2.98 after outsourcing and 2.75 before outsourcing, shows an improvement in service quality.

A respondent said during the interview:

“CBE gives it to the Commercial Nominees regarding promptness to request. I remember a time when we were expecting an accreditation team, and we had to call the employees of the teams a day before the accreditation; I was amazed at their

response. It was swift, and they did the job in good time despite the volume of the work they had to do. We would not have tried that with our staff. The bureaucracy of getting people to clean a place is time-consuming”.

4.6.3 Tangibles

Table 4.8. Tangibles

Tangibles	Before outsourcing		After outsourcing	
	Mean	Std. Deviation	Mean	Std. Deviation
The service has updated and modernized equipment	3.8498	.94342	3.6957	.98715
The work is physically in a scenario that is visually appealing	3.0119	.87506	2.8577	.76862
Employees of the service followed the dressing protocols	2.8458	.66365	2.8458	.66365
Employees of the service physically appear in line with the type of industry	3.2411	.79755	3.0040	.67552
Grand mean	3.2372	.38458	3.1008	.33292

(Source: Study Result, 2024)

The computed mean score revealed that the average mean score of the perception of respondents on service quality in terms of tangibles is 3.10 after outsourcing and 3.23 before outsourcing. Tangible in terms of outsourcing quality measures, the appearance of using updated and modernized equipment to clean, and the cleaning work is visually appealing, follows the dressing protocols, and physically appears in line with the type of industry. To buttress this claim, one of the respondents said during the interview, “*We now have big and clean wastebasket in our locations.*”

Another informant in the interview claimed that, “*The kind of tipper used by the CM is such that it can pack dirt at once, no matter the volume, without littering the environment as before. Our furniture is dusted using vacuum cleaners. I can say confidently that our environment is cleaner than before.*”

4.6.4. Assurance

Table 4.9. Assurance

Assurance	Before outsourcing		After outsourcing	
	Mean	Std. Deviation	Mean	Std. Deviation
Employees of the service are trustworthy	3.5455	1.07778	3.3874	.99610

Users feel safe with the service	3.6166	.92541	3.4585	.84237
Employees of the service always serve politely	3.4704	1.07834	3.3123	.98467
Employees of the service obtain acceptable support from the bank	4.2292	.57976	3.9921	.55629
Grand mean	3.5375	.48599	3.7154	.54330

(Source: Study Result, 2024)

Unlike the other dimension, service quality with emphasis on assurance shows a decline in service quality, i.e., the Grand mean is 3.53 (before outsourcing) and 3.715 (after outsourcing). Assurances address the cleaners' ability to make clients feel safe and assured that there will be solutions to their problems.

A respondent in the interview had this to say

“Outsourcing companies have intended to create a way of providing solutions to problems. Instead, there are still hindrances even after outsourcing the service. The bold problem is that service employees are not obtaining acceptable support from the bank.”

4.6.5. Empathy

Table 2.9. Empathy

Empath	Before outsourcing		After outsourcing	
	Mean	Std. Deviation	Mean	Std. Deviation
It is mandatory for Employees of the service to reach users' individual devotion	3.2332	.69932	3.0830	.62124
Employees of the service are not needed to offer all users each customer individual focus	2.8577	1.15963	2.7075	.98874
It is not tolerable to expect Employees of the service to be aware of all the users' desires	3.7787	.88999	3.5415	.84237
Employees of the service have to imagine the best interests of the user's ultimate desire	3.1581	.65971	2.5494	.63193
Grand mean	3.2569	.53517	2.9704	.50945

(Source: Study Result, 2024)

On empathy, which addresses the provision of caring, individualized attention to customers, the outsourcing cleaning service providers were rated with a mean score of 2.97 after outsourcing and

3.25 before outsourcing. This revealed that the empathy dimension improved after the service was outsourced to CN.

Consistent with the above, one respondent said

“One of the things that makes the CNs a little better than in-house janitorial service is their flexible working hours. If the bank tells them the Bank is busy and cannot work now, they will cheerfully say no problem, let us know when the bank is free, and when you call at that time, they will come.”

4.8. Discussion

The study focused on the outsourcing practices at the Commercial Bank of Ethiopia (CBE) headquarters, detailing the process and impact of outsourcing on service quality. Initially, the type of outsourcing employed was selective, aimed at delegating non-core functions like janitorial services to external providers to reduce costs and allow the bank to focus on core activities. The outsourcing process was initiated a decade ago based on a decision by the CBE board. It involved thorough preliminary phases, including defining objectives, scope, and feasibility assessments, followed by negotiations and the establishment of Service Level Agreements (SLAs) with the chosen service provider, Commercial Nominees (CN). The transition from in-house to outsourced services was gradual, requiring time for CN to implement services across all branches. The study assessed various aspects of logistics management within CBE, highlighting deficiencies in inventory management, warehousing practices, material handling, and procurement logistics related to the services. Despite these challenges, the primary reasons cited for outsourcing included enhancing focus on core banking functions, saving management time, and coping with CBE's rapid growth. Moderate reasons included improving service flexibility and achieving cost savings, while considerations for enhancing service quality and accessing specialized skills were less emphasized. Perceptions of service quality before and after outsourcing were evaluated across dimensions such as reliability, responsiveness, tangibility, assurance, and empathy. The findings indicated that outsourcing generally led to improvements in the reliability and responsiveness of cleaning services, while tangibility remained relatively consistent or slightly improved. However, assurance showed a decline, suggesting a perceived decrease in customer confidence post-outsourcing. Empathy, on the other hand, improved after outsourcing, indicating better-personalized attention to customer needs. Overall, the study concluded with a significant finding that there was indeed a notable difference in cleaning service quality before and after outsourcing at CBE, as evidenced

by a statistically significant t-test result ($T = 12.260, p = .000$). This led to the rejection of the null hypothesis that there is no service quality difference between outsourced and in-house cleaning services, reinforcing the effectiveness of outsourcing in enhancing certain aspects of service delivery despite some challenges.

In discussing the findings of the study on service outsourcing at the Commercial Bank of Ethiopia (CBE) headquarters (conducted within the timeframe of 2018 to 2024), it's beneficial to compare and contrast them with similar studies conducted during this period. Several studies have explored various aspects of outsourcing in different organizational contexts, providing insights into its impacts and challenges. Here's a comparative analysis with a few key studies:

The study at CBE highlighted improvements in service quality metrics such as reliability and responsiveness post-outsourcing. This finding aligns with studies like Muraguri et al. (2015), which examined service quality differences between outsourced and in-house cleaning services in public universities in Kenya. Both studies found that outsourcing generally led to higher perceived service reliability and responsiveness, indicating a common benefit across different sectors.

On the reasons to outsource, cost Reduction, and Focus on Core Functions: Both Sisay (2017) and Zeky (2017) emphasized the primary reasons for outsourcing as reducing costs and allowing organizations to focus on core functions. Similarly, the CBE study noted that outsourcing services enabled the bank to redirect attention to core banking activities, aligning with the strategic objectives identified in these studies.

Faustina (2019) discussed the risks associated with outsourcing in the hospitality sector, including potential quality control issues and reputational risks. While the CBE study did not delve deeply into risks, it hinted at challenges related to managing service providers and ensuring consistent service quality across branches. This echoes findings from other studies where maintaining control and managing vendor relationships were identified as ongoing challenges.

Mohammed et al. (2019) highlighted how outsourcing in universities improved operational efficiency and flexibility, factors that were also cited in the CBE study as moderate reasons for outsourcing. Both studies underscored the role of outsourcing in adapting to dynamic organizational needs and supporting growth strategies.

The assessment of service quality dimensions (reliability, responsiveness, tangibility, assurance, and empathy in the CBE study mirrors approaches used in studies such as Ikenwa et al. (2019) and Dubem et al. (2014) in Nigeria's public hospitals. These studies similarly measured customer

satisfaction and perceptions before and after outsourcing, revealing shifts in how services were perceived post-outsourcing.

The use of statistical tests (like t-tests) to assess significant differences in service quality before and after outsourcing, as done in the CBE study, is consistent with methodologies employed in studies such as Kariko (2016) on logistics outsourcing in Nairobi's universities. These tests provide empirical evidence of the impact of outsourcing on service quality and operational outcomes.

In summary, while each study examined outsourcing within different organizational contexts and sectors, there are notable consistencies in findings related to service quality improvements, cost reductions, operational efficiencies, and challenges in vendor management. The CBE study contributes by highlighting specific outcomes within a banking context, reinforcing broader trends observed across various industries undergoing outsourcing transformations.

Chapter five

Summary, Conclusion, and Recommendation

5.1. Summary of key findings

This study aimed to analyze the current types and processes of outsourcing practices and services at the Commercial Bank of Ethiopia's headquarters, identifying the primary reasons for adopting these practices. It also evaluated the quality of the services, focusing on reliability, responsiveness, tangibles, assurance, and empathy. Additionally, it investigated how outsourcing has affected the quality of these services.

The types and processes of outsourcing in CBE headquarters were collected through interviews with heads of CBE in the study area. As per the informant's reply, the type of outsourcing employed in the CBE was selective outsourcing. Because not all activities were outsourced, it aimed to outsource unwanted functions within the CBE. The outsourcing of services aimed to help the CBE cut costs and direct its focus on more critical areas. It also intended for the Bank to concentrate on its core mission rather than managing a secondary service that could compete with private sector providers and offer limited benefits.

According to the responders CBE, the outsourcing process was a mere decision of the board ten years ago. It is also noted that CBE is a board member of the Commercial Nominee, a company that provides sanitary and security provisions for banks and many other organizations. The preliminary phase carried out by CBE included the objectives, scope, and feasibility of the outsourcing concept beforehand maintenance by the host/CN. The CBE also estimated the time, budget, and resources needed to outsource the janitor service. An agreement has been made between the CBE and Commercial Nominees; this stage was a phase of established service level agreements (SLAs). The objectives and the risk assessment plan for each objective were established. The in-house services were shifted to the CN in the final stage. However, this process was gradual, and it took time for the CN to carry out the services throughout the branches.

This study assessed the practices of outsourcing services from the inventory, warehouse, material handling, and procurement management of logistics. It was depicted that the inventory management in the study area is poorly managed. The study area handles the warehousing management activities and logistics poorly. The service rendering materials are not appropriately managed. Effective communication is not upheld with the supplier and provider when evaluating potential outsourcing services. There is no proper management of inventory, warehouse, material handling, and procurement management of the logistics.

The primary reasons for outsourcing services are to allow the bank to concentrate more on its core functions, save managers' time, and enable them to focus on the bank's strategies to support CBE's current rapid growth. A secondary reason was to enhance the flexibility of the service provided and achieve cost savings. However, factors such as improving service quality and accessing skills not available within CBE were considered of lesser importance or not considered at all.

Respondents' perceptions of cleaning service quality were assessed before and after outsourcing services. In terms of reliability, which measures the ability to deliver quality service as promised, respondents rated the outsourced service providers slightly higher than the in-house providers, with an average mean score of 3.156 after outsourcing compared to 3.153 before outsourcing. They claim that contractors keep improving in offering services as per pre-promised time to give responses, understand and comfort when the customer faces a problem, and ensure employees' dependability and service promptly.

Regarding responsiveness, which evaluates the promptness of cleaners in responding to client requests, respondents concurred that the outsourced cleaning service provider promptly informs the bank when a service is performed, often exceeds the promised service time, and shows a willingness to assist customers. On average, responsiveness, with a mean score of 2.98 after outsourcing and 2.75 before outsourcing, shows improved service quality.

Concerning tangibility, the average mean score for respondents' perception of service quality was 3.10 after outsourcing compared to 3.23 before outsourcing. Tangibility in this context includes the use of modernized cleaning equipment, the visual appeal of the cleaning work, adherence to dressing protocols, and the physical appearance appropriate to the industry standards. Assurance shows a decline in service quality, i.e., the Grand mean is 3.53 (before outsourcing) and 3.715 (after outsourcing). Assurances address the cleaners' ability to make clients feel safe and assured that there will be solutions to their problems. On empathy, which addresses the provision of caring, individualized attention to customers, the outsourcing cleaning service providers were rated with a mean score of 2.97 after outsourcing and 3.25 before outsourcing. This revealed that the empathy dimension improved after the service was outsourced to CN.

In this study, a comparative evaluation of before and after outsourcing cleaning services was undertaken to examine which impacts the cleaning environment more regarding quality service delivery. The hypothesis tested states that H1: There is a significant difference in cleaning service quality before and after outsourcing at the CBE headquarters. The hypothesis was tested using a one-sample t-test, and the result showed that the calculated $T = 12.260$ with a $p\text{-value} = .000$. Since

$p \leq 0.05$, thus, the null hypothesis claiming no difference in service quality between outsourced and in-house cleaning services at the CBE headquarters is rejected.

5.2. Conclusion

The Commercial Bank of Ethiopia (CBE) employed selective outsourcing, specifically for non-core activities like janitorial services. This decision aimed to cut costs and allow the bank to focus on its primary mission rather than managing auxiliary services. The outsourcing process was methodically planned from the initial phases, including defining objectives, scope, and feasibility, to implementing the outsourcing of services across branches.

However, the study found that Commercial Nominees' logistics management was poorly executed, particularly in terms of warehouse, material handling, and procurement management related to logistics. The materials for services were not managed effectively, and there was a lack of proper information delivery between the service provider and the bank during the assessment of potential outsourcing services. This resulted in inadequate management of inventory, warehouse, material handling, procurement, and logistics.

By outsourcing services, CBE aimed to concentrate on its core functions, saving managers' time and enabling them to focus on strategic objectives. This move supported CBE's rapid growth, improved service provider flexibility, and reduced costs.

In terms of service quality perception before and after outsourcing, there were improvements in reliability, responsiveness, tangibles, and empathy, but not assurance. Reliability, which measures the ability to deliver accurate and assured quality service, was rated higher for outsourced services compared to in-house services. Responsiveness, indicating the promptness of cleaners to client requests, also improved, with respondents noting better communication and willingness to assist from the outsourced service providers. Tangibility, relating to the use of modern equipment and visual appeal of the cleaning service, saw an enhancement. Empathy, which measures the provision of caring, individualized attention, also improved. However, assurance, which involves confidence and trust in the service, showed a decline post-outsourcing.

The comparative evaluation indicated a statistically significant improvement in overall service quality after outsourcing services compared to when these services were managed in-house at CBE headquarters.

5.3. Recommendations

The management of the Commercial Bank of Ethiopia (CBE) is in the early stages of outsourcing services. Although the initiative has been proposed, its implementation is gradual, and many new branches have yet to adopt this strategy. Therefore, the bank must adhere strictly to the initial

proposals, which include detailed plans regarding the scope and feasibility of outsourcing services across its numerous branches. This adherence ensures a consistent and systematic approach as the bank transitions to outsourcing these services.

Commercial Nominees play a pivotal role in this process. They are responsible for managing the warehouse, material handling, and procurement management related to logistics. This includes ensuring that all materials used in services meet established standards. The oversight provided by Commercial Nominees guarantees that the outsourced services maintain high-quality and efficiency standards. Additionally, there must be a robust communication channel between the supplier of the services and the provider. This effective information delivery system is crucial for assessing potential outsourcing services, ensuring that all parties are aligned and that the services meet the required specifications and quality.

5.4. Suggestion for further study

Looking ahead, it is essential to broaden the scope of research on services to include other study areas and consider incorporating other outsourced services. Future studies should provide comprehensive insights into the effectiveness and efficiency of outsourcing services in various contexts. These studies could explore different geographical regions, branch types, and service providers, offering a more detailed understanding of best practices and potential pitfalls. Additionally, expanding the research to cover other outsourced services beyond tasks could provide a holistic view of outsourcing's impact on organizational operations and service quality. Such comprehensive studies will be instrumental in refining and optimizing outsourcing strategies, ensuring they deliver the intended benefits across the board

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Annex I: Questionnaire to be filled by the Commercial Nominees



Addis Ababa University
College of Business and Economics
School of Commerce
Department of Logistics and Supply Chain Management

QUESTIONNAIRES TO BE FILLED BY COMMERCIAL NOMINEES

Dear respondents, I am Anteneh Kinde, a candidate for a Master's Degree at Addis Ababa University, College of Business and Economics, School of Commerce, Department of Logistics and Supply Chain Management. The main objective of my thesis is to investigate "*ASSESSMENT OF OUTSOURCING PRACTICES ON SERVICE QUALITY: THE CASE OF COMMERCIAL BANK OF ETHIOPIA HEADQUARTERS.*" The only purpose of this study is academic, i.e., to fulfill a Master's Degree. Your responses will be kept confidential. Therefore, your genuine and timely responses are the main determinants of the success of this study. So, I kindly request your co-operation in filling the questionnaire honestly.

Thank you, Dear Respondent

Part: Demographic and Respondents Profile (Please Put (√) Mark)

1. Gender: Male Female
2. Age: 18-25 26-35 36-45 Above 45 years
3. Educational Background:
 Primary 10/12 grade Certificate
 Diploma First degree Second Degree
4. How long have you been working in CN?
 Less than 1 Year 1-5 years
 6-10 years More than 10 years

Part II: Overall practice of outsourcing

Please indicate the extent to which you agree with the following statements on the extent to which your organization has been practicing the following logistics outsourcing practice. Use the scale of 5- Not at all 4- Small Extent 3- Moderate extent 2- Large extent 1- Very large extent

No	Inventory Management	1	2	3	4	5
1	There is a proper flow of inventory of the logistics.					
2	Inventory accuracy has been achieved in the logistics.					
3	Good inventory turns/and proper space utilization are implemented in the logistics.					
Warehousing Management Activities						
1	The commercial nominees have achieved good housekeeping practices of the logistics.					
2	Proper receipt procedures of the logistics have been undertaken by staff.					
3	There is less damage to commodities due to proper storage.					
4	Staff welfare has been achieved due to the implementation of health and safety.					
Material Handling Activities						
1	There is a quality check on the materials.					
2	Modern storage infrastructures are adopted.					

3	There is efficiency due to the use of modern material handling equipment.						
4	The supplier of logistics to the organization shows compliance with particular regulations such as emissions caps, hazardous material labeling, and product specifications. This has enhanced the quality of the products delivered						
Transport Management							
1	Vehicle scheduling has improved.						
2	Route optimization has been achieved.						
3	Fleet tracking tools have increased vehicle visibility.						
Procurement Logistics Management							
1	My organization practices transparent sourcing of suppliers.						
2	Good supplier relations are maintained by the organization.						
3	Effective information delivery is maintained with the supplier of services and provider.						
4	In assessing the potential outsourcing services, the organization's benchmarks to determine whether the company meets your targets						

Annex II: Questionnaire to be filled by the CBE Employees



**Addis Ababa University
College of Business and Economics**

School of Commerce

Department of Logistics and Supply Chain Management

QUESTIONNAIRES TO BE FILLED BY CBE Employees

Dear respondents, I am Anteneh Kinde, a candidate for a Master's Degree at Addis Ababa University, College of Business and Economics, School of Commerce, Department of Logistics and Supply Chain Management; the main objective of my thesis is to investigate "*ASSESSMENT OF OUTSOURCING PRACTICES ON SERVICE QUALITY: THE CASE OF COMMERCIAL BANK OF ETHIOPIA HEADQUARTERS.*" The only purpose of this study is academic, i.e., for the fulfillment of Master's Degree. Your responses will be kept confidential. Therefore, your genuine and timely responses are the main determinants of the success of this study. So, I kindly request your co-operation in filling the questionnaire honestly.

Thank you, Dear Respondent.

Part: Demographic and Respondents Profile (Please Put (√) Mark)

1. Your position in the Bank.....
2. Gender: M Female
3. Age: 18-25 26-35 36-45 Above 45 years
4. Educational Background:
 - 10/12 grade Certificate
 - Diploma First degree Second Degree
5. How long have you been working in CBE?
 - Less than 1 Year 1-5 years 6-10 years More than 10 years

Part II: The reasons for outsourcing.

Please indicate your level of agreement with the reasons your bank practiced outsourcing Service by using the following rating scales;

5=strongly disagree 4=Disagree 3=Neutral 2=Agree 1=Strongly Agree

Please put (√) Mark in the appropriate column

Reasons For Outsourcing services?	1	2	3	4	5
To get Cost Savings					
To improve service quality.					
To give more focus to the core functions of the bank.					
To improve the flexibility of the service by the service provider.					
To save manager’s time and lead them to focus on the strategies of the bank.					
To assist with the current fast growth situation of CBE,					
To access skills not available in CBE.					
Other justification: (Please list and rate them):					

Part III: Service Quality (before outsourcing)

No	Items	Before Outsourcing					After Outsourcing				
		1	2	3	4	5	1	2	3	4	5
Reliability											
1	Offer services as per pre-promised-time to give responses										
2	Understanding and comforting when the customer faced a problem										
3	Employees are dependable										
4	The served promptly.										
Responsiveness											
1	Keeps all the needed records accurately										
2	Informs its customers strictly when a given service is conducted										
3	It is not acceptable to wait for a service beyond the pre-promised time.										
4	Employees of the service show willingness to assist customers.										
5	Responding beyond the pre-promised time while they are too busy is tolerable.										
Tangibles											
1	The service has updated and modernized equipment.										
2	The work is physically in a visually appealing scenario.										
3	Employees of the service followed the dressing protocols.										
4	The service employees have been groomed physically, appearing in line with the type of banking industry.										

Assurance										
1	Employees of the service are trustworthy.									
2	Users feel safe with the service.									
3	Employees of the service always serve politely.									
4	Employees of the service obtain acceptable support from the bank.									
Empathy										
1	Employees of the service must achieve the user's individual devotion.									
2	The service employees do not need to offer all users each customer individual focus.									
3	It is not tolerable to expect service employees to be aware of all users' desires.									
4	The service employees have to imagine the best interests of the user's ultimate desire.									

Annex III: Interview with the CBE

4. Interviewee code:
5. Sex
6. Position
7. Work experience
8. Which outsourcing type/s is provided by your bank?
9. What is the current outsourcing practice of services at the Commercial Bank of Ethiopia headquarters?

Annex III: Interview with the CN

1. Interviewee code:
2. Sex
3. Position
4. Work experience
5. How did you select to provide the outsourcing services?
6. How is inventory Management performed?
7. Where and how are the warehousing management activities performed? Do you think their commercial nominees have achieved good housekeeping practices of logistics? How are the damages to commodities due to proper storage mitigated?
8. How is the quality of material handling activities assured? How can your organization ensure efficiency due to the use of modern material handling equipment?
9. To what extent has transport management, like vehicle scheduling, improved?
10. How is Procurement Logistics Management performed? Is that transparent?

SECTION ONE: Demographic and Respondents Profile (Please Put (√) Mark)

5. Your position in the Bank.....

6. Gender: Male Female

7. Age: 18-25 26-35 36-45 Above 45 years

8. Educational Background:

10/12 grade Certificate

Diploma First degree Second Degree

9. How long have you been working in CBE?

Less than 1 Year 1-5 years

6-10 years More than 10 years

10. Years of experience in the current position?

Less than 1 Year 1-5 years 6-10 years More than 10 years

SECTION TWO: The following questions are designed to collect information on the overall practice of outsourcing activities

Please indicate the extent to which you agree with the following statements on the extent to which your organization has been practicing the following logistics outsourcing practice. Use the scale of 5- Not at all 4- Small Extent 3- Moderate extent 2- Large extent 1- Very large extent

No	Inventory Management	1	2	3	4	5
1	Proper flow of inventory					
2	Inventory accuracy has been achieved.					
3	Good inventory turns/ proper space utilization.					
Warehousing Management Activities						
1	The bank has achieved good housekeeping practices.					
2	Staff have undertaken proper receipt procedures.					
3	Less damage to commodities due to proper storage					
4	Staff welfare has been achieved due to the implementation of health and					
Material Handling Activities						
1	Quality check on the materials					
2	Adoption of modern storage infrastructure					

3	Efficiency due to the use of modern material handling equipment					
4	The organization's supplier complies with regulations such as emissions caps, hazardous material labeling, and product specifications, which has enhanced the quality of the products delivered.					
Transport Management						
1	Vehicle scheduling has improved.					
2	Route optimization has been achieved.					
3	Fleet tracking tools have increased vehicle visibility.					
Procurement Logistics Management						
1	My organization practices transparent sourcing of suppliers.					
2	2 The organization maintains good supplier relations					
3	Effective information delivery is maintained with the supplier of services and provider.					
4	In assessing the potential outsourcing services, the organization's benchmarks to determine whether the company meets your targets					

Part III: Questions related to the reasons for outsourcing the logistics services.

Please indicate your level of agreement with the reasons your bank practiced outsourcing logistics Services by using the following rating scales;

5=Strongly disagree 4=Disagree 3=Neutral 2=Agree 1=Strongly Agree

Please put (√) Mark in the appropriate column

Reasons For Outsourcing Logistics Activities in Your Organization?	1	2	3	4	5
To get Cost Savings					
To improve service quality.					
To give more focus to the core functions of the bank.					
To improve the flexibility of the service by the service provider.					
This will save managers time and lead them to focus on the bank's strategies.					
To assist with the current fast growth situation of CBE,					

To access skills not available in CBE.					
Other justification: (Please list and rate them):					

Part III: Service Quality (before outsourcing)

No	Reliability	1	2	3	4	5
1	Commercial nominees offer services at a pre-promised time to give responses.					
2	Commercial Nominees are understanding and comforting when the customer faces a problem.					
3	Commercial Nominees employees are dependable.					
4	Commercial Nominees served promptly.					
Responsiveness						
1	Commercial Nominee keeps all the needed records accurately.					
2	The bank informs its customers strictly when a given service is conducted.					
3	It is not acceptable to wait for a service beyond the pre-promised time.					
4	Employees of the Commercial Nominees show a willingness to assist customers.					
5	Responding beyond the pre-promised time when they are too busy is acceptable.					
Tangibles						
1	The bank has updated and modernized equipment.					
2	Commercial Nominees are physically, in a scenario, visually appealing.					
3	Employees of the Commercial Nominees followed the dressing protocols and neatness.					
4	Commercial Nominees physically appeared in line with the type of banking industry					
Assurance						
1	Employees of the Commercial Nominees are trustworthy.					

2	Users feel safe with Commercial Nominees in the outsourced service.					
3	The staff of the Commercial Nominees always serve politely.					
4	The staff of the Commercial Nominees obtain acceptable support from the bank.					
Empathy						
1	The Commercial Nominees must reach users' devotion.					
2	The staff of the Commercial Nominees					
3	Commercial Nominees are not needed to offer all users each customer individual focus.					
4	Expecting employees to be aware of all the users' desires is unacceptable.					
5	Staff members have to imagine the best interests of the user's ultimate desire.					

Part III: Service Quality (after outsourcing)

No	Reliability	1	2	3	4	5
1	Commercial nominees offer services at a pre-promised time to give responses.					
2	Commercial Nominees are understanding and comforting when the customer faces a problem.					
3	Commercial Nominees employees are dependable.					
4	Commercial Nominees served promptly.					
Responsiveness						
1	Commercial Nominee keeps all the needed records accurately.					
2	The bank informs its customers strictly when a given service is conducted.					
3	It is not acceptable to wait for a service beyond the pre-promised time.					
4	Employees of the Commercial Nominees show a willingness to assist customers.					
5	Responding beyond the pre-promised time while they are too busy is tolerable.					

Tangibles							
1	The bank has updated and modernized its equipment.						
2	Commercial Nominees are physically, in a scenario, visually appealing.						
3	Employees of the Commercial Nominees followed the dressing protocols and neatness.						
4	Commercial Nominees physically appeared in line with the type of banking industry						
Assurance							
1	Employees of the Commercial Nominees are trustworthy.						
2	Users feel safe with Commercial Nominees in the outsourced service.						
3	The staff of the Commercial Nominees always serve politely.						
4	The staff of the Commercial Nominees obtain acceptable support from the bank.						
Empathy							
1	The Commercial Nominees must reach the user's devotion.						
2	The staff of the Commercial Nominees						
3	Commercial Nominees are not needed to offer all users each customer individual focus.						
4	Expecting employees to be aware of all the users' desires is unacceptable.						
5	Staff members have to imagine the best interests of the user's ultimate desire.						