



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

SCHOOL OF COMMERCE

OFFICE OF GRADUATE STUDIES

THE EFFECT OF OUTSOURCING NON-CORE BUSINESS  
FUNCTIONS ON A COMPANY'S PERFORMANCE: THE CASE OF  
COOPERATIVE BANK OF OROMIA S.C

BY:

FETENE MENGISTU

JUNE 2023

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY BUSINESS AND  
ECONOMICS SCHOOL OF COMMERCE IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE MASTER'S DEGREE OF ART IN LOGISTICS AND  
SUPPLY CHAIN MANAGEMENT.

JUNE, 2023

ADDIS ABABA, ETHIOPIA

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN MANAGEMENT

LOGISTICS AND SUPPLY CHAIN MANAGEMENT MASTERS PROGRAM

The effect of outsourcing non-core business functions on a company's performance: The case of  
Cooperative Bank of Oromia S.C

A Thesis Submitted to Addis Ababa University School of Commerce in Partial Fulfillment for  
the Master of Arts Degree in Logistics and supply chain Management

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External Examiner Name	Signature	Date

## **DECLARATION**

I, Fetene Mengistu, declare that this thesis entitled —The Effect of outsourcing noncore business functions on a Company's Performance: in case of Cooperative Bank of Oromia S.C is my original work. I further confirm that this paper has never been submitted to any other university for any degree, diploma, or fellowship. Finally, I declare that all source materials used in this research have been duly recognized and acknowledged.

By: Fetene Mengistu

Signature \_\_\_\_\_

Date\_\_\_\_\_

## **ACKNOWLEDGEMENT**

I wish to thank everyone who has helped me in my educational career. First of all, I wish to thank God to give me the strength to finish this paper. Also wish to thank my friends for making the necessary adjustments to my schedules and activities to ensure I had time to focus on this paper. I cannot afford not to mention the invaluable support received from Zelalem Bayisa (Ph.D.) my advisor who under harsh time constraints allotted time to review and critique this paper and also provided valuable feedback and encouragement throughout the research process.

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## ACRONYMS

AAU:	Addis Ababa University
ANOVA:	Analysis of Variance
CBO:	Cooperative Bank of Oromia
HR:	Human Resource
IT:	Information Technology
OMO:	Outsourcing Management Office
PEO:	Professional Employer Organization
R&D:	Research and Development
RPO:	Recruitment Process Outsourcing
SPSS:	Statistical Package for Social Studies
S.C:	Share Company
SHRM:	Strategic Human Resource Management
SLS:	Service Level Standards
SLA:	Service Level Agreement
TCE:	Transaction Cost Economics
VIF:	Variance Inflation factor

## **ABSTRACT**

*Outsourcing is a potent strategic tool that may be used to lower costs, boost performance, and concentrate on key business operations. However, CBO's outsourcing practice faces challenges such a lack of support from internal stakeholders and senior management, a lack of a clear service level agreement, a lack of consistency between the outsourcing strategy and corporate strategy, and the inability to recruit dedicated outsourced workers. The goal of this thesis was to analyze the effect that outsourcing non-core business function on Cooperative Bank of Oromia S.C.'s performance. Data was gathered using questionnaires, interviews, and bank internal papers. Mixed research approaches were used while descriptive and explanatory inferential statistics research design were implemented. Stratified sampling technique's was conducted. The data were analyzed using descriptive statistics, correlation, and regression. The study's findings imply that the bank's non-core business function outsourcing approach has unresolved issues. Both the drivers and the messenger crew exhibit poor organizational citizenship and commitment, and they struggle to maintain driver control while at work. When it comes to messenger services, there have been issues with confidentiality, whereas with cleaning staff, there have been issues with staff control during working hours, misalignment between bank service requirements and service providers' capabilities, improper handling of materials, and subpar janitorial service. But there are some advantages to outsourcing the bank's non-core business operations. These include avoiding significant investments in human resources, lowering operational costs, and lessening the administrative burden of the bank's human resource management. Outsourcing also enables the bank concentrate on core business function. Regression result show that outsourcing driving, cleaning and security services were significant ( $p < 0.05$ ) in organizational performance whereas messenger service was insignificant.*

*The report concluded by advising the bank to put out significant effort to mitigate the negative effects of outsourcing by focusing on providing high-quality services, increase customer satisfaction, and enhancing competitiveness and efficiency. The bank also makes sure that the service provider has the necessary work experience, ethical standards, technical know-how, and resources to meet the requirements*

*Key words: Outsourcing, performance, business function, customer satisfaction.*

# CHAPTER ONE

## 1 INTRODUCTION

### 1.1 Background of the Study

A contractual arrangement for an outside source to provide commercial services is known as outsourcing, according to (Belcourt, 2006). Purchasing semi-finished products, finished products, or services from an outside company is another definition of outsourcing given by (Dolgui, Proth, 2013). The business that outsources is referred to as the buyer, whilst the business that offers the service is referred to as the vendor. Employees often adhere to the management of the outsourcing service provider, and the outsourcing service provider executes the service in line with the contract.

The senior management typically makes this distinction between core and non-core organizational functions based on the firm's strategy and objectives. Outsourcing is a component of a company's overall strategy since it allows managers to concentrate their efforts on their core business operations, which are what provide them a competitive advantage and determine whether an organization succeeds or fails (Letica, 2016). Making the decision to outsource requires careful consideration of which tasks or business operations may be carried out more effectively internally than externally.

Organizational performance is a multi-dimensional concept that involves many aspects in its measurement. Strategic metrics, financial measures, and quality measures are all essential elements of any outsourcing performance evaluation system, according to (Kotabe, 1998). Other studies analyze the efficacy of outsourcing approach using various market performance metrics like cost savings, cycle time, customer happiness, and productivity.

In modern corporations, outsourcing is a relatively recent practice that is quickly gaining popularity. The history of outsourcing is directly tied to the evolution of the contemporary commercial firm; claim (Lysons & Farrington, 2020). Outsourcing was developed in response to the overly diverse economy of the 1970s and early 1980s. As a result, many companies evaluated their core competencies and concentrated on them. Organizations search for strategic solutions for greater performance and competitive advantage due to a variety of factors. These problems include increased competitive pressures, business challenges, resource limitations, technological

complexity and task specialization, accelerated environmental changes, future uncertainty, price increases, excessive organizational growth, and legal considerations (Frayer, Scannell, & Thomas, 2000). One of these tactics is to concentrate on the core skills while outsourcing or using external vendors for the majority of the operations. Therefore, an outsourcing strategy is a crucial instrument employed by many forward-thinking businesses in order to achieve the ability to complete the duties while also providing the customers with desirable services and to enable enterprises to respond to diverse needs (Masaaki, Mol, & Murray, 2008).

Organizations cannot be expected to generate everything themselves in the changing business environment of today. Instead, they should concentrate on their competitive advantage. Outsourcing is one of the best concepts, since it enables many businesses to concentrate on what they do best while outsourcing tasks that others can complete more effectively, more quickly, and more affordably (Koszewska, 2004). It enables businesses to focus their efforts on their core competencies as a result. Access to specialized talent or knowledge that is not currently available within the company is another benefit.

In Europe and the United States of America, information technology (IT) and human resources services are the most frequently outsourced corporate tasks (Yeboah, 2013). According to a poll of American chief executive officers, 37% of semiconductor companies, 42 percent of communication corporations, and 40% of computer manufacturers outsource their work internationally. More than 65% of banks examined in a different survey by Duncan and Groves-Rowan (1997) indicated that they were engaged in at least one form of outsourcing function, as noted in (Yeboah, 2013).

The idea of outsourcing is becoming more and more significant. The idea of economic integration has led to the application of outsourcing in many Asian Community nations. It is believed that this concept will enable the Asian Economic Community to increase its competitive advantages over other regions, draw more intra-regional investments and trade, and have a high capacity for sharing industry expertise to produce more high-quality goods and services (Somjai, 2017). In many African nations, outsourcing was also used. According to a 2009 National Manpower Board survey, more than 73 percent of the questioned Nigerian commercial organizations were engaged in at least one form of outsourcing function.

A lot of enterprises in Ethiopia currently outsource their non-core operations to an outsourcing firm, particularly in the fields of facility management (security, clearance, runner), human resource management (job evaluation and compensation survey), and operational management according to (Mulat, 2007) .

Since its founding in 2004, the Cooperative Bank of Oromia S.C. has contracted with an outsourcing service provider to handle certain of its operations. However, there is little knowledge about its impact, and it is regarded as a non-impactful activity. This study examined the effect of outsourcing non-core business function on the performance of Cooperative Bank of Oromia S.C. The results will aid future research in the field and provide guidance for the CBO.

## **1.2 Statement of the Problem**

Although outsourcing is a sound business strategy, it is not without risk. One major risk is that, by outsourcing, a company cedes control of the product or service's supply to a third party rather than maintaining that control themselves (Maynard, 2006). Due to the loss of management and control over an outsourced project or business processes, organizations that choose to outsource may not achieve the benefits that were anticipated or promised.

There are numerous reasons why companies struggle with outsourcing. The fact that the "home" business does not change to fit the relocation and that many businesses do not understand what is necessary to successfully outsource is confirmed by (Cox, 2014). Most firms find it problem to identify their core skills, and then it can be quite challenging to locate a reliable supplier who is willing to deliver the required good or service.

Many businesses are still using the capital assets and long-term employment agreements they had in place prior to the choice to outsource, despite having made it. As a result, the outsourced workers may not be as loyal to the client as if they were directly hired by the institution. They may also voice dissatisfaction with the insufficient services that result, which has a negative impact on various economic sectors. Due to certain service providers producing just one set of service delivery systems for all of their clients in order to cut production costs, most service providers may not be aware of the client's culture or personality, and the services they give may not fit with the client's culture (Siegel, 2000). To ensure that outsourced operations are advantageous to their firm, managers are necessary to regularly monitor, create continual

communication, and evaluate them. Additionally, poor attitudes, reluctance to new ideas, and morale issues are actual issues that will render clients ineffective (Maurer & Mobley, 2008) .

The majority of failed outsourcing attempts are attributed to one or more of the seven "deadly sins" after a study of close to 100 outsourcing initiatives in Europe and the US (Barthelemy, 2003). These include outsourcing tasks that shouldn't be outsourced, choosing the incorrect service providers, drafting a weak contract, failing to consider people difficulties, losing control of the outsourcing activity, failing to consider the hidden costs of outsourcing, and failing to plan an exit strategy. These outsourcing mistakes are typically underreported because businesses are unwilling to make them public. Outsourcing is still in its early stages of development in Ethiopia, despite its aggressive use in the global context. Poor contract writing, a lack of skilled service providers, and top-level management's degree of understanding of outsourcing are other factors that have contributed to the area's slow development (Mulat, 2007). Up to this point, non-core company operations like maintenance and cleaning, security, and information technology services have dominated it. This is mostly caused by the organization's concern of losing control and access to confidential information, inadequate service quality, a lack of capable service providers, low employee sense of belonging, control loss over important information resources, ongoing price increases, and other difficulties. The organizations also believe that the outside service suppliers are not committed to them.

According to Oromia (2020), a study by the Cooperative Bank of Oromia S.C (2020) titled "an assessment to formulate a corporate strategy for five Years (2020/21-2024/25)" shows that, despite the fact that outsourcing non-core business functions is typically done to increase service quality and allow the bank to concentrate on its core functions, the research found that outsourcing doesn't necessarily support the Cooperative Bank of Oromia S.C core functions as expected.

This study attempted to investigate effect of outsourcing non-core business function on company's performance in terms of customer satisfaction, service quality, effectiveness, and efficiency by posing the following research questions. Additionally, the researcher thinks that by highlighting the importance of cautious contracting, managing, and routine monitoring for the successful performance of outsourced services, this work will help close the gap.

### **1.3 Research Questions**

The study focuses on analyzing effect of outsourcing non-core functions on the bank's performance. The fundamental research questions are:

1. What are the primary justifications for outsourcing driving, cleaning, security, and messenger services?
2. How is the outsourcing process impacted by the bank's communities (permanent employees and the management team)?
3. How can the bank's performance (in terms of customer satisfaction, service quality, effectiveness, and efficiency) be affected by outsourcing a non-core business function?
4. What main advantages or competitive advantages are attained, and what difficulties are encountered, as a result of outsourcing the services?

### **1.4 The Objective of the Study**

#### **1.4.1 General Objective**

The objective (purpose) statement in scientific research explains why you wish to conduct the study and what you want to achieve (Creswell, 2009). Therefore, the main objective of this thesis is to analyze the effect of outsourcing non-core business functions on Cooperative Bank of Oromia S.C.'s performance.

#### **1.4.2 Specific Objectives**

Most academics studying business and economics are currently focusing their emphasis on outsourcing. This phenomenon piques the interest of the study, leading it to conduct investigation with the following particular goals:

1. Identify justifications for outsourcing some of its functions
2. To assessing how management and internal employees would contribute to the proposed outsourcing practice
3. To look at how the bank's decision to outsource non-core business functions affects the performance of the company in terms of customer satisfaction, service quality, efficiency, and effectiveness.
4. To identify the bank's non-core business function outsourcing major benefits or competitive advantages, and problems.

## **1.5 Significance of the Study**

The Cooperative Bank of Oromia S.C. (CBO) is a distinctive company that has adopted and used outsourcing as part of its strategy ever since it was founded. This study can assist the bank in revising its strategy in light of organizational performance and in taking the necessary actions in accordance with the findings and suggestions of the study. Additionally, it is useful for other academics who wish to pursue comparable study topics in the case of a related sector.

## **1.6 Scope of the Study**

The Cooperative Bank of Oromia S.C. was the target of this study, specifically the Human Capital and Projects Management, Banking Operation Management, Finance and Facilities Properties Management, Information Technology Management, Internal Control Management, and Outsourcing Management Offices, as well as the five district offices, which are located in the North, South, Central, East, and West Finfinne districts.

## **1.7 Limitations of the Study**

Lack of secondary data and some upper management's reluctance to provide the necessary data during research were limitations of the findings. Time constraints and a lack of funding for the study's research may potentially be obstacles. However, by using adequate sample sizes and triangulating various data collection techniques, the required steps were taken to ensure that these constraints did not impair the study's conclusions.

## **1.8 Organization of the Study**

This document was split into five components with various parts, as is typical for a research study. The background of the study, a statement of the problem, the study's purpose, a list of research questions, its significance, and its scope are all included in the first chapter, which is the introduction. A review of the study's existing literature is included in the following chapter two. The approaches used were thoroughly described in unit three. The fourth unit focuses on the presentation and analysis of the gathered data. The facts gathered and examined in the preceding units were summarized in the final unit, and judgments and suggestions were made in light of the summary.

## **CHAPTER TWO**

### **2 REVIEW OF LITERATURE**

#### **2.1 Introduction**

The concept of outsourcing, outsourcing decisions, and human resource skills are all covered in this chapter's evaluated literature. It also analyzed literature on outsourcing decisions that focused on core capabilities, skills and expertise, innovations, and cost reduction. Finally, the theoretical and conceptual frameworks are presented.

#### **2.2 Theoretical Review**

This study's review of related literature focuses on both theoretical and empirical research on the impact of outsourcing on organizational performance.

##### **2.2.1 Outsourcing**

Outsourcing is a planned method of getting products or services from outside sources that were previously delivered by the firm itself. When these tasks were previously carried out internally, outsourcing is the act of acquiring semi-finished goods, finished products, or services from an outside organization (Dolgui, Proth, 2013). The company that outsources is referred to as the buyer, whilst the company that offers the service is referred to as the vendor (Dolgui, Proth, 2013). Outsourcing is sometimes described as a contractual arrangement for the external supplier of business services (Belcourt, 2006). In their definition, outsourcing is the act of locating other businesses to provide the buying business with goods or services—typically ones that were previously produced in-house. It is a strategic trend that is partly a result of corporations focusing more on their core businesses in terms of strategy.

##### **2.2.2 Arguments Against Outsourcing**

Staff losses and their subsequent detrimental effect on institutional morale have the biggest drawbacks of outsourcing (Ender, Kenneth and Mooney, Kathleen , 1994). In the best-case scenario, they came up with a set of rules for reducing these outsourcing drawbacks. Only managerial people may be outsourced, attrition-based staff reductions are permitted, contractor selection will involve employees, and contract renewals will occur often.

But management experts and prominent scholars have argued that an organization's competitive advantage lies in its capacity to recognize, focus on, and develop its core competencies and activities, and outsource anything that is non-core (Handy, 1982).. This has led to a rise in the use of outsourcing over the past 20 years.

On the opposite hand, there is some debate over whether outsourcing should only be used for non-core tasks within a company or if it can also apply to core activities. Core competencies and activities are the keys to an organization's success, as stated by (Prahalad and Hamel, 1990) , and they cannot be outsourced.

A different view is taken by (Gay & Essinger, 2000) who do think that outsourcing can include contracting out both core and noncore activities. To further complicate the issue, it might be challenging to determine what constitutes a core activity (Mitzberg et al., 1998). But there is ample evidence to suggest that outsourcing is increasingly replacing vertical integration as a means of organizing the provision of many goods, processes, and services, regardless of which activities it encompasses or how these are defined (Gay & Essinger, 2000).

### **2.2.3 Reasons for Outsourcing**

It is difficult in the current business climate to maintain competitiveness in the world market. Outsourcing, which is currently regarded as one of the greatest ways to reshape management, is one of the possible solutions for the firms as they search for and develop the best strategies to achieve efficiency and use their skills. One of the most potent trends is touted as outsourcing. It is not only a cost-cutting exercise, but also a strategic move that enables managers to focus on their core competencies and limit the firm's functions under their purview. It also enables businesses to concentrate on their core competencies, balance employee numbers, lower costs, gain access to new technology, and increase productivity and quality (Cristina, BACEA1 and Anca BORZA, 2015).

There are a number of reasons to think that businesses try to outsource their operations. This technique has the potential to lead to many important fundamental changes in the organization by defending outsourcing decisions as strategic ones. Therefore, the most critical thing is to carefully handle these important adjustments. The other argument is that outsourcing does not absolve the outsourcing company or the consumer of duty. It entails giving tasks to external businesses or individuals in order to increase productivity, improve responsiveness, and cut

expenses ( (Rodriguez & Robaina, 2005). It does not, however, imply that the entire burden is transferred.

#### **2.2.4 Benefits of Outsourcing**

Different organizations have different reasons for contracting out some of their operations. However, due to its benefits for organizational performance, outsourcing is a strategy that all firms pursue. Using resources not available internally, accessing new technology, gaining access to materials only available abroad, establishing a presence in a foreign market, maintaining enough flexibility to respond to market conditions, lowering the overall amount of specialized skills and knowledge needed, and freeing up capital funds for more profitable uses are the ten reasons for outsourcing that are listed by ( (Dean, 2003).

List further are outsourcing benefits that are frequently discussed in the literature. Spending less by selecting a vendor who performs the activities to be outsourced with greater accuracy and efficiency than the customer could, a cheaper cost is gained; reduce personnel, and the buyer won't have to worry about dealing with swings in staffing caused by changes in demand because he will only be paying for the amount of work that has to be done, not the people required to do it. The vendor is in charge of staff hiring, training, and effective knowledge transfer; this relieves employees of onerous responsibilities so they may focus on their primary duties. It was observed that a business first outsources the repetitive tasks that demand a lot of time but do not yield many financial rewards.

Furthermore, outsourcing is crucial to benefit from the use of outside expertise or the outsourcing of non-core activities, to increase financial flexibility through the sale of assets formerly used in the outsourced activity to increase the company's cash flow, and to gain access to outside expertise and technologies. Paying for services raises expectations for performance (in terms of costs, quality, flexibility, etc.) because it establishes a baseline for performance. However, this benefit is only applicable if the vendor provides more than just a workforce and assumes responsibility for process improvement through new procedures or technology (Dolgui, Proth, 2013)

### **2.2.5 The Drawbacks of Outsourcing**

Every strategy has strength and a weakness, and the intensity of each varies depending on many internal and external circumstances in the business. The outsourcing technique obviously has drawbacks. A company's reliance on independent suppliers could have certain unfavorable long-term effects on outsourcing (Kotabe, 1998). It might be challenging for the company to maintain its long-term competitive advantages with such a reliance on outsourcing.

Organizations may lose control over HR activities if they implement outsourcing because it depends on the caliber of the HR provider and the terms of the service agreement that is in place between the provider and the organization according to (Grauman & Paul, 2005). Outsourcing HR activities can also increase the risk of losing confidential information, including reports, audit trails, and personal data. An ineffective outsourcing partnership leads to the inability to obtain cost reductions due to hidden costs, poor service, and outsourced providers' lack of responsiveness.

The most commonly cited risks associated with outsourcing, include reliance on the supplier, hidden costs, knowledge loss, loss of long-term R&D competitiveness, service providers' lack of necessary capabilities, communication and coordination issues, supplier responsiveness issues, control over decision-making issues, poor supply quality, decline in employee morale, loss of internal coherence, and confidentiality concerns (Koszewska, 2004).

### **2.2.6 Externalizing Human Resources**

Human resource activities, ranging from a single process to all HR activities, are included in the widespread trend of outsourcing HR inside diverse firms and list twelve human resources services that are components of HR 12 business process outsourcing or HRO, including benefits administration, employment process outsourcing, hiring, recruitment, HR/Personnel Management, Payroll, professional, employer organizations (PEOs), Recruitment process outsourcing (RPO), Staffing services, Talent and human capital outsourcing, Training and staff development, Workforce consulting, and management (Brown & Wilson, 2005).

### **2.2.7 Outsourcing for Operational Support**

Operational support activities will be defined in accordance with the provided business organization's business process, according to Guardia et al. (2011). As a result, the primary

support operation is outsourced to companies like Sorter and Mezo Awchi, as well as supporting operations like HR, finance, and legal.

### **2.2.8 Organizational Performance**

The company plan should be the beginning point when creating a performance assessment system to aid in performance management, according to (Thorpe and Holloway, 2008). The importance and significance of strategic activities inside an organization can be addressed by choosing the appropriate and representative performance indicators, which could serve as the primary model for all organizational behavior (Calik, 2013)

### **2.2.9 Defining Organizational Performance**

The accomplishment of business goals is referred to as defined performance. The accomplishment of organizational goals and the advocacy of organizational effectiveness through other people (Kaplan and Norton, 1992).The procedure entail corporate managers effectively leveraging both internal and external resources in order to accomplish a company goal with a high level of effectiveness and efficiency. Organizational performance as the extent to which an organization achieves a particular objective, whose indicator was variable, and used measuring the efficiency and effectiveness of a part of a system or the entire system to confirm that the entire operating process conforms to the set objective (Chang, 2001).

### **2.2.10 Measurement of Organizational Performance**

There are three categories of indicators used to measure organizational performance, including (i) financial performance (such as return on investment, return on revenue, return on asset, market share, revenue growth, and cost merit), (ii) non-financial performance (such as organizational existence, stability, and satisfaction) and (iii) compressive performance (the simultaneous evaluation of financial and non-financial performance) (Gung, Chang-yuan and He, Hong-chun, 2005).

Organizational success is gauged in three ways. Behavioral performance includes turnover rate, employee morale, organizational attractiveness, employee productivity, and employee commitment to the organization according to (Chang, 2001). Financial performance includes things like revenue growth, earning per share growth rate, and market share. Operating performance includes things like product quality, innovation level, and added value.

The balanced scorecard, the result of a study conducted by the Harvard Business School with the participation of 12 top American companies, is a significant framework for creating a set of performance measures for an activity or a business (Thorpe and Holloway, 2008). It offers responses to the following queries and enables managers to view a firm from four critical perspectives:

1. How do we appear to investors?
2. How do customers perceive us, from a financial perspective? (Customer viewpoint)
3. In what areas must we excel? (External business viewpoint)
4. Can we keep advancing and adding value? (A perspective on innovation and education)

The effect outsourcing has on business performance and customer happiness can be used to gauge the success of outsourcing. The degree to which the strategic, financial, productivity, and other technology benefits of the outsourcing contract have been realized can be used to measure organizational performance. The degree of acceptability or compatibility between a client request and the results of outsourcing can be considered as a measure of customer (Dean, 2003)

### **2.2.11 Fundamental Theories of Outsourcing**

The resource-based theory, core competency theory, transaction cost theory, and contractual theory are some of the theoretical frameworks that inform and support the outsourcing notion (Henry, 2008).

**Theory Based on Resources:** Resources that are scarce, difficult to duplicate, non-substitutable, and not easily obtained through markets can be used by an organization to establish a durable competitive advantage (Priem and Butler, 2001). According to the notion, organizations should put their attention toward internal resources that possess the aforementioned qualities while using outsourcing for other resource requirements.

**Core Competency Theory:** According to this theory, a company's operations should either be handled internally or by outside service providers. It is based on the decision to make or buy. A function is more likely to be outsourced to the most qualified service providers who are specialists in that industry if it is less proprietary or core and more common (Goffredson, et al., 2005).

The theory of transaction costs was created to make it easier to compare the costs associated with task planning, adaptation, and completion monitoring in alternative governance structures. On the other hand, transaction cost economics (TCE) or theory sees the relationship between the service receiver and service provider as a model that permits economic transactions to take place. An activity is outsourced if a total profit after increasing income and reducing costs is greater than the overall transaction costs of outsourcing (Williamson, 1981).

The contractual theory is crucial for outsourcing strategy implementation since it calls for a legally binding agreement that establishes the institutional framework and specifies the rights, obligations, and liabilities of each party.

### **2.2.12 The company function types that can be contracted out**

Companies all throughout the world have embraced outsourcing in one way or another to handle non-core company operations. A business can concentrate on its core operations by divesting a business process, which also eliminates the need to develop skills that are directly related to the company's objectives. With the use of outsourcing, businesses are consistently able to outperform all of their rivals in terms of the effectiveness of the business process in question (Ghodeswar and Vaidyanathan, 2008).

When deciding which areas need to be outsourced, it is essential to identify non-core company tasks. Due to the intimate connections between most company operations, this is frequently a difficult job. For each business, there is a varied set of tasks that can be outsourced, and these tasks are based on the particulars of that business's operation. To boost the company's competitiveness, it is first required to determine which processes are the company's strengths and are best kept in-house and further developed, and which procedures can be performed by third parties at a far higher standard of quality. In practice, the transfer of the following options—including accounting and tax calculation, payroll staff, legal service, human resource management, IT systems, and database management, marketing communications and public relations, advertising services, translation services, project management from design to implementation, economic and informational issues, logistics management and supply chain, some types or stage the most typical form of implementation of outsourcing.

### **2.2.13 Existence of the Skills required for handling Outsourcing Activities**

Organizations must make sure that workers are equipped with the knowledge and abilities necessary to contribute to the organization's aims and objectives. When it comes to the predetermined abilities needed for each kind of employee, one of the companies that responded said it takes a collective approach (Hofstede, 2001). A group of this quality ought to be made up of groups of workers and managers who are thought to have knowledge of the industry. When managing outsourcing operations, the ability to make sound decisions in conditions of high uncertainty is essential. Despite outsourcing initiatives are not wholly new to enterprises; their complexity, risk, and impact have never been greater. Making decisions in ambiguous circumstances is a natural consequence of it. One must be able to make decisions while having insufficient information, have the foresight to use scenarios to plan ahead, consider multiple options, and, most importantly, identify strategies to lessen the ambiguity involved in decision-making. Therefore, it is crucial to have strong marketing, negotiating, and interpersonal skills in order to establish a solid outsourcing connection with your vendors. You must be a master negotiator and be able to control the situation in order to achieve organizational goals with the vendor and cause the smallest amount of hostility in order to do this successfully.

### **2.2.14 Finding and deciding on High-quality Service Providers**

One of the crucial aspects in establishing a concrete outsourcing strategy for a business that chooses not to join the rush is picking a vendor that can fit the company's demands (Ghodeswar and Vaidyanathan, 2008).

In general, selecting a vendor is just as significant as deciding to outsource. Although it can be tricky to assess every facet of a vendor, the list below offers a few that a business should consider: Company stability, references and reputation, contract flexibility, resource scope, additional value-added capacity, location, price, fit with the culture, already-existing relationship, and staff Turnover, We can all agree that factors like pricing, quality, and contract management rank highly among the top priorities, but what about other intangible elements like a cultural fit.

Here are more characteristics for the company to consider while evaluating the service providers; This will allow it simpler to at least conduct a preliminary study of the business in question

Quality dedication: The supplier needs to be quality-oriented. The provider should be questioned about their quality assurance and quality control methods.

Cost-Provider's pricing: Customers should be able to choose to outsource over in-house development while still saving money thanks to Cost-Provider's pricing structure.

Additional resources and capabilities—the supplier must have resources and skills that the client cannot obtain on their own or from other service providers. Modern consumers are wise and seek for a vendor's extra features at an affordable cost. Intelligent suppliers can exploit it to their advantage over rivals.

Previous work: The supplier ought to have knowledge of collaborating with other businesses. If there are no recommendations available, the company should call some of its clients and inquire about their experiences, if any, with the vendor. The company should look at the provider's portfolio.

Contract terms: The contract terms should give the client the ability to change the conditions or end the agreement quickly if necessary. Agile-based development methods are the best for implementing quick and frequent changes.

Confidentiality of client data at the vendor's site: How confidential is it? The vendor ought to implement clearly laid out security regulations.

### **2.2.15 Development of a Well-Formed Agreement**

All the laws and regulations, as well as a company's own policies and processes, must be followed when outsourcing. Although it is simple, to sum up the limitations placed on outsourcing in a single line, it is much more difficult to lay out such constraints in terms of a contract. Without adequate contract management, an outsourcing endeavor runs the risk of becoming a contentious legal dispute. It is crucial for an organization to be aware of the numerous governmental, environmental, and organizational liabilities that exist, even though legal action should only be pursued as a last resort. Contracts are often drafted and accepted by both parties before any outsourcing endeavor can get started.

The primary objective of the contract is to provide a particular pricing structure and service level agreement (SLA), both of which are essential to any outsourcing project. A contract will specify the two parties' governing legislation in addition to the SLA, as well as any regulatory rules and tax ramifications. Actually, it's critical to ascertain the tax implications of an outsourcing project early on according to (Thoms, 2004). The contract also serves as one of the most essential components of any outsourcing agreement, according to (Tafti, 2005) . It outlines the services that a vendor is expected to offer, covers fiscal and legal matters, and serves as a guide for the course of the contract.

#### **2.2.16 Developing service-level agreements (SLA)**

A carefully developed SLA will effectively establish expectations for both parties in an outsourced arrangement while giving benchmarks for precisely gauging performance relative to those goals according to (Thoms, 2004). The process of creating an SLA between parties involves several steps. The first entails negotiating terms of service that are acceptable to both parties.

The various payment options are also identified once everything has been created and agreed upon. The methods by which a company will assess the quality of a vendor's service is one of the crucial components of any SLA. Was the service provided by the vendor in accordance with the contract, to put it another way? Additionally, when properly selected and put into practice, the SLA metrics: First measure the right performance characteristics to make sure that the client is receiving the level of service they require and that the service provider generates a profit that is both respectable and sustainable (Thoms, 2004). In addition, all commitments can be tied to reasonable, attainable performance standards, making it simple to distinguish between "good" and "bad" service. Finally, the service provider is given a fair chance to meet its obligations.

#### **2.2.17 Handling staff concerns**

Because of the common perception among employees that their abilities are being undervalued through outsourcing, effective people management is essential. Even before a final decision is reached regarding outsourcing, this could cause a significant exodus. Open communication is essential to handling human issues in outsourcing because maintaining confidentiality throughout outsourcing feasibility and decision-making is particularly challenging. Rumors begin to spread when efforts to maintain concealment fall short. Employees start giving notice in anticipation of

outsourcing once they learn that outsourcing is being considered, which causes unproductive concerns (Barthelemy, 2003). In addition, Barthelemy, believes companies considering outsourcing must deal with two interconnected people challenges. Key personnel must first be retained and motivated.

Outsourcing typically does not entail sending all of the staff to the vendor. Long-term internal performance of an activity results in the accumulation of firm-specific knowledge on how to do the activity successfully. Employees with this company-specific expertise must be located. The management must be ready to give them more pay and incentives in order to retain them on staff. The loyalty of employees who have been transferred to the supplier is a second personnel issue that needs to be resolved. Retention of knowledge and skills is a crucial concern, according to a manager in charge of the financial outsourcing contract. Regardless of the service provider's profile, people use their knowledge, expertise, abilities, and the technology at their disposal to complete the work. The quality of the work will clearly decline if there is a significant staff turnover rate, especially in analytical and specialized technical fields. The dedication of the staff that has been transferred to the vendor has a significant impact on how well an outsourcing endeavor turns out. Employees engaged in activities outside the primary business of the company are frequently accorded poor attention. After being transferred to specialized vendors, employees might be given the chance to advance their careers in what is thought of as the vendor's primary business. For many workers, working for a vendor is more appealing than staying at a company when the outsourced activity is only seen as a service (Barthelemy, 2003).

#### **2.2.18 Benefit of cultural difference in outsourcing arrangements**

As to the UNESCO, culture is "the set of distinctive spiritual, material, intellectual and psychological features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions, or beliefs." The notion of "inter culturally" refers to the presence of several cultures, their fair interaction, and the potential for the development of common cultural manifestations ( (UNESCO, 2001)There are different "mental programs" that every one of us has. The person's social milieu, where they were raised and amassed their life experiences, is where mental programs originate. The family is where it all begins, and it spreads to the neighborhood, school, business, youth groups, and living community. Culture, or "mental software" of the mind according to (Hofstede, 2001)

Both customers and providers had different views, they all agreed that these areas needed to be improved and were "issue areas". Activities like effectively communicating, managing performance, fostering innovation, identifying, bringing up, and resolving issues, establishing an effective governance structure, managing commitments, gaining buy-in from stakeholders, managing scope, and making joint decisions are made difficult by cultural differences. Indeed, according to a Vantage study, suppliers and customers concurred that the results of the differences are time wasted in disputes and decision-making processes, end-user complaints about services, scope overruns, poor quality, missed opportunities for innovation, missed deadlines, low staff morale, and lost savings. Recent assessments indicate that one of the main causes of offshore outsourcing deals failing or encountering issues is cultural differences. A country, region, religion, or any other organization or group can be characterized by its culture, which is an integrated pattern of human knowledge, belief, behavior, values, and traditions. Cultural disparities make it difficult to detect, raise, and resolve issues and impede efficient communication, performance management, and the development of innovations according to (K. Goda and Vytautas, 2010).

Greater success will result from choosing outsourced teams whose behavioral harmony with the company's culture. Hiring everyone who acts, works, and thinks alike, meanwhile, might stall a company's development efforts if done to an extreme. The team can work more effectively if all developers come from the same background (gender, nationality, professional experience, etc.).

## **2.3 Empirical Review**

### **2.3.1 Review of the Empirical Literature**

Numerous studies on outsourcing related to organizational performance and practice, its advantages and disadvantages, the motivation for outsourcing, and related problems have been carried out around the world in a variety of industries and form ownership. The researcher analyzed empirical papers in this section that dealt with organizational performance and outsourcing company activities.

### **2.3.2 Business activity outsourcing and organizational performance**

In Kenya's manufacturing sector, (Kamanga and Ismai, 2016) found that there was a correlation between outsourcing and institutional performance in their investigation of the effects of

outsourcing on organization performance. In order to analyze the impact of outsourcing on organizational performance, they employ a variety of outsourcing-related factors as a reduction of the practice (an independent variable). There is a correlation between outsourcing and institutional performance, according to a (Nakanjako, 2016) study on commercial outsourcing operations and the performance of Uganda's governmental institutions. However, it was found that there were distinct relationships between institutional performance and outsourcing-related factors, such as information technology outsourcing, outsourcing of human resources, and outsourcing of facilities management.

According to a study on the relationship between activity and outsourcing in Bosnia and Herzegovina businesses (Letica, 2016), the majority of privately owned businesses use outsourcing to boost business performance by reducing operational costs and concentrating on their core competencies. (Somjai, 2017) Research was done to look into the main benefits and drawbacks of encouraging outsourcing in Thailand's business climate and economics. It was discovered that risk sharing, rather than cost reductions such operation and recruitment costs, knowledge, quick delivery, and a focus on core process output, is the most crucial aspect of outsourcing's benefits. In the telecommunications industrial sector, (Nazari, 2012) Outsourcing and Its Impact on Operational Performance showed that outsourcing could result in cost reduction, improved quality, enhanced flexibility, and superior financial and non-financial performance and services. (Yeboah, 2013), evaluated the connection between outsourcing and organizational performance using data from 50 businesses in Ghana's banking and insurance industries. The findings showed that a well-executed outsourcing plan will assist a company get access to world-class capabilities, improve focus, lower and control operating expenses, and help in sharing risks. Analyze the impact of outsourcing services on Addis Ababa University's performance as an institution by (Tolosa, 2019). It was discovered that outsourcing services have an effect on business performance. The results of a study done by another researcher in Ethiopia on a topic related to outsourcing showed that Ethiopian businesses are open to contracting out non-core operations like maintenance and cleaning, security, and information technology services (Mulat, 2007). However, in the area of accounting and management it was discovered that outsourcing services has an effect on business performance. The results of a study done by another researcher in Ethiopia on a topic related to outsourcing showed that Ethiopian businesses are open to contracting out non-core operations like maintenance and cleaning, security, and

information technology services (Mulat, 2007). However, in order to deliver their services to Ethiopian organizations, accounting and administrative outsourcing service providers will run into a variety of issues. This is due to the possibility that worry about losing control and confidential information. The organizations also believe that the outside service suppliers are not committed to them. Other studies with the same title support the notion that outsourcing security and cleaning tasks are mainly done to concentrate on core operations, cut costs, and offer customers a high-quality service (Kiros, 2020).

The literature review makes it abundantly evident that outsourcing has both drawbacks and a variety of tactical and strategic benefits. Because no prior studies have been conducted similar to this research within the Cooperative Bank of Oromia S.C., studying the potential benefits and drawbacks of using outsourcing as a strategic tool could provide crucial insights regarding what to outsource and what to keep in-house as well as how to properly adopt such strategies.

## **2.4 Research Gap**

The majority of studies and literature on the effect of outsourcing on organizational performance focus only on certain services, such as cleaning, security, and information technology. However, the study did not account for the effects of driving or messenger services. This study bridged the gap by incorporating the aspects of outsourcing that were lacking from its analysis of its impact on organizational performance.

## **2.5 Conceptual Framework**

According to the results of the literature review, a conceptual model for the study is adopted and modified. This model consisted of the following components of dependent and independent variables. In this study, outsourcing noncore business functions will treat as the independent variable while organizational performance customer satisfaction, service quality, effectiveness & efficiency as the dependent variables.



Source: Adopted and modified from (Tolosa, 2019).

**Figure 2:1 Conceptual framework for independent and dependent variables**

## **CHAPTER THREE**

### **3 RESEARCH METHODOLOGY**

This section highlighted the study's methodology. It covers the subject matter and research design, data sources and kinds, data collection methods, sampling methods, and data analysis.

#### **3.1 The study Area's Description**

The history of cooperative banks has been traced back to the financial exclusion faced by many communities in the 19th century. With the industrial revolution, the emerging financial services sector was primarily focused on wealthy individuals and large enterprises in urban areas. The rural population, particularly farmers, small businesses, and the communities they supported, were excluded from financial services. Thus, cooperative banks were originally set up to correct this market failure and to overcome the associated problems of asymmetric information in favor of borrowers.

In respect of Ethiopia, the country has very low financial service coverage as mainstream financial institutions are heavily tilted toward the urban centers with good physical infrastructure, leaving the rural areas underserved. Traditionally, 'Equbs' and 'Idirs' are informal institutions that are deeply ingrained in the life of communities and have also been serving the financial needs of the rural society to some extent. Reluctance and low capacity of the formal financial institutions in the country to serve the rural community, a demand-supply gap prevailed in the financial market, especially in rural areas, coupled with farmers' awareness to be organized into cooperatives and the increasing need to finance cooperatives called for the establishment of a cooperative bank. Furthermore, finance appeared to be the critical bottleneck to sustaining the cooperative institutions and ultimately the farmers. It was all these glitches that initiated the inception and establishment of the Cooperative Bank of Oromia.

Formally establishing a project office in 2002, the bank's formation was realized with the majority of shareholders being the cooperative societies. The bank then commercially licensed in October 2004 and commenced operations in March 2005. As there are no legal provisions that allow the establishment of a cooperative bank in the country, the bank was registered per Article 304 of the commercial code of Ethiopia.

The Bank has a broad ownership base and diversified ownership structure. It comprises Cooperatives and Non-Cooperative members. The cooperative member includes Primary Cooperatives, Cooperative Unions, and Cooperatives Federation whereas; non-Cooperative members include Organizations, Associations, and individuals.

The bank now has a total asset value of more than ETB 121 billion. The bank has 610+ branch networks, 10 million account holders, and more than 11,500 employees.

### **3.2 Research Approach**

In the study, both quantitative and qualitative research approaches were used to provide the best understanding of a research problem. Using qualitative data only from a few subjects would be inappropriate and may lead to a subjective interpretation of the results. Thus, both qualitative and quantitative (mixed) research approaches were deployed in this research so that relevant and accurate information was obtained. The purpose of the qualitative approach was to analyze open-ended questions and assist in explaining and interpreting the finding of the quantitative study.

(Creswell, 2009) Indicate that in mixed approach study, it is common and even advisable to use an embedded model of data collection where one form of data (either qualitative or quantitative) predominates. According to these authors, this strategy enables researchers to make their study more focused and manageable.

### **3.3 Research Design**

The research design used in the study was descriptive. By expressing the potential behavior, attitude, values, and characteristics of the respondents while utilizing questionnaires as the suitable tool, it ascertains and reports the state of things. Additionally, explanatory inferential statistics design was used to investigate the link between organizational performance and outsourcing non-core business operations. Research studies that seek to present static images of circumstances and establish the relationship between various variables utilize descriptive and explanatory inferential design (McBurney & White, 2009)

### **3.4 Target Population**

A population is any big group that exhibits a certain set of characteristics (Zikmund, 2010). The target population was the intended audience for the study. The study's target population consisted of the managers and employees of the program offices and districts of the bank's program

offices. The study's target demographic included 798 persons who work in six departments and five district offices according to the data from obtained the bank 2023.

### **3.5 Sample-Frame**

Participants in the study include Cooperative Bank of Oromia S.C. staff because the investigation was focused on this institution. The population of the study was those who are currently employed by Cooperative Bank of Oromia S.C. in Addis Ababa city. Cooperative Bank of Oromia S.C. currently employs about 6,547 people permanently and 5,621 people through outsourcing among its more than 600 branches in the nation (Annual Report of June 2021/2022). A population list served as the sample frame from which the sample was taken. Because those departments and districts have a direct connection to the study area, the sample was chosen from those departments and districts in order to make the study manageable. These departments include Human Capital and Projects Management, Banking Operation Management, Finance and Facilities Properties Management, Information Technology Management, Internal Control Management, and Outsourcing Management Office. The departments and the five district offices employ a combined 1,121 administrative, professional, and outsourced personnel. The study excludes the 323 workers with less than a year of work experience and the outsourced staffs who are regularly involved in routine banking tasks and lack sufficient knowledge of the study's subject. As a result, our study focused on the 798 administrative and professional staff members who had worked for the company for at least a year.

Both quota and stratified sampling random approaches were used in the investigation. In light of this, the study's target area was decided to be the Addis Ababa region's six departments and five district offices. The populations of these Cooperative Banks of Oromia S.C. organs were 798 after eliminating employees with less than a year of work experience and staff who were outsourced.

Slovin's formula was employed to calculate the sample size (Serakan, 2012-52).

**As a result,  $n = N / (1+Ne^2)$**

Where:

-N is the population size

- n is the sample size

- e is the margin of error

The target group was comprises 163 study participants with a 7% error margin. As a result, the study's sample size of 163 was adequate to accurately represent the study area's target population. Most survey researchers apply an acceptable margin of error that, at a 95% confidence level, usually falls between 4% and 8%.

Because each bank department and district has a distinct number of employees, the researcher believes it is necessary to draw an independent sample for each to assure fair representation. Therefore, using percentage, the sample size for each department and district was determined. To ensure that each department and district sampled is representative of the proportion of the population, the study employs a proportionate stratified random sampling formula. The following formula was used to determine proportional sample sizes from each department and district.

$$n_i = n * N_i / N$$

Where:

$n_i$  = sample size for individuals in bank the selected departments and districts

$N_i$  = each total number of employees in bank-selected departments and districts

$N$  = the total number of employees in bank-selected departments and districts

$n$  = the total sample

**Table 3:1 Present a proportional sample for each district and department.**

No	Department and district list	Total number of staff in each department	Number of samples in each district and department
1	Human Capital and Projects Management	72	15
2	Banking Operation Management	77	16
3	Finance and Facilities Properties Management	34	7
4	Information Technology Management	41	8
5	Internal Control Management,	37	8
6	Outsourcing Management Office	16	3
7	District Offices	521	106
Total		798	163

Data from the bank, 2023

### **3.6 Data Gathering Method**

The study used both direct and secondary data from a variety of sources to obtain various perspectives and facts regarding the bank's outsourcing practice. Both interviews and questionnaires were employed in the study. The Vice President of Strategy and Marketing and the Manager of the Outsourcing Management Office were interviewed in-depth. These individuals were chosen based on their roles in the bank and their capacity to provide detailed information on the actual performance of outsourcing providers and the associated challenges. Additionally, information was gathered by giving structured questionnaires, such as open-ended and closed-ended ones, to workers who had experience with outsourcing tasks. The survey is a Likert scale ranking (5-point Likert scale), where 5 denotes strongly disagree, 4 denotes disagree, 3 denotes neutrality, 2 denotes agreement, and 1 denotes highly agreement. Authentic periodicals and magazines, organization reports, pertinent policy manuals, and secondary data are gathered from these sources.

### **3.7 Analyses of Data**

To categorize, order, and summarize data in order to find the answers to research questions is known as data analysis (Delpont, 2005). According to (Cramer & Howitt, 2011), the goal of descriptive data analysis is to maximize the benefits from the data by making the description and analysis of the data acquired more transparent. As a result, the data were properly edited, coded, and entered into the software before being prepared for analysis. The acquired data were processed and analyzed utilizing inferential and descriptive statistics using the Statistical Package for Social Studies (SPSS) version 26 to meet the study's objectives. This method was chosen because it aids in summarizing the sample, offers, or permits characterizing the traits of the data gathered, and aids in carefully analyzing and interpreting each question one at a time to produce meaningful results.

Percentages and the mean were applied throughout the analysis. Tables are utilized in this process to show the findings and make them simple to interpret in order to provide relevant outcomes. With the mean and percentage values of the data gathered, the descriptive statistics analysis for this part was carried out. All respondents' frequency distributions from the questionnaires were counted and computed. The information gathered during the interview discussion was structured in accordance with the questionnaires' specifications and included in

the study's data discussion and interpretation section. The link between the independent variables and the dependent variables was examined using both correlation and regression analysis. Finally, based on the interpretation and analysis of the data, judgments and suggestions were made.

Regression model: The following equation is put forth:

$$Y = \alpha + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + e$$

Y – Organization Performance

$\alpha$ - Constant (coefficient of intercept)

X1 – messenger service

X2 – driving service

X3 – cleaning service

X4 – security service

e – Error term

$\beta_1, \beta_2, \beta_3, \beta_4$  – Regression coefficient for four variables

### **3.8 Scale Validity and Reliability**

The questionnaire, which included a number of questions and discussion, was carefully created. Maximum effort was made to establish a logical connection between the questionnaire's items and the study's objectives and research topics. Therefore, the instrument was examined by 11 professionals from the Human Capital and Projects Management, Banking Operation Management, Finance, and Facilities Properties Management, Information Technology Management, Internal Control Management, and Outsourcing Management Office before it was distributed. These professionals participated from the five districts as well. In light of their feedback, the sample population was given the questionnaire. When a research tool produces consistent results or data after numerous trials, it is said to be reliable. The most used reliability metric is Cronbach's Alpha, which estimates internal consistency by examining the relationships between each item on a test and the entire test (Cronbach, 1951) a coefficient between 0 and 1.00 is used to represent reliability. The test is more reliable the greater the coefficient, which accounts for 0.70.

**Table 3:2 Statistics on Reliability**

<b>Variables</b>	<b>No.of items</b>	<b>Cronbachs alpha result</b>
Messenger Services	13	.762
Driving Services	14	.791
Cleaning Services	12	.725
Security Services	11	.732
Company Performance	26	.847

SPSS survey output, 2023

### **3.9 Ethical Consideration**

The bank management was fully informed before the interview and before the distribution of the questionnaires. The security of the data that the researcher collected from respondents, the use of secured data exclusively for academic objectives, and the prevention of the respondents' personalities from being exploited were all ethical concerns in this study.

## CHAPTER FOUR

### 4 RESULTS, ANALYSIS, AND INTERPRETATIONS

#### 4.1 Introduction

The data gathered from the questionnaires and interviews were analyzed and discussed in this chapter.

##### 4.1.1 Response rate

Out of the 163 questionnaires that were sent to the sampled strata, 163 replies were received, as can be seen in Table 4:1 below 14 of the total returned replies missed some essential information. As a result, there were only 149 complete replies used in the study, yielding a response rate of 91.4% ( $149/163=0.9141$ ).

**Table 4:1 A response rate of respondents**

Sr.no.	Departments	samples taken	Number of responses			%of responses
			Returned	Completed	Incomplete	
1	Human Capital and Project Management	15	15	13	2	86.7
2	Banking Operation Management	16	16	16	-	100
3	Finance and Facility Property management	7	7	7	-	100
4	Information Technology Management	8	8	8	-	100
5	Outsourcing Management Office	11	11	11	-	100
6	District Office	106	106	94	12	88.67
Total		163	163	149	14	91.4

Data from a survey, 2023

#### 4.1.2 Demographic information about the respondents

The demographic data of the participants were included in the questionnaire's first section.

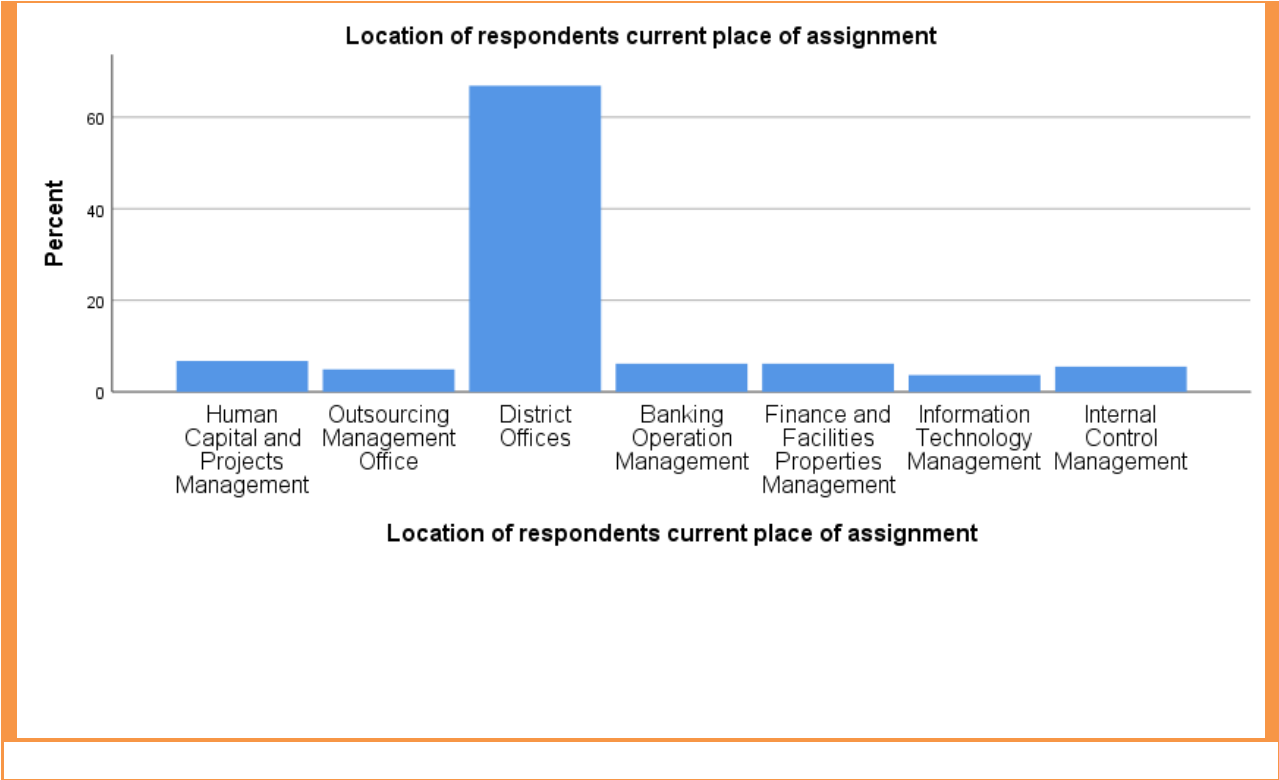
**Table 4:2 Respondents' demographic data**

<i>Participant profile</i>	<i>Choice</i>	<i>Frequency</i>	<i>Percent</i>
Sex	Men	106	71.1
	Women	43	28.9
	Total	149	100.00
Age	18-30	37	24.8
	31-40	83	55.7
	41-50	27	18.1
	above 50	2	1.3
	Total	149	100.0
Educational status	Diploma	2	1.3
	first degree	107	71.8
	> first degree	40	26.8
	Total	149	100.0
Service year	1-5 years	42	28.2
	6-10 years	63	42.3
	11-15 years	42	28.2
	>= 16 years	2	1.3
	Total	149	100.00
	Total	149	100.00
the current state of work	Managerial	23	15.4
	Professional	126	84.6
	Total	149	100.00

Data from a survey, 2023

As to the aforementioned Table 4:2 of the 149 (100%) participants, 106 (71.1%) were men and the remaining 43 (28.9%) were women. Regarding the distribution of respondents per age, 37 (24.8%) were between the ages of 18 and 30; 83 (55.7%) were between the ages of 31 and 40; and 27 (18.1%) were between the ages of 41 and 50. The remaining 2 (1, 3%)

were older than 51. With respect to this, 120 (80.54%) of the responders had been under the age of 41. According to states, the bank employs a majority of young people. The respondents' academic backgrounds are also shown in Table 4:2. According to the Table 4:2, first-degree holders comprised 107 (71.8%) of the total those surveyed, followed by graduates with more than a first-degree by 40 (26.8%). Only 2 (1.3%) people have diplomas. This indicates the bank's staff members were fairly educated. Regarding the number of years that respondents had worked for the CBO, 63 (42.3%), 42 (28.2%), and 42 (28.2%) had worked there for between 1-5, 6-10, and 11-15 years respectively. 2 (1.3%) of the remaining respondents have more than 15 years of experience. It indicates that 105 participants (70.5%) have served for less than ten years. Regarding current professional standing, 23 people (15.4%) held managerial positions while 126 professionals (84.6%). This implies that bank employees are more professional than managerial posts.



SPSS survey output, 2023

**Figure 4:1 Respondent's place of assignment**

Most of the respondents were from district offices as the figure 4:1.

### 4.1.3 Factors Motivating outsourcing noncore business functions

**Table 4:3 A ranking of the factors motivating the outsourcing of non-core business functions**

No	Factors in regard to outsourcing non-core business functions		Response in %					Mean
			Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
1	To reduce cost	N=149	0	2.7	13.4	63.8	20.1	4.01
2	To improve service quality and customer satisfaction	N=149	0	0	0	69.8	30.2	4.30
3	To spend more time on strategic issues	N=149	0	0	73.2	26.8	0	3.27
4	To focus on core functions	N=149	0	0	0	64.4	35.6	4.36
5	To improve flexibility	N=149	0	56.4	1.3	42.3	0	2.86
6	To assist growth	N=149	0	0	22.8	26.2	51.00	4.28
7	To access new skills	N=149	48.3	15.4	12.1	24.2	0	2.12

Data from a survey, 2023

The data on the reasons cited as motivating factors for outsourcing strategy was compiled in Table 4:3 above. According to data from Table 4:3, the respondents generally concurred that the company's decision to outsource non-core business tasks was motivated by a desire to concentrate on core function (mean = 4.36). Additionally, according to the respondents, the business utilizes outsourcing as a strategic instrument for improving service quality and customer satisfaction (mean: 4.30). The third and fourth as to the respondent, the bank outsourced its non-core business services for reasons: to assist growth (mean = 4.24) and to cut costs (mean = 4.01). So, the respondents' primary motivations for the outsourcing approach were a focus on core functions, increased customer satisfaction and service quality, support for growth, and cost savings. The respondents disagreed with the need to acquire new skills but were ambivalent about the need to devote more time to strategic concerns and increase flexibility.

#### 4.1.4 Influence of management and employee on outsourcing non-core business functions

**Table 4:4 A summary of how senior executives and employees influence the outsourcing of the bank's non-core business functions**

Item		Total frequency and a percentage (%)					Mean
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
The top management has to develop skills howto manage outsourcing efforts	N=149	0	118	0	22	9	2.48
	%	0	79.2	0	14.8	6	
The identification of activities, when they are suggested for the outsourcing arrangement, is carried out by all levels of management and employees.	N=149	102	45	2	0	0	1.33
	%	68.5	30.2	1.3	0	0	
Internal stakeholders give support in theoutsourcing process	N= 149	0	55	51	43	0	2.92
	%	0	36.9	34.2	28.9	0	
All activities designated by the bank's highest management as being best carried out by the service provider	N=149	47	77	25	0	0	1.85
	%	31.5	51.7	16.8	0	0	
Top management identifies and access vendor	N=149	0	26	96	27	0	3.01
	%	0	17.4	64.4	18.1	0	
Top management is keen to anticipate the end of an outsourcing contract	N=149	0	0	64	46	39	3.83
	%	0	0	43	30.9	26.2	
The management creates the outsourced activity's strategy and maintains alignment with the corporate plan as a whole.	N=149	0	97	29	23	0	2.50
	%	0	65.1	19.5	15.4	0	
Top management involves in careful contracting, managing, and monitoring regularly the outsourcing	N=149	0	47	93	9	0	2.75
	%	0	31.5	62.4	6	0	
Top management can set well-formulated contracts and service level agreement	N=149	0	39	95	15	0	2.84
	%	0	26.2	63.8	10.1	0	

Data from a survey, 2023

About 6 percent of respondents agreed that senior management has to build abilities in managing outsourcing efforts when items are suggested for outsourcing arrangements. In particular, 14.8% of respondents were neutral and 79.2% strongly disagreed with this claim. In addition, it was discovered that the mean of the response distribution was 2.48, which was near the value of "Disagree." So, it could be said that top management's skills in managing outsourcing efforts are not at the needed level during tasks identified for outsourcing arrangement. Top management and staff were involved in identifying activities for outsourcing arrangements, and when asked about this in the second question, none of the respondents gave an answer with a mean score of 1.33, which is near the value of "Strongly Disagreed." More specifically, 30.2% of respondents disagreed, 68.5% strongly disagreed, and 1.33% was impartial regarding this element. This results in the conclusion that while identifying activities and preparations for outsourcing, management and internal personnel are only slightly supporting the bank's efforts.

When asked whether internal stakeholders support the outsourcing process, respondents to the third question gave a 28.9% positive agree response, a 36.9% negative disagree response, and a 34.2 neutral response. The average of the distribution of responses (2.92), which was close to the value of 'Neutral' respondents, has refrained from concluding that internal stakeholders support the bank's outsourcing strategy as anticipated.

According to Table 4:4, 83.2% of respondents do not think that service providers can handle certain tasks as effectively as those chosen by top management. On this particular issue, 31.5% of respondents strongly opposed, 51.7% disagreed, and 16.8% remained neutral. The distribution's mean, which is close to the 'Disagree' value of 1.85, indicates that not all actions are identified when given to the service provider. 17.14% of respondents disagreed, 64.4% were neutral, and 18.1% agreed with the top management's responsibility for finding and gaining access to a suitable vendor. However, 35.7% (26.6% agree and 9.1% strongly agree) believe they play a significant influence in selecting qualified vendors. A large number of respondents don't have enough knowledge about the question to identify and access suitable vendors who can assist the organization in delivering quality service, increasing customer satisfaction, improving its competitiveness, and operating efficiently at the expected level, according to the mean of the distribution of this response, which was 3.01, which is close to the value of "neutral."

The same table 6 above demonstrates that 55.7% of respondents believed that senior management is eager to predict the end of an outsourcing contract with a concrete signal (30.9% agree & 24.8 strongly agree). Respondents, however, stated that upper management is not keen to forecast the outcome of outsourcing contracts (1.3 disagreed). The remaining 43% of those surveyed indicated that they were unsure of upper management's eagerness to foresee the end of outsourcing.

Overall, 65.1% of respondents disagreed with how management developed the outsourced activity's plan and maintained consistency with the company strategy. 15.4% of the sample was still in agreement, while 19.5% are still unsure. This indicates that most employees lacked belief in the bank's ability to effectively manage its outsourcing processes.

Regarding senior management's capacity to construct a well-formulated contract and service level agreement, the majority of respondents were split 26.8% disagree and 10.1% agreed, leaving the remaining respondents unclear. Additionally, the mean score value of 2.84, which is nearly "neutral," suggests that there is ambiguity regarding the required level of a binding contract between the bank and service providers.

#### 4.1.5 Organizational performance after outsourced non-core business functions

**Table 4:5 Summarizes of organizational performance after outsourced non-core business functions.**

Item		The frequency and n (%) total					Mean
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
Customer satisfaction increased after outsourcing non-core business functions of the bank	N=149	0	41	99	9	0	2.79
	%	0	27.5	66.4	6	0	
The bank has been able to reduce its operating cost related to non-core business functions	N=149	0	105	40	4	0	2.32
	%	0	70.5	26.8	2.7	0	
Outsourced staffs are less committed to carrying out responsibility	N=149	0	24	1	124	0	3.67
	%	0	16.1	0.7	83.2	0	
After outsourcing the well-being of the customers, staff, and property of CBO well secured	N=149	0	0	77	72	0	3.48
	%	0	0	51.7	48.3	0	
The existing outsourced services helped the bank and its customer feel confident about its quality	N=149	15	101	6	27	0	2.30
	%	10.1	67.8	4	18.1	0	
Outsourcing non-core business functions increase the competitiveness of the bank	N=149	0	95	13	41	0	2.64
	%	0	63.8	8.7	27.5	0	
Better committed and loyal staff are provided	N=149	0	129	8	12	0	2.22
	%	0	86.6	5.4	8.1	0	
Resolving ability for customers' problems increased	N=149	0	112	13	24	0	2.41
	%	0	75.2	8.7	16.1	0	
it has had a negative outcome on the bank	N=149	0	112	33	4	0	2.28
	%	0	75.2	22.1	2.7	0	
Organizational performance increased after outsourcing non-core business functions	N=149	0	78	46	25	0	2.64
	%	0	52.3	30.9	16.8	0	

Data from a survey, 2023

In this section's eight questions, we're trying to figure out organizational performance after outsourcing non-core business operations effect the effectiveness and efficiency of the organization in terms of (customer satisfaction, service quality, effectiveness, and efficiency).

27.5% of those surveyed, as shown by the data in Table 4:5 disagreed with the statement that "Customer satisfaction increased after outsourcing non-core business functions of the bank." 6% of those surveyed agreed that the bank's non-core business tasks were outsourced, which helped to increase customer satisfaction. However, 66.4% of the respondents remained undecided about the answer to the question. In addition, the mean score value of 2.79 indicated that the majority of respondents were undecided about whether customer satisfaction rose after the bank outsourced its non-core business functions.

About 70.5% of the participants strongly disagree and 2.7% agree that the bank has been able to cut operational expenses associated with non-core business tasks. While the remaining 26.8% of respondents were undecided on how it had affected operating costs, the aspect 2.32 mean showed that outsourcing had no impact on operating costs. 83.2% of respondents agreed with the statement that "Outsourced staffs are less committed to carrying out their responsibilities" in reference to the dedication of outsourced staff to fulfill their tasks. While 0.7% of respondents were neutral, 16.1% strongly disagreed with the respondents' belief that staffs hired through outsourcing are not devoted to carrying out their duties. The bank's average score of 3.68 reflects that it is still unable to find committed employees to carry out their duties.

About 48.3% of respondents said that they believed outsourcing has improved the security of CBO's customers, employees, and property, while the remaining 51.7% were undecided about their opinions. The average response (3.48) suggests that outsourcing, customer satisfaction, employee safety, and CBO property security were all of the utmost importance.

18.1% of those surveyed agreed that the bank and its customers felt more trust in the quality of the services since they were outsourced. Whereas 77.9% of the respondents specifically disagreed that service quality has improved as a result of outsourcing non-core company tasks, 10.1% strongly objected and 67.8% disagreed, while the remaining 4% of respondents were neutral on the matter. The mean value, 2.30, which is closer to the 'Disagree' option,

demonstrates that outsourcing non-core business tasks did not result in the service quality that was anticipated.

About 27.5% of respondents agreed that outsourcing non-core business tasks would boost the bank's competitiveness, but the majority (63.8%) disagreed with this statement. The remaining 8.7% were unsure about this. The bank's non-core business tasks were outsourced, but its competitiveness did not improve, according to the mean score of 2.23.

The vast majority of respondents agreed that outsourcing non-core business tasks had no impact on the bank's ability to recruit and retain devoted employees. Getting devoted and loyal employees was severely opposed by about 86.6% of the survey participants. 9.4% of the respondents supported this. Neutral participants made up the remaining 4% of the sample. The distribution's mean score was similarly discovered to be 2.22 (see Table 4:5). This brings us to the conclusion that the service provider is unable to deliver the kind of dedicated employees the bank needs to improve performance.

The capacity of customers to fix issues that arise after outsourcing non-core company operations was a question that respondent were asked. As a result, the study discovered that a mean score of 2.41 was obtained. This suggests that personnel who have been outsourced lack experience in comprehending customers' desired results. 75.2% of respondents strongly disagreed, 8.7% were neutral, and 16.1% agreed, according to the percentage results. Additionally, both bank representatives stated that the service provider is unable to supply qualified staff. When asked if it had a negative impact on the bank, the response showed that 75.2% strongly disagreed, 2.7% agreed, and 22.1 indifferent. The mean 2.64 indicates that outsourcing has no detrimental effects on the bank.

#### 4.1.6 Advantage of outsourcing messenger services

Table 4:6 lists the advantages of outsourcing messenger services.

Item		The frequency and n (%) total					Mean
		Strongly	Disagree	Neutral	Agree	Strongly agree	
Outsourcing messenger saves time and cost	N=149	6	41	0	85	17	3.44
	%	4	27.5	0	57	11.4	
Outsourcing messenger allows focusing on core business function	N=149	0	17	48	34	50	3.78
	%	0	11.4	32.2	22.8	33.6	
Outsourcing messenger reduces risk	N=149	73	33	31	12	0	1.88
	%	49	22.1	20.8	8.1	0	
Outsourcing Messenger reduces budget allocation	N=149	0	17	17	97	18	3.78
	%	0	11.4	11.4	65.1	12.1	
Outsourcing Messenger increase flexibility	N=149	0	15	27	48	59	4.01
	%	0	10.1	18.1	32.2	39.6	
Outsourcing messenger help to reduce service delivery time	N=149	0	18	32	99	0	3.54
	%	0	12.1	21.5	66.4	0	
Outsourcing messengers improve customers satisfaction	N=149	0	0	43	106	0	3.71
	%	0	0	28.9	71.1		
Outsourcing courier service help to improve an organization's performance	N=149	0	0	0	122	27	3.42
	%	0	0	0	81.9	18.	

Data from a survey, 2023

The outsourcing messengers help to save money and time by increasing flexibility, allowing concentration on key functions, reducing budget allocation, and improving customer satisfaction. They also help to speed up service delivery. Thus, the average score was 4.01,

3.78, 3.78, 3.71, 3.54, and 3.44, respectively. Respondents disagreed, however, on the subject of outsourcing messenger lowering risk.

#### 4.1.7 Advantage of outsourcing driving services

**Table 4:7 A summary of the advantages of outsourcing the driving service**

Item		Frequency and n (%) percentage total					Mean
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Outsourcing driving services save time and cost	N=149	0	12	27	102	8	3.71
	%	0	8.1	18.1	68.5	5.4	
Outsourcing driving service allows focusing on the core function	N=149	0	15	4	83	47	4.10
	%	0	10.1	2.7	55.7	31.5	
Outsourcing driving service improves service quality	N=149	0	16	18	115	0	3.66
	%	0	10.7	12.1	77.2	0	
Outsourcing driving services reduces the risk	N=149	0	93	22	20	14	2.70
	%	0	62.4	14.8	13.4	9.4	
Outsourcing driving service increase flexibility	N=149	0	19	28	81	21	3.70
	%	0	12.8	18.8	54.4	14.1	
Outsourcing driving service help to reduce service delivery time	N=149	0	61	19	69	0	3.05
	%	0	40.9	12.8	46.3	0	
Outsourcing driving service improve customers satisfaction	N=149	0	21	77	51	0	3.20
	%	0	14.10	51.7	34.2		
Outsourcing driving service help to improve an organization's performance	N=149	0	0	41	69	39	3.99
	%	0	0	27.5	46.3	26.2	

Data from a survey, 2023

Employees were questioned regarding numerous advantages that result from effective outsourcing arrangements in order to analyze the successes that are attained by outsourcing the driving functions of the bank. As a result, table 4:7 displays the average results of the

study, which were 4.10, 3.71, 3.7, and 3.66, respectively, showing that respondents agreed that outsourcing allows them to focus on their core competencies, save money and time, increase flexibility, and improve service quality. Although outsourcing the driving service is unable to lower risk, it does help to speed up service delivery and increase customer satisfaction. The average response score of the responders was 2.7, 3.05, and 3.2, respectively. This demonstrates that the bank has not experienced the positive outcomes or benefits of outsourcing mentioned above.

#### 4.1.8 Advantage of outsourcing cleaning services

**Table 4:8 A summary of the advantages of outsourcing cleaning services**

Item		Frequency and n (%) percentage total					Mean
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Outsourcing cleaning services save time and cost	N=149	0	0	36	52	61	4.14
	%	0	0	24.2	34.9	40.9	
Outsourcing cleaning service allows us to focus on the core function	N=149	0	0	15	93	41	4.18
	%	0	0	10.1	62.4	27.5	
Outsourcing cleaning service improve service quality	N=149	0	93	0	56	0	2.74
	%	0	62.4	0	37.6	0	
Outsourcing cleaning services reduces the risk	N=149	0	0	28	102	19	3.94
	%	0	0	18.8	68.5	12.8	
Outsourcing cleaning service increase flexibility	N=149	0	114	34	1	0	2.25
	%	0	76.5	22.8	.7	0	
Outsourcing cleaning service improve customer satisfaction	N=149	0	0	47	100	2	3.73
	%	0	0	31.5	67.1	1.3	
Outsourcing cleaning service help to improve an organization's performance	N=149	0	0	44	61	44	4.00
	%	0	0	29.5	40.9	29.5	

Data from a survey, 2023

Respondents were questioned regarding the benefits of outsourcing the bank's cleaning service, as shown in the table 4:8 above. The majority of those surveyed concurred that outsourcing cleaning services allowed the bank to concentrate on its core business operations while saving time and money, enhancing the organization's performance, lowering risk, and providing better customer service. As a result, the respective mean scores of 4.18, 4.14, 4.00, 3.94, and 3.73 were recorded. However, as shown in Table 4:8 above, respondents indicated that they disagreed with the cleaning and increased flexibility of cleaning services and thought that improved service quality was neutral, with mean scores of 2.25 and 2.74 reported, respectively. This suggests that the cleaning company has not been supplying the bank with cleaning services of the necessary standard.

#### 4.1.9 Advantage of outsourcing security services

**Table 4:9 A summary of the advantages of outsourcing security services**

Item		Frequency and n (%) percentage total					Mean
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
Outsourcing security services save time and cost	N=149	0	1	39	90	19	3.85
	%	0	0.7	26.2	60.4	12.8	
Outsourcing security service allow focusing on the core function	N=149	0	0	9	73	67	4.39
	%	0	0	6	49	45	
Outsourcing security service improve service quality	N=149	0	41	39	69	0	3.19
	%	0	27.5	26.2	46.3	0	
Outsourcing security services reduces the risk	N=149	0	14	26	76	33	3.86
	%	0	9.4	17.4	51	21.1	
Outsourcing security service increase flexibility	N=149	0	78	52	19	0	2.60
	%	0	52.3	34.9	12.8	0	
Outsourcing security service help to improve an organization's performance	N=149	0	2	34	36	77	4.26
	%	0	1.3	22.8	24.2	51.7	

Data from a survey, 2023

Respondents were questioned on the benefits of outsourcing the Bank's security function, as shown in Table 4:9 above. With a mean score of 4.39, 4.26, 3.86, and 3.85, respectively, the majority of respondents agreed that the bank's outsourcing strategy helps it to concentrate on

its core business functions, help to improve the organization's performance, outsource security service to reduce risk, and save time and money. However, with a mean score of 2.6, the majority of respondents agreed that the current security service was unable to increase flexibility.

#### 4.1.10 Challenges of messenger services after outsourced

**Table 4:10 A summary of difficulties encountered after outsourcing out messenger services**

Item		Frequency and percentage n (%)					Mean
		Total					
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
Messengers lack organizational commitment and citizenship	N=149	0	17	13	36	83	4.25
	%	0	11.4	8.7	24.2	55.7	
Messengers have an ethical problem	N=149	0	93	15	41	0	2.65
	%	0	62.4	10.1	27.5	0	
Messengers handle materials poorly	N=149	0	65	38	46	0	2.87
	%	0	43.6	25.5	30.9	0	
There is the problem of controlling messengers during working hours	N=149	0	13	23	113	0	3.67
	%	0	8.7	15.4	75.8	0	
Messengers are not confidential	N=149	0	21	39	89	0	3.46
	%	0	14.1	26.2	59.7	0	

Data from a survey, 2023

Table 4:10 above, to show the difficulties posed by outsourcing the bank's messenger service. With mean scores of 4.25, 3.67, and 3.46, respectively, these problems are the messenger's lack of organizational commitment and citizenship, the problem of controlling messengers during working hours, an ethical issue, the problem of controlling messengers during working hours, and are not confidential. In this respect, the responses of those respondents were neutral. On the other hand, the manager of the bank's OMO was interviewed, and the results showed that the bank's outsourcing of its messenger service has

created some major problems. Similarly, the questionnaire's discussion section supported the manager's opinion. Therefore, we may conclude that the difficulties outlined above developed as a result of the bank outsourcing its messenger service.

#### 4.1.11 Challenges of driving services after outsourced

**Table 4:11 A summary of difficulties encountered after contracting out driving services**

Item		The frequency and n (%) total					Mean
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
Outsourcing driving staff's lack of organizational commitment and citizenship	N=149	0	7	21	121	0	3.77
	%	0	4.7	14.1	81.2	0	
Outsourcing driving staff has ethical problem	N=149	0	94	28	27	0	2.55
	%	0	63.1	18.8	18.1	0	
Outsourcing drives staff to handle materials poorly	N=149	0	103	3	43	0	2.60
	%	0	69.1	2	28.9	0	
There is the problem of controlling drivers during working hours	N=149	0	28	23	84	14	3.56
	%	0	18.8	15.4	56.4	9.4	
Theft of vehicles parts has increased	N=149	0	76	47	26	0	2.66
	%	0	51	31.5	17.4	0	
Inexperienced and incompetent drivers are provided	N=149	0	128	2	19	0	2.23
	%	0	85.9	1.3	12.8	0	

Data from a survey, 2023

According to Table 4:11 above, 2.23, 2.55, and 2.6 respondents, respectively, disagreed with the statements that outsourced driving staff are inexperienced and unable to drive, have ethical issues, and improperly handle materials. Because driving services are outsourced, none of the aforementioned issues arise.

Only 2.66 mean respondents said that the theft of vehicle parts has increased among staff that has been outsourced neutral. On the other hand, a mean of 3.77 and 3.56 of the respondents agreed that there is a problem with regulating drivers during working hours and that outsourcing driving staffs lack organizational commitment and citizenship. This

suggests that driving services are ineffective at the bank and that there are issues and obstacles related to the issues raised above as a result of outsourcing driving services.

#### 4.1.12 Challenges of cleaning services after outsourced

**Table 4:12 A summary of difficulties encountered after contracting out cleaning services**

Item		The frequency and n (%) total					Mean
		Strongly disagreed	Disagree	Neutral	Agree	Strongly agree	
Cleaners have poor-quality of janitorial service	N=149	0	26	32	68	23	3.59
	%	0	17.4	21.5	45.6	15.4	
Outsourced cleaning staffs have an ethical problem	N=149	0	97	18	21	13	2.66
	%	0	65.1	12.1	14.1	8.7	
Outsourcing cleaning staffs handle materials poorly	N=149	0	13	71	25	40	3.62
	%	0	8.7	47.7	16.8	26.8	
Misalignment between CBO's service requirement and the service provider's capability	N=149	0	30	20	74	25	3.63
	%	0	20.1	13.4	49.7	16.8	
There is a problem with controlling cleaning staff during working hours	N=149	0	13	28	84	24	3.80
	%	0	8.7	18.8	56.4	16.1	

Data from a survey, 2023

Five items were created, as indicated in Table 4:12 above; to investigate the difficulties brought on by outsourcing the bank's cleaning service. These include issues with the management of cleaning workers during working hours, misalignment between CBO service standards, improper handling of items by cleaning staff, and poor janitorial service. The resulting mean scores were 3.80, 3.63, 3.62, and 3.59, respectively. This suggests that those surveyed were aware of the difficulties the bank has when outsourcing cleaning work. (Refer to Table 4:12 above). With a mean of 2.66, respondents weren't sure whether contracted cleaning personnel had ethical issues.

#### 4.1.13 Challenges of security services after outsourced

**Table 4:13 A summary of difficulties encountered after contracting out security services**

Item		The frequency and n (%) total					Mean
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree	
Theft has increased after outsourcing security staff	N=149	67	49	31	2	0	1.76
	%	45	32.9	20.8	1.3	0	
Outsourced security staffs lack organizational commitment and citizenship	N=149	107	0	19	23	0	1.72
	%	71.8	0	12.8	15.4	0	
Outsourced security staff has an ethical problem	N=149	2	75	38	34	0	2.74
	%	1.3	50.3	25.5	22.8	0	
Outsourced security staffs handle materials poorly	N=149	56	37	11	45	0	2.30
	%	37.6	24.8	7.4	30.2	0	
There is the problem of controlling security staff during working hours	N=149	85	12	50	2	0	1.79
	%	57	8.1	33.6	1.3	0	

Data from a survey, 2023

A summary of the frequency, percentage, and means of respondents' opinions on the drawbacks of outsourcing the aforementioned service is shown in Table 4:13 the level of disagreement about the presence of the stated challenges is indicated by the respondents' mean scores of 1.72, 1.76, 1.79, and 2.30. Theft has increased since security staff have been outsourced, there is a problem with managing security personnel during working hours, supplied security personnel lack organizational citizenship and commitment, and outsourced security personnel lack these qualities. Following reports of outsourced security personnel mishandling items and theft, respectively, theft has grown. Due to contracting out its security operations, CBO has avoided these difficulties. In general, we can deduce from the comments above that CBO has not encountered any difficulties or issues as a result of outsourcing its security function.

## **4.2 Interview question analysis**

The second section of the interview focused on the views of the bank's manager of outsourcing management and vice president of strategy and marketing. The VP and manager were asked for their opinions on several aspects of outsourcing.

The purpose was to take into account viewpoints other than those of the employees that management desired while outsourcing. Thus, there were questions on the criteria that management used to choose an outsourcing provider, whether management spent money or saved money across the outsourcing process, and which general tasks management outsourced. The vice president and manager were both quizzed over the main justifications for outsourcing and the characteristics management sought in an outsourcing vendor. They both agreed that focusing on core activities, cost savings, and quality service were key factors in their decision to outsource. More than 5600 employees who are currently outsourced need a complex administrative framework, therefore this strategy allowed the bank to concentrate on its main business activities.

The interview also attested to the presence of clear requirements for security and cleaning services. Work experience in the relevant field, financial capability, administrative structure, benefits packages offered by service providers, training facilities, cost structure, service quality, and the need for clear recruitment and selection methods are the primary evaluation criteria. The management further stated that the majority of the bank's current service providers are unable to meet this criterion, despite the fact that the bank has defined evaluation criteria for the aforementioned two non-core company activities. The vice president continued to argue that outsourcing non-core business operations allowed the bank to concentrate on its core business while easing the burden of overhead costs. However, there remain problems with raising consumer satisfaction, enhancing service quality, lowering risk, and enhancing the bank's efficiency and effectiveness.

## 4.3 Inferential Analysis

### 4.3.1 Correlation Analysis

The degree of correlation between the dependent variable (organizational performance) and the independent variables (messenger service, driving service, cleaning service, and security service) is measured by Pearson's Product Moment Correlation Coefficient ( $r$ ).

It demands a value between -1 to 1. While a value of  $r$  near -1 suggests a strong linearly opposite link, a value of  $r$  near 1 suggests a strong linearly positive association. A perfectly linear positive or negative relationship exists when the correlation is 1 or -1; when the correlation is 0, there is no relationship between the two sets of data. The usual correlation coefficient, or Pearson's  $r$ , is most often used with variables that are roughly distributed along interval or ratio scales of measurement.

The basic concepts Correlations between .01 and .30 are regarded as minor, those between .31 and .70 as moderate, those between .71 and .90 as large, and those between .91 and 1.00 are regarded as extremely large.

All basic constructs were included in the correlation study based on the aforementioned presumption. The inter-correlations between the variables being studied are shown in Table 16. In other words, table 4:14 illustrates the association matrix between the dependent variable (organizational performance) and the independent variables (security, cleaning, messenger, and driving services). Driving services, security services, as well as other factors that are independent all have a positive association with the dependent variable, or organizational performance, while messenger services, cleaning services, and other independent variables all have a negative link with organizational performance. A security service has a strong positive relationship with the dependent variable while a driving service has a moderate positive relationship. The result of Pearson correlation analysis shows in another hand messenger service has a weak negative relationship and cleaning service has a strong negative relationship with performance of the company below the  $p$  0.01 level.

**Table 4:14 Correlations**

		<b>Correlations</b>				
		<b>Organizational Performance</b>	<b>Messenger Services</b>	<b>Driving Services</b>	<b>Cleaning Services</b>	<b>Security Services</b>
Organizational Performance	Pearson Correlation	1	-.601**	.667**	-.199*	.861**
	Sig. (2-tailed)		.000	.000	.015	.000
	N	149	149	149	149	149
Messenger Services	Pearson Correlation	-.601**	1	-.611**	.273**	-.703**
	Sig. (2-tailed)	.000		.000	.001	.000
	N	149	149	149	149	149
Driving Services	Pearson Correlation	.667**	-.611**	1	-.612**	.658**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	149	149	149	149	149
Cleaning Services	Pearson Correlation	-.199*	.273**	-.612**	1	-.243**
	Sig. (2-tailed)	.015	.001	.000		.003
	N	149	149	149	149	149
Security Services	Pearson Correlation	.861**	-.703**	.658**	-.243**	1
	Sig. (2-tailed)	.000	.000	.000	.003	
	N	149	149	149	149	149
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

SPSS survey output, 2023

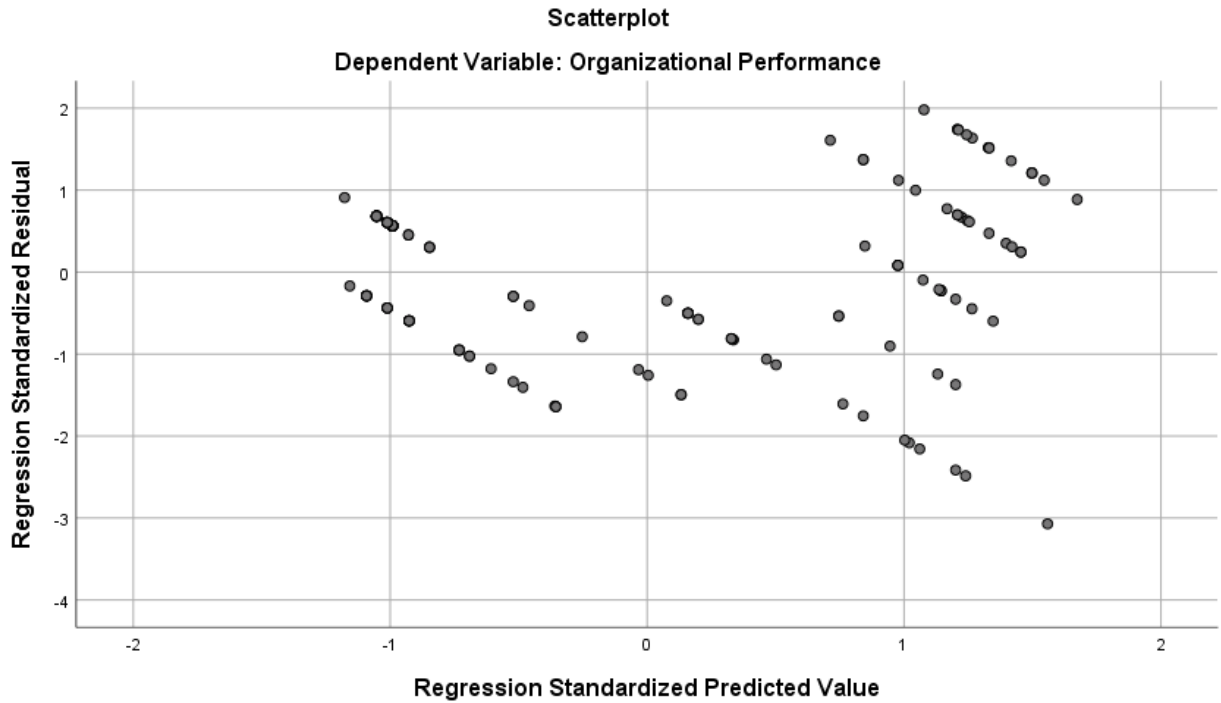
### 4.3.2 Regression Analysis

Assumptions of Multiple linear regressions Model must tested before regression.

Assumption1: Continuous level variables. All variables are aggregated to their mean, they are in continuous format.

Assumption 2: There need to linear relationship between variables.

Assumption 3: Homoscedasticity Test, that variance along the line fit remains similar as you move along the line. As figure 4:2 show the plot does not have obvious pattern, there are points equally above and below zero on X axis, and to the left and right of zero on the Y axis. As a result, the residuals are equal across the regression line and there is homoscedasticity.



SPSS survey output, 2023

**Figure 4:2 Homoscedasticity**

Assumption 4: Multicollinearity Test: Multicollinearity implies to when predictor are highly correlated with each other. Variance Inflation factor (VIF) values need to below 10.00 and best if the values were below 5.00. The result indicate there is no multicollinearity among the variables since all of VIF were below 5.00 as depicted on table 4:15.

**Table 4:15 Multicollinearity**

Model		Coefficients <sup>a</sup>					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	.347	.664		.523	.602		
	Messenger Services	.132	.108	.071	1.227	.222	.466	2.144
	Driving Services	.452	.096	.322	4.690	.000	.331	3.025
	Cleaning Services	.188	.061	.158	3.054	.003	.581	1.722
	Security Services	.459	.039	.738	11.871	.000	.403	2.484

a. Dependent Variable: Organizational Performance

Assumption 5: Independence Residuals

The study used Durbin-Watson statistics to test the assumptions of residuals are independent. This lies between 0 and 4. The result below table 4:16 show nearly 2 which confirm the residuals are independent.

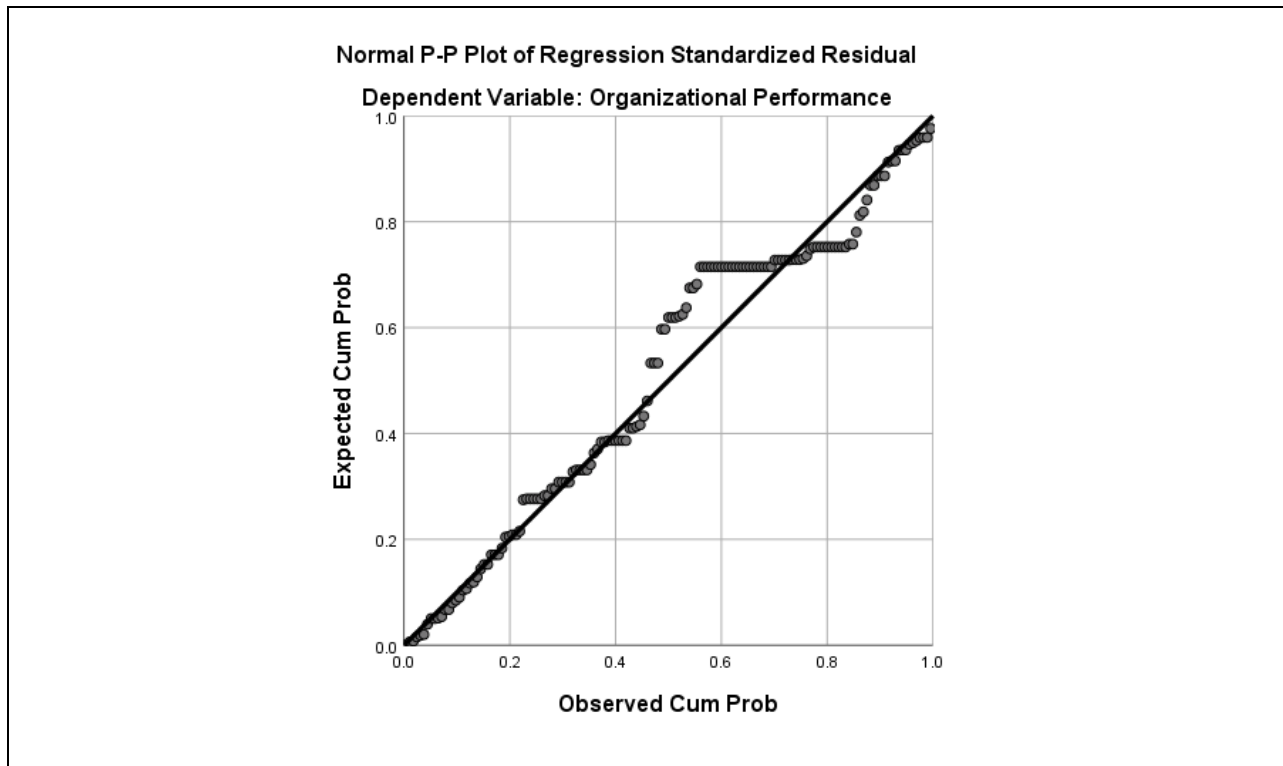
**Table 4:16 Autocorrelation**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.881 <sup>a</sup>	.776	.770	.13709	1.895
a. Predictors: (Constant), Security Services, Cleaning Services, Messenger Services, Driving Services					
b. Dependent Variable: Organizational Performance					

SPSS survey output, 2023

Assumption 6: Normality Distribution

As figure 4:3 indicate the closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.



SPSS survey output, 2023

**Figure 4:3 Normality Distributions**

**Table 4:17 Regression Model Summary**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.881 <sup>a</sup>	.776	.770	.13709	1.895

a. Predictors: (Constant), Security Services, Cleaning Services, Messenger Services, Driving Services  
b. Dependent Variable: Organizational Performance

A measure of the relationship between two quantitative variables is regression. It enables us to indicate how well a dependent variable's value will be estimated from a set of independent variables. The regression analysis of how outsourcing non-core functions affect the performance of the company is shown in Table 4:17 above. The values of R and R2 appear clearly in the table 4:17 above. So the R-value of.881 indicates a higher positive association between observed and projected values. R has a value between -1 and 1 (Wong and Hiew, 2005). While R2 is the square of this correlational measure and shows the percentage of organizational performance variance associated with the factors related to the outsourcing of non-core company functions. R2 = 0.77 indicates that non-core business functions (cleaning, driver, messenger, and security) are responsible for 77% of the organization's performance. This basically measures how accurately one can predict the dependent variable given the knowledge of the independent factors. The regression analysis additionally indicates that the remaining 23% of the variance can be accounted for by factors not included in it, suggesting that further study may be required in this area.

The extent to which the predictor variable affects the criterion variable is quantified by the beta value. Similarly to that, Table 4:17 above reveals the study's beta value. As an example, the value of security service was 0.738, which means that a change in the predictor variable—noncore business function factors—by one standard deviation led to a change in the criterion variable—organizational performance—by 73.8 standard deviations. The performance of a company is significantly impacted by noncore functions, as stated. With rising beta value, the influence of the predictor variable on the criterion variable grows. Furthermore, beta is the same as the correlation coefficient between the predictors when your model just has one predictor variable. Similarly to this, the element that has the greatest effect on the operation of the organization is the security service, with a coefficient of (=0.738 & driving service, with (=0.322), followed by the cleaning service, with

(=0.158), and messenger service, with (=0.071). Based on the value of one independent variable (X), the regression calculates how well one dependent variable (Y) may be predicted.

**Table 4:18 ANOVAa**

		ANOVA <sup>a</sup>				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.375	4	2.344	124.706	.000 <sup>b</sup>
	Residual	2.706	144	.019		
	Total	12.081	148			

a. Dependent Variable: Organizational Performance  
b. Predictors: (Constant), Security Services, Cleaning Services, Messenger Services, Driving Services

SPSS survey output, 2023

The above 4:18 show that the F-statistics produced (F=124.706) was significant at 5% level (Sig.0.000  $F < 0.05$ ), thus confirming the fitness of the model and therefore, there is statistically relationship between messenger service, driving service, cleaning service, security service and company performance. As shown in Table 4:18 model fitness was checked for the data and to be fit (F=124.706, P=0.000), which is eligible for regression analysis.

**Table 4:19 Regression coefficients results**

		Coefficients <sup>a</sup>				Collinearity Statistics		
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	.347	.664		.523	.602		
	Messenger Services	.132	.108	.071	1.227	.222	.466	2.144
	Driving Services	.452	.096	.322	4.690	.000	.331	3.025
	Cleaning Services	.188	.061	.158	3.054	.003	.581	1.722
	Security Services	.459	.039	.738	11.871	.000	.403	2.484

a. Dependent Variable: Organizational Performance

SPSS survey output, 2023

The above table 4:19 indicate that, there is statistically significant relationship among messenger service, driving service, cleaning service and organizational performance which the vice president and manager also strength their positive relation in interview session. And also the survey conduct through the questionnaires also confirm that there was positive impact of the messenger, driving, cleaning and security outsourcing on organizational performance even if their impact is not equal. Outsourced messenger service was weak relationship with organizational performance ( $p < 0.05$ ) while outsourced driving service, security service, and cleaning service has strong relationship with organizational performance ( $p < 0.05$ ).

Outsourcing cleaning and security services was significant ( $p < 0.05$ ) on organization performance. Empirical study concluded outsourcing cleaning and security services has significant effect on organizational performance (Kiros, 2020). Outsourcing driving services was significant ( $p < 0.05$ ) on organization performance while messenger services was insignificant ( $p > 0.05$ ) on organizational performance.

**Regression Model Equation:**

$$Y = \alpha + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + \beta_4 (X_4) + e$$

$$Y = 0.347 + 0.071(X_1) + 0.322(X_2) + 0.158(X_3) + 0.738(X_4)$$

## CHAPTER FIVE

### 5 SUMMARY OF KEY CONCLUSIONS, RECOMMENDATIONS, AND FINDINGS

#### 5.1 Summary of Main Results

This study's objective aimed to assess whether outsourcing non-core business functions influenced a company's performance.

##### 5.1.1 Respondent demography summary

From the 163 provided responses, 149 fully completed surveys were obtained, yielding a response rate of 91.41%. The majority of responders (71.1%) were men, while 28.9% were women. 71.8% of the participants held a first-degree.

##### 5.1.2 The main motives for outsourcing the bank's non-core business functions

Findings indicate that outsourcing is mostly done to focus on core functions, enhance service quality and customer satisfaction, support growth, and reduce costs, with respective mean of (4.36, 4.30, 4.28, and 4.01).

##### 5.1.3 Influence of management and employee on outsourcing non-core business functions

The majority of respondents agreed that top management lacks the necessary skills to manage outsourcing efforts, that staff and top management did a poor job of identifying activities for outsourcing agreements, that not all activities were decided by the bank's highest management to be best carried out by the service provider, and that management was lacking in formulating the strategy for the outsourced activity and ensuring that it was in line with the corporate plan as a whole.

##### 5.1.4 The effect of outsourcing non-core business tasks on the capacity of an organization to accomplish its goals in terms of (customer satisfaction, service quality, effectiveness, and efficiency).

The results in this area demonstrate that while customers, employees, and property were all safeguarded, operational costs did not decrease, there was less commitment from the staff,

customers lacked confidence in the quality, competitiveness did not grow, and there was an absence of loyal staff.

#### **5.1.5 Benefits that come from outsourcing messenger, driving, cleaning, and security services**

The study's participants all agreed that the advantages of outsourcing messenger services include time and money savings, increased emphasis on core business functions, decreased budget allocation, increased flexibility, quicker service delivery, and higher customer satisfaction. According to the study, the benefits of outsourcing driving services include the ability to concentrate on core business operations, as well as time and money savings, increased flexibility, and better quality services. The respondent acknowledged that there are advantages to outsourcing cleaning services, including the ability to concentrate on core business functions in addition to saving time and money, minimizing risk, and enhancing service quality. The respondents concurred that there are advantages to outsourcing security services, including the ability to concentrate on core business operations in addition to reducing risk and saving time and money.

#### **5.1.6 Challenges arise from outsourcing the messenger, driving, cleaning, and security services.**

The majority of respondents agreed that the challenges faced by messenger services included a lack of organizational commitment and citizenship, a problem with controlling messengers during working hours, and a lack of confidentiality. On the other hand, the challenges faced by driving services include a lack of organizational commitment and citizenship as well as a problem with controlling drivers during working hours. The majority of respondents who addressed the topic of cleaning services concurred that there are difficulties managing cleaning employees during working hours, misalignment between CBO service standards, improper handling of things by cleaning staff, and poor janitorial service. The results demonstrate that there were no issues related to the outsourcing of security services.

To ascertain the relationship between a company's performance and outsourcing non-core company functions, the correlation coefficient was calculated. Accordingly, the findings obtained revealed that there was a substantial association between messenger service ( $r=-$

0.601,  $p < 0.01$ ), driving service ( $r = 0.667$ ,  $p < 0.01$ ), cleaning ( $r = -0.199$ ,  $p < 0.01$ ), and security service ( $r = 0.861$ ,  $p < 0.01$ ).

It was determined via a linear regression analysis that the factors of outsourcing non-core functions (messenger, driving, cleaning, and security services) just account for 77.6% of the company's performance. Outsourcing security services has the most impact on the company's performance, with a coefficient of (0.738), followed by driving services (0.322), cleaning services (0.158), and messenger services (0.071).

## **5.2 Conclusions**

The study's findings about the bank's practice of outsourcing its messenger, driving, cleaning, and security functions depend on the information that was provided and analyzed in the previous section has been concluded. Almost all of the time, a company's corporate strategy and its outsourcing strategy are interconnected. Likewise, Cooperative Bank Oromia S.C. entered into outsourcing arrangements to concentrate on its core business functions, improve the quality of service and customer satisfaction, and reduce costs. The bank has already outsourced some of its non-core company functions following its corporate strategy. Cooperative Bank Oromia S.C. benefited from outsourcing as a tactical decision in a variety of ways. A couple of conclusions were reached at

Relying on critical tasks serves as the strategy's pushing factor for outsourcing. The data also revealed that the company uses outsourcing as a strategic strategy to improve service levels, increase customer satisfaction, cut costs, and increase growth.

By focusing on its core business functions, which are the foundation for the company's success, the bank was able to avoid making significant investments in human capital and cut operational costs. However, the bank's outsourcing strategy ran into several kinds of challenges when it came to ensuring customer satisfaction, improving service quality, reducing risk, and boosting the efficiency and effectiveness of the company.

Analysis of the open-ended questions and the majority of the participants contend that employing a third-party company to provide driving services results in the least amount of advantage. However, only a small percentage of respondents mentioned advantages including cost savings and being able to focus on primary duties. Many traffic incidents

involving the bank's vehicles and people's lives have increased as a result of outsourcing the driving service to an outside provider.

One of the biggest internal obstacles to the bank's outsourcing effort is the failure to involve all top management and staff in the process of identifying activities for outsourcing arrangements. Furthermore, top management failed to recognize all activities that would be best handled by the service provider because it lacked the necessary management skills. Concerning its efforts to consistently promote the roles that outsourcing has been playing in the bank; the top management is also quite weak. On the other side, even while the respondents generally thought that security and messenger services are implemented rather well, there are still certain responsibilities that need to be done to be more successful than best practices. For instance, respondents noted that there are problems with material handling, oversight of employees during work hours, and, to some extent, a lack of organizational commitment and citizenship in both the messenger and driving services. On the other side, the bank has encountered certain major problems as a result of outsourcing the cleaning service to an outside company. The respondents concurred that outsourced cleaning personnel provide poor janitorial services, handle items carelessly, were difficult to manage during working hours, and are not always in compliance with service bank criteria.

According to analyses of mean differences, the bank is still unable to find committed employees who can carry out their duties and solve problems. Additionally, the staff lacks the experience necessary to properly understand the interests of customers, and stakeholders lack trust in the level of services delivered by outsourcing service providers. For the obvious reason that the CBO would outline its requirements through its Service Level Standards (SLSs) and subsequently monitor and measure the performance of service providers, the development of Service Level Standards (SLSs) is a key activity that would have been completed ahead of handing over services to external service providers.

### 5.3 Recommendations

The recommendations that follow are made to enhance the bank's outsourcing activities following the results and conclusions reached:

- ❖ It is critically important to involve every group concerned when outsourcing strategies are proposed for the activities. Gaining internal stakeholder support is beneficial because it makes it easier to identify functions that service providers can carry out, set up clear service level agreements and contracts, find qualified service providers, and raise awareness of the objectives of outsourcing strategies. Therefore, if activities are suggested for outsourcing arrangements, it is advisable to invite all parties concerned. The success of the outsourcing efforts should primarily rely on the top management and internal staff of the bank.
- ❖ The bank must choose qualified service providers to secure dedicated and accountable staff, with an eye toward service quality and a reduction in administrative costs that allow it to save money for its core businesses. It also needs to account for certain long-term cost savings from vendors' scale economies.
- ❖ Through appropriate and ongoing training, Cooperative Bank Oromia S.C. must offer its service providers the necessary mental and physical preparation to keep them engaged and dedicated to the bank. It's crucial for Cooperative Bank Oromia S.C. to Setting up a carefully developed SLA that allows a company to evaluate the vendor's service and distinguish between good and bad service, allowing the service provider to satisfy its customer. The service provider is made aware of the service level agreements at the beginning of the contract, and any problems are remedied following the standards set forth. For all outsourced non-core company functions, the bank should therefore establish service provider evaluation criteria or service level agreements, and every contract should have a termination valve.
- ❖ The bank should start holding regular meetings with service providers to discuss problems as they arise, improve how business is done, and build strong partnerships.
- ❖ The bank should be able to adapt to changing conditions rather than insisting on enforcing rigid agreements on the contract and setting well-formulated contracts that take the laws, norms, and culture of the whole country into consideration to overcome the

contractual issues that arise in the implementation and practices of outsourcing.

- ❖ The bank needs to conduct due diligence on the service provider's relevant work experience, quality of services provided, ethical considerations, technical capabilities, resources possessed, rate of employee turnover, recruitment, and selection criteria, and reward packages provided to enjoy the benefits of the outsourcing strategy and overcome the aforementioned challenges.
- ❖ The performance of the organization, specifically middle-level management, is affected by managing more than 5,600 people. For to support the outsourcing management office and find qualified vendors, all relevant organs should play their part in establishing legally binding contracts and providing ongoing performance monitoring.
- ❖ As demonstrated in the data presentation, the bank should make a concerted effort to counteract the negative effects of the outsourcing strategy, which have an impact on the company's performance in providing high-quality services, improving customer satisfaction, and ensuring the effectiveness & efficiency of the bank.

Finally, it is important to consider factors that could affect the study's findings, such as the researcher's lack of experience conducting systematic research and our society's poor attitude toward properly filling out and sending back questionnaires. As an outcome, the researcher advises that other academics pursue careers in the field of outsourcing

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## APPENDIX-I



### Addis Ababa University

#### School of Commerce

The main purpose of this questionnaire is to gather data for a Master's Thesis for partial fulfillment of a master's degree in Logistics and supply chain Management, which is entitled Effect of outsourcing noncore business functions on Company's Performance in the Case of CBO. Dear respondents, you are expected to provide accurate and relevant information about the overall outsourcing practice of the bank. You are not required to write your name thus, the researcher is very much grateful for the sacrifice you pay to this end and the information gathered will be highly confidential and will be used only for this research. If you have any inquiries please don't hesitate to contact the researcher by phone number: 0947330388 and e-mail: fetene053@gmail.com

#### General guidelines

- There is no need of writing your name
- In all cases where answer options are available please tick (✓) in the appropriate box.
- For questions that demand your opinion, please try to honestly describe as per the questions in the space provided
- Please participate in response if you have one year or above experience

**Thank you, for your cooperation and timely response in advance**

#### General Directions:

Please put a tick mark (✓) in the corresponding box to indicate your choice and write your short and precise answers for those followed by the blank space.

**Part I: Respondent Demography:**

- 1. Gender a) Male  b) Female
- 2. Age a) 18-30  b) 31-40  c) 41-50  d) 51 and Above
- 3. Educational Background:
  - a) < Diploma  b) Diploma  c) First Degree  d) > First Degree
- 4. Years of service in the CBO
  - a) ≤ 5 Years  b) 6-10 year's  c) 11-15 year's  d) ≥ 16 years
- 5. Location of your current place of assignment
  - a) Human Capital and Projects Management
  - b) Finance and Facilities Properties Management
  - c) Banking Operation Management
  - d) Information Technology Management
  - e) Internal Control Management
  - f) Outsourcing Management Office
  - g) District office
- 6. What is your current work category or position in the bank?
  - a) Managerial and above  b) Professional

**Part II**

Questions designed to collect information about the effect of outsourcing noncore business functions on the company's performance in the case of CBO. Indicate how important you feel about each item in deciding on outsourcing the business functions using the following rating scale: 5 = Strongly Disagree 4 = Disagree 3 = Neutral 2 = Agree 1 = Strongly Agree Put “√” Mark in the appropriate column to signify the importance level of each item.

Please read the statement and put “(√)” mark in the corresponding column (i.e. 5=strongly disagree, 4=Disagree, 3=Neutral, 2=Agree, 1=Strongly Agree)

7. Questions related to the main reason for outsourcing the non-core business function of the bank

What is the main reason to outsource noncore business functions of the bank?

No	Items	5	4	3	2	1
1	To reduce cost					
2	To improve service quality and customer satisfaction					
3	To spend more time on strategic issues					
4	To focus on core functions					
5	To improve flexibility					
6	To assist growth					
7	To access new skills					

8. Questions related to how employees and top management of the bank influence the effectiveness of outsourcing noncore business functions

no	Items	5	4	3	2	1
1	Top management involves in careful contracting, managing, and monitoring regularly the outsourcing					
2	The top management has developed skills how to manage outsourcing effort					
3	All top management and staff involved in the identification of activities when they are proposed for the outsourcing arrangement					
4	Top management can set well-formulated contracts and service level agreement					
5	Internal stakeholders give support in the outsourcing process					
6	All activities identified by top management of the Bank that can be best performed by the service provider					
7	The management identifies and assesses suitable vendors					
8	Management is keen to anticipate the end of an outsourcing contract					
9	The management develops the strategy of the outsourced activity and keeps it in alignment with the overall corporate strategy					

9. Questions related to how outsourcing functions affect organizational performance

How do you evaluate how outsourcing noncore business functions affect organizational performance in terms of (customer satisfaction, service quality, effectiveness & efficiency) based on five points rating scale stipulated here below?

no	Items	5	4	3	2	1
1	customer satisfaction increased after outsourcing non-core business functions of the bank					
2	The bank has been able to reduce its operating costs related to noncore business function					
3	outsourced staffs are less committed to carrying out their responsibilities					
4	After outsourcing, the well-being of the customer, staff, and property of the CBO is better secured					
5	The existing outsourced services helped the Bank and its customer to feel confident about its quality					
6	it has had a negative outcome on the bank					
7	Increase the competitiveness of the company					
8	Better committed and loyal staff are provided					
9	resolving ability for customers' problems increased					
10	Organizational performance increased after outsourcing noncore business functions					

10. Questions related to what key benefits or competitive advantages are derived and challenges faced after outsourcing the services.

a. Please rate the table to evaluate the benefits gained after outsourcing of messenger/courier service

no	Items	5	4	3	2	1
1	Outsourcing messenger saves time and cost					
2	Outsourcing Messenger allows focusing on core business function					
3	Outsourcing courier Service reduce the risk					
4	Outsourcing courier Service reduce budget allocation					
5	Outsourcing courier Service increase flexibility					
6	Outsourcing courier Service help to reduce service delivery time					
7	Outsourcing courier service improves customer satisfaction					
8	Outsourcing courier service improve the organization's performance					

b. Please rate the table to evaluate benefits gained after outsourcing of driving/motorist service

no	Items	5	4	3	2	1
1	Outsourcing driving Services save time and cost					
2	Outsourcing driving Service allows focusing on core business function					
3	Outsourcing driving Service improves service quality					
4	Outsourcing driving Service reduce the risk					
5	Outsourcing driving Service increase flexibility					
6	Outsourcing driving Service help to reduce service delivery time					
7	Outsourcing driving Service improves customer satisfaction					
8	Outsourcing driving service improve an organization's performance					

c. Please rate the table to evaluate the benefits gained after outsourcing of cleaning Service

no	Items	5	4	3	2	1
1	Outsourcing cleaning Service save time and cost					
2	Outsourcing cleaning Services allows focusing on core business function					
3	Outsourcing cleaning Service improves service quality					
4	Outsourcing cleaning Service reduce the risk					
5	Outsourcing cleaning Service increase flexibility					
6	Outsourcing cleaning Service improves customer satisfaction					
7	Outsourcing cleaning service improve an organization's performance					

d. Please rate the table to evaluate benefits gained after outsourcing of Security Service

no	Items	5	4	3	2	1
1	Outsourcing security Services save time and cost					
2	Outsourcing security Service allow focusing on core business function					
3	Outsourcing security Services improves service quality					
4	Outsourcing security Service reduce the risk					
5	Outsourcing security Service increase flexibility					
6	Outsourcing security service improve an organization's performance					

e. Please rate the table to evaluate challenges faced after outsourcing of messenger/courier service

no	Items	5	4	3	2	1
1	The messengers lack organizational commitment and citizenship					
2	The messengers have ethical problems					
3	The messengers handle materials poorly					
4	There is a problem with controlling messengers during working hours					
5	The messengers are not confidential					

f. Please rate the table to evaluate challenges faced after outsourcing of driving/motorist service

no	Items	5	4	3	2	1
1	Outsourced driving staffs lack organizational commitment and citizenship					
2	The outsourced driving staff has ethical problems					
3	Outsourced driving staffs handle materials poorly					
4	There are problems with controlling motorists during working hours					
5	Theft of vehicles parts has increased					
6	Inexperienced and incompetent drivers are provided					

g. Please rate the table to evaluate challenges faced after outsourcing of cleaning Service

no	Items	5	4	3	2	1
1	The outsourced cleaning staff has Poor quality of janitorial service					
2	The outsourced cleaning staff has ethical problems					
3	Outsourced cleaning staffs handle materials poorly					
4	Misalignment between CBO's service requirement and service providers' capability					
5	There is a problem with controlling cleaning staff during working hours					

### Part III

If you have additional comments, please write it.

11. \_\_\_\_\_  
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## **APPENDIX-II**

Interview Questions to be administered with the Vice President- Strategy and Marketing and Manager, Outsourcing Management Office of the CBO.

This interview will conduct to gather data for MA-LSCM Thesis entitled “EFFECT OF OUTSOURCING NONCORE BUSINESS FUNCTIONS ON COMPANY’S PERFORMANCE: THE CASE OF CBO”. I assure you that your responses will be used only for academic purpose.

1. What are the drivers/reasons that encourage your organization to outsource its noncore business functions?
2. What benefits the bank has achieved by outsourcing these non-core functions?
3. What are the major challenges or problems facing CBO in relation to outsourcing?
4. What type of measure did your organization take to solve problems that faced during? Or after outsourcing? (If any)
5. How your organization monitors or controls the quality of the outsourced services and evaluates the performance of service provider?
6. Do you think that the service quality and performance of the service provider result in Service level Agreement? If not what is/are the reason/s?