



School of Commerce

Department of Logistics and supply chain Management

**The effect of outsourcing noncore business functions on
company's performance: The case of Wegagen bank 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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SCHOOL OF COMMERCE

DEPARTMENT OF LOGISTICS AND SUPPLY CHAIN

MANAGEMENT MASTERS PROGRAM

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DECLARATION

I, G/hiwot Kiros Grmay, Declare that this thesis entitled “ THE EFFECT OF OUTSOURCING NONCORE BUSINESS FUNCTION ON COMPANY’S PERFORMANCE; The CASE OF Wegagen Bank S.c “ is my original work. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

G/hiwot Kiros Grmay

Signature _____

Date _____

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Acronyms

ATM	Automated Teller Machine
FAO	Finance and Accounting Outsourcing
HR	Human Resource
IT'S	Information Technology
KPO	Knowledge Process Outsourcing
POS	Point Of Sale
S.C	Share Company
SLA	Service Level Agreements
WBSC	Wegagen Bank Share Company

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Abstract

The basic importance of outsourcing are focus on basic functions reducing of cost, develop employ experience, to enhance performance, and flexibility. But the outsourcing experience of Wegagen bank S.c is faced different Weaknesses such as; Poor potential of the service providers, staff members of outsourced function lacks professional concepts and experience, that staff members of outsourced functions lacks organizational commitment and have ethical problems due to this it increases risks.

This paper was designed to identify effect of outsourcing noncore business functions on the company's performance the case of Wegagen bank S.c. Resources were collected through questionnaire, interview and different internal documents of the bank with several limitations like financial constraints, the problem of covid-19 and time constraints. Descriptive statistics, Mean and frequency were used to analyze the data. Interpretation is made on the mean, frequency and percentage of data.

The finding of the study determines that the bank outsources the security and cleaning activities and it makes reduce costs, get concentrate on their core activities and avoid different investments in human resource. At the end the researcher of this study suggests that the bank should focus to minimize the impact of outsourcing on delivering quality service, increasing satisfaction and improving competitiveness and efficiency.

Key words: Outsourcing, performance, customers' satisfaction

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Now a day, economic thought and the technological progress does now not stand still, and each enterprise has an urgent want to preserve up with the current situation. Based on two management ideas, the experience of outsourcing were different during the previous two decades, spanning from the externalization of support activities to some core process, from primarily service based activities to productive processes, such as in the case of modular production (Brusoni and Prencipe, 2001; prencipe, Davies, and Hobday, 2003). In the current situation sees the emerging of information technology outsourcing (Tettelbach, 2000), the emerging and widespread of finance and accounting outsourcing, medical outsourcing and the development of knowledge process outsourcing a very important of emerging with in the broader concept of business process outsourcing.

It has different types of practices which are core and not outsourced. Those activities which are considered as noncore activities are outsourced to another service providers. At the time of different list of service providers we must consider their terms, the quality of service providers, and their cost incurred. From this all different service providers it selects the best potential to outsource. For instance, the cleaning department of wegagen bank S.C. outsources to private agencies' that have a better janitorial service potential.

The security department is also outsourced to other service providers which satisfy the Bank selecting criteria's. However, outsourcing these functions is still having different weaknesses like below average security service, Lack of security concept on the guards, under standard recruitments and poor supervision. These directly affect the service quality and customer satisfaction of the bank. Therefore outsourcing is a way of minimizing on the work load of the bank employees and giving core activities more time for companies to perform their best.

1.2 Background of the organization

Wegagen Bank S.C was founded on June 11, 1997 accordance with the provisions of the commercial code of Ethiopia of 1960. At the time of starting the business of the bank 16 founding members were recognized the important role that financial institutions would play to create a sustainable economic development and increases an initial capital of birr 30 million. At the time of June 30. 2017, the paid up capital of the bank rises to birr 2,072,112,000. Currently the number of shareholders of the bank is more than 2349 and has about 339 branches networks in different cities of the country. From this 152 branches located in Addis Ababa city. Wegagen bank in addition to its function, it is financial institution which have different objectives and a clearly stated statement mission, policy and procedures. This policy creates on matters of clearly describing the domestic banking services and it offer full service of international banking service (From annual report of 2017/18).

The major objectives of the bank are; Maximizing profitability of the bank by increased efficient service, Enhance and growing the market share, Expanding promoting the bank's capital base and Ensuring excellence in customer services provide differentiated and value added banking service.

1.3 Statement of the problem

Business is more dependent up on educated human resource. A company can have both financial and human capital in the world however without educated work force to have full of organized ideas, producing of quality product, nothing would ever reach to consumer (Turner 1995). Currently different human input functions struggle to achieve over expected administration and employee successfulness, and it shows as more reactive than as strategically proactive partners for the high level management and that human resource organization also have the problem in practicing the activities and process value to the business company.(Smith,2006). However, scientific research shows that outsourcing is the best preferred practice in improving service quality and productivity in the business company.

A scientific research which is study by different scholars shows that, even though the basic objective of business companies to outsource noncore business activities are to enhance service quality and helps to focus on the core activities of the business organization, But in the case of Wegagen bank the out sourcing practice doesn't helps the bank's core activities as the bank expected.

Due to the above condition this scientific research will try to understand how outsourcing of noncore business activities impacts the bank performance in terms of customer satisfaction, Service quality and minimizing cost by considering the following research questions.

1.4 Research Questions

The researcher basically focuses on the determining of the effect of outsourcing noncore business activities or functions on performance of the bank. The basic research questions raised by the researcher were as follows;

1. What are the basic reasons of the bank to outsourcing of noncore business activities or functions?
2. What is the effect of outsourcing noncore business activities or functions on the bank business performance?
3. What benefits are gained and challenges are occurred after outsourcing the services?

1.3 Objectives of the Research

1.5.1 General objective

According to the researcher, the commonplace objective of this thesis is to perceive the affects of outsourcing practice affects the bank's performance regarding to security, and cleaning services.

1.5.2 Specific objective

Currently outsourcing has been emerging as center of business for most researchers in business and economics area. This idea attracted by researcher to undertake a research with the following specific objectives:

1. To identifying the basic reasons of outsourcing noncore business activities or functions by the bank.
2. To identifying the effect of outsourcing noncore business activities or functions on bank performance.
3. To determine basic benefits gained and challenges occurred from outsourcing noncore business functions.

1.4 Significance of the study

From this research study the researcher expects a great role in creating awareness related to outsourcing among the community, business societies and research scholars and makes easy the outsourcing business in understanding between them. In addition to this, the research can serve as an initial for other researchers to study in similar area. Also provides the researcher have chance to generate detail concept in the implementation of outsourcing.

1.5 Scope of the study

This research study was applied on Wegagen bank S.C especially in the department of human resource management in the head quarter of the bank and on the four districts in Addis Ababa (east, west, south & north).

1.6 Limitation of the Study

At the time of this study there were different challenges and constraints. The first and the basic challenge was the problem of covid-19. Contact with my advisor was only by email due to this also have a problem in getting enough advising. Time and budget also the other constraint at the time of this research study. The study also unable to incorporate all the bank branches which are found throughout the country. Lack of cooperation of the respondents and their commitment to filling the questionnaires.

1.7 Organization of the study

According to the standard organization of a research study this paper has five units which have different parts. The first chapter is the introduction part and it includes background of the study, statement of the problem, objective of the study, research questions, and significance of the study, limitation of the study and scope of the study. The next chapter two again includes literature review of the study. In unit three methodologies employed will be discussed in detail. The fourth unit deals with the analysis and presentation of the data collected. In the last unit the data collected and analyzed in the previous units was summarized and conclusions and recommendations would be made based on the summary.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Outsourcing Theories

According to different research studies on outsourcing there are three different outsourcing theories.

A. The resource-based Theory

In outsourcing system from a proposition that an enterprise that lacks valuable, rare, inimitable and prepared assets and capabilities, shall are seeking for an exterior provider in order to right that weakness. According to perunović and pedersen, the most distinguished use of the resource-based principle in outsourcing manner is the training phase for defining the choice making framework and in the supplier choice segment for selecting an fantastic vendor. Organization will plug gaps in aid and skills in the most cost- superb manner to maintain a extraordinary product and its aggressive advantage.

B. The essence of the core competency theory

It that it have to be stored in-house, however that other things todo that the organization deals with, which are no longer counted to be core or critical to its function, need to be considered for outsourcing. Based on the Henry “a core competence can be overview as a crew of attributes that an agency possesses which in turn permits it to achieve competitive advantage”. If the corporation is to focuses on its core advantage as the preliminary of its sustainable competitive advantage, then activities which do now not represent a core competence for the firm can be given to backyard corporations who can furnish these at lower cost.

C. Transaction cost theory

Transaction price has been developed to evaluation of the comparative expenses of planning, adapting, and monitoring venture completion beneath choice governance strictures. The unit

of evaluation in transaction price idea is a transaction, which by the words of Williamson” occurs when a goods or services is transferred throughout a technologically separate interface”.

Decision- makers need to weigh up the production and transaction expenses associated with executing a transaction within their companies in sourcing, versus the production and transaction expenses related with executing the transaction in the market- outsourcing.

2.2. Advantages and Disadvantages of Outsourcing

In the right context and deployed shrewdly, outsourcing can be a fantastic way for small business owners to improve efficiencies and bolster their company’s bottom line. But that does not mean the practice is not without its own disadvantage, too. Outsourcing is not right for every situation, and so you have got to think long and hard before investing time and energy in farming out work.

A. Advantage of outsourcing

Outsourcing has been defined differently, these can be generates a lot of confusion. However, different books on the subject have described potential benefits. The most commonly stated in the literature are improved financial and non financial effects such as the effects on core competencies. Some of the advantage of outsourcing is discussed below;

By outsourcing, manufacturing costs decreases and investments in different industries can be reduced (Bettis.et, 1992). There are other advantages that outsourcing contribute. In house production increases organizational commitment to a specific type of technology and may constrain flexibility in the long run (Harrigan, 1985)

An increasing of organizational focus on core competencies is the other benefit associated with outsourcing (Kotabe and Murray, 1990). Outsourcing noncore activities allows the firm to managerial attention and resource allocation. The other additional advantage of outsourcing is that, it tends to promote competition among outside suppliers, by ensuring availability of higher quality of goods and services in the future (Kotabe and Murray, 1990)

B. Disadvantage of outsourcing

The most disadvantages resulting from outsourcing is declining innovation by the outsourcer. Outsourcing is declining innovation by the outsourcer. Outsourcing can lead to class of long term

research and development (R and D) competitiveness (Teece, 1987). Because it is always used as a substitute for innovation.

Due to that firms that outsource likely to lose new technological breakthrough that offer opportunities for product and process innovation (Kotabe, 1992). Suppliers gain knowledge of the product being the manufactured, they may use that knowledge to begin marketing the product on their own.

The other disadvantage of outsourcing is that, there is the tendency to shift over head allocation to those predictor activities that remain in house. The reallocation of overhead degrades the apparent financial performance of the remaining products or activities and raises their vulnerability outsourcing (Bettis.et.al, 1992).

2.3 Strategic Assessment for Outsourcing

In 2006, Power et al. stated that, the goal of the strategic assessment is to apprehend the contemporary and future strategic situation of the corporation to look at the place outsourcing as a approach is comfortable. During the assessment stage, the business enterprise needs to understand both the execs and cons with the aid of making use of outsourcing as a strategy. Let's consider what will show up if you incorrectly analyze a particular feature of your company as being a candidate for outsourcing. Using this incorrect information, you go via the wants analysis, seller selection, negotiating and contracting phases and then finally flip this misinformation over to the vendor. You have simply wasted considerable effort owing to an mistaken up-front evaluation for which you will have to pay heavily. Eventually, you will have to convey this work lower back in-house and pay big costs for the error. The following are the four fundamental factors of the strategic evaluation section include: Business cost assessment, Operational assessment, Financial evaluation and Risk assessment are the basic strategies that a company takes in consideration while selecting service provider.

2.4. Reasons for outsourcing

Outsourcing is not an quit by means of itself. Its profitable adoption involves specific concerned events in making necessary selections about

the enterprise they are in and the fantastic mechanism for turning in their services to the customers. Whether the employer outsources for the first time or as a renewal exercise, the initial step is to determine the predominant reasons for outsourcing (Choi, 2008). A organization hires the services of the exterior party due to countless reasons such as the discount in cost, skilled employees, shortage of group of workers or sorts of equipment, better technology, fantastic provider quality, able to analyze new things, contractors have better reputes, to improve a better relationship with other organizations, offers flexibility as organizations center of attention on other important functions, and so on (Ashrefa, et al, 2010). The following the basic reasons why companies outsource to external service providers; these are to focus on strategy, to focus on core functions, to avoid major investment, to assist fast growth situation, to improve flexibility, to reduce cost, Access to skills, to acquire better management, Improving service quality

2.5 Things to be considered for Successful Outsourcing

I. Availability of Skills Needed

Thomas (2004) stated that, in order to be successful at leading outsourcing efforts, you must develop certain competencies. Good decision making in high uncertainty environments is a critical skill when managing outsourcing efforts. While outsourcing initiatives are not entirely novel to organizations, their complexity, risk and impact on organizations has never been higher. A consequent factor of this is the need to make decisions in uncertain environments. You must be able to make decisions with incomplete information, have the foresight to plan ahead using scenarios, think through various alternatives, and most importantly find ways to reduce the uncertainty associated with making decisions.

II. Assessing and Selecting Competent service providers

Considering a organization does no longer jump on the bandwagon and rather takes due diligence in planning a concrete outsourcing strategy, one of the fundamental steps is deciding on a vendor succesful of complimenting the company's desires Thoms (2004). In essence, supplier decision is simply as vital as the choice to outsource. Although it is difficult to determine each issue of a vendor, the following listing offers areas

a agency be searching at: organization Stability, references/reputation, the flexibility of the contract terms, the scope of resources, additional value-added capability, location, price, cultural match, current relationship, and personnel Turnover,

III. Availability of Well-Formulated Contract

Outsourcing is required to comply with all federal, state, and local laws and rules as properly as an organization's very own policies and procedures. Although it is handy to summarize the restrictions positioned on outsourcing in once sentence, it is a long way extra hard defining such in terms of a contract and except applicable contract management; an outsourcing initiative can turn into an unpleasant prison battle. Although criminal action should solely be taken as a last resort, it is necessary for an business enterprise to be conscious of the a variety of governmental, environmental, and organizational liabilities that exist.

IV. Setting Service Level Agreement (SLA)

As stated by Thoms (2004) a well-defined and constructed SLA will aptly set expectations for both sides of an outsourcing relationship while providing targets for accurately measuring performance to those objectives. There are various steps to establishing an SLA between parties. The first involves negotiation whereby both parties will agree to the terms of service. Once established and agreed upon, the various methods of payment are also identified. Of the important aspects of any SLA are the methods by which a company will evaluate the service of a vendor. In other words, did the vendor perform the service in line with the agreement? Further Thoms (2004) added that when properly chosen and implemented, the SLA metrics: First measure the right performance characteristics to ensure that the client is receiving its required level of service and the service provider is achieving an acceptable level of profitability. Second it can be easily collected with an appropriate level of detail but without costly overhead, and tie all commitments to reasonable, attainable performance levels so that "good" service can be easily differentiated from "bad" service, and finally giving the service provider a fair opportunity to satisfy its client.

2.6 Empirical literature review

A researcher called charity N. (2016) conducts a research on the impact of strategic outsourcing on organizational performance in the case of Bidco Africa limited, indicated that Even though practice of outsourcing process indicates good findings while in creates negative image for outsourcing. The basic benefit gained is cost saving in cleaning and security and minimizes the administrative burden. The problem is high in terms of time saving, delivering quality service, customer satisfaction.

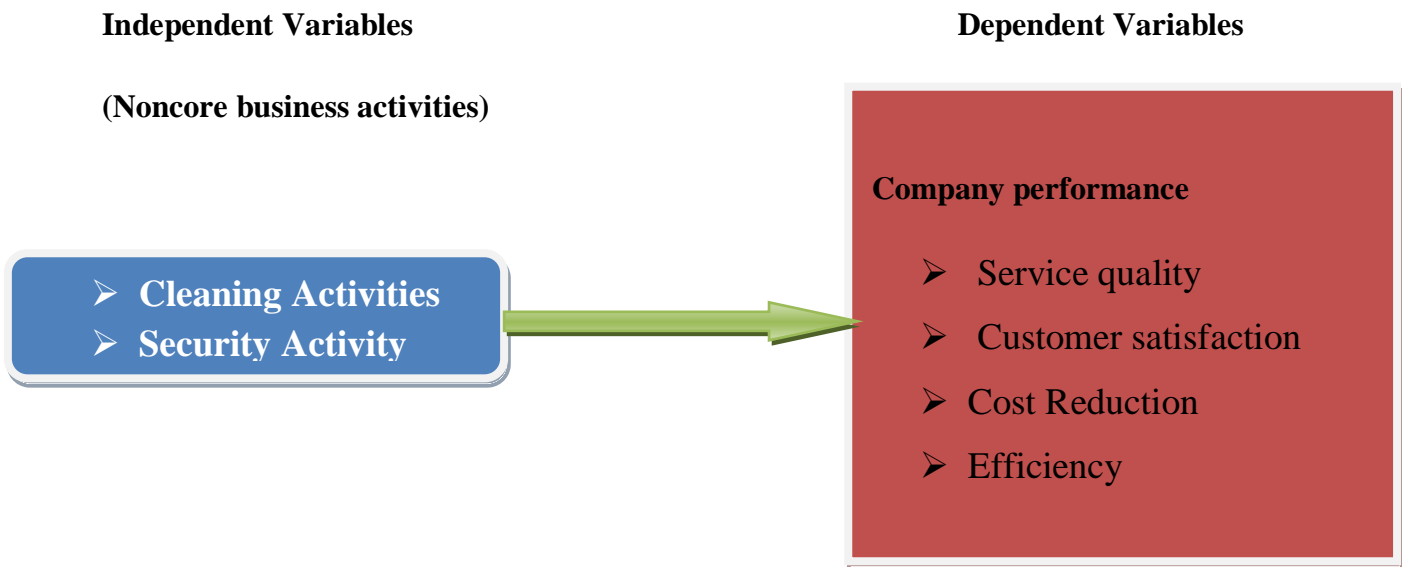
Tewodros T. (2017) conducted an empirical study on effect of outsourcing on organizational performance the case of Commercial bank of Ethiopia. Most of the time outsourcing strategy is linked with the corporate strategy of an organization. In the same way, Commercial Bank of Ethiopia engaged in the outsourcing arrangements to focus on its core business functions. Following its strategic directions, the Bank has already outsourced some of its non-core business functions. Outsourcing as strategic option assisted Commercial Bank of Ethiopia in a various way. Outsourcing helped the Bank to focus on core business functions that is the base for the organization to achieve its performance, avoid major investment in HR, and reduce operating cost. However, the outsourcing practice of the Bank encountered several challenges like problem in bringing customer's satisfaction, improving quality service, reducing risk, increasing efficiency and effectiveness of the bank.

The other researcher called Meresa M. (2007) conduct a research on similar field that outsourcing in Ethiopia revealed that Ethiopia organization are willing to outsource non-core business functions, such as maintenance and janitorial services, security services and information technology services. On the other case Accounting and administration outsourcing service providers will be faces different problems from Ethiopian organization to deliver their services. This is because the companies may fear of loss of secret information and loss of control. In addition, the organizations suspect that the external service providers are not loyal to them.

2.7 Conceptual Framework

From the above literature and empirical summaries above, it is clear stated that different researchers outlined different studies that many business companies are contracting to different service providers for their non-strategic activities. This is due to the quite a number advantages that accrue as a result of outsourcing.

Figure 2.1 conceptual frameworks



Source; Adopted and modified from Tewodros T (2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Approach

Mixed or both quantitative and qualitative research approach was used in this study to obtain clear and accurate conformation. The aim of qualitative approach is to analyze open ended questions and it helps in explaining and interpreting the finding of quantitative study. On the other hand, the quantitative data collected through questionnaires and analyzed using descriptive statistics then presented in the tables.

3.2 Research Design

The research design that was used by the researcher is descriptive in nature and it focused on the successfulness of outsourcing non-core activities in bank performance. It makes it possible for the researcher to look into every form of data that is possible. When using descriptive research people are able to accumulate findings from all forms of data such as personal accounts, case studies or observations. This therefore makes it possible to collect data that had a numerical as well as a personal observational element involved.

3.3 Target Population

The **target** populations of the **find out about had been** the managers and **employees** of the **chosen** districts and division managers and coordinators of outsourced activities of the bank. The target population of this researches a Total of 578 employees/ managers who working in the bank directly relates with the study area.

Table 3.1 population study

CATEGORY	WORK PLACE	No OF EMPLOYEES/OFFICERS	% COVERAGE OF TOTAL POPULATION
Safety and security division	Head office	12	2
Cleaning division	Head office	4	0.7
Lobby attendant(security)	Branch	85	14.3
Lobby attendant(cleaning)	Branch	17	3.4
Branch managers	Branch	152	26.3
Branch A. Managers/Supervisors	Branch	152	26.3
Cashier	Branch	152	26.3
District managers in Addis Ababa	District	4	0.7
TOTAL		578	100

3.4 Sample size

The populations of this study were 578. To calculate minimum sample size the following standardized statistical formula was used.

Therefore, $n = \frac{NZ^2pq}{E^2(N-1) + Z^2pq}$ (Cochran's formula when population size is finite)

Where N= Total population

Z= confidence interval corresponding to 95% (t=1.96)

E = Error for 95% confidence interval = 0.05

P= the maximum population of values = 0.5

Q = 1-p = 1-0.5 =0.5

Then n= 231

Since the total population is less than 10,000 the minimum sampling was used by applying reduced formula. Thus

$n_f = \frac{n}{1 + \frac{n}{N}}$ where n_f = final minimum sample (f=1, 2, 3...)

n = sample size

N= Total population

$$n_1 = \frac{231}{1 + \frac{231}{578}} = 163$$

Therefore, the study's sample size of 163 was fair enough to represent the target population of the study area.

3.5 Sampling Technique

In this study probability sampling (simple random selection) was used on the employees, and applied non probability sampling on targeted officials (coordinators of safety and security division and cleaning division) and Director of HR of the bank.

3.6 Source of data and collection procedures

3.6.1 Primary data

On this study the researcher was used both interview and questionnaires. Interview was conducted with the HR Directorate Director and Division coordinator of outsourced activities, to provide specific information on the actual performance of outsourcing providers and the respective barriers involved. In addition to this records accrued by using distributing structured questionnaires i.e. open-ended and close-ended questionnaires to personnel who have an exposure to outsourcing functions.

3.6.2 Secondary data

Secondary data was collected from organization reports, relevant policy documents and manuals, reputable journals, and magazines. When necessary, materials were downloading from most referred web sites.

3.7 Data processing and analysis

For the **motive** of **reaching** the **targets** of the study, the **amassed information** was **once** processed with descriptive **records using** Statistical Package for Social Studies (SPSS). This software is **chosen because** it helps to summarize the sample, provides, and **allows** describing the **traits** of the **statistics collected** and it helps to **wholly** analyze and interpret the questions one **via** one in order to **attain meaningful** results. Throughout the **examining** process, percentages and **mean had been** used. In doing so tables also used to **existing** and made **effortlessly comprehensible** the findings in order to arrive at in order to arrive at meaningful results.

After data was collected by the researcher and interview was conducted, discussion and interpretation were part of the study. At the end conclusions and recommendations were conducted based on the data analysis and interpretation.

3.8 Validity and Reliability

3.8.1 Validity

The questionnaire was written with clear and valid ideas that containing multiple questions and discussion questions. Therefore, in order to ensure validity of the items incorporated in the instrument professionals from Outsourcing activities head officers, Human Resource directorate and District Offices examined the instrument before it distributes. Accordingly, based on their comment the questionnaires were distributed to the sample population.

3.8.2 Reliability Analysis

Table 3.2: Reliability Test Result

Variables	Number of items	Cronbach Alpha Result
Outsourcing security service	6	0.791
Outsourcing cleaning service	7	0.847
Company performance	8	0.716

Source; survey data- 2020

As you can see from the table above both the security and cleaning (independent variables) scored good alpha value. Outsourcing security service has alpha value of $\alpha=0.791$; outsourcing cleaning activities has alpha value of $\alpha=0.847$; and that of company performance is $\alpha=0.716$. According to Cronbach (1951), a Cronbach Alpha of 0.70 is an acceptable level; this means that there is internal consistency in the items considered.

3.9 Ethical Consideration

At any time if the researcher conducts a research on people, the feeling of respondents must be given high priority them. The interview was conducted and questionnaires were distributed with full knowledge of the management. Ethical issues in this research concerned with maintaining confidentiality about the information that the researcher gathered from respondents, using secured data for academic purpose only and ensuring that the respondent's personality cannot be exploited.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter the researcher presents the analysis, presentation and interpretation of the data that was collated from the questionnaires and interviews. Descriptive statistics such as frequency distribution, Means and percentages were used to analyze general information collected from the respondents.

4.2 Response rate

As shown in the table below out of 163 questionnaires distributed, 135 responses were returned. From the total returned responses, 3 of them were in complete. Thus only the 132 complete responses are employed in the analysis, which represents the responses rate of 81% ($132/163=0.8098$)

Table 4.1 Response rate of respondents

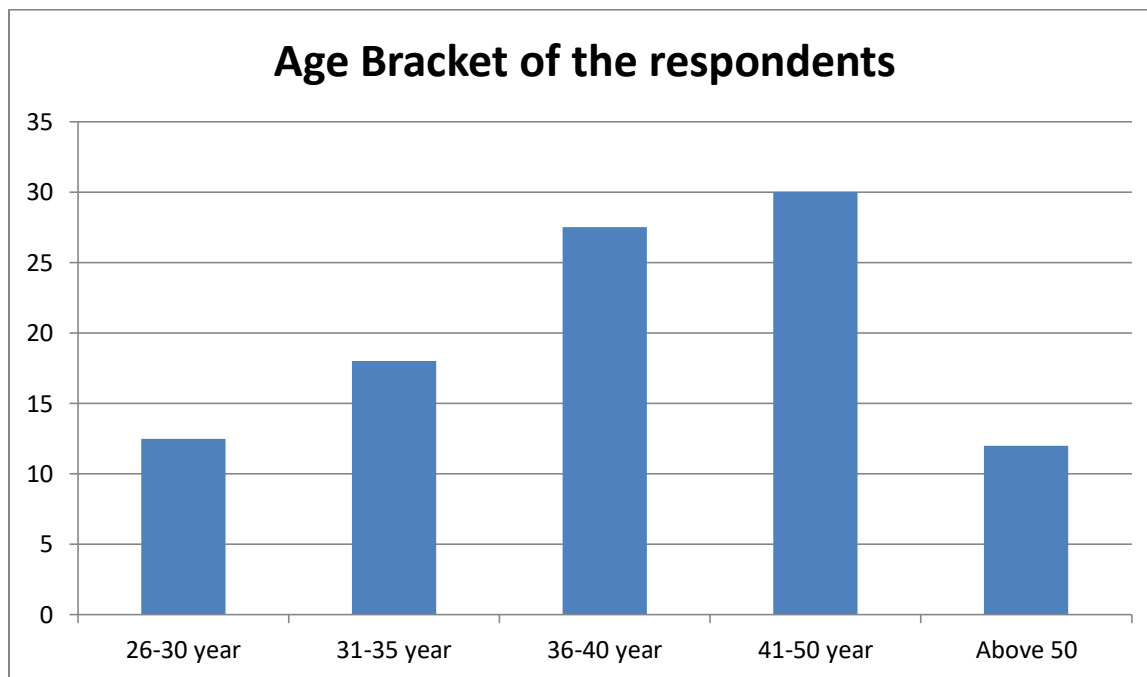
Sample Size	Response			Response rate
	Returned	Completed	Incomplete	
163	135	132	3	0.8098=81%

4.3 Demographic characteristics of Respondents

Respondents were asked to provide general information with regard to gender, age level of education, Job position and the duration of position in terms of years. The analysis of this information is presented in this section.

4.3.1 Gender and Age of Respondents

The researcher sought to identify the gender of the respondents that took part of in the research and found out that 73 of the respondents were female while 59 were male. The respondents were also requested to indicate the age brackets they fitted into. Their responses were obtained and analyzed as represented in the figure 4.1.



Figur 4.1 Age bracket of the respondents

The study found that out the majority of the respondents was between the ages of 41-50 years. This was represented by 30%. 27.5% of them were between 36-40 years, 18% were between 31-35 years, 12.5% were between 26-30 years while only 12% were above 50 years. The implication of this is that majority of the respondents were eligible to take part in a research.

4.3.2 Level of Education

The study also sought to identify the level of education possessed by each respondent that took part in the study. The educational level of 19% of the respondents in Diploma level, educational level of 68.3% of the respondents in Degree level while 12.7% were post graduate level of education. The significance of this is that the respondents included in the study were knowledgeable enough to understand the questions being posed to them in the questionnaire.

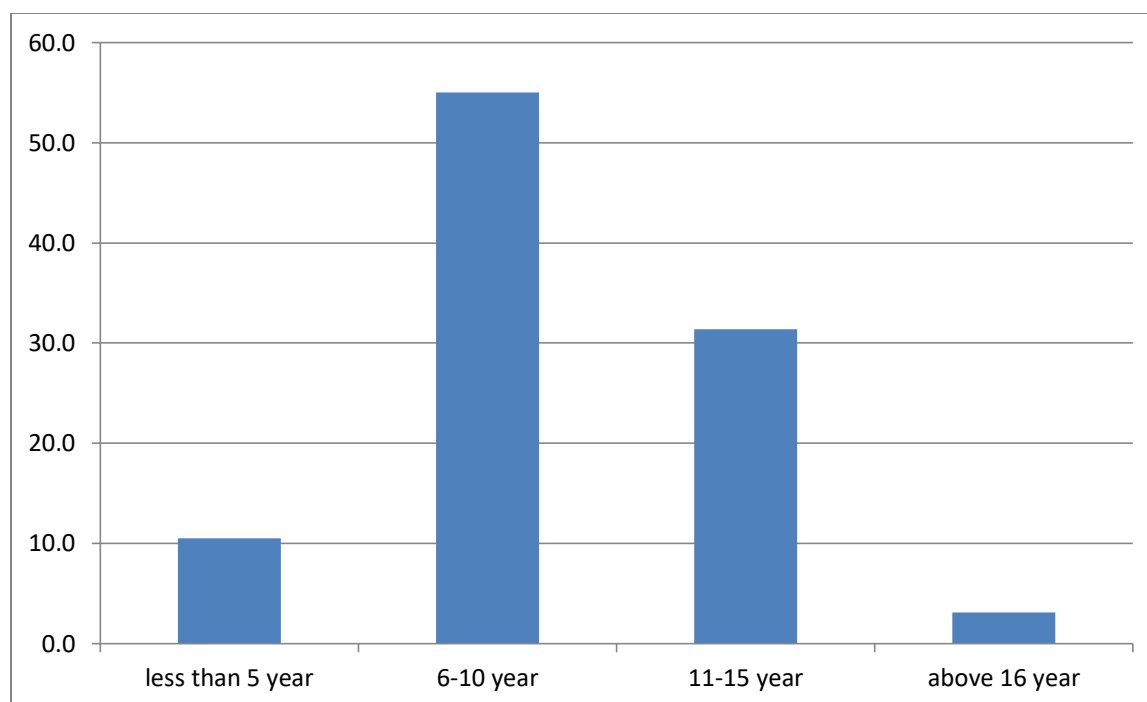


Figure 4.2 Years of working experience

The study found that majority of the respondents had worked in their designated job positions between 6 and 10 years. Specifically, 55% had worked between 6 and 10 years, 31.4% between 11 and 15 years and 10.5% less than 5 year. Only 3.1% had worked for 10 years and above. The significance of this is that the respondents have been in their designated jobs long enough to understand various issues outlined in the topic of the study.

Table 4.2 Place of assignment of respondents

No	Place of assignment	No of employees	%
1	Head office (HRM)	16	12.1
2	District office	3	2.3
3	Branch	113	85.6

Generally, respondents' current place of assignment in to three namely, head office (HRM), District office and Branch process. As revealed in the table above, respondents under district offices constituted about 2.3% and 12.1% of the respondents placed in the head office and the

remaining and the highest group 85.6% is found in branch process. This indicates that the respondents fairly represented in the bank Addis Ababa area.

Demographic characteristic of Respondents

Table 4.3 General profile of Respondents

CATEGORY		F	%
SEX	M	59	44.7
	F	73	55.3
	Total	132	100
AGE	26-30	17	12.5
	31-35	24	18
	36-40	36	27.5
	41-50	39	30
	>50	16	12
	Total	132	100
EDUCATION LEVEL	DIPLOMA	25	19
	DEGREE	90	68.3
	POST GRADUATE	17	12.7
	Total	132	100
WORKING EXPERIANCE	< 5	14	10.5
	6-10	73	55
	11-15	41	31.4
	>16	4	3.1
	Total	132	100
PLACE OF ASSIGNMENT	HEAD OFFICE	16	12.1
	DISTIRCT	3	2.3
	BRANCH	113	85.6
	Total	132	100

4.3.5 Activities or Functions outsourced by the Bank

100% of the respondents in this study respondents that cleaning and security are activities which are outsourced by the bank. This indicates that the respondents have an awareness which activity is outsourced by the bank.

Table 4.4 summary of Reasons to outsource non core business functions

No	Reasons for outsourcing noncore business functions		No of Responses and % out of n=132					Mean
			Strongly Agree	agree	neutral	disagree	Strongly disagree	
1	To minimize operating cost	F	51	42	11	13	15	3.77
		%	38.6	31.8	8.3	9.8	11.5	
2	To enhance service quality and customer satisfaction	F	41	41	12	24	14	3.54
		%	31.1	31.1	9.1	18.2	10.5	
3	To focus on core functions	F	46	39	13	20	14	3.63
		%	34.8	29.5	9.8	15.2	10.7	
4	To improve flexibility	F	15	12	12	49	44	2.28
		%	11.4	9.1	9.1	37.1	33.3	
5	To assist growth	F	12	10	10	57	43	2.17
		%	9.1	7.6	7.6	43.2	32.5	
6	To access to new skills	F	28	20	14	26	44	2.71
		%	21.2	15.2	10.6	19.7	33.3	

Table above summarizes the findings with regards to the stated reasons as driving forces for outsourcing strategy. The respondents have been asked to, on a scale of 1 to 5; rank the motives why their company outsources. The responses were analyzed using descriptive data and categorized into six categories. From the table the respondents agreed that to reduce cost was a major driver for outsourcing noncore business functions in the company (mean = 3.77). Next of this, the respondents also stated that the bank uses out sourcing as to focus on core functions (mean = 3.63).

According to the respondent, to improve service quality and customer satisfaction, to access to new skills, to improve flexibility and to assist economic growth takes the next reasons (3.54, 2.71, 2.28 and 2.17) respectively to outsource noncore business functions of the bank. Therefore the respondents placed to reduce cost at the top of the drivers for outsourcing strategy.

Table 4.5 Summary of the effect of outsourcing noncore business functions on organizational performance.

No	The effect of outsourcing noncore business functions on organizational performance.		Number of responses and percentage out of n=132					Mean
			Strongly agree	Agree	neutral	disagree	Strongly disagree	
1	Do you agree that Customer satisfaction increased after outsourcing non core business functions of the bank	F	24	11	07	46	44	2.43
		%	18.2	8.3	5.3	34.8	33.4	
2	Do you agree that The bank has able to reduce its operating costs related to noncore business function	F	62	41	21	5	3	4.17
		%	47	31	13	3.8	2.2	
3	Do you agree Outsourced staffs are less committed to carry out their responsibilities	F	21	18	16	43	34	2.61
		%	15.9	13.6	12.1	32.6	25.8	
4	Do you agree that After outsourcing, well being of the customer ,staffs and property of the bank better secured	F	23	14	16	34	45	2.56
		%	17.4	10.6	12.1	25.8	34.1	

5	Do you agree that The existing outsourced services helped the Bank and its customer to feel confident about its quality	F	24	14	12	49	33	2.6
		%	18.2	10.6	9.09	37.1	25.01	
6	Do you agree that it has a negative outcome in the bank	F	6	11	9	52	54	1.96
		%	4.5	8.3	6.8	39.4	41	
7	Do agree that Increase competitiveness of the company	F	26	17	13	36	40	2.64
		%	19.7	12.9	9.8	27.3	30.3	
8	Do agree that resolving ability for customers' problem increased	F	29	11	9	32	51	2.5
		%	22	8.3	6.8	24.2	38.7	
9	Do you agree that Organizational performance increased after outsourcing noncore business functions	F	31	28	28	28	17	3.21
		%	23.5	21.2	21.2	21.2	12.9	

Source- survey 2020

According to the data presented on the above table more than 68% of the respondents disagreed with the issue “ Customer satisfaction increases after outsourcing noncore business functions of the bank” and 26.5% of the respondents were agreed and strongly agreed with the above issue. The remaining 5.3% of the respondents were undecided to the raised question.

Moreover, the mean score value of 2.43 implied that outsourcing of noncore functions of the bank did not help to improve customer satisfaction. About 78% of the respondents believes that the bank has able to minimize its working fee related to noncore business functions and 6% of the respondents were disagreed and strongly disagreed on reducing operating cost. The remaining 16% of the respondents were neutral. More over the mean score value of 4.17 implied that outsourcing of noncore business functions of the bank helps in reducing operating cost.

29.5% of the respondents agreed and strongly agreed on “Outsourced staff committed on their responsibilities.” On the other case 58.4% of the Respondents though that outsourcing staffs are not committed to perform their responsibilities and the remaining 12.1% of the respondents were neutral. The mean score value of 2.61 implies that still the bank did not able to obtain committed staffs to perform their responsibilities. Respondents who believe that, after outsourcing well being of the customer’s staff and property of bank well secured were about 28% contrary to this 59.9% of the respondents were in disagreement level. The remaining 12.1% of the Respondents are neutral on the given issue.

About 28.8% of the Respondents agreed that and strongly agreed on the issue that the existing outsourced service helped the bank and its customer to feel confident about its quality and contrarily to this 62.1% of the respondents believes that the existing outsourced services did not help the bank and its customer to feel confident about its quality. The remaining 9.09% of the Respondents were neutral by this issue.

Regarding to the issue ‘’ outsourcing has a negative outcome in the bank.’’ More than 80% of the respondents disagreed and strongly disagreed with the issue outsourcing have a negative outcome in the bank and 12.8% of the respondents agreed and strongly agreed with the above issue. The remaining 6.8% of the respondents are neutral with that issue. The mean value of 1.96 implies the bank did not negatively impacted by the outsourced activities.

About 32.6% of the respondents believe that outsourcing noncore business functions increases competitiveness of the company and 57.6% of the respondents disagrees and strongly disagrees with the issue that outsourcing increases competitiveness of the company. The remaining 12.1% of the respondents were neutral. More over the mean score 2.64 implied that outsourcing noncore business functions of the bank did not increases its competitive.

Respondents were asked about problem resolving ability for customers' after outsourcing of noncore business functions. Accordingly, the researcher has found from the study that a mean score of 2.5. This implies that outsourced staffs are not experienced in understanding customers' interest.

Table 4.6 Summary of Benefit gained after outsourcing of security service.

No	Benefits gained after outsourcing of Security Service		Responses and percentage					Mean
			Out of n=132					
			Strongly Agree	agree	neutral	Disagree	Strongly disagree	
1	Do you agree that Outsourcing security Service save time and cost	F	26	31	11	26	38	2.85
		%	19.7	23.5	8.3	19.7	28.8	
2	Do you agree that Outsourcing security Service allow to focus on core business function	F	33	29	12	21	37	3.15
		%	25	22	9.1	15.9	28	
3	Do you agree that Outsourcing security Service improves service quality	F	14	17	10	48	43	2.33
		%	10.6	12.9	7.6	36.4	32.5	
4	Do you agree that Outsourcing security Service reduce risk	F	15	10	9	54	44	2.23
		%	11.4	7.6	6.8	40.9	33.3	
5	Do you agree that Outsourcing security Service increase Flexibility	F	9	16	14	55	38	2.26
		%	6.8	12.1	10.6	41.7	28.8	
6	Do you agree that Outsourcing security service improve organization's performance	F	24	28	8	37	35	2.76
		%	18.2	21.2	6.1	28	26.5	

Source-survey 2020

According to the total data presented on the above table more than 43.2% out of the total of the respondents agreed and strongly agreed on the issue "outsourcing security service save time and cost." 48.5% of the respondents were disagreed and strongly disagreed on outsourcing security service save time and cost. On the other hand, the remaining 8.3% of the respondents were undecided to the raised question.

About 47% of the respondents believes with the statement "outsourcing security service allow to focus on core business functions" and 43.9% of the respondents disagrees and strongly disagrees on outsourcing security service to focus on core business functions. The remaining 9.1% of the respondents were neutral. Moreover, the mean score value of 3.15 implied that outsourcing security service helps in focusing core business to the bank.

On the other case, most of the respondents states that the security service is incapable to reduce risk, to enhance service quality ,increase flexibility and improve the performance of the organization with mean score of 2.33, 2.23,.2.26, and 2.76 respectively. From this some can understand that the bank is unable is acquire both trained and experienced security staffs and unable to get better committed and loyal security staff.

Table 4.7 Summary of benefits gained after Outsourcing of Cleaning Service.

No	Benefits gained after outsourcing of cleaning Service.	Response and percentage out of n=132					Mean	
		Strongly agree	agree	neutral	Disagree	Strongly disagree		
1	Do you agree that Outsourcing cleaning Service save time and cost	F	15	33	11	21	16	3.6
		%	38.6	25	8.3	15.9	12.2	
2	Do you agree that outsourcing cleaning service helps to focus on core function?	F	47	46	21	11	7	3.87
		%	35.6	34.8	15.9	8.3	5.4	
3	Do you agree that Outsourcing cleaning Service improves service quality	F	53	46	19	11	3	4.02
		%	40.2	34.8	14.4	8.3	2.3	
4	Do you agree that Outsourcing cleaning Service reduce risk	F	42	48	24	13	5	3.8
		%	31.8	36.4	18.2	9.8	3.8	
5	Do you agree that Outsourcing cleaning Service increase Flexibility	F	24	20	18	21	25	2.74
		%	18.2	15.2	13.6	15.9	19	

6	Do you agree that Outsourcing cleaning Service improves customer's satisfaction	F	44	24	18	21	25	3.31
		%	33.3	18.2	13.6	15.9	19	
7	Do you agree that Outsourcing cleaning service improve organization's performance	F	39	37	28	21	7	3.6
		%	29.5	28	21	15.9	5.6	

Source-survey 2020

As indicated in the above table, respondents were asked about success that is achieved by outsourcing cleaning service of the bank. Accordingly, most of the respondents agreed that outsourcing cleaning service improves service quality, outsourcing cleaning service allow to focus on core business function, outsourcing cleaning service increases flexibility and improves organizational performance, consequently, mean score of 4.02, 3.87, 3.8, and 3.6 were registered respectively. On the other hand, respondents were replied for the cleaning service improves customer satisfaction, reduce risk of cleaning service were neutral, with the mean score of 3.31 and 2.74 were registered respectively. From this, it is possible to summarize that the cleaning service provider has been providing the desired quality of cleaning service for the bank. Hence it has facilitated the way for the bank to concentrate on its core business.

Table 4.8 Summary of challenges faced after outsourcing security service.

No	challenges faced after outsourcing of Security Service		Responses and percentage out of n=132					Mean
			Strongly Agree	agree	neutral	disagree	Strongly Disagree	
1	Do you thing that Theft has been increased after outsourcing	F	11	43	10	35	33	2.7
		%	8.3	32.6	7.6	26.5	25	
2	Do you thing that Outsourced security staffs lack organizational commitment and citizenship	F	28	36	9	33	26	3.05
		%	21.2	27.3	6.8	25	19.7	
3	Outsourced security staffs has ethical problems	F	24	47	18	24	19	3.25
		%	18.2	35.6	13.6	18.2	14.4	
4	Do you thing that Outsourced security staffs handle materials poorly	F	26	51	11	23	21	3.3
		%	19.7	38.6	8.3	17.4	16	
5	Do you thing that There are problem of controlling security staffs during working hours	F	11	38	20	42	21	2.8
		%	8.3	28.8	15.2	31.8	15.9	

Source-survey 2020

Respondents mean score of 3.25 and 3.3 show that the level of agreement on the existence of ethical problems of outsourced staff and handle materials poorly. On the remaining issues related to challenges of outsourced security service, respondent's response is neutral. Therefore there are challenges that the bank encountered due to outsourcing its security function.

Table 4.9 Summary of challenges faced after outsourcing cleaning service.

No	Challenges faced after outsourcing of cleaning Service.		Response and percentage out of n=132					Mean
			Strongly Agree	agree	neutral	disagree	Strongly Disagree	
1	Do you thing that Outsourced cleaning staffs has Poor quality of janitorial service	F	4	11	21	50	46	2.06
		%	3	8.3	16	37.9	34.8	
2	Do you thing that Outsourced cleaning staffs has ethical Problems	F	3	19	22	47	41	2.21
		%	2.3	14.4	16.7	35.6	31	
3	Do you thing that Outsourced cleaning staffs handle materials poorly	F	14	43	21	29	25	2.94
		%	10.6	32.6	16	22	18.8	
4	Misalignment between banks service requirement and service providers	F	8	28	34	37	33	2.73
		%	6.1	21.2	25.8	28	18.9	

	capability							
5	Do you agree that There is problem of controlling cleaning staffs during working hours	F	18	54	11	30	19	3.16
		%	13.6	40.9	8.3	22.7	14.5	

Source-survey data, 2020

The above table depicts summary of frequency, percentage and means of respondents view on the problems of outsourcing cleaning activity. Respondents' mean score of 2.94, 2.73, 2.21 and 2.06 show that the level of disagreement on outsourced cleaning staff handle materials poorly, misalignment between banks service requirement and service providers capability, outsourced cleaning staffs has ethical problems and outsourced cleaning staffs has poor quality of janitorial service. 54.5% of the respondents agreed on the remaining issue that, there is a problem of controlling staff during working hours. In general, from the above discussion we can summarize that WB dose not faced challenges or problems from cleaning staff relatively to security staff function.

Correlation Analysis

In this section, correlation analysis was conducted in light of each research question mentioned in the Chapter one. The relationship between outsourcing non-core activities (security and cleaning services) and company performance was investigated using Pearson Correlation Analysis. This provides correlation coefficients which indicated the strength and direction of relationship. The p-value also indicated the probability of this relationships' significance. The interpretation was made based on the following measurement scale intervals or range.

1 perfect, 0.8-0.9 very strong, 0.5-0.8 strong, 0.3-0.5 moderate, 0.1-0.3 modest, >0.1 weak, 0 zero, -1 perfect, -0.8 - -0.9 very strong, -0.5- -0.8 strong, -0.3 - -0.5 moderate, -0.1 - -0.3 modest, and > -0.1 weak. (McDaniel and Gates (2006). These findings are presented below.

Table 4.10: Correlation Analysis

Effect of outsourcing non-core activities on company performance		Organizational performance
Outsourcing Cleaning Activities	Pearson	.912**
	Sig. (2-tailed)	.000
	N	132
Outsourcing security Activities	Pearson	-.930**
	Sig. (2-tailed)	.000
	N	132

Source-survey data, 2020

from above table, there is a positive and strong relationship between outsourcing cleaning activities and company performance ($r=0.912$, $p\text{-value} < 0.005$). However, there is a negative and strong relationship between outsourcing security service and company performance ($r= -0.930$, $p\text{-value} < 0.005$).

Multiple Regression Analysis

Regression is a measure of association between two quantitative variables. It allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. Table 4.11 below shows the regression analysis of the effect of outsourcing noncore business functions on company's performance. Table 4.12 below clearly shows the value of R and R². In this analysis the value of R is 0.933 which is a measure of the correlation between the observed value and the predicted value of the dependent variable (organization's performance). Where as R Square (R²) is the square of this measure of correlation and indicates the proportion of the variance of organizational performance with the outsourcing noncore business functions variables. Hence, R Square = .870 implies that 87% of organization's

performance is explained by factors of outsourcing noncore business functions (cleaning and security). In essence, this is a measure of how good a prediction of the dependent variable we can make by knowing independent variables. This implies that 87% of the variance in the dependent variable is explained by the independent variables in the model. The model also indicates that, the remaining 13% of the variance can be explained by other variables out of this model and indicates that further research might be needed for this. The **Beta** value is a measure of how strongly predictor variable influences the criterion variable. Likewise, the beta value of this study is as indicated in the table below. If we take one as a demonstration, cleaning service has 0.565 value which indicates that a change of one standard deviation in the predictor variable i.e. noncore business function factors resulted in a change of 56.5 standard deviations in the criterion variable i.e. organization's performance. Thus, this indicates that noncore business functions have its impact on company's performance. Since the higher the beta value the greater the impact of the predictor variable on the criterion variable. Moreover, when you have only one predictor variable in your model, then beta is equivalent to the correlation coefficient between the predictor and the criterion variable (www.SPSS for Psychologists). The regression estimates how the value of one dependent variable (Y) can be predicted based on the value of one independent variable (X). The linear equation for simple regression is as follows;

Table 4.11: Regression Coefficients

Coefficients^a

Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig. Tolerance	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	Constant = β_0	8.660	1.578		5.489	.000	
	Outsourcing security service (X_1)	-1.475	.242	-1.432	-6.093	.000	.471
	Outsourcing Cleaning service (X_2)	.565	.262	.507	2.156	.033	.468

a. Dependent Variable: Company performance (Y)

Source-survey data, 2020

Table 4.12: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.933 ^a	.870	.868	.50756

a. Predictors: (Constant), Outsourcing cleaning activities, outsourcing security activities

Source-survey data, 2020

Table 4.13: ANOVA

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	221.628	2	110.814	430.156	.000 ^a
Residual	33.232	129	.258		
Total	254.860	131			

a. Predictors: (Constant), Outsourcing cleaning activities, outsourcing security activities

b. Dependent Variable: Company performance

Source-survey data, 2020

Thus, the F-statistic of each independent variables is 430.156 this indicates that the model is overall good fit and significant at $p < 0.05$.

4.9 Analysis of Interview Questions

The other part of collecting data was engaged on the collecting of opinions from the manager of functions outsourced by the bank. The researcher collects ideas from HR director, head department of security and coordinator of the cleaning department. There therefore questions on types of activities outsourced by the bank, main reasons for outsourcing, impacts organizational performance like impacts on service quality and customer satisfaction, and questions related to benefits and challenges faced after outsourcing the service.

The interviewee conformed that, wegagen bank outsource only both the security function and cleaning function because both the functions contains huge number of staff members (more than 4150) relative to other non core functions. So this huge number of staff members needs vast administration system and more costly. Therefore according to the managers' response focusing on core functions, Cost reduction and providing quality service to customer are the primary reasons to outsource these functions.

The interview confirmed that, the primary benefit achieved by the bank from the outsource noncore function is reduction of cost. Those more than 4150 staff members of the outsourced activities are out of usability of insurance, leaving and medical.

The respondents confirmed that, due to the constraint of selecting criteria of the bank in selecting of service providers of the bank and the poor potential of the service providers there are challenges that directly affects on delivering quality service. For example according the standard of the federal police, Banks, Embassies and other sensitive areas must keep by guards which have military experience. But the security guards of the bank providing by the service providers more than 80%(from profile of employee) have not military experience. This means many security guards lacks security concept and disciplines.

In addition to this most of the time there are new faces from security guards and they are not comfortable with their salary even not paid on time. This directly affects the bank's service quality and may generate different risks. The managers added that staff members of outsourced functions lacks organizational commitment and have ethical problems.

Managers also confirmed that there are some problems in the criteria's while selecting of the service providers. The criteria's more focuses on financial instead of the technical. Also the respondents added that, the Bank has clear evaluation and criteria for the above two non-core business functions to measure their performance and gives feedback with in every two weeks. But there are service providers unable to qualify these criteria. For example on this year one service provider called'' Space solution'' breaking its contract due to under quality. On the other hand, still there is a problem by the service providers in bringing **customer** satisfaction, **enhancing quality** service, **reducing** risk, **increasing efficiency** and effective bank.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of major findings

The purpose of this paper is to investigate the effect of outsourcing non core functions on wegagen bank performance. According to this an attempt has been made to investigate how the dependent variable or performance of the bank affected by the independent variables which are outsourcing security and cleaning services.

The Following are the major findings with regards to the Demographic of the respondents' and questions of the outsourcing noncore business functions of the bank:

Summary from the questionnaire

- Out of 163 questionnaires distributed, 135 responses were returned. From the total returned responses, 3 of them were in complete. Thus only the 132 complete responses are employed in the analysis, which represents the responses rate of 81% ($132/163=0.8098$)
- 73 of the respondents were female while 59 were male.
- Majority of the respondents (68.3%) had attained in Degree level.
- Majority of the respondents (55%) had worked between 6 and 10 years.
- Majority of place of assignment (85.6%) of the respondents is in branch process.
- **Security** and **cleaning** are the noncore functions which are outsourced by the bank.
- Reducing cost, Focusing on core functions and improving service quality and customer satisfaction were the basic reasons of the bank to outsource with their mean value 3.77, 3.63 and 3.54 respectively.
- Majority of the respondents agreed that, the bank has **capable to limit its running prices related to non-core business feature** and Organizational performance increased after outsourcing noncore business function with mean score 4.14 and 3.21 respectively are the major effects of outsourcing this noncore business functions.

- Reducing operating cost is the major benefit of the bank after outsourcing the two functions. Focusing on core function and time saving are also the benefits next to the first one.
 - Lack of organizational commitment, ethical problems and handle materials poorly are the major challenges of the security staff,
 - Problem of controlling during working hours, handle materials poorly are some of the challenges from cleaning staff.
- Correlation was computed to determine relationship between outsourcing non-core activities (security and cleaning services) and company performance using Pearson Correlation Analysis. There is a positive and strong relationship between outsourcing cleaning activities and company performance ($r=0.912$, $p\text{-value} < 0.005$). However, there is a negative and strong relationship between outsourcing security service and company performance ($r= -0.930$, $p\text{-value} < 0.005$). From this we understand that cleaning service is better performing than security service.
 - Multiple regression analysis was employed to examine the effects of outsourcing non-core activities (security and cleaning services) on company performance. The results of multiple regressions shows that outsourcing cleaning activities has a positive and significant effect on company performance with a β value ($\beta = .507$), at 95% confidence level ($p < 0.05$). However, outsourcing security service has a negative and significant effect on company performance with a β value ($\beta = -1.432$), at 95% confidence level ($p < 0.05$).
 - The variation of variables used in the analysis using R-square which is the coefficient of determinant tells that how much variation is taking place in company performance (dependent variable) due to outsourcing security and cleaning activities).

- The value of R-square is 0.87 that means 87% change taking place in company performance is explained by outsourcing security and cleaning activities.

Summary from the interview

- Managers' confirmed that, focusing on core functions, Cost reduction and providing quality service to customer are the primary reasons to outsource security and cleaning functions.
- The interview confirmed that, the primary benefit achieved by the bank after outsourcing noncore function is reduction of cost.
- The respondents confirmed that due to the problems in the criteria's while selecting of the service providers by the bank and poor potential of the service providers there are challenges that directly affects on delivering quality service.
- The managers added that staff members of outsourced functions lacks organizational commitment and have ethical problems especially in the security staff. Managers also confirmed that there are some problems in the selecting criteria when the bank selects service provider. The criteria's more focuses on financial instead of the technical.
- Managers added that, the Bank has its own evaluation criteria for the above two non-core business functions to measure their performance and gives feedback with in at least two weeks. But there are service providers unable to qualify these criteria. Still there is a problem by the service providers in bringing **consumer** satisfaction, **enhancing best** service, **decreasing** risk, **growing effect ivity** and effectiveness of the bank.
- 5.2 Conclusion
 - From the study above, we can understand that, **security** and **cleaning** are the two noncore functions outsourced by the bank.
 - Reducing cost, Focusing on core functions, to enhance the service quality of the bank and to increase the customer satisfaction are the major reasons to outsource this noncore business functions.
 - The bank has able to reduce its operating costs related to noncore business function and Organizational performance increased after outsourcing noncore business function are the major effects of after outsourcing this noncore business functions.

- The bank benefits from the outsourcing noncore functions like it reduces costs, focuses on core function and it saves time.
- Due to the problem of criteria's in selecting service providers, poor potential of the service providers, lack of professional concepts and experience of staff members of outsourced functions, lack of organizational commitment, lack of ethical problems especially on the security guards are the major challenges on the outsourcing process.

5.3 Recommendation

Based on the findings and conclusions reached by the researcher, the following recommendations are forwarded in order to improve the outsourcing efforts of the Bank;

- The bank should be select service provider that can be bringing great competitiveness especially technically qualified service providers. This is because outsourcing gives company staff more time to concentrate on core competence to provide better quality service and can compute their competitors in the market. The bank should strategically asses the partners. The bank should not only consider cost reduction and base on low price but should also emphasize the technical potential of the service provider.
- The bank must increase a partnership with the service providers to create direction to measure the performance where organizational requirements should be related with the practice of outsourcing the method through identifying new skills, abilities, and knowledge for every service, thus helps companies to enhance their service quality.
- The bank needs to be equipped physically and mentally through giving proper and continuous training for the service provider to make active and loyal to the bank. SLA must be setting in which a company helps to evaluate the service of a vendor and better service can be differentiated from bad service which initiates the service provider gets opportunity to satisfy its client.
- The bank should adopt periodic meeting with service provider to solve changes when occur and create better way of doing business and developing good partnerships relation.
- As we observed from the research and practically in the business industry security and cleaning function are the most outsourced functions. This has held to the establishment of many service provider companies in the country offering job opportunities to our teeming unemployment youth. Government is therefore being entreated to help technically and

financially to enhance the service quality of the service providers, and also needs close monitoring all the activities belong to this business.

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Appendix I

Addis Ababa University

School of Commerce

The main objective of this questionnaire is to gather data for Master's thesis for partial fulfillment of master's degree in Logistics and supply chain management, which is entitled as **effect of outsourcing noncore business functions on company's performance the case of Wegagen Bank**. Dear respondents, you are expected to provide accurate and relevant information with respect to the overall outsourcing practice of the bank. It is not necessarily to write your name. 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 the purpose of this research.

Gebrehiwot Kiros (+251 910192199), (gebrehiwotkiros1921@gmail.com)

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

General Directions: please put a tick mark (✓) in the corresponding **container** to **indicate** your **choice** and write your **brief** and **particular answers** for **those accompanied by way of the blank space**. **Part I:**

Respondent Demography

1. Gender: a) Male b) Female
2. Age: a) 26-30 b) 31-40 c) 41-49 d) ≥ 50
3. Educational background:
- a) < Diploma b) Diploma c) First Degree d) > first degree
4. Years of service in the Wegagen bank S.C.
- a) ≤5 years b) 6-10 Years c) 11-15 years d) ≥16 years
5. Location of your current place of assignment?
- a) Human Resource Management (Head office) b) District Office c) Branch
6. What is your current work category or position in the Bank?
- a) Managerial b) Professional c) Clerical d) other, specify _____
7. What type of activities or functions is outsourced in the bank?
- a. Recruitment b. Pay Roll Security . Cleaning
- e. Sales/Marketing f. Loan Recovery g. I T
- h. Others (specify)

Part II; Questions designed to obtain/collect information related to the effect of outsourcing noncore business activities in company's performance in case Wegagen bank S.C. Indicate how Important you feel each item in making decision of outsourcing the business functions using the following rating scale:

5 =strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = strongly Disagree

Put “√” Mark in the appropriate column to signify the importance level of each item.

7. Questions concerning to the reasons for outsourcing noncore business activities of the bank?

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

NO	Reasons for outsourcing noncore business functions	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	To reduce cost					
2	To improve service quality and customer satisfaction					
3	To spent more time on strategic issues					
4	To focus on core functions					
5	To improve flexibility					
6	To assist growth					
7	To access to new skills					

8. 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	How outsourcing functions affect organizational performance.	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Do you agree that Customer satisfaction increased after outsourcing non core business functions of the bank					
2	Do you agree that The bank has able to reduce its operating costs related to noncore business					

	function					
3	Do you agree that Outsourced staffs are less committed to carry out their responsibilities					
4	Do you agree that After outsourcing, well being of the customer ,staffs and property of the bank better secured					
5	Do you agree that The existing outsourced services helped the Bank and its customer to feel confident about its quality					
6	Do you agree that it has had a negative outcome in the bank					
7	Do you agree that Increase competitiveness of the company					
8	Do you agree that resolving ability for customers' problem increased					
9	Do you agree that Organizational performance increased after outsourcing noncore business functions					

9. Questions related to what benefits or challenges faced after outsourcing the services.

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

NO	Justifications for making the decision	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Do you agree that Outsourcing security Service save time and cost					
2	Do you agree that Outsourcing security Service allow to focus on core business function					
3	Do you agree that Outsourcing security Service improves service quality					
4	Do you agree that Outsourcing security Service reduce risk					
5	Do you agree that Outsourcing security Service increase Flexibility					
6	Do you agree that Outsourcing security service					

	improve organization's performance					
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b. Please rate the table to evaluate **benefits** gained after outsourcing of **cleaning** Service.

NO	Benefits gained after outsourcing of cleaning Service.	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Do you thing that Outsourcing cleaning Service save time and cost					
2	Do you thing that Outsourcing cleaning Service allow to focus on core business function					
3	Do you thing that Outsourcing cleaning Service improves service quality					
4	Do you thing that Outsourcing cleaning Service reduce risk					
5	Do you thing that Outsourcing cleaning Service increase Flexibility					
6	Do you thing that Outsourcing cleaning Service improves customer's satisfaction					
7	Do you thing that Outsourcing cleaning service improve organization's performance					

c. Please rate the table to evaluate **challenges** faced after outsourcing of **Security** Service

NO	challenges faced after outsourcing of Security Service	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Do you thing that Theft has been increased after outsourcing					
2	Do you thing that Outsourced security staffs lack organizational commitment and citizenship					
3	Do you thing that Outsourced security staffs has ethical problems					

4	Do you thing that Outsourced security staffs handle materials poorly					
5	Do you thing that There are problem of controlling security staffs during working hours					

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

NO	Challenges faced after outsourcing of cleaning Service.	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
1	Do you thing that Outsourced cleaning staffs has Poor quality of janitorial service					
2	Do you thing that Outsourced cleaning staffs has ethical Problems					
3	Do you thing that Outsourced cleaning staffs handle materials poorly					
4	Do you thing that Misalignment between banks service requirement and service providers capability					
5	Do you thing that There is problem of controlling cleaning staffs during working hours					

Part III

10. If you have additional comments, please write it.

Appendix-II

Interview Questions to be administered with the Directors/ Managers of the study area. This interview will conduct to gather data for MA- in Logistics and supply chain management thesis entitled “ EFFECT OF OUTSOURCING NONCORE BUSINESS FUNCTIONS ON COMPANY’S PERFORMANCE; THE CASE OF WEGAGEN BANK”. I assure you that your responses will be used only for academic purpose.

1. What are the types of activities outsourced by the bank?
2. What are the reasons that encourage your organization to outsource its noncore business functions?
3. What are the benefits which are achieved by the bank by outsourcing these noncore activities?
4. What are the major challenges or problems facing Wegagen bank after outsourcing?
5. What type of measure did your organization take to solve problems that faced during or after outsourcing?
6. How your bank monitors or controls the service quality of outsourced activities and how the bank evaluates the performance of the service delivered by the service provider?
7. Do you thing that the service quality and performance of the service provider result in service level agreement? If not what is/are the reasons/s?
8. Would you add any idea concerning to this study that I did not cover in my interview?