
**BUSINESS PROCESS OUTSOURCING AND OPERATIONAL PERFORMANCE OF
COMMERCIAL BANKS IN KENYA**

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Abstract

The general purpose of the research was to establish the impact of business process outsourcing on the operational performance of commercial banks in Kenya. The specific objectives were to determine the level of business process outsourcing adoption in commercial banks in Kenya and to investigate the relationship between business process outsourcing and the operational performance of commercial banks in Kenya. The study was underpinned by the resource-based view. The research used a descriptive cross-sectional study. The target population for the research was all the commercial banks in Kenya. The research was a census survey, and thus all 42 commercial banks were included. A questionnaire was the designated instrument or tool for data collection. Quantitative data collected from the closed-ended questions were analyzed using descriptive statistics, which involved averages, standard deviations, percentages, and frequencies. The data were presented using tables and in prose form. Multiple linear regression analysis was used to assess the association between business process outsourcing and operational performance. The study concludes that information technology services outsourcing, Human resource management services outsourcing, security services outsourcing and marketing services outsourcing positively and significantly increases operational performance of commercial banks in Kenya. The research suggests that banks take steps to ensure that outsourced services are well-documented and that expertise is transferred to internal IT workers to prevent over-reliance on service providers and a loss of control. The study recommends that commercial banks outsource more human resources management services to facilitate concentration on their core activities. There should be an effective mechanism to determine the security services that can be outsourced, those that require internal control, and those that can be done in collaboration with external providers. The banks should continue to outsource their marketing services for better operational performances.

Keywords: *Business Process Outsourcing, Operational Performance, Commercial Banks*

INTRODUCTION

The ideology of outsourcing has globally been used for a long period in the commercial industries (Doval, 2016). Despite the fact that most of the outsourcing activities were based on information technologies until late 1990, the main purpose of this activity was to improve the philosophy of achieving operative efficiencies (Karhunen & Kosenen, 2018). According to

Pratap (2016), in the past numerous decades, the world has witnessed the remarkable advancement and usage of business process outsourcing in diverse areas such as production sectors, manufacturing sectors, and innovation sectors. In reality, the concept of outsourcing has remained the notion of the long-term investment that is dedicated to achieving the organization's overall benefits and goals. Outsourcing plays an important position in the improvement of the organization's performance by either improving a company's competitive situation in the market or by improving the shareholder's returns.

In the business world, competition is usually quite high and therefore, firms have to try and maintain their standards by outsourcing services in which they are weak at and focus on those services where their strength lies and this has to be decided as a strategy to remain competitive. In the age of the global economy and market, a firm usually develops and maintains its relationships with other firms through outsourcing some of the services that it cannot deliver. This way, outsourcing is a backbone in relationships between firms. Businesses use outsourcing as a strategy in order to meet demands (Kolawole & Agha, 2015).

Sometimes a firm may outsource a service that could have been done in-house or has previously been done in-house. Such a case is what is referred to as business process outsourcing (Tas & Sunder, 2017). Business process outsourcing (BPO) entails contracting of operations and responsibilities to a third-party service provider who is an expert in the field. The functions are normally of specific nature. BPO is the process of awarding noncore activities that are information technology centered business activities to an external provider who is an expert in certain areas to undertake the management of non-core procedures based on measurable and defined performance metrics (Sople, 2016).

The functions and activities of business process outsourcing are divided into two categories: those that span across several sectors and those that are exclusive to a single industry. Business Process Outsourcing falls into two categories: outsourcing of backup offices, which usually includes internal activities such as promoting and buying, and outsourcing of forward-facing offices, which comprises of customer-related amenities such as promotion and technical provision. Overseas BPO is also referred to as foreign outsourcing. BPO contracts with the company's neighboring state are sometimes referred to as nearshore outsourcing, while BPO contracts with the company's home country are sometimes referred to as internal outsourcing (Lee & Kim, 2015).

Operational performance is an important constituent of the overall performance. Inman and Green, (2018) opine that performance in an operational way refers to the organizational achievement of results based on predictable results. According to Berger and Mester, (2019) results are usually founded on the eminence of amenities and products, haste of product and service distribution, flexibility, and dependability. When it comes to banking, operations performance includes development towards improving the number of clientele, the share in the market and the likely yields or shareholder yields. To achieve the goals of the firm, the activities carried out in banking institutions should be resourceful and operative. Resourcefulness is the span to which clients' requirements are satisfied whereas being operative is a ratio of how economical the establishments' resources are employed. In order to allow for the correct valuation and assessment of effective enactment, the right measurement tactics must be planned, applied and well upheld by the users of the precise procedure. They may find the need of calculating the process's usefulness, its competence, its quality influence and general output (Rompho, 2018).

As opined by Kerdpitak (2020), at its core, outsourcing is important for any company unable to complete processes internally due to a lack of time, funds, or expertise. In general, outsourcing allows businesses to enhance operating effectiveness, efficiency, minimize operational risk, and maximize productivity by further consolidating and centralizing functions. Banks who want to hold it in-house also end up with a tangle of vertically organized silos, resulting in a lot of duplication and complexity across sectors and markets. In the context of this study, the measures of operational performance were thus cost reduction, service and product quality, and efficiency.

Research Problem

Globalization and developments in information technology have transformed the way industries conduct business. In the dynamic world, organizations must stay competitive, for which outsourcing business processes, one of the main results of technical progression, is a viable option. According to Belcourt (2017), most businesses worldwide have found it essential to hire outside expertise to undertake various activities that they formerly handled internally. Benefits of outsourcing include cost reduction, improved quality of service, and risk reduction (Globerman & Vining, 2017).

Outsourcing services are accepted as a strategic means used to improve the performance of a business. The more a business subcontracts, the higher the growth in the business and the output. Druck (2016) sees peripheral activities as being the ones that are most subcontracted. The rationale for this decision is to allow businesses to cut expenses, increase operational flexibility, increase profitability, focus on core tasks that define the company's existence, and have access to high-quality goods or services from certified specialists. Outsourcing issues in the banking sector are widespread in emerging economies. Incidental data from Uganda's commercial banks reveal outsourcing deficiencies and breaches, poor interpersonal conventions, low reliance and commitment, and a shortfall in outsourcing outcomes. Kenyan commercial banks have faced fierce competition from both local and foreign institutions; however, despite the massive advantages and greater performance through outsourcing of amenities and activities in other firms, the majority of commercial banks continue to use conventional ways of providing services. According to Chepkoech (2017), only non-essential services in Kenyan banking institutions are subcontracted. This may be because outsourcing poses diverse challenges, including the risk of losing confidentiality and raising security concerns in the banks.

Studies have been conducted globally and locally on outsourcing. Jain and Natarajan (2016) assessed the factors influencing the outsourcing decisions in the banking segment in India and found that professed advantages, professed barricades, and professed criticality on the attitudes towards outsourcing were sturdy and statistically noteworthy. McTernan (2016) established that the main driver of outsourcing for financial services businesses in Ireland is the reduction in cost. Kolawole and Agha's (2015) study on achieving organizational performance through business process outsourcing in Nigeria found that there are risks associated with outsourcing. Locally, Kaveke (2018) assessed the use of outsourcing strategy among shipping companies in Kenya and found that outsourcing is an important element of corporate strategy. Machua (2018) focused on outsourcing strategies among profit-making banks in Kenya and found that commercial banks partially outsource recruitment services and information technology applications. Ogubi (2020) assessed the issues impacting the embracing of business process outsourcing in Kenya's mobile phone corporations and revealed that the enablers to acceptance of business process outsourcing were up to standard, safety & reliance on information, and profitability, whereas the challenges were the rates at which the business processes are outsourced, trade and promotion barricades.

The reviewed past studies focused on the factors in the adoption of outsourcing practices but have hardly revealed the outcomes of business process outsourcing on operational performance in the banking segment. This research fills this knowledge gap by answering the question: What are the effects of business process outsourcing on the operational performance of commercial banks in Kenya?

Research Objectives

The general purpose of the research was to establish the impact of business process outsourcing on the operational performance of commercial banks in Kenya.

The specific objectives were;

- i. To establish the level of business process outsourcing adoption in commercial banks in Kenya.
- ii. To determine the relationship between business process outsourcing and operational performance of commercial banks in Kenya.

Theoretical Literature Review

Resource Based View

The resource based view theory was first proposed by Wernerfelt in 1984. The Resource-Based View (RBV) is an economic method for determining a company's strategic capital. The RBV's core premise states that a company's competitive advantage is essentially determined by how well it utilizes the package of valued resources available to it. To transform a short-term advantage into a long-term competitive advantage, these resources must be diverse and not completely transportable. This translates to helpful resources that aren't completely imitable or substitutable without a lot of work (Biermann & Harsch, 2017). If these circumstances persist, the firm's capital will be able to assist it in maintaining above-average returns.

The resource-based view on outsourcing posits that a firm can stretch its boundary by constructing bridges to outsourcing partners, allowing access to instantly accessible technology. Outsourcing is seen as a competitive opportunity that enhances capabilities. Thus, firms can outsource some of their activities such as human resource activities, information technology, security services and marketing services to other firms with superior capabilities on such processes to supplement their operations. The resource-based view theory is thus adopted in a bid to reveal the how the business process outsourcing affects operational performance.

Empirical Literature Review

In India, Jyoti et al. (2017) investigated outsourcing and organizational success in medium-sized businesses. Since the data was collected over a single time span, the analysis was cross-sectional. The study's data was gathered from managers, and the findings showed that outsourcing non-core critical and non-core non-critical activities has a positive impact on organizational success. Outsourcing and organizational success are moderated by cost leadership, differentiation, and growth strategies. Furthermore, outsourcing firms outperform non-outsourcing firms in terms of financial results.

In Rwanda, Uwamahoro (2019) looked into the impact of outsourcing on organizational success. Three companies from Rwanda's telecommunications and manufacturing industries were chosen as examples. The results indicate that outsourcing activities have a weak positive and important relationship with cost performance, whereas outsourcing activities have a weak and moderate positive insignificant relationship with productivity and profitability, respectively.

In Kumasi, Ghana, Aning and Aning (2018) investigated the impact of outsourcing on the organizational efficiency of a number of financial institutions. Qualitative and quantitative analysis is used in the methodology. Questionnaires were used in the study. The study found that

the key role or staff being outsourced was protection, followed by cleaning. These outsourced activities are shared by all of the study's institutions. It was also discovered that the main factors that affected management's decision to outsource a role or operation were cost savings and the ability for staff to focus on the institutions' core activities.

Kivuva (2018) looked on the effects of outsourcing in Kenyan oil marketing companies. A descriptive research design was employed in this study. Thirty oil firms in Kenya took part in the study. Data from original sources was gathered via questionnaires. The data was analyzed using Microsoft Excel and social science statistical programs (SPSS). Outsourcing has a modest influence on organizational efficiency, according to the report's findings. Professional outsourcing, industrial outsourcing, process-specific outsourcing, and operational outsourcing account for 4% of organizational efficiency.

In the International Livestock Research Institute, Chege (2018) investigated the impact of outsourcing on results (ILRI). The study employed a descriptive quantitative research design. Data was collected using a standardized questionnaire that had been pre-tested. To interpret quantitative data, descriptive statistics were employed (frequencies and percentages). Outsourcing security services had a substantial influence on efficiency, according to the study, and there was a strong link between outsourcing security services and performance. Outsourcing computer maintenance services increased efficiency significantly; there was a strong link between outsourcing and performance. Cleaning service outsourcing increased productivity significantly, and there was a strong link between cleaning service outsourcing and performance.

Gitonga (2019) examined how Kenyan commercial banks handle business process outsourcing risks. The study's results indicate that there is a moderately positive relationship between BPO and outsourcing risk management, which has a cascading impact on efficiency. The costs and uncertainties associated with outsourcing business processes do not outweigh the benefits. As a result, it goes without saying that BPO improves the efficiency and reputation of commercial banks in Kenya.

Ogubi (2020) looked into the factors that influence Kenyan cell phone companies' adoption of business process outsourcing. The study was prompted by the Communication Commission of Kenya's report that these companies have a low level of BPO adoption, despite high operating costs and declining profitability (CCK). Employees of Kenya's four mobile phone companies were given twenty-eight questionnaires. Stratified and judgmental sampling is used to pick the respondents. The results of the surveys were analyzed using descriptive statistics and displayed in frequency tables. These companies, according to the study's findings, have embraced business process outsourcing. The key accelerators for business process outsourcing adoption were quality, security, and faith in expertise, as well as profitability. Major obstacles highlighted include the expense of business process outsourcing, as well as sales and marketing constraints.

METHODOLOGY

The research used a descriptive cross-sectional study. The target population of the research was all the commercial banks in Kenya. As per, the central bank, there were 42 accredited commercial banks as of 2020 which forms our target population. The research was a census survey and thus the 42 commercial banks were used. A questionnaire was the designated instrument or tool for the collection of data for the research.

Quantitative data collected from the closed-ended questions was examined by the use of descriptive statistics. This involved the use of averages, standard deviations, percentages and frequencies. The data was presented by the use of tables and in prose-form. Analysis of the

content was used in order to examine the findings that were collected from the open-ended questions or the findings that are qualitative in nature.

To determine the affiliation existing between business procedures outsourcing and operational performance inferential statistics was used. The inferential statistics involved the usage of multiple linear regression analysis to assess the association amid business process outsourcing and operational performance. The regression model was; $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$

RESULTS AND DISCUSSION

Information Technology (IT) services outsourcing

The respondents were asked to rate their degree of agreement with different assertions relating to the Information Technology (IT) services outsourcing in the organization. For every statement the rating scale was; 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree. The findings were as presented in Table 1.

Table 1: Statements relating on Information Technology (IT) services outsourcing

	N	Min	Max	Mean	Std. Dev
The organization has outsourced its applications support services	36	2.00	5.00	3.67	1.07
The organization has engaged external specialists for our data security management	36	2.00	5.00	4.00	1.17
We have outsourced our ATM management services	36	1.00	5.00	3.73	1.26
We have outsourced our applications management services	36	1.00	5.00	3.56	1.44
Our organization has outsourced the software development services	36	1.00	5.00	3.56	1.44
The organization has outsourced system maintenance services	36	2.00	5.00	3.78	1.05
Composite				3.65	1.24

Source: Research Data

From the findings, the respondents agreed that the organization has engaged external specialists for their data security management as illustrated by a mean of 4.00 with a standard deviation of 1.17. The organization has outsourced system maintenance services as demonstrated by a mean of 3.78, with a standard deviation of 1.05 and the banks have outsourced their ATM management services as shown by a mean of 3.73 with a standard deviation of 1.26. The findings showed that the respondents agreed that the organization has outsourced its applications support services as illustrated by a mean of 3.67 with a standard deviation of 1.07, that they have outsourced their applications management services as demonstrated by a mean 3.56 with a standard deviation of 1.44 and also, that their organization has outsourced the software development services as show by a mean of 3.56 with a standard deviation of 1.44. The respondents indicated that Information Technology (IT) services outsourcing in the organization allows organizations to concentrate on their core skills, get access to cutting-edge technology, and boost flexibility and cost savings.

The study findings reveal that the commercial banks have engaged external specialists for their data security management, system maintenance services, ATM management services, and applications support services, applications management services and software development services. Similar findings were also established by Chege (2018) that outsourcing computer maintenance services increased efficiency significantly and thus a strong link between

outsourcing and performance. The findings corroborate with findings established by Uwamahoro (2019) that businesses outsource in order to gain access to specialized resources and save money. As per the study findings outsourcing improve operational performance through cost efficiency, productivity, and profitability contributing to the overall performance. In addition, the findings correspond to the view of the resource-based view on outsourcing that a firm can stretch its boundary by outsourcing to partners that to take advantage of competitive opportunity that enhances capabilities.

Human resource management services outsourcing

The respondents were asked to rate their degree of agreement with different assertions relating to the human resource management services outsourcing in the organization. The findings were as presented in Table 2.

Table 2: Statements relating on human resource management services outsourcing

	N	Min	Max	Mean	Std. Deviation
The organization contracts recruitment agencies in the hiring process	36	2.00	5.00	4.22	1.05
We have outsourced out payroll management services	36	1.00	5.00	2.67	1.43
The bank contracts external specialists for team building services	36	2.00	5.00	3.83	0.88
We outsource our employee training services	36	2.00	5.00	3.89	1.21
We have outsourced employee appraisal services	36	1.00	5.00	2.44	1.18
We have outsourced our career planning services	36	1.00	5.00	2.67	1.07
Composite				3.29	1.14

Source: Research Data

The findings revealed that most of the respondents agreed that the organization contracts recruitment agencies in the hiring process as illustrated by a mean of 4.22 with a standard deviation of 1.05 and that they outsource their employee training services as shown by a mean of 3.89 with a standard deviation of 1.21. A mean of 3.83 and a standard deviation of 0.88 illustrated that the respondents agreed that the bank contracts external specialists for team building services. The respondents were undecided on whether they have outsourced out payroll management services as illustrated by a mean of 2.67 with a standard deviation 1.43, and whether they have outsourced their career planning services as shown by a mean of 2.67 with a standard deviation of 1.07.

In addition, the respondents disagreed that they have outsourced employee appraisal services as demonstrated by a mean of 2.44 with a standard deviation of 1.18. The respondents further indicated that the selection of the best provider is critical, since their skills impact the agreement's success. They noted that human resource outsourcing as a cost-cutting technique. Because of economies of scale, better efficiency, and higher levels of competence, consultants that specialize in HR services provide cheaper prices than the organization can execute internally.

The findings show that banks contract recruitment agencies in the hiring process, their employee training services and also for team building services. Similarly, Al-Zahrani and Almazari, (2018) support that outsourcing HRM services includes delegating specified HRM services to an

external HR professional, who administer the chosen services based on predetermined and visible performance indicators. It allows an organization to maintain or relinquish control of certain HRM procedures based on whether or not they are deemed key HR business activities. The findings further reveal that because of economies of scale, better efficiency, and higher levels of competence, consultants that specialize in HR services provide cheaper prices than the organization can execute internally. Consistent with the study findings, Aning and Aning (2018) found that the key role of HRM outsourcing was cost savings and the ability of staff to focus on the institutions' core activities.

Security Services Outsourcing

The respondents were asked to rate their degree of agreement with different assertions relating to the security services outsourcing in the organization. The findings were as presented in 3.

Table 3: Statements on security services outsourcing

	N	Min	Max	Mean	Std. Deviation
Our premises are guarded by guards from an external security company	36	4.00	5.00	4.56	0.50
We use security devices from external companies	36	1.00	5.00	3.67	1.35
Our security instruments like the CCTV are monitored by external security firms	36	1.00	5.00	3.22	1.49
Customer behaviors and activities are monitored by external security personnel	36	1.00	5.00	2.78	1.49
Physical money transfers are done by specialized external vendors	36	2.00	5.00	3.67	1.17
The organization's security needs are assessed by external firms	36	1.00	5.00	3.11	1.30
Composite				3.50	1.22

Source: Research Data

From the findings, the respondents strongly agreed that their premises are guarded by guards from an external security company which is demonstrated by a mean of 4.56 with a standard deviation of 0.50. The respondents agreed that they use security devices from external companies as shown by a mean of 3.67 with a standard deviation of 1.35 and that physical money transfers are done by specialized external vendors as illustrated by a mean of 3.67 with a standard deviation of 1.17. A computed mean of 3.22 with a standard deviation of 1.49 show that the respondents neither agreed nor disagreed that their security instruments like the CCTV are monitored by external security firms. The respondents were also undecided on the statement that the organization's security needs are assessed by external firms which is depicted by a mean of 3.11 with a standard deviation of 1.30 and that customer behaviors and activities are monitored by external security personnel as shown by a mean of 2.78 with a standard deviation of 1.49.

The respondents indicated that most of the security services have been outsourced. In addition, they indicated that by better combining and centralizing operations, security services outsourcing substantially improve speed, minimize operational risk, and boost efficiency. Consistent to the findings, Gitonga (2019) revealed a positive relationship between BPO and efficiency. The costs and uncertainties associated with outsourcing business processes do not outweigh the benefits. The respondents indicated the CCTV and other security instruments are monitored internally but serviced by external providers. The study findings determined that the banks premises are

guarded by guards from an external security company. The banks use security devices from external companies and the physical money transfers are done by specialized external vendors. Corroborating with the study findings, Chege (2018) found that outsourcing security services had a substantial influence on efficiency, according to the study, and there was a strong link between outsourcing security services and performance.

Marketing Services Outsourcing

The respondents were asked to rate their degree of agreement with different assertions relating to the marketing services outsourcing in the organization. The findings were as presented in Table 4.

Table 4 Statements relating to the marketing services outsourcing

	N	Min	Max	Mean	Std. Deviation
The organization contracts marketing consultants for marketing and advertising services	36	2.00	5.00	4.22	0.93
Our marketing research is always done by external contractors	36	3.00	5.00	3.67	0.83
Outsourcing our marketing services is more flexible	36	3.00	5.00	3.78	0.80
The organization contracts marketing specialists for our product branding	36	3.00	5.00	4.11	0.89
Our social media content is managed by external vendors	36	1.00	5.00	3.56	1.36
Our video content campaigns are done external specialists	36	3.00	5.00	4.22	0.80
Composite				3.93	0.93

Source: Research Data

The findings show that the respondents agreed that the organization contracts marketing consultants for marketing and advertising services which was shown by the mean of 4.22 with a standard deviation of 0.93. The respondents agreed on the statement that their video content campaigns are done external specialists as demonstrated by a mean of 4.22 with a standard deviation of 0.80 and that the organization contracts marketing specialists for their product branding as illustrated by a mean of 4.11 with a standard deviation of 0.89. The respondents agreed that outsourcing their marketing services is more flexible as depicted by a mean of 3.78 with a standard deviation of 0.80.

The findings also show that the respondents agreed with the statement that their marketing research is always done by external contractors which is demonstrated by a mean of 3.67 with a standard deviation of 0.83 and that their social media content is managed by external vendors as shown by a mean of 3.56 with a standard deviation of 1.36. The respondents indicated that marketing services outsourcing in their organizations is well done by external consultants. The study findings established that the banks contracts marketing consultants for marketing and advertising services such as video content campaigns and for their product branding. The findings corroborate with the findings by Aning and Aning (2018) that operations that were outsourced were minor details that could be easily removed without causing too much disruption to the overall organizational structure. The organizations marketing research is always done by external contractors and their social media content is managed by external vendors thus

providing flexibility. Similar findings were established by Kivuva (2018) who found that outsourcing has a positive impact on the efficiency of a firm.

Operational Performance

The respondents were asked to rate their degree of agreement with different assertions relating to operational performance in the organization. The findings were as presented in Table 5.

Table 5: Statements Relating to Operational Performance

	N	Min	Max	Mean	Std. Deviation
The quality of our services has improved	36	3.00	5.00	4.44	0.69
The organization has earned customer loyalty	36	1.00	5.00	3.67	1.17
The organization has cut down some costs	36	1.00	5.00	3.72	1.16
The organization has reduced some operational risks	36	2.00	5.00	4.22	1.05
We have created a competitive advantage for our organization	36	3.00	5.00	4.56	0.69
The organization has enhanced efficiency in service delivery	36	3.00	5.00	4.22	0.64
Our services are dependable	36	3.00	5.00	4.33	0.68
Composite				4.17	0.87

Source: Research Data

The findings show that most of the respondents strongly agreed that they have created a competitive advantage for their organization and that the quality of their services have improved as demonstrated by a mean of 4.56 and 4.44 respectively. The respondents agreed that their services are dependable (mean= 4.33, standard deviation= 0.68). The respondents agreed that the organization has reduced some operational risks (mean= 4.22, standard deviation= 1.05) and that the organizations has enhanced efficiency in service delivery (mean= 4.22, standard deviation= 0.64).

Further, the findings show that the respondents supported that the organization has cut down some costs as demonstrated by a mean of 3.72 with a standard deviation of 1.16, and also that the organization has earned customer loyalty as shown by a mean of 3.67 with a standard deviation of 1.17. The findings support that the operational performance of the commercial banks have improved. The banks have created a competitive advantage for their organization, improved the quality of their services, reduced some operational risks, enhanced efficiency in service delivery, cut down some costs as well as earned customer loyalty. Consistent with the findings, Gitonga (2019) found that BPO and outsourcing risk management, which has a cascading impact on efficiency. The study found that BPO improves the efficiency and reputation of commercial banks in Kenya.

Regression Analysis

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.706 ^a	.498	.483	.50952

a. Predictors: (Constant), IT services, Human resource management, Security services, Marketing service

Source: Research Data

The R-squared shows the variation of the dependent variable that is explained by the independent variables in the model. The R-squared value (0.498) shows that business processes outsourcing account for 49.8% changes of operational performance of commercial banks in Kenya.

Table 7: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.135	4	6.534	46.996	.000 ^b
	Residual	4.310	31	.139		
	Total	30.444	35			

a. Dependent Variable: Operational Performance

b. Predictors: (Constant), IT services, Human resource management, Security services, Marketing services

Source: Research Data

Analysis of variance was conducted and the results are presented in Table 7. The F critical (46.996) shows the model can be used in predicting the influence of the business process outsourcing on the operational performance of commercial banks in Kenya. The P-value of F-statistics ($0.000 < 0.05$) indicated that the regression model is statistically significant at 95% confidence level.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	2.489	0.749		3.321	0.002
	IT services	0.396	0.123	0.442	3.220	0.025
	Human resource management	0.172	0.053	0.102	3.245	0.004
	Security services	0.458	0.144	0.427	3.181	0.000
	Marketing service	0.279	0.095	0.230	2.937	0.002

a. Dependent Variable: Operational Performance

Source: Research Data

The analytical model is: $Y = 2.489 + 396X_1 + 0.172X_2 + 0.458X_3 + 0.279X_4$

When IT services, Human resource management, Security services, marketing service outsourcing are held at a constant zero, operational performance would be at 2.489. Information technology services had a positive influence on operational performance ($\beta=0.396$, P value=0.025). A unit increase in IT services would lead to an increase in operational performance by 0.396 units. Similarly, Uwamahoro (2019) established that IT service outsourcing leads to cost efficiency, productivity, and profitability.

Human resource management services had a positive influence on operational performance ($\beta=0.172$, P value=0.004). A unit increase in human resource management services would lead to an increase in operational performance by 0.172 units. Concurring with the study findings, Kivuva (2018) established that Professional outsourcing positively and significantly increases operational performance in commercial banks in Kenya.

Security services had a positive influence on operational performance of commercial banks in Kenya. ($\beta=0.458$, P value=0.000). A unit increase in security services would lead to an increase in operational performance by 0.458 units. Ogubi (2020) also established that firms outsource security services for better performance.

In addition, the study found that marketing services had a positive influence on operational performance of commercial banks in Kenya ($\beta=0.279$, P value=0.002). A unit increase in

marketing services would lead to an increase in operational performance by 0.279 units. Consistent with the findings, Kaydos 2020) found that outsourcing marketing services improve the operating efficiency of the firm.

Conclusion

The study concludes that information technology services outsourcing positively and significantly increases operational performance of commercial banks in Kenya. The commercial banks have engaged external specialists for their data security management, system maintenance services, ATM management services and applications support services, applications management services and the software development services.

Human resource management services outsourcing positively and significantly increases operational performance of commercial banks in Kenya. The banks contracts recruitment agencies in the hiring process, their employee training services and also for team building services. Because of economies of scale, better efficiency, and higher levels of competence, consultants that specialize in HR services provide cheaper prices than the organization can execute internally.

Security services outsourcing positively and significantly increases operational performance in commercial banks in Kenya. The banks premises are guarded by guards from an external security company. The banks use security devices from external companies and the physical money transfers are done by specialized external vendors.

Marketing services outsourcing positively and significantly increases operational performance of commercial banks in Kenya. The banks contracts marketing consultants for marketing and advertising services such as video content campaigns and for their product branding. The organizations marketing research is always done by external contractors and that their social media content is managed by external vendors.

Recommendations

The banks have outsourced crucial information technology services such as ATM and system development. In light of the results, the research suggests that banks take steps to ensure that outsourced services are well-documented and that expertise is transferred to internal IT workers, in order to prevent over-reliance on service providers and a loss of control.

Human resources management services outsourcing has a positive influence on operational performance however commercial banks have only outsourced a few human resources management service activities. The study recommends that commercial banks to outsource more human resources management services so as to facilitate concentration on their core activities.

The study recommends that even as commercial banks continue to outsource security services; there should be an effective mechanism to determine the security services that can be outsourced, those that require internal control and those that can be done in collaboration with the external providers.

Marketing services outsourcing have been found to improve the operational performance of commercial banks and as such, the study recommends that the banks continue to outsource their marketing services for better operational performances.

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