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OUTSOURCING STRATEGY AND PERFORMANCE OF MONEY DEPOSIT BANKS IN ANAMBRA STATE, NIGERIA

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Abstract

The study investigated the relationship between outsourcing strategy and performance of money deposit banks in Anambra state, Nigeria. The study employed descriptive survey design. study included the management and employees of money deposit banks currently operating in Anambra State. The total population of the study is 435 which include the management and staff of selected money deposit banks in Anambra State. Taro Yamane formula was used to determine the sample size of 162. The structured questionnaire was used to collect data from the respondents. Bio data were analyzed using simple frequency and percentage tables while data relating to research questions were analyzed using arithmetic mean. Hypotheses were tested using Pearson Product Moment Correlation Coefficient and Simple Regression with the aid of Statistical Packages for Social Science (SPSS).Findings revealed that there is significant relationship between outsourcing strategy and performance of selected Banks in Awka, Anambra state by indicating positive relationship between business process outsourcing strategy and task accomplishment; also, information technology outsourcing strategy has a significant positive effect on customer satisfaction. The study concluded that outsourcing strategy supports bank operations as it guarantees quality services by banks and as cover the weak aspect of the organization. The study recommended that there is need to outsource other weak aspect of business to experts rather than managing the areas as it will contribute to timely task accomplishment and quality service delivery.

Keywords: Outsourcing strategy, Business Process Outsourcing, Information Technology Outsourcing, Task Accomplishment and customer satisfaction

INTRODUCTION

Outsourcing, the practice of contracting out certain business functions to external suppliers, has become a vital strategy in the modern global economy. It allows organizations to focus on their core competencies while outsourcing non-core activities to specialized third parties. This practice has gained significant attention due to its potential impact on organizational performance in terms of cost reduction, operational efficiency, and overall competitiveness. Outsourcing as a strategy gained traction in the 1980s and 1990s with the rise of globalization, enabling organizations to leverage cheaper labour, specialized expertise, and technological advancements from around the world. Initially, it focused on manufacturing activities, but over time, it expanded into service sectors, including IT, human resources, and finance. The shift from mere cost-saving initiatives to strategic partnerships has changed the nature of outsourcing. Outsourcing strategy is a technique adopted by management of an organization towards reducing cost and adding value by contracting sensitive aspect of an organization to an expert. Though, business managers may prefer to employ staff who has little or no idea about the role so as to cut cost but fail to consider the aftermath of assigning sensitive roles to incompetent individuals. George and Jones (2014) opined that outsourcing is the process of employing other organizations, to perform specific jobs or type of work activities that used to be performed by the organization itself. Outsourcing firms ranges from recruitment agency, accounting agency, engineering and construction agency, sales and marketing organizations, transportation and haulage firms and career training and development agency. The need to cover weak areas of the firm, the demand for quality services and the gap in the performance of an organization prompt most business managers to outsource its services to experts in order to cover its gap and to maintain its competitive position in the market.

The use of outsourcing by businesses is widely acknowledged as a means of cost reduction. Another reason is to use a specific technology to standardize an activity or a business process across a corporate group in an effort to become more consistent or transparent. By doing so, a firm can improve processes and increase effectiveness with more advanced technologies. The desire of businesses to optimize their processes and increase the effectiveness of their operations is a final crucial issue that is coming to light more and more in outsourcing agreements (Chelliah et al., 2009). Outsourcing is good for business because there are certain situations that can be avoided through it (Sev, 2006). For instance, organizations that perform all their business functions may have to spend huge amounts on replacing obsolete technology (Dominguez, 2016). Successful implementation of an outsourcing strategy has been credited with helping to cut cost increase capacity, improve capacity, improve quality, increase profitability and productivity, improve financial performance, lower innovation costs and risks and improve organizational competitiveness (Lever & Sharpe, 2014). Nevertheless, outsourcing does generate some problems, as outsourcing usually reduces an organization's control over how certain services are delivered, which in turn may raise the organization's liability exposure (Dominguez, 2016).

Objectives of the Study

The study investigates the relationship that exists between outsourcing strategy and performance of Money Deposit Banks in Anambra State, Nigeria but specifically seeks to

1. Ascertain the nature of relationship between business process outsourcing strategy and task accomplishment of Money Deposit Banks in Anambra State.
2. To determine the effect of information technology outsourcing strategy of customer satisfaction of Money Deposit Banks in Anambra State.

Research Questions

The following questions were formulated for the purpose of the study;

1. What nature of relationship exists between business process outsourcing strategy and task accomplishment of Money Deposit Banks in Anambra State?
2. What is the effect of information technology outsourcing strategy on customer satisfaction of Money Deposit Banks in Anambra State?

REVIEW OF RELATED LITERATURE

Conceptual Clarifications

Outsourcing Strategy

Outsourcing strategy refers to strategy whereby corporate tasks and structures are given to an external contractor (Smith, Vozikis and Varaksina, 2016). This can be individual tasks, specific areas, or entire business processes. With outsourcing, one or more tasks or processes are given to an external partner. Outsourcing strategy is an abbreviation for “outside resource using" (Arnold, 2019). Outsourcing is the transfer of services or functions previously performed within the organization to a provider outside of the organization. Outsourcing is the process of entrusting non-core activities or operations from internal production within a business to an external entity that specializes in that particular operation. George and Jones (2014) opined that outsourcing is the process of employing other organizations, to perform specific jobs or type of work activities that used to be performed by the organization itself. Smith, Vozikis and Varaksina (2016) possess outsourcing as turning over to a supplier those activities outside the organization's core competencies. Gilley and Rasheed, (2013) sees outsourcing as procuring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside. According to Maurice (2019), Outsourcing is the act of transferring some of an organization's recuring internal activities and decision rights to an externa1 provider. Aksoy and Ozturk (2012) define outsourcing as a plan by which organizations assign major ,non-core functions to experienced service providers who are experts in that field. According to Narayanan (2019) there are four strategic reasons to outsource: enhanced cash flow, better control of payment, adaptable staffing and to improve overall business performance. Jiang and Qureshi (2016) stated that companies planning to outsource need to evaluate the cost factor and if the reduction of the current operating cost is achievable through outsourcing then the resources available can be ploughed back to achieve a competitive advantage.

Business Process Outsourcing strategy:

In simple terms, business process outsourcing (BPO) is defined as the movement of a business process from inside the organization to external service providers. BPO is the delegation of a (usually, non-core) business process to an external service provider who owns, administers and manages it. Specifically, BPO involves contracting with one or more BPO service providers for the provision of the execution of business process (Saxena & Bharadwaj, 2019). Business process outsourcing (BPO) occurs when an organization *turns* over the realization of a particular process (such as design products/services, production, managing human resources, information, financial and physical resources) to a third party that specializes in that process. Using outsourcing, a firm (BPO client) has a benefit from the selected BPO provision which can complete the process more efficiently. BPO client has a possibility to concentrate on its core competency and free limited organizational resources (Brown &Wilson,2015).

Information Technology Outsourcing

Salman (2014) defined IT outsourcing as ‘the turning over of a firm’s computer operations, network operations, software development and maintenance or other IT functions or services to a provider for a specified time’. Gorla and Somers (2014) suggested that IS outsourcing annual growth rate is at 14% with the current IT services market value at $746 billion. Moreover, research on IT outsourcing is enormous with 164 empirical studies conducted on IT outsourcing over the last 24 years. Much as IT outsourcing has been widely discussed its extension has been significant and expected to continue in the future (Ruivo et al. 2015). According to Gorla and Somers (2014), some activities can be both insourced and outsourced; however, the extent of outsourcing prevails highly on the outsourced activities. According to Gorla and Somers (2014), outsourcing can have both negative and positive effects on the quality of IS services. The researchers Lacity and Willcocks (2017) stated that IT sourcing outcomes result in ‘success’ or ‘failure’. Furthermore, they indicated that outcomes are mixed and include outcomes associated with organizational performance, strategic enablement of business objectives, IT costs, service quality, service responsiveness, scalability and user satisfaction.

Information Technology outsourcing refers to the contracting of part or all of a firm's IT function to one or more external suppliers to achieve a firm's goals (Richmond & Seidmann 2013). Information technology functions of a firm includes the operations that has to do with computer, online server and networking among others. Outsourcing of IT functions offers benefits for the service receiver (Grover, Cheon, & Teng, 2016). Information Systems (IS) outsourcing is defined as the practice of turning over part or all of an organization's IS functions to external service provider(s) (Teng, Cheong and Grover,2015). According to Willcocks, Fitzgerald and Feeny (2015) Information Technology (IT)outsourcing means handing over the management of some or all of an organization's IT,IS and related services to a third party. Following Loo and Venkatraman (2012). By outsourcing non-core IT needs, managers can focus more of their attention on the core business competencies of the firm. Although allowing the focus on core competencies is often cited as a driving force behind IT outsourcing, some research does not support the idea that this is actually the case (Smith, 2018). When companies sell their existing IT assets to vendors. This provides short-term cash flows that can be used by the business. This cash flow opportunity is particularly attractive to those companies having excessive debt, short-term liabilities or low cash reserves (Smith, 2018).

Organizational Performance

Organizational performance is the output of the organization (Carney, 2017). According to Kotabe (2018) identifies three types of performance measures as necessary components in any outsourcing performance measurement system: strategic measures; financial measures; and quality measures. Other studies use additional dimensions of market performance such as costs savings, cycle time, customer satisfaction, and productivity to measure the effectiveness of outsourcing strategy (Malhorta and Goldstein, 2019). Organizational Performance is seen as the output of the organization measured in terms of profitability. Profitability is measured in terms of Cost savings, focus on core business (thus increasing efficiency), Reduction in money spent on fixed assets (cost restructuring), Reduction in tax paid (tax benefit) and Increase turnover (Sales) (Gupta and Zheuder, 2017).

Organizations may choose to outsource with certain business aims in mind. The aim might be the need to improve on financial performance (Isaksson and Lantz,2015). Most times, such organizations are aware that outsourcing firms may offer them an opportunity to work cheaply through efficient technology and economies of scale. By minimizing costs, organizations can achieve their economic related goals and this enhances their organizational performance (Leavy, 2014).

Task Accomplishment

Task accomplishment covers a person's contribution to organizational performance, refers to actions that are part of the formal reward system (i.e., technical core), and addresses the requirements as specified in job descriptions (Williams and Karau, 2011). At a general level, task accomplishment consists of results of transforming materials into the goods and services produced by the orgnisation or to allow for efficient functioning of the organization (Motowidlo, 2013). Thus, task accomplishment covers the fulfillment of the requirements that are part of the contract between the employer and employee. Moreover, task accomplishment in itself can be described as a multi -dimensional construct. Motowidlo (2013), proposed a hierarchical model of eight performance factors. Among these eight factors, five refer to task accomplishment: job-specific task proficiency, non-job-specific task proficiency, written and oral communication proficiency, supervision, in case of leadership position; and partly, management/administration. Each of these five factors itself consists of sub factors which are differently important for various jobs. For example, the supervision factor includes; guiding, directing, and motivating subordinates and providing feedback, maintaining good working relationships and coordinating subordinates and others resources to get the job done (Borman & Brush, 2012).

Customer Satisfaction

Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty. Within organizations, the collection, analysis and dissemination of these data sends a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services (Bron, 2017). Customer satisfaction measures how well the expectations of a customer concerning a product or service provided by your company have been met. It involves such factors as the quality of the product, the quality of the service provided, the atmosphere of the location where the product or service is purchased, and the price of the product or service (Grimsley, 2017). Grimsley (2017) further stated that businesses often use customer satisfaction surveys to gauge customer satisfaction. These surveys are used to gather information about customer satisfaction. Typical areas addressed in the surveys include: Quality of the product, value of the product relative to price-a function of quality and price, time issues (such as product availability, availability of sales assistance, time waiting at checkout, and ability), service issues (such as politeness, attentiveness and helpfulness), convenience (such as location, parking and hours of operation).

Theoretical Framework

This study was anchored on transaction cost theory by Williamson (1985). This combines economic theory with management theory to determine the best type of relationship a firm develops in the market place. The central theme of transaction costs theory is that cost and weak business areas have to be considered in other to effectively execute a particular task. Asset specifically refers to the non-trivial investment in transaction - specific assets. According to Williamson (1985) the mere comparism between cost alternatives available to the organization can be cost advantage to the organization. For example, the level of specificity. Transaction cost economics (TCE) has been the most utilized theory of outsourcing. TCE is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. The governance features of the theory influenced that it has been applied in studying the managing relationship phase. The transaction cost theory exposes the vitality of contractual relationship with business experts who are different from the business itself. The theory appreciated the fact that there is tendency of reduced cost when outsourcing is adopted in the business. The theory supports the idea of effective task performance, reduced cost and customer satisfaction would be guaranteed if businesses should contract weak aspect of the organization to experts who will offer some services under the name of the organization.

Empirical Review

Ogunkoya and George (2024) investigated the effect of outsourcing strategy on organizational performance in Nestle Nigeria Plc. The study employed a descriptive research design. A sample size of 219 was selected using simple random sampling technique. A total number of 218 copies of questionnaire were used as the primary data collection instrument. Data were analyzed using descriptive statistics and regression analyses. The study found that: cost driven outsourcing led to improved organizational performance by reducing costs and risks while increasing operational efficiency, both in the short term and long term; innovation driven outsourcing improved organizational performance by enabling it to create, develop and deliver value to the market faster than its competitors; and that focus driven outsourcing assists a company to free up its resources so as to concentrate on its core business, which leads to improved organizational performance. The study concluded that strategic outsourcing results in improved organizational performance by reducing both costs and risks, increasing flexibility for innovation as well as freeing up key resources for core competency building. This study recommended among others that firms should adopt strategic and well thought out outsourcing partnerships in order to continuously reduce operating costs for growth, both in the short term and long term.

Ibiba and Obibhunun, (2024).This study aims at investigating the influence of outsourcing strategies on organizational performance of some selected telecommunication companies in Port Harcourt Rivers

State. The study adopted a survey design, the study population is 204, and sample size of 198. Purposive, simple random, systematic and stratified sampling techniques were variously employed to select the respondents. And inferential statistics were employed, and Pearson Product Moment Correlation technique was used at 0.01 level of significance with the aid of SPSS. Our findings revealed that there is a positive, strong and significant relationship between the Outsourcing strategy and measures of Organizational performance in some selected telecommunication industry Port Harcourt Rivers State. The study recommended that an urgent need for firms in telecommunication industry in Port Harcourt Nigeria to effectively standardize outsourcing procedures to ensure that they maintained their financial gains through outsourcing.

Israel Osazee Enabunene and Prof. Emma Chukwuemeka (2024)study investigated the influence of outsourcing on the performance of Nigeria petroleum development company. The study adopted quantitative research techniques, using the taro yamani formula to derive a sample size of 300 respondents was use for the analysis , findings revealed that outsourcing have a significant effect on the performance of the staff of Nigeria petroleum development company, the study concluded that Outsourcing as perpetuated in Nigeria is a threat to the desired level of economic growth and development of Nigeria workers and recommends among others that Nigeria government managers or Administrators should Endeavour to provide more frameworks for selecting outsourcing vendors that will benefit the organizations in the area of need to avoid financial crisis.

Obikezie, & Goodfaith (2023) researched on Outsourcing Strategies and Organizational Performance in Manufacturing Firms in South-East, Nigeria. The population of the study was 1473. The statistical formula devised by Borg and Gall (1973), was employed to arrive at a sample size of 282. The population used in the analysis was 237. Pearson product moment correlation coefficient and was used in testing the hypotheses and T-test for test of significance was adopted to equally estimate for the significance of the coefficient and to ascertain whether the claim of the null or alternative hypothesis would still remain valid after the test. The result of the hypotheses shows that Human Resource Management outsourcing has a significant positive effect on competitive advantage of selected manufacturing firms in South-East, Nigeria. Business Manufacturing Process outsourcing has a significant positive effect on organizational profitability of selected manufacturing firms in South-East, Nigeria. Information Management outsourcing has a significant positive effect on cost effectiveness of selected manufacturing firms in South-East, Nigeria. Internal audit outsourcing has a significant positive effect on operational effectiveness of selected manufacturing firms in South-East, Nigeria. The study concluded that outsourcing has a significant positive effect on competitive advantage of selected manufacturing firms in South-East, Nigeria. The study recommended that Management should choose outsourced Human Resource Management carefully, pick a quality Human Resource Management service provider and transition tasks to them gradually, closely monitor and manage the collaboration by establishing precise specifications and watching closely the service providers' activity.

Methodology

The study employed descriptive survey design. The population of this study included the management and employees of money deposit banks currently operating in Anambra State. The total population of the study is 435. Taro Yamane formula was used to determine the sample size of 162. The structured questionnaire was used to collect data from the respondents. The structured questionnaire was divided into two sections. The first contained the bio data of the respondents while the second section contained sections relating to research questions of the study which was structured using five point Likert scale of strongly agrees (SA) 5Points, Agree (A) 4points, Undecided (U)3, Disagree (D)2, Strongly Disagree (SD)1 Point. Data was analyze using mean, standard deviation, an simple percentage while hypotheses was tested using Pearson Product Moment correlation coefficient and Simple Regression method.

Test of hypotheses

There is no significant relationship that exist between business process outsourcing and task accomplishment of Money Deposit Banks in Anambra State.

1 Correlation between Business Process Outsourcing Strategy and Task Accomplishment.

Correlations

	Business Process Outsourcing	Task Accomplishment
Business process outsourcing Pearson Correlation	1	.771
Sig.(2-tailed)		.028
N	144	144
Task accomplishment Pearson Correlation	.771	1
Sig. (2-tailed)	.028	
N	144	144

The finding revealed that there is significant relationship between business process outsourcing strategy and task accomplishment with r=0.771, n=144 and p value of 0.028 of Money Deposit Banks in Anambra State Which implies Business process outsourcing promotes timely accomplishment of task.

Test of Hypothesis Two

Information technology outsourcing strategy has no significant effect on **c**ustomer satisfaction of Money Deposit Banks in Anambra State.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of
	.803a	.645	.618	9.39443

a. Predictors:(Constant), ICT

Table Summary

This table indicates high effect of information technology with R=0.803. This indicates high degree of correlation. The R2 Column which is the R Square explains how much of total variation in the dependent variable. In this case, it is 65% which is large.

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2087.082	1	2087.082	23.648	.000%
Residual	1147.318	143	88.255		
Total	3234.400	144			

a. Dependent Variable: Customer Satisfaction

b. **Predictors: (Constant),** information technology outsourcing

Table Summary The p value is 0.000 ($p<0.05$), in this case, the independent variable (Information Technology Outsourcing) has significant effects on customer satisfaction.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std.Error	Beta		
(Constant)	15.802	3.609		4.378	.001
1 information technology outsourcing	.451	.093	.803	4.863	.000

a. Dependent Variable: Customer satisfaction

Result Summary

Table above shows that there is significant effect of information technology outsourcing strategy on customer satisfaction with r=0.803, n=144 and p value of 0.000 ($p<0.05$). Therefore, we accept the alternate Hypothesis and conclude that there is positive effect of information technology outsourcing strategy on customer satisfaction of Money Deposit Banks in Anambra State.

Summary of Findings

1. The study revealed that there is significant relationship between business process outsourcing strategy and task accomplishment with r=0.771, n=144 and p value of 0.028. This implies that business process outsourcing can contribute to the accomplishment of task in Banks.

2 It was also found that information technology outsourcing has significant positive effect on customer satisfaction. This implies that with the recent standard of operation information technology outsourcing has affected customer positive via satisfaction they derive from services.

Conclusion and Policy Recommendations

The study concluded Strategically, that outsourcing is attractive when organizations have capacity or capability constraints that prevent them from servicing a market. Early outsourcing arrangements were motivated primarily by operational cost saving but more recently; the motivation for outsourcing has shifted to strategic business performance improvement. Outsourcing is considered as a strategic tool for the organization to employ to increase its competitiveness and performance in the marketplace. Some organizations choose contractual arrangements like outsourcing to access scarce resources in order to reduce costs or build capabilities and competence for competitive advantage. The study also recommended that there is need to outsource other weak aspect of business to experts rather than managing the areas as it will contribute to timely task accomplishment and quality service delivery. Also banks should leverage on the experts of information technology staff, this will help to improve services and maximize customer satisfaction.

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