OUTSOURCING STRATEGY AND QUALITY MANAGEMENT IN EQUITY BANK (KAMPALA UGANDA) KABALAGALA BRANCH

BY

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DECLARATION

I *Sande Jeome,* hereby declare that this research report presented is my own and original. It has never been submitted to any university for the award of any kind.

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APPROVAL

This research report has been supervised and submitted to Kampala International University under my supervision and approval.

Signature.................................... Date.......10/06/10.....

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SUPERVISOR

DEDICATION

This piece of work is dedicated to my beloved family especially Mum Dorothy, Gahongerwa .K. Gorretti who championed the foundation of my education.

ACKNOWLEDGEMENT

My profound thanks go to my brothers and sisters for the supporting me both morally and financially, for without them I would not be what I am. May the Almighty God reward you abundantly.

Vote of thanks to my late Dad Kanyogote Kamil, brothers and sisters, may their soul rest in eternal peace.

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Lastly, I am grateful to my friends especially Abidkani Gedi, Jude, Seth, Julius, Giles, Sharon, Phillip and Others I can not list for their support and motivation.

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LIST OF ABBREVIATIONS

ATM :	Automatic Teller Machine
SWIFT:	Society for World Wide Internet banking Financial Telecommunication.
SME'S:	Small Medium Enterprises
UIA :	Uganda Investment Authority
UNBS :	Uganda National Bureau of Standards.
EBG :	Equity Bank Group
ISO :	International Standardisation Organisation

ABSTRACT

The study sought out to find out the relationship between outsourcing strategies and quality management at Equity Bank (Kampala – Uganda) Kabalagala Branch.
The study objectives were to find out the various outsourcing strategies employed at Equity Bank, to find out the different quality management attributes and find out challenges brought by outsourcing strategy and quality management to Equity Bank – Kabalagala Branch.

The study was descriptive in nature and was designed to describe the relationship derived from the literature review to establish the relationships between outsourcing strategies and quality management.

The finding of the study showed that there are three major outsourcing strategies which include Body Shop outsourcing, project management outsourcing and total outsourcing. The study also find out that there are a number of quality management attributes which include; reliability, performance, conformance, durability, competence among others. The study showed that outsourcing bring benefits such as cost certainty, reduced capital requirements, increased flexibility, reduced staff costs, frees management time.

The study concluded that outsourcing involves understanding the company's goals and objectives. The research findings were reinforced by the researchers' recommendations, which include; improved communication, efficient outsourcing system, total quality management and maintaining expertise to manage quality.

CHAPTER ONE: INTRODUCTION

1.0. Overview

This chapter covers the background of the study, problem statement, purpose, objectives, research questions, scope of the study, significance of the study and conceptual frame work.

1.1.0 Background of the Study

Outsourcing has developed as a reaction to the over diversification that took place in the late 1970s and early 1980s this has now led many enterprises to review their core activities and concentrated on their core competences. Several organisations have little or no expertise in carrying out many professional services thus calling for outsourcing such services to the professional providers, Monczka, Trent & Hardfield (2002).

Outsourcing institute reports (2000) indicate that outsourcing in the United States has become a standard business practice across small and large companies in about every industry.

From 1996 onwards, outsourcing in United States has grown at a tremendous rate and is expected to grow at a rate of 15% annually in the years to come. The major reason for all this growth is that companies view outsourcing as a way of achieving their respective strategic goals, reduce costs, improve satisfaction and provide other efficiency and effective improvement in the business arenas.

Hilton, Maher & Selto (2003), stress that quality management has become so important to success that currently many prestigious, internationally recognised awards are given to companies by nearly every country and many professional organisation. For example, the Malcom Baldrige Quality Awards, created by the United States Congress in 1987, recognises US firms with outstanding records of quality improvements and quality management.

The international standardisation organisation (ISO), based in Europe has developed international standards for quality management called ISO 9000. The ISO standards first gained popularity in Europe but are now global guidelines for the design, development, production, final inspection and testing, installation and servicing of products, processes and services. To be certified, a company must document its quality systems and pass a vigorous third party audit of its manufacturing and customer service processes.

Organisations proudly display their quality awards and certificates as evidence of their commitment to product and service quality.

In Africa there are awards such as African Bankers Awards, Micro Capital Awards to mention a few all aimed at improving quality management in the Banking industry.

Quality management in Uganda is controlled and recognised by the Uganda investment authority (UIA) and the Uganda National Bureau of Standards. These bodies have the mandate to give guidelines and licenses to these firms and responsible for awarding companies with quality products and services in the market, UNBS Annual Report (2009).

1.1.1 Background of the Case Study

Equity Bank (Uganda) was founded in 2008 when Equity Bank Group (EBG) purchased Micro-finance Limited, A Tier II, Uganda Micro finance company of all share price valued at US $ 27million. Equity Bank (Uganda) launched under its new brand on March 30,2009. As of March 2010, Equity Bank had a customer base in Uganda of approximately 350,000. The bank has 43 branches in Uganda and 22 ATMs. Thus its branch network is 3rd largest in Uganda after Stanbic Bank (Uganda) limited and Barclays Bank.

Equity Bank (Uganda) offers products such as loans, checking, savings, investments, forex among others.

Services outsourced by Equity Bank include insurance, security, legal services, freight forwarding, clearing, information technology to mention a few.

1.2. Problem of the Statement

Many organisations have been argued to have had little or no expertise in carrying out ancillary or professional services or of the market rate for a number of activities taking place within the organisation, Lyson (1998).

Lincoln Andrew's (2003), stress that such activities are outsourced to specialists and the organisations themselves concentrate their energies on core products and services. However, in a number of instances organisations expected quality, performance and reliability are kept on fluctuating from the specifications, thus bringing a divergence and delay in production process, if not the quality of the output is low. However, it is not clear whether the varying quality attributes are a result of inappropriate outsourcing strategy adopted. Thus, the researcher seeks to test more on this relationship.

1.3. Purpose of the Study

The purpose of the study was to examine the various outsourcing strategies and their impact on quality management at Equity Bank.

1.4. Objectives of the Study

1. To find out the various outsourcing strategies, which can be employed at Equity Bank.
2. To establish the different quality management attributes employed and the impact on outsourcing strategies at Equity Bank.
3. To find out challenges brought by outsourcing strategy and quality management at Equity Bank.

1.5. Research Questions

1. What are the different outsourcing strategies used by various organisations?
2. What are the various quality management attributes employed in organisations?
3. What are the challenges brought by outsourcing strategy un quality management at Equity Bank?

1.6. Scope of the Study

1.6.1. Geographical Scope

The area to be covered was located at Equity Bank – Kabalagala, Kirabo Kya Maria Plaza, Ground Floor, Ggaaba Road, Kabalagala, Kampala, Uganda.

1.6.2. Subject Scope

This research focused on outsourcing strategies and quality management in Equity Bank-Kabalagala.

1.6.3. Theoretical Scope

The study was concerned with outsourcing strategy, quality management attributes and challenges brought by outsourcing strategies in quality management.

1.7. Significance of the Study

The study was expected that it would be important in the following ways: -

1. The research will provide important information to Academicians in terms of literature review for later use.
2. The research will help the service sector, parastatals, manufacturing companies and small medium enterprises by explaining the relationship that exists between outsourcing strategy and management of quality in an organisation.
3. The study will help financial institutions on how to use outsourcing strategy on quality management of products and services they offer to clients.

1.8. Conceptual Frame work

In the conceptual framework below, quality management was elaborated by the outsourcing strategy taken. That also the relationship between outsourcing strategy helps in maintaining of quality levels in an organisation. It also shows that relationship between outsourcing strategy and quality management is influenced by the commitments of the providers and top level management to support the outsourcing decisions.

CONCEPTUAL MODEL

Source: Self initiative

From the above illustration the various variables in the research topic have been reflected. These include independent variable (Outsourcing Strategy) such as body shop outsourcing, Project Management Outsourcing, Total Outsourcing, the dependent variable (Quality management) which include quality management attributes such as, performance, conformance, reliability, responsiveness, competence and durability and the intervening variables which include; support from top level management and commitment of service providers.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter mainly entails literature on outsourcing strategy and quality management in Equity Bank Kabalagala. It is divided into six sections which will include: - the literature about outsourcing, outsourcing strategies, benefits of outsourcing, quality management, quality attributes and the relationships between outsourcing strategy and quality management.

2.1. Concept of Outsourcing

2.1.1. Outsourcing definition

Peterson (2000) defined outsourcing as the process of creating a value adding mix of supply relationships to provide a competitive advantage. Outsourcing calls for the firm's ability to satisfy customer demands while responding to relentless competitive pressure which requires creative and often complex approaches to managing a firm's supply chain.

Alexsson and Wynstra (2002) defined outsourcing as the decision and subsequent transfer of process by which activities that constitute a function or functions that earlier have been carried out within the organisation and are purchased from an external supplier.

Lyson (1998), asserts that strategic outsourcing is concerned with top level management, long term decisions relating to high profit / high supply risk strategic items and low risk / supply risk bottleneck items. It is also concerned with the formulation of long term purchasing policies relating to core competencies, strategic make or buy decisions, thin supply base, partnership sourcing, globalisation and counter trade.

Tactical and operational outsourcing is concerned with lower level management decisions relating to high profit / low risk non-critical items. It is also concerned with short term adaptive decisions as to how and from where specific supplier requirement will be met.

2.1.2. Emergency of outsourcing

Outsourcing has developed as a reaction to the over diversification that took place in the late 1970s and early 1980s. This has now led many enterprises including Equity Bank to review their core activities and concentrate on their core competencies. Equity Bank Kabalagala Branch has little or no expertise in carrying out many professional services thus calling for outsourcing such services to the professional service providers.

K. Lyson (1996), identified the functions which can be easily outsourced to include the following: -

Resource intensive functions, especially with high labour or capital costs, relatively discrete functions, specialty functions, functions characterised by fluctuating work patterns, functions subject to quick changing works for which it is costly to recruit, train and retain staff, functions subject to rapid changing technology requiring expensive investment.

2.2. Outsourcing strategies

Lacity and Hischein (2000) provide a number of outsourcing strategies options being three namely; Body shop, project management and total outsourcing.

2.2.1. Body-shop outsourcing

Body shop outsourcing basically refers to a situation where management uses outsourcing as a means of meeting short-term requirements like a shortage of an in-house skill to meet a temporary demand. This implies that the coordination of the outsourced function and activities will lie with the outsourcer (buyer). Lacity and Hischein (2000).

2.2.2. Project Management Outsourcing

Project management outsourcing is also a strategy employed for all or part of a particular project for example developing a new information technology project, training in new skills. K. Lyons & B. Fallington (2005).

2.2.3. Total outsourcing

Total outsourcing involves a situation where the outsourcing supplier is given full responsibility for a selected area like security, insurance, technology, catering and event management, Jessop & Morrison (1994).

2.3. Benefits of Outsourcing

2.3.1. Frees management time

Management will have ample time to concentrate on the core activities of the business when the non core activities are outsourced to other external companies. Management will only focus on the strategic goals and how best they can be achieved within the possible means available. Monczka (1992).

2.3.2. Increased flexibility

When outsourcing is critically considered fluctuations in the workload can be more easily absorbed due to the increased flexibility in all the operation, Peterson & Frayer (2000).

2.3.3. Cost Certainty

Ranynor (1992), when an activity, product or service is outsourced to a company with competence. Its provision will be certainly ascertained in terms of cost and delivery period.

2.3.4. Reduce staff costs

The company will only employ staff relevant to the core activities of the organisation. Expenditures will only be focused on what brings a strategic fit to the organisation other than maintaining unreasonable expenditures for redundant staff. Wale, Van & Rozemeijer (2004).

2.3.5. Reduce capital requirements

Since the organisation investments will now concentrate on the core activities of the business, all the would be capital allocation for investing in the non core activities will be saved and allocated to only the viable core activities. Harrison & Van Hoek (2005).

However, *Reilly and Tomkin (2000),* suggests that the principal objection to outsourcing is the possible loss of competitive advantage particularly loss of skills and expertise to the supplier who may be able to seize the initiative. Lyson (1998) further argues that implementing better outsourcing decisions necessitates preparation of an appropriate technical specification articulating the expected results which have to be the benchmark of the performance compliance.

2.4. Quality Management

According to Bailey and Farmer (1998), Quality management is defined as an integrated and comprehensive system of planning and controlling of all functions so that goods and services produced will meet or probably exceed the customer's expectations.

2.4.1. Quality Management can be manifested on two things

i) Zero Defect

The concept of zero defects encompasses a strategy for supplying products that are not faulty. The notation of zero defects is based on the idea that it is easy to design and build quality through inspection.

This is important because cost of preventing a defect is less than the cost of correcting it. K. Lyson (1996)

ii) Continuous Kaizen

The key principle is that all members in the organisation constantly seek small implementations in all aspects of the organisation's activities in order to manage quality. Hilton, Maher & Selto (2003).

2.4.2. Quality Management can be achieved through the following steps:

i) Ensuring top management commitment.

This is the primary pillar towards the success of any organisation's policy. For instance rewarding employees for excellence and innovation, Gavin (1994).

ii) Creating awareness

Creating awareness about quality management involves holding meetings with top management, suppliers, staff and customers to create awareness of the concept of quality management. The requirements should be clearly clarified and all members of the organisation should fully participate in the concept of quality management to ensure its success, Crosby (1990).

iii) Capacity building

This involves training employees to get necessary quality. Acquiring approprirate technology and training employees how to use it, can be one of the ways of enforcing capacity building, K. Lyson (1996).

iv) Quality circles

These ensure that groups of employees meet regularly to discuss problems related to quality and come up with suggestions for improvement. Hilton, Maher & Selto (2003).

v) Supplier Partnership

This should be emphasised that materials and other supplies are of highest quality, if an organisation is to effectively manage its quality while outsourcing. Therefore suppliers should be considered while managing quality. Ivancerich, Lorenzi, Skinner & Crosby (1994).

vi) Quality assurance

This is concerned with every aspect of quality including designing, specification, supplier aspect, quality culture, motivation, training, inspection and feedback to ensure that all members are effective in respect to quality management. Juran (1974).

vii) Quality Control

This incorporates the activities and techniques used to maintain quality of products, services and processes. It includes; inspection, monitoring, finding and eliminating causes of quality problems. Therefore quality control is concerned with defects prevention. M. Porter (1995).

2.4.3. Quality definition

ISO 8402 defines quality as the totality of features and characteristics of a product or service that bears the ability to satisfy stated and implied needs. Where features and characteristics of a product implies the ability to identify what quality aspects can be measured or controlled or constitute an acceptable quality level. The ability to satisfy given needs relates to the value of the product or service to the customer including economic value as well as safety, reliability, compatibility and other relevant features.

Crosby (1992) defines quality as conformity to the requirements not goodness. He further asserts that quality can never make sense unless it is based exactly on what the customer wants. That is product quality can only be attained when it conforms to the customer requirements.

2.5. Quality Attributes / Dimensions

Gavin (1998) states that there are a number of quality dimensions which include: - performance, reliability, serviceability, conformance, durability, features, and perceived quality to mention a few.

2.5.1. Performance

The idea of performance specification is that a clear indication of the purpose, function, application and performance expected of the supplied material or service is communicated and therefore the supplier is allowed or encouraged to provide an appropriate product or service. The detailed specifications are placed in the hands of the supplier are therefore, it is the choice of the supplier to conform to the specification notwithstanding the quality of his output. When services or products are outsourced supplier and encouraged to provide or suggest new improved ways of meeting requirements. Donald Waters (2003).

2.5.2. Reliability

Quality for any product or service should be measured basing on its reliability. Where reliability is the measure of the ability of a product to function successfully when required, under specified conditions. Failure mode and analysis is performed or services or products that have been outsourced to determine their reliability and as well as the effect upon the overall design of failure in any one of the identifiable failure modes of the design components and to evaluate how critically the failure will affect the design of the performance. Outsourcing should always focus on two basic elements that is price and quality. Therefore, total quality management should be emphasised as a way of managing an organisation so that every job, every process, is carried outright, first time and every time, Crosby (1992).

2.5.3. Conformance

The purchasing organisation lays down the clear and unambiguous requirements that must be met by the supplying organisation. According to Lysons (1998), conformance to the stated specifications should be emphasised for any outsourced activity or function. Conformance to specifications is rather difficult to achieve. This means that the outsourced services and or production may not necessary achieve the stated or expected specification. Some times the supplier may deliver the product or service as he thinks or understands it, while the customer may complain that the services or product do not conform to the specification thus rejecting them. Conformance to the specifications is very critical that is why the provider should as much as possible ensure that the services conform to the customers' specifications otherwise outsourcing may be useless to the client / customer, Saunder. M (1997).

2.5.4. Responsiveness

This is the willingness of employees to provide quality products or services. U. Arnold (2000).

2.5.5. Competence

This relates to possession of the required skills in order to manage quality. Canon (1995).

2.5.6. Durability

This has both economic and technical dimensions, which generally measure the product usefulness life. If the useful life is long the product will be of quality. Brandes & Brege (1997).

Lysons (1998) stress that quality is determined by balancing technical considerations such as fitness for use, safety, reliability and performance against economic factors including price and availability. He further argues that minimum quality for application should be sought rather than the highest quality.

2.6. Relationship between outsourcing Strategies and quality management

2.6.1. Quality Management

Gartner (2003) stress that satisfaction with quality from outsourced contracts is paramount to the business. He further asserts that there is a chance that the supplier may not be capable of doing the job he was hired for. The choice of the outsourcing strategy, will play an important role in identifying the most suitable supplier. This may manifest the supplier's flexibility to meet the clients fluctuating requirements as well as sufficient capacity to fulfill specific quality attributes. In this cases, the supplier will rely on the customer to ensure that the desired quality is achieved within the necessary means. This implies that the customer will have a great say in ensuring that the desired quality is properly achieved.

2.6.2. Maintaining strategic vision

Outsourcing is conducted not to solve operational problems of the organisation but rather for potential strategic benefits of which quality is one of the major desired attributes. This simply implies that the decision to outsource should support and as well as enable the organisation's overall strategy. The outsourcing firm is charged with the obligation of identifying a firm with competence in provision of a particular service or product so that the outsourced services are provided effectively and efficiently to enable attainment of all the desired attributes. In return the firm's core competence will have been focused at with a strategic vision. Embletion & Wright (1998).

2.6.3. Quality Control

Quinn (1999), the primary reason for outsourcing is the leverage that the supplier has greater skills, knowledge bases, investment and processes through which the desired quality can be achieved. The outsourcing company accords utmost attention to quality management in order to ensure that all variations are addressed before the final output is obtained.

2.6.4. Spreading of risks

Outsourcing is not only conducted because the company lacks competence but due to the need to share risks which may come up while trying to manage quality such as re-work losses, delivery costs, cost of replacing a standard product, appraisal cost thus doing that the organisation will be endeavouring spread of the risks.

While at the same time ensuring that appropriate quality that suits the organisation needs are obtained thus managing quality of supplies. Logothetis (1991).

2.6.5. Maximum use of knowledge, experience and equipment of a third party

Due to outsourcing the organisation will be able to fully utilise the knowledge, equipment and experience of the third party and this will put the organisation in a better position to manage the quality of the supplies without taking a direct involvement role in producing the goods. R. Monczka (1992).

2.7. Summary of Literature review

The literature review highlights the theories related to outsourcing strategy and quality management together with their benefits and attributes. The researcher seeks to provide a linkage between outsourcing strategy and quality management.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

This chapter was designed to determine the research design, type of data required, sources of data, sample size and population, data collection methods, data processing and interpretation and limitations of the study.

3.1. Research Design

The study employed quantitative and qualitative research design. A descriptive survey aimed at investigating outsourcing strategies as well as identifying efficient ways of quality management. Gay (1993) defines descriptive research as a process of collecting data in order to answer questions regarding the current status of the subject in the study. Mugenda & Mugenda (2003) stress that the purpose of this research is to determine and report on the way things are. The design was considered appropriate due to its description state of affairs as it exists at present and that the researcher can only report what has happened and what is happening as regards outsourcing strategy and quality management at Equity Bank.

3.2. Sample Size and Study Population

The target of the study consisted of a total number of 40 employees at Equity Bank Kabalagala Branch working in different department such as procurement, finance, loans, credit, administration, ICT as well as the subsections. The study covered the management structure of Equity Bank Kabalagala as follows; Top management level, middle management level and operational level and customers.

3.3. Type of Data Required

The research was based on both primary and secondary data relating to outsourcing strategy and quality management.

3.4. Sources of Data

The source of data was both primary and secondary data, which assisted the researcher to make a thorough analysis of the study problem.

3.4.1. Primary Data

Primary data refers to raw data collected through personal interview, questionnaires among others. Primary data was collected from personal interview, questionnaires as well as discussion with Equity Bank stakeholders. The interviews were scheduled at the respondents a convenience to get the right data to enable extraction of appropriate information.

3.4.2. Secondary Data

Secondary data refers to the data obtained through the existing literature from libraries, data from published bulletins and newspapers. This data was also largely obtained from textbooks, journals, World Bank publications, articles, magazines, Equity Bank website and Equity Bank Annual reports.

3.5. Data collection methods

The following are techniques and instruments that I used to collect the data relating to the outsourcing strategy and quality management.

3.5.1. Questionnaires

The main tool used to collect data was questionnaires comprising both structured and unstructured questions. Open ended questions were incorporated in the study just to give the respondent freedom to respond questionnaires depending on the way he or she treats the phenomenon being investigated; not limited to the researcher way of understanding the topic of interest.

3.5.2. Interview

Interview method of research refers to where there is person to person verbal communication in which one person or group of persons ask questions intended to obtain information. Interview schedules were used to get clarification on some of the answers the respondents gave in the questionnaire.

3.6. Data Processing and Analysis

After collection of data, computer aided programs such as Microsoft word, statistical package for the social sciences, EPI info, MINITAB were sought in order to check and edit for accuracy and legibility.

3.7. Limitations of the Study

The greatest challenges the researcher met are financial constraints and time constraints. The financial constraints are one of the limitations that the researcher met and to some extent influenced his proper research process, in the course of conducting research. Time constraints were the other limitation the researcher encountered in ascertaining the smooth and efficient execution of the study. This was based on the fact that the researcher was conducting the research simultaneously with his studies and therefore it was hard to meet the expected time schedule.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND FINDINGS

4.0. Introduction

This chapter presents the analysis of the study that was organized on the basis of the research objectives. My field work study was conducted in Kampala, Uganda as indicated. I conducted interviews which were to furnish with information regarding outsourcing strategy and quality management at Equity Bank – Kabalagala.

4.1. Research Findings

4.1.1. Outsourcing Strategies

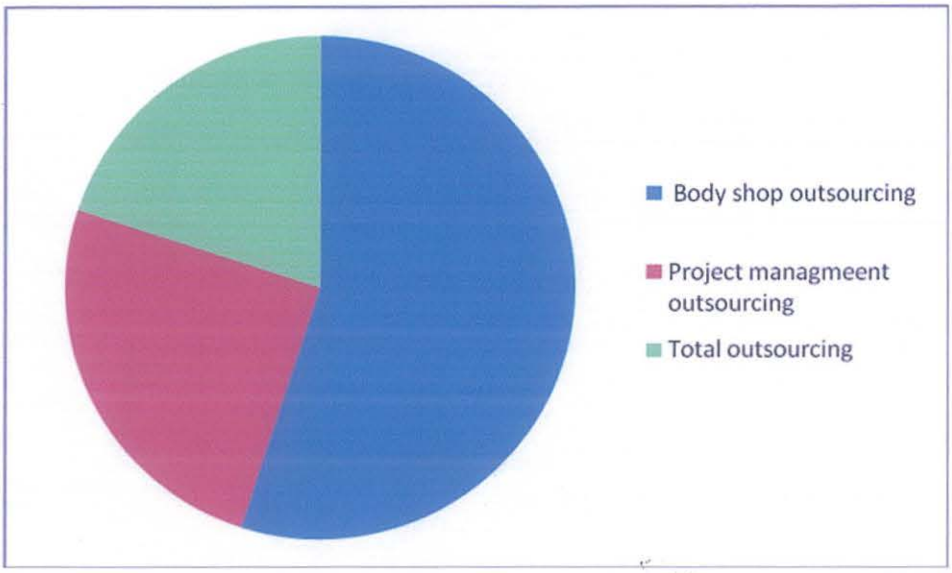
This study determined that the organization commonly used outsourcing strategies listed below in the proportions shown; Body shop outsourcing 55%, project management outsourcing 25% and total outsourcing 20%.

From the outsourcing strategies commonly used shown above, the researcher sought to determine the categories of strategies that Equity Bank commonly outsources, the results of which are summarized in table 4.1.1 and figure 4.1.1. below.

Table 4.1.1: Outsourcing strategies

Description of category of outsourcing strategies	Percentage of outsourcing strategies
Body shop outsourcing	55
Project management outsourcing	25
Total outsourcing	20

Figure 1: Pie- chart showing outsourcing strategies commonly used at Equity Bank.



Source: Table 4.1.1.

4.1.2. The Services outsourced

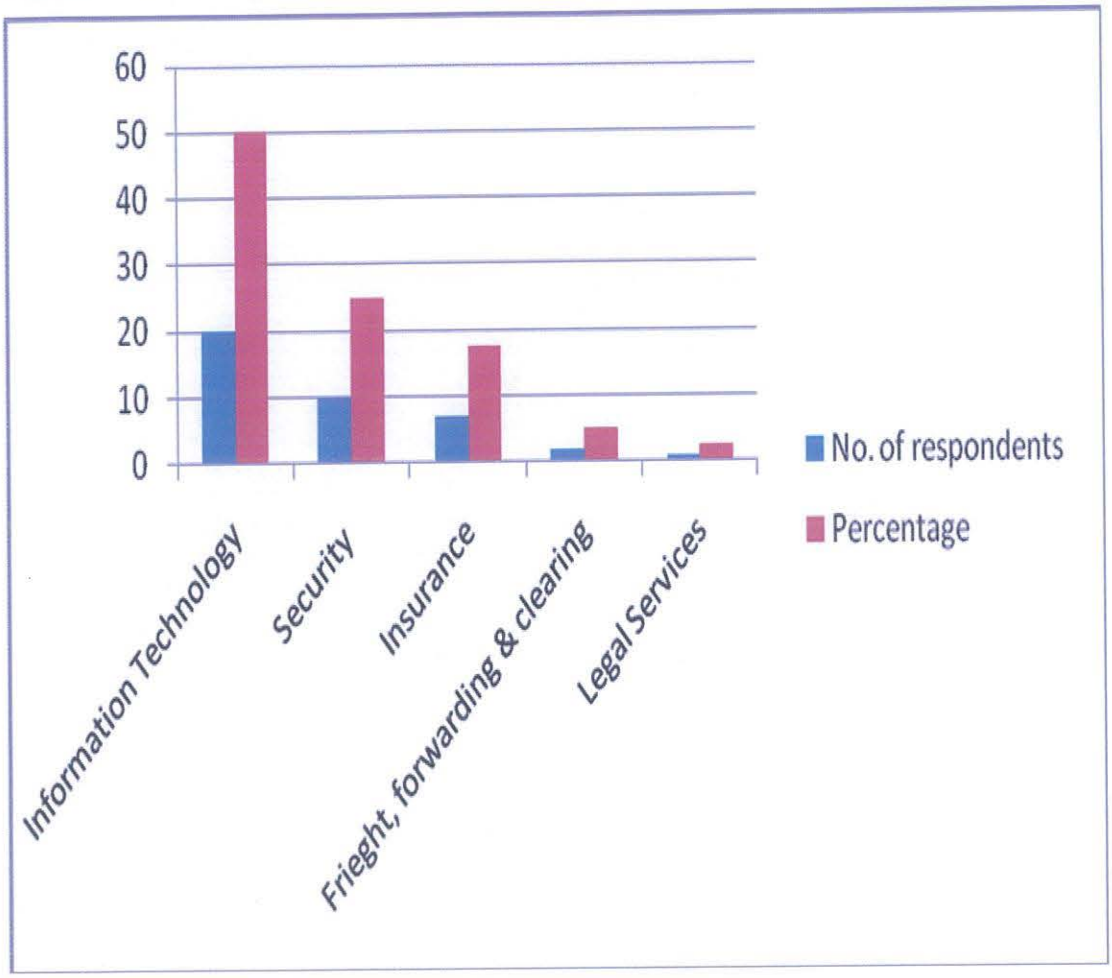
They are highlighted in table below

Table 4.1.2: Services Outsourced

Services	**Number of respondents**	**Respondent in percentage (%)**
Information Technology	20	50
Security	10	25
Insurance	7	17.5
Freight, forwarding & clearing	2	5
Legal services	1	2.5
Total	**40**	**100**

Source: Research questionnaires

Figure 4.1.2: Bar graph showing the services outsourced



Source: Research questonnaires

From the table above, commonly services outsourced are the information technology since most of their work is automated and sophisticated.

4.1.3. Quality Management Attributes employed at Equity Bank

The following information was obtained regarding commonly used quality management attributes. The results are summarized in the table 4.1.3 and figure 4.1.3 respectively.

Table 4.1.3: Quality Management Attributes

Quality management attributes	Number of respondents	Percentage of respondents (%)
Reliability	25	62.5
Performance	7	17.5
Conformance	5	12.5
Responsiveness	3	7.5
Competence	Nil	Nil
Durability	Nil	Nil
Total	**40**	**100%**

Source: Research questionnaires

Majority of the respondents interviewed identified reliability as the main attribute used in Quality Management. This attribute is highly recommended by customers in order to get value for money.

The respondents also identified performance as being a widely used quality management attribute. When services or products are outsourced suppliers are encouraged to provide or suggest new improved ways of meeting the requirements.

Conformance was another attribute that respondents identified as being in very few occasions by the organization. Conformance to the stated specification be emphasized for any outsourced activity or function. Responsiveness attribute is also used although their use is limited. Competence and durability attributes are not used in the organization as respondents failed to respond on them.

4.1.4. Who is responsible for ensuring proper quality management?

The researcher identified four parties that are party to the proper quality management. On one hand, the Procurement staffs blame Quality Assurance Team for the poor quality services and products while on the other hand quality assurance team blame the procurement staff for such. Branch manager and other employees also assign blame to both the procurement staff and quality assurance team.

Table 4.1.4: Responsibility of Quality Management

Respondent party	Percentage of Responsibility Branch manager	Percentage of responsibility of purchasing department	Percentage of quality assurance team	Percentage of collective responsibility
Procurement staff	40	30	20	10
Quality assurance team	25	60	10	5
Branch manager	10	75	10	5
Collective responsibility	5	85	5	5

The branch manager identified the procurement staff as the major culprit responsible for the quality management. The manager also indicated that quality assurance team was also at fault since they obliged to manage quality in the bank.

The quality assurance team and other employees blamed procurement staff for providing them with wrong service providers. They also pointed the fact that procurement staffs seek financial incentives from service providers as a condition for awarding contracts for provision of services.

The responses obtained from this research are conflicting with each party blaming the other for the proper quality management. It is clear that the relationship between the parties is strained.

A side from this never ending blame game, the respondents were asked to identify the main way for proper quality management.

4.1.5. Methods of quality management

The results are summarized in the table 4.1.5. and figure 4.1.5. below

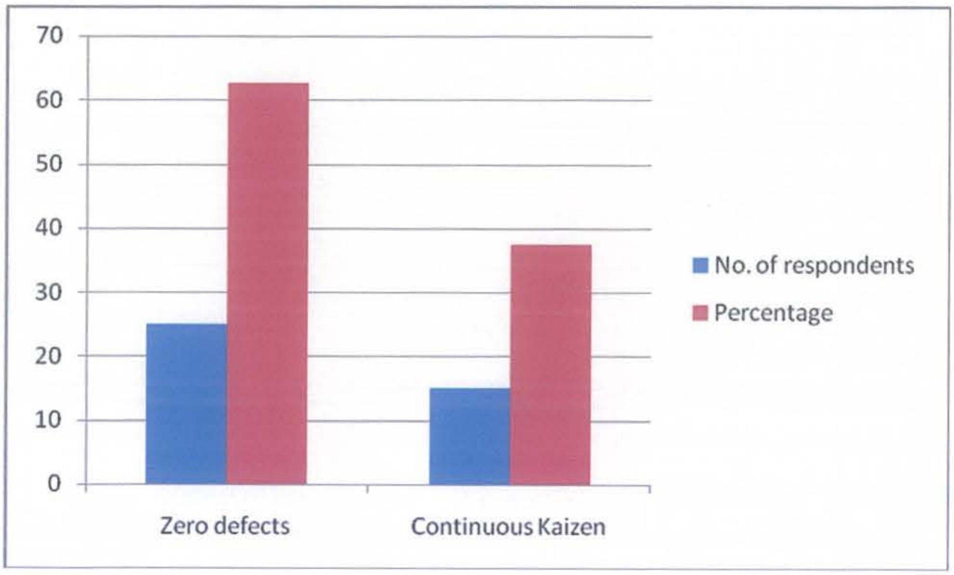
Table 4.1.5: Methods of Quality Management

Method of Quality Management	Number of respondents	Percentage of respondents
Zero defects	25	62.5
Continuous kaizen	15	37.5
Total	**40**	**100**

Source: Research questionnaires

This information is represented in the Bar graph below

Figure 4.1.5.



Source: Table 4.1.5

It is evident that from the data above that a majority of the respondent pin pointed at zero defects as a best practice for quality management than the continuous kaizen as most employees and customer advised. The notion of zero defects is based on the idea that it is easy to design and build quality through inspection. This is important because costs of preventing a defect are less than the costs of correcting it.

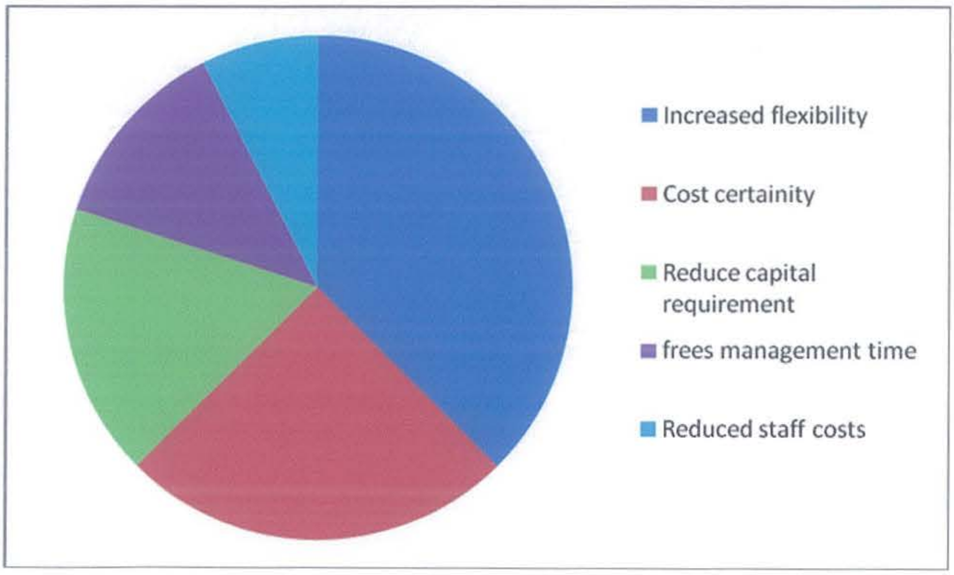
4.1.6. The benefits of outsourced services to Equity Bank

Table 4.1.6: Benefits of outsourced to Equity Bank

Benefit	**Number of respondents**	**Percentage number of respondents**
Increased flexibility	15	37.5
Cost certainty	10	25
Reduce capital requirements	7	17.5
Free management time	5	12.5
Reduced staff costs	3	7.5
Total	**40**	**100**

Source: Research questionnaires

Figure 5: Pie chart showing the benefits of outsourced services



The major advantages of outsourcing strategy identified by the respondents are the gaining of money especially where goods of value such as information Technology equipments, machines and spare parts are being outsourced in order to promote and foster societal goodwill towards the bank. This process also encourages the acquisition of new and better modern technology for instance new sleek TFI monitors.

4.2. Analysis

The choice of outsourcing strategy will play an important role in identifying the most suitable supplier. This may manifest the supplier's flexibility to meet the customers' fluctuating requirements and as well as sufficient capacity to fulfil specific attributes. In this case therefore, the service provider will rely more on the customer to ensure that the desired quality is achieved within the necessary means. This implies that the customers will have an upper hand in ensuring that the desired quality is attained.

Outsourcing helps to leverage the greater skills, knowledge bases, investments and processes of the suppliers through which the desired can be achieved. The outsourcing company accords utmost attention to managing of quality to ensure that all variations are addressed before the final output is obtained. The procuring company should ensure that products or services that are to be outsourced must remain within the buyers specifications without altering of all other variables such as price, delivery period and quantity.

The decision to outsource should support and as well as enable the company's overall strategy. A firm with competence in provision of a particular service or product so that the outsourced services are provided effectively and efficiently to enable attainment of all the desired attributes. In return the firm's core competence will have been focused at with a strategic vision.

Outsourcing strategy promotes the need to share risks which may come up while trying to manage quality such as re-work loses, cost of replacing a standard product, delivery cost and appraisal cost and in so doing the company will be endeavoring spread the risks while at the same time ensuring that appropriate quality that suits the company need is obtained thus quality management.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0. INTRODUCTION

This chapter presents a sum up of my project and proposes avenues for future consideration. When it comes to outsourcing strategy and quality management. This study presents conclusions and recommendations on the effectiveness of outsourcing strategy and quality management.

5.1. Conclusion

Based on the analysis of the results conducted in the previous chapter, it can be concluded that the fluctuation in the quality management is due to outsource services or production of certain products or components from service providers who do not bather to go an extra mile in ascertaining more about the customers' specifications and other quality attributes and in the end, the total quality of the products or services are adversely affected.

Finding indicate that it is ideal to deal with service providers who take time to think of the clients quality attributes regarding reliability of the products or components that constitute the final products so that quality is properly maintained as per the specifications.

Findings in the previous chapter indicated that outsourcing strategy involves understanding the company's goals and objectives. The motive for starting an outsourcing process has to be in line with the overall business strategy. In that when a firm decides to outsource part of its activities. It considers a non-core activity to its business and therefore, this activity should not have any effect of the outsourcers intended objectives.

5.2. Recommendations

This research submits the following recommendations based on the findings of the study.

There should be improved communication between the departments, customers and the procurement staff especially in the development of clear specifications. This will ensure that services outsourced are up to the requirements of the organization, thus helping to reduce quality problems. The entire procurement function and quality assurance team should be trained on outsourcing strategy and quality management respectively.

The organization should ensure an efficient outsourcing system, which does not compromise on the quality of the products or services. Whenever a service or product is be outsourced, quality assurance team should be able to monitor the progress, performance, reliability and conformance of the product or service to the specification.

Total quality management should be emphasized as a way of managing quality in organization's activity so that every job, process is carried out rightly for the first time and every time.

The organization should maintain expertise for each product or service outsourced as procurement expertise and quality experts to ensure that services or products are provided under supervision of experts who should find out the conformance to the technical specifications of the job.

5.3. Suggested Areas for Further Research

Because of various limitations encountered by the researcher especially time and financial difficulties, this project proposes the following areas for further investigations.

i) Intensive research should also be conducted regarding outsourcing strategy and capacity utilization.
ii) The specific skills requirements and training required by Quality Assurance Team members responsible for the quality management.
iii) The measures that can be put in place to effectively and efficiently counter challenges encountered during outsourcing process.

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APPENDIX I

QUESTIONNAIRE TO BANK EMPLOYEES

Dear respondent,

This questionnaire is intended to gather information on outsourcing strategies and quality management at Equity Bank-Kabalagala. This study is part of requirement for the award of the Bachelor Degree in Supplies and Procurement management of Kampala International University. This study is purely for academic purposes and utmost confidentiality will be observed, I will be grateful to get your responses. Thank you.

SECTION A

(Please Tick inside the box that correspond your answer)

1.0. Department

Accountant ☐

Procurement ☐

ICT ☐

Loans / credit ☐

1.1. Gender

Male ☐ Female ☐

1.2. Age

Below 18 years	☐	40 - 49	☐
19 – 29	☐	50 - 59	☐
30 – 39	☐	Above 60	☐

1.3. Educational level

"O" level	☐	"A" level	☐
Diploma level	☐	Bachelors level	☐
Masters	☐		

1.4. Working experience

Below 5 years ☐

6 – 10 years ☐

Above 10 years ☐

SECTION B

(Please tick inside the box that correspond your answer)

1. What are the outsourcing strategies employed by Equity Bank?

   a) Body shop outsourcing ☐

   b) Project management outsourcing ☐

   c) Total outsourcing ☐

2. What are the services outsourced at Equity Bank?

   Information technology ☐

   Legal services ☐

   Insurance ☐

   Security ☐

   Freight, forwarding and clearing ☐

3. Which different quality management attributes employed by Equity Bank.

   a) Performance ☐

   b) Reliability ☐

   c) Conformance ☐

   d) Responsiveness ☐

   e) Competence ☐

   f) Durability ☐

4. Are there any challenges encountered in procuring outsourcing services and quality management processes?

   i)………………………………………………………………………………………..

   ii)………………………………………………………………………………………

   iii)………………………………………………………………………………………

   iv)………………………………………………………………………………………

   v)………………………………………………………………………………………..

5. Who is responsible for ensuring proper quality management in the institution?

   a) Branch manager ☐
   b) Procurement staff ☐
   c) Quality assurance team ☐
   d) Collective responsibility ☐

6. Which benefits do outsourced services bring to Equity Bank?

   a) Frees management time ☐
   b) Increased flexibility ☐
   c) Cost certainty ☐
   d) Reduce staff cost ☐
   e) Reduce capital requirements ☐

7. Which method of quality management have been adopted by Equity Bank

a) Zero defects ☐

b) Continuous Kaizen ☐

8. How often is quality management exercises conducted?

Annually ☐

Quarterly ☐

Monthly ☐

Weekly ☐

9. What are some of the weaknesses you detect in outsourcing strategy?

i)..

ii)..

iii)..

iv)..

10. Suggest some measures that can be put in place to address in quality management at Equity Bank.

i)..

ii)..

iii)..

iv)..

v)..

Thank you for your cooperation

Appendix II

Questionnaire to bank customers

Dear respondent,

This questionnaire is intended to gather information on outsourcing strategies and quality management at Equity Bank – Kabalagala. This study is purely for academic purposes and utmost confidentiality will be observed. I will be grateful to get your responses.

Thank you.

SECTION A

(Please tick inside box that correspond your answer)

1.0. Name…………………………………………………………………………

1.1. Gender.

Male ☐ Female ☐

1.2. Age

Below 18 years ☐

19 – 39 ☐

40 – 69 ☐

Above 70 ☐

13. Educational level

"O" level ☐ 'A' Level ☐

Diploma ☐ Bachelor's level ☐

Masters ☐

1.4. Working experience

Below 5 years ☐

6 – 10 years ☐

Above 10 years ☐

SECTION B

1. In your own assessment, do you think customers are considered when making policies of quality management?

   Yes ☐ No ☐

2. Which quality management attributes are employed by Equity Bank

   a) Performance ☐
   b) Reliability ☐
   c) Conformance ☐
   d) Responsiveness ☐
   e) Competence ☐
   f) Durability ☐

3. Do you think, outsourcing strategy is paramount to quality management at Equity Bank?

   i)..

   ii)..

   iii)...

   iv)...

4. How often are customers contacted for quality management improvement?

a) Annually ☐

b) Quarterly ☐

c) Monthly ☐

d) Weekly ☐

Thank you for your cooperation

APPENDIX III

PROPOSED BUDGET

Items description	Quantity and unit price	Cost in Ugsh.
Cost of proposal		
1st draft typing and printing	48 pages @ Ugshs 500 per page	24,000.00
Final draft typing and printing	(48pgs @ 500 per page x 3 copies	72,000.00
Binding	(Ughs 4000) x 3 copies	12,000.00
Photocopying	Ugsh 10,000	10,000.00
Internet and airtime	Ugsh 25,000	25,000.00
miscellaneous	Ugsh 50,000	50,000.00
Total		**193,000.00**

APPENDIX IV

TIME FRAME

	Nov – Dec	Jan – April	April - May	May-June	June
Formulation of the topic					
Proposal writing and correction					
Final correction and submission of the proposal					
Data collection and project writing					
Project presentation and submission					

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OFFICE OF THE H.O.D MARKETING & PROCUREMENT.
SCHOOL OF BUSINESS AND MANAGEMENT

Date:.7./.6./2010

To:
MANAGER
EQUITY BANK-
KABALAGALA
BRANCH.

Dear Sir/Madam

RE: SANDE JEOME **REG.NO:** BSP/17141/71/DU

This is to certify that the above mentioned is a bonafide student of Kampala International University at the School of Management, he/she is pursuing a Three years, Six semester Programme in Bachelors of SUPPLIES AND PROCUREMENT and she/he is in THIRD year SECOND semester.

He/she wishes to carry out research on OUTSOURCING STRATEGY AND QUALITY MANAGEMENT AT EQUITY BANK (KAMPALA-UGANDA) KABALAGALA BRANCH.

Any assistance extended to him/her will be highly appreciated.

Thank you.

Yours sincerely,

KAMPALA INTERNATIONAL UNIVERSITY
SCHOOL OF BUSINESS & MANAGEMENT STUDIES
P.O. BOX 20000 KAMPALA

SARAH KATUMBA
H.O.D
MARKETING & PROCUREMENT

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