OUTSOURCING AND SERVICE DELIVERY BY COMMERCIAL BANKS IN UGANDA.
A CASE STUDY OF EQUITY BANK-MUBENDE BRANCH.

BY

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RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR'S DEGREE IN SUPPLIES AND PROCUREMENT OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I BIIRA SYLIVIA, the undersigned declare that this research proposal entitled "Outsourcing and service delivery of commercial banks in Uganda. A case study of Equity bank Mubende Branch" with the exception of the acknowledged references, ideas and concerns is my own original work and has never been presented to any organization or institution of higher learning for a degree or any other academic award.

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APPROVAL

This is to acknowledge that, this research report entitled "Outsourcing and service delivery of commercial banks in Uganda. A case study of Equity bank Mubende Branch" prepared by BIIRA SYLIVIA has been under my close supervision and is now ready for submission to the college economics and management with my approval.

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Date : 6th/06/2014

DEDICATION

I dedicate this piece of work with much love and appreciation to my beloved dad Mr. Mumbere Daniel for the great contribution he rendered me in order to come up with it.

ACKNOWLEDGEMENT

First and foremost, I give honor and glory to the Almighty God who gave me good health, wisdom and knowledge to be able to write this dissertation.

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LIST OF ACRONYMS

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 Standardization Organization
SPSS	: Statistical Package for Social Scientists
PLCC	: Pearson's Linear Correlation Coefficient

ABSTRACT

This report is a result of an academic research titled outsourcing and service delivery of commercial banks in Uganda with a case study of Equity bank Mubende branch. The objectives of the study were: to assess the relationship between outsourcing and service delivery at equity bank Mubende branch, to find out how outsourcing improve efficiency at Equity Bank Mubende branch, to examine the different outsourcing strategies used by Equity bank Mubende branch. To answer research questions and achieve objectives, a case study and a questionnaire were used to collect primary data. It was discovered that there are many techniques used in evaluating service delivery in Mubende branch and data was collected from 40 respondents.

The findings revealed failure by outsourcing team to identify where the problem could have occurred during the process of early contract development and misinterpretation of the contract requirement by the contractor, further findings revealed that need for the introduction of result orientation process and the results indicated that outsourcing is strongly correlated to the level of service delivery in Mubende branch.

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

The recommendations to Equity Bank were; there should be improved communication between the departments, customers and the procurement staff, the organization should ensure an efficient outsourcing system, 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. And proper adoption of organization plan, Control of transaction, Prevention of fraud, separation of accounting and custody of assets, prevention of fraud among others.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter covered 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 Background of the Study

Outsourcing was 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 organizations 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

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 recognized awards are given to companies by nearly every country and many professional organization. For example, the Malcom Baidrige Quality Awards, created by the United States Congress in 1987, recognizes US firms with outstanding records of quality improvements and quality management.

The International Standardization (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.

Organizations 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 recognized 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).

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 $ 123 million. Equity Bank (Uganda) launched under its new brand on March 30, 2009. As of March 2014, Equity Bank had a customer base in Uganda of approximately 400,000. The bank has its headquarter located in Kampala the capital city of Uganda with 39 branches scattered across the country and 35 ATMs. Thus its branch network is 4th largest in Uganda after Stanbic Bank (91 branches), Centenary, (46 branches) and Barclays Bank (43 branches).

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 organizations 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 organization, Lyson (1998).

Lincoln Andrew's (2003), stress that such activities are outsourced to specialists and the organizations themselves concentrate their energies on core products and services. However, in a number of instances organizations 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 bridge knowledge gap, generate new ideas and validate other researcher's findings by examining the relationship between outsourcing and service delivery at commercial banks in Uganda with a case study of Equity bank Mubende branch.

1.4. Objectives of the Study

1. To assess the relationship between outsourcing and service delivery at equity bank Mubende branch.
2. To find out how outsourcing improve efficiency at Equity Bank Mubende branch.
3. To examine the different outsourcing strategies used by Equity bank Mubende branch.

1.5. Research Questions

1. What relationship exists between outsourcing and service delivery at Equity bank Mubende branch?
2. What measures are being undertaken to ensure efficient service delivery at Equity bank Mubende branch?
3. What are the different outsourcing strategies used by various Commercial banks?

1.6. Scope of the Study

1.6.1. Geographical Scope

The study was carried out at Equity Bank – Mubende branch, Mugume Plaza Building, main Street Mubende, Opp Centenary Bank.

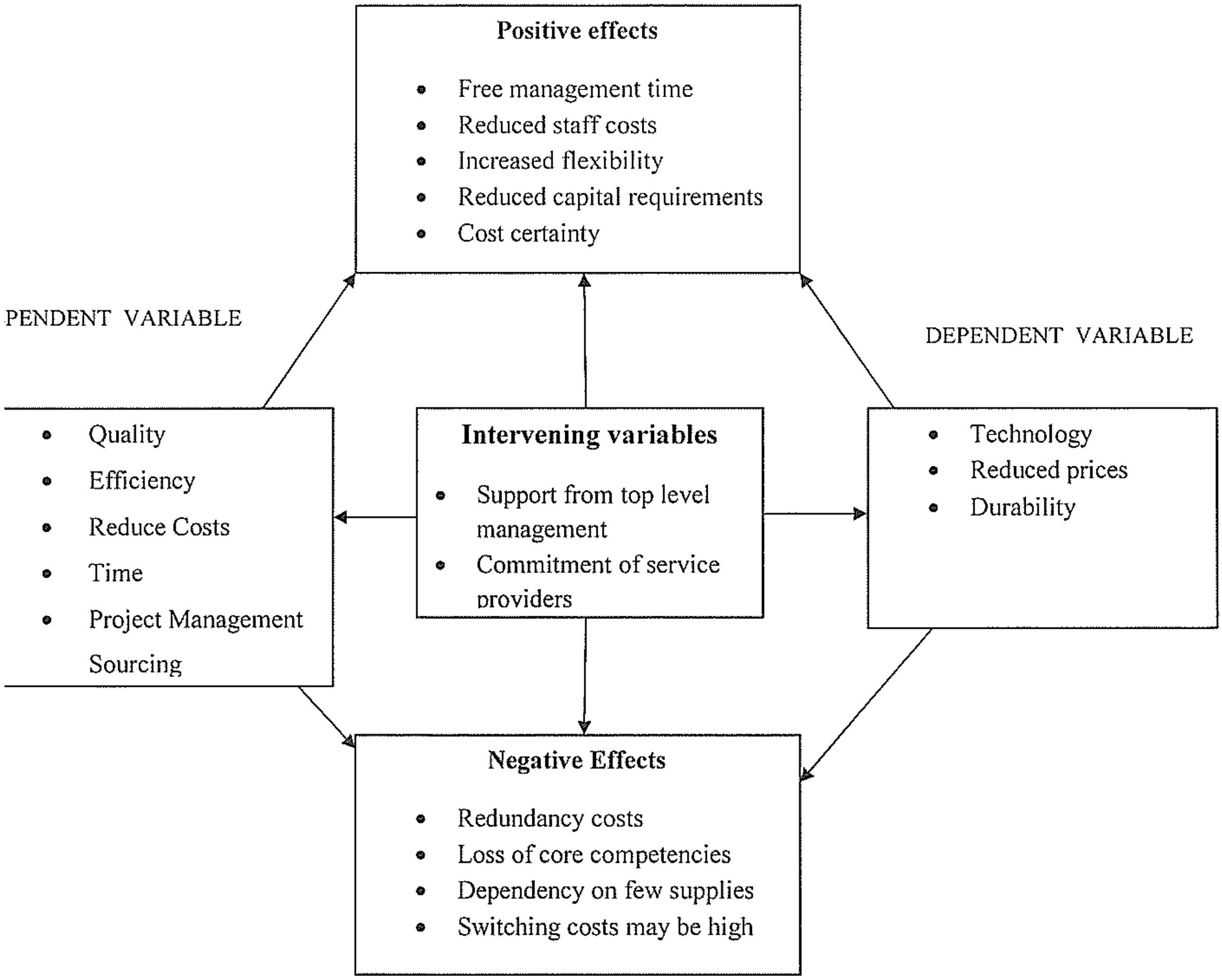
1.6.2. Content Scope

The study was centered on outsourcing and service delivery at Equity bank Mubende town branch and it covered reasons why organizations are providing unsatisfactory services, the measures undertaken in bringing out improvement on service delivery at Equity bank and to establish the relationships between outsourcing and service delivery at Equity bank using Mubende as the case study.

1.6.3 Time Scope

This research took approximately three months to be completed from March to May 2014.

1.7. Conceptual Framework



Source: ***Researcher's conceptualization, 2014***

The conceptual framework shows the relationship between outsourcing and service delivery and how it is influenced by the commitments of the providers and top level management to support the outsourcing decisions.

Outsourcing and service delivery are vital in an organization. According to the conceptual framework, a well outsourced service leads to the positive effects like free management time, reduced staff costs among others. However, poor outsourcing also leads to the negative effects like high switching costs.

1.8. Significance of the Study

The study was expected to be important in the following ways: -

The research provided important information to Academicians in terms of literature Review for later use.

The research helped 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 organization.

The study helped financial institutions on how to use outsourcing strategy on quality management of products and services they offer to clients.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

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

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 organization and are purchased from an external supplier.

Ballington (2001) asserts that outsourcing primarily deals with transfer of the production of goods and services that had been performed internally to an external party.

Nevi (2000), adds that outsourcing implies that the company will focus on divesting itself on the resources to fulfill a particular activity to another company to focus more effectively and efficiently on its core competence.

Lyson (1998), asserts that strategic outsourcing is concerned with top level management, long term decisions relating to high profit I high supply risk strategic items and low risk I 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, globalization 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 Mubende 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 characterized 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 Free 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 organization. Expenditures will only be focused on what brings a strategic fit to the organization other than maintaining unreasonable expenditures for redundant staff Wale, Van & Rozemeijer (2004).

2.3.5. Reduce capital requirements

Since the organization 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. Service Delivery

According to Bailey and Farmer (1998), service delivery 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 organization constantly seek small implementations in all aspects of the organization's activities in order to manage quality. Hilton, Maher & Selto (2003).

2.4.2. Service delivery can be achieved through the following

a. Ensuring top management commitment.

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

b. 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 organization should fully participate in the concept of quality management to ensure its success, Crosby (1990).

c. Capacity building

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

d. 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).

e. Supplier Partnership

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

f. 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).

g. 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 emphasized as a way of managing an organization so that every job, every process, is carried outright, first time and every time, Crosby (1992).

2.5.3. Conformance

The purchasing organization lays down the clear and unambiguous requirements that must be met by the supplying organization. According to Lysons (1998), conformance to the stated specifications should be emphasized 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 to 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 and Service delivery

Hudgeon 2006 describes the relationship between outsourcing and service delivery as the great and strong and he explains it in three dimensions, that is, trust, service delivery and outsourcing. He states that the three dimensions are loosely linked over the short term but lightly linked over the long term. For example in the early stages of a relationship a purchaser level of trust in their suppliers is built largely on the suppliers reputation and conducts during the contracting negations, the outsourcing organization and service delivery maybe abysmal but the level of trust may initially be higher.

2.6.1. Service Delivery

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 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 service delivery attributes. In this cases, the supplier will rely on the customer to ensure that the desired service delivery 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 organization 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 organization'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 service delivery 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 organization will be endeavoring spread of the risks.

While at the same time ensuring that appropriate quality that suits the organization needs are obtained thus managing service delivery. Logothetis (1991).

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

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

CHAPTER THREE

METHODOLOGY

3.0 Introduction

Bailey defines research design methodology as the philosophy of the research process which includes the assumptions and values that serves as rationale for research and the standard or criteria the researcher use for interpreting data and reaching conclusions. To facilitate the attainment of specific objectives of this research, this chapter determines 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 qualitative research design. A descriptive survey that 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 is 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. Study Population

The population of the study consisted of 45 employees from different department such as procurement, finance, loans, credit, administration, ICT and the management at different levels like top management level, middle management level and operational level.

3.3. Sampling Procedure

The purposive sampling was utilized to select the respondents based on these criteria:

1. Male or female respondents in Equity Bank Mubende

2. Top management and middle level as well as support staff with experience ranging from one year and above. The systematic random sampling will be used to finally select the respondents with consideration to the computed minimum sample size.

On the other hand in this study stratified sampling technique was used. In stratified sampling, the population was divided into sub-population such that elements within each other sub-population were homogenous.

3.4 Sample Size and Selection

The sample size of the study was 40 respondents and it was determined using Slovene's formula as shown below;

Slovene's Formula

$$n = \frac{N}{1+N(e)^2}$$

N = Population

n= Unknown sample size

e = Level of significance in social science research (0.05)

$$n = \frac{45}{1+45(e)^2}$$

$$n = \frac{45}{1+45(0.05)^2}$$

$$n = \frac{45}{1+45(0.0025)}$$

$$n = \frac{45}{1+45X0.0025}$$

$$n = \frac{45}{1+0.1125}$$

$$n = \frac{45}{1.1125}$$

n = 40 respondents

3.5. 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.

3.5.1. 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 respondent's convenience to get the right data that enabled extraction of appropriate information.

3.5.2. Secondary Data

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

3.6. Data Collection Methods

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

3.6.1. Questionnaires

The main tool used to collect data were questionnaire 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.

3.6.2. 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.

3.6.3 Documentary Review

This method involved reading documents related to outsourcing. It was advantageous because it enabled the researcher to get the first hand information through critical examination of the recorded information. It was also used to cross check information received from the research procedures.

3.7. Date Processing

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

3.7.1 Date Analysis

After questionnaire filled by the respondents the data was edited, coded, entered into the computer statistical package for social scientists (SPSS). Data was then processed and analyzed using descriptive statistics showing frequencies and percentage distribution to determine the demographic characteristics of the respondents. The mean and standard Deviation was applied to indicate the level of outsourcing and service delivery at equity bank in Mubende town while the Pearson's linear correlation coefficient (PLCC) used to correlate the variables and to test for existence of significant relationships among the study variables. The 0.05 level of significance, popular in social sciences was used to confirm the existence of statistical significance among study variables.

The measurements of outsourcing and service delivery were measured respectively. The researcher processed and analyzed the data by making reference to the available literature in order to compare and contrast the different opinions presented by different authors. The intervention exposed the gaps in the existing literature upon which the finding and recommendations was based.

3.8. Limitations of the Study

Financial constraints and time constraints. The financial constraints are one of the limitations that the researcher met and to some extent influenced her proper research process, in the course conducting research. This situation happened because the researcher was a privately sponsored individual with limited resources and limited opportunities to fund the process.

Time constraints was the other limitation the researcher encounter and to ascertain the smooth and efficient execution of the study. This was based on the fact that the researcher was conducting the research simultaneously with her studies and therefore it was hard to meet the expected time schedule.

The researcher faced a number of problems including some of the respondents not understanding English language well also somewhere not willing to answer the questionnaire properly and tight schedule of the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.0 Introduction

This chapter presents the analysis of the study that was organized on the basis of the research objectives. The researcher issued out questionnaires to the respondents who filled and returned them. The findings where then analyzed, interpreted and presented using charts.

4.1 Research Findings

4.1.1 Age

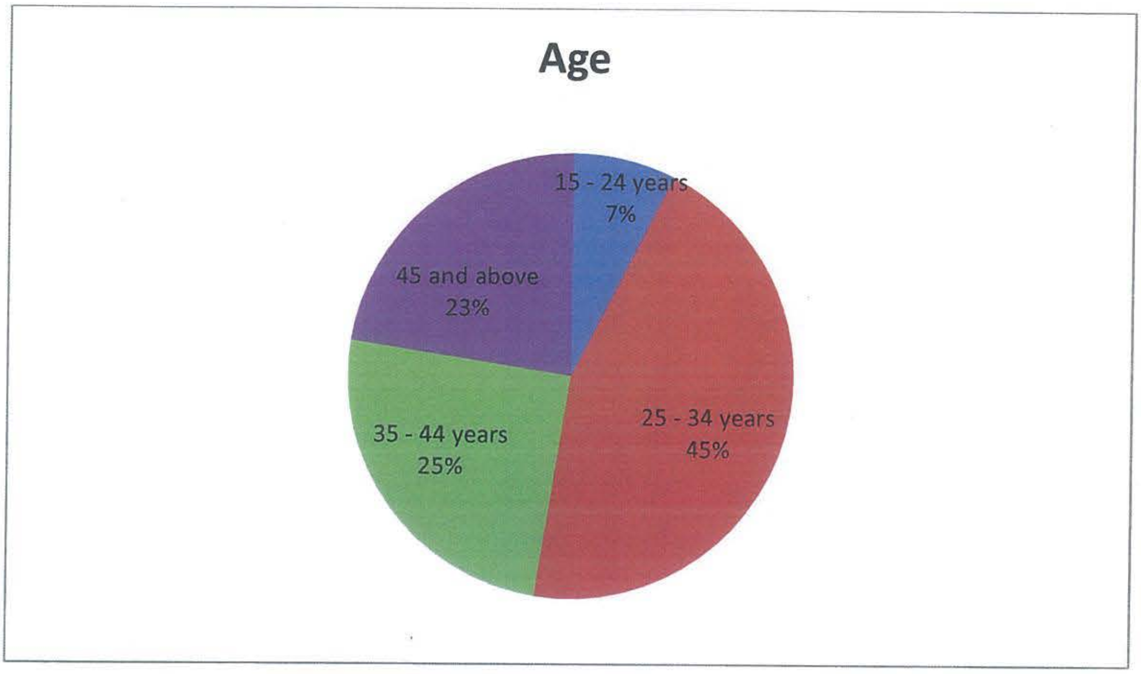
The research determined that the organization commonly employs workers ranging between the ages bracket of 20 – 65. The bank also services customers of all age.
The table shows the presentation of both customers and employees that were interviewed and it is summarized below.

Table 1: Showing Age Compositions

Age	**Frequency**	**Percentage(s)**
15 – 24	3	7.5
25 – 34	18	45
35 – 44	10	25
45 and above	9	22.5
Total	**40**	**100**

Source: Primary data, 2014

Figure 1: Showing Age Composition



The findings in table 1 and figure 1 of the study indicated that the majority of employees represented by 45% were 25 -34 years, 35 – 44 average of employees were 25% and 23% of the employees were 45 years and above, minority represented by 7% were of the age bracket 15 – 24 years. This finding suggested that Equity bank Mubende branch employees were of diverse age groups. According to Ranjan (1997) the diversity in age of the staff implies that the staff would have different values for their performance as it can also be witnessed in early days when work was carried out according to age bracket. Again, more young people dominate work places compared to older ones since the youth are still looking for means of survival as they are still fresh and not self employed thus seeking jobs from already established organizations compared to older people who are self employed or have reached the retirement age.

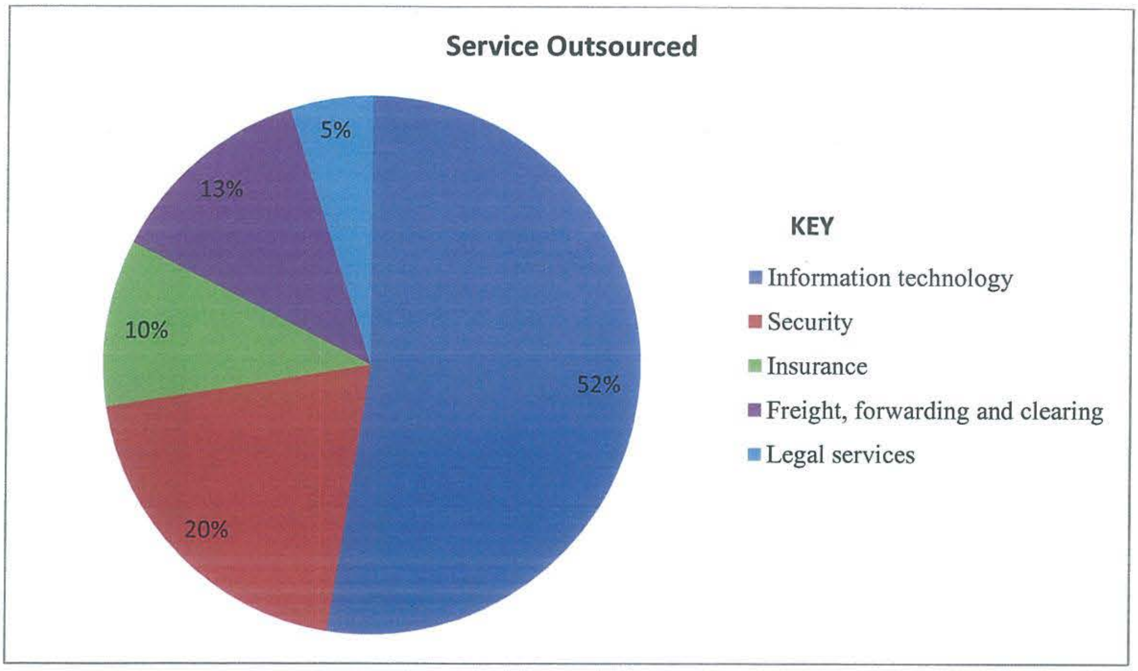
4.1.2 The Services Outsourced

Table 2: Showing Service Outsourced

Service	No. of Respondents	Respondents in percentage (%)
Insurance	4	10
Security	8	20
Legal services	2	5
Information technology	21	52
Freight, forwarding and clearing	5	13
Total	**40**	**100**

Source: Primary data, 2014.

Figure 2: Bar Graph Showing Services Outsourced



Source: Primary data, 2014

From the above chart, the common services outsourced are information technology with 52%, security with 20%, Freight, forwarding and clearing with 13%, insurance with 10% and Legal services with only 5%.

4.1.3 Service Delivery Attributes Employed At Equity Bank

The following information was obtained regarding commonly used quality management attributes. The results are summarized in table 3 and Figure 3 respectively.

Table 3: Showing Service Delivery Attributes

Service Delivery Attributes	No. of Respondents	Respondents in percentage (%)
Performance	18	45
Competence	3	8
Reliability	12	30
Durability	2	5
Conformance	1	2
Responsiveness	4	10
Total	**40**	**100**

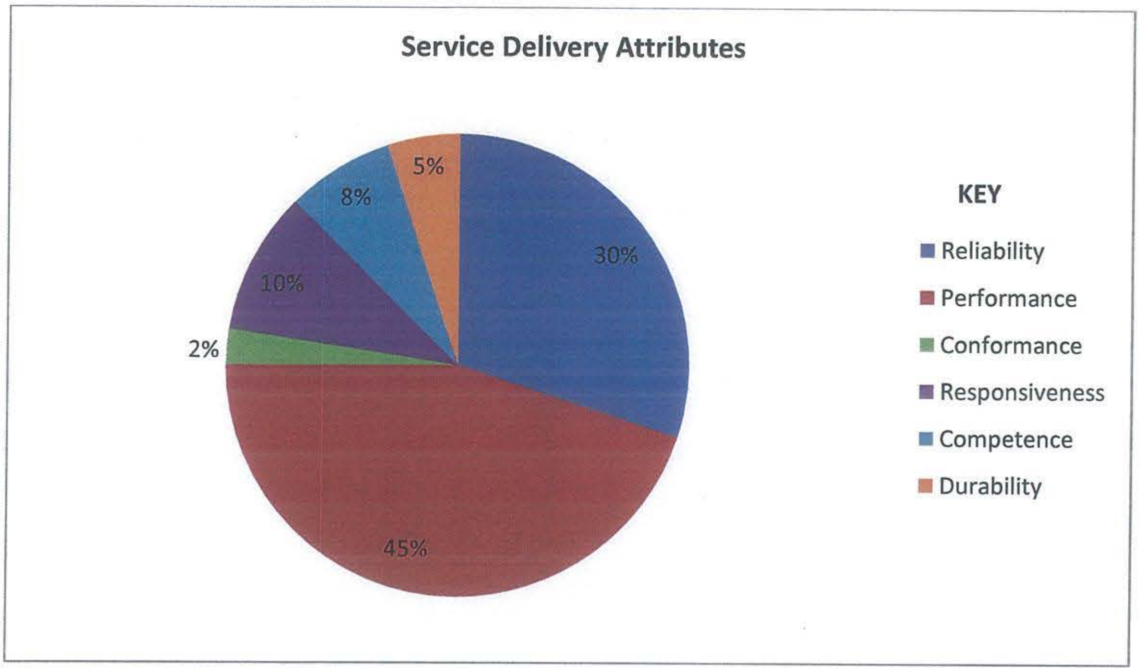
Source: Primary data, 2014

Majority of the respondents interviewed identified performance as the main attribute used with a 45% percentage. When services are outsourced suppliers are encouraged to provide or suggest new improved ways of meeting the requirements.

The respondents also identified reliability as being a widely used service delivery attribute. This attribute is highly recommended by customers in order to get value for money.

However the other attributes are also used in Equity bank but are not highly rated just as Conformance was 2%, responsiveness with 10%, Durability 5% and Competence with 8%.

Figure 3: Bar Graph Showing Service Delivery Attributes



4.1.4 Responsiveness of Service Delivery

Respondent party	Percentage of responsiveness of branch manager	Percentage of responsiveness of purchasing department	Percentage of responsiveness of service delivery team	Percentage of responsiveness of collective responsibility
Procurement staff	35	30	25	10
Quality Assurance Team	30	50	15	5
Branch manager	15	60	12	13
Collective responsibility	10	80	5	5

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

The service delivery team and other employees blamed procurement staff for providing them with wrong service providers. They also pointed out the fact that procurement staff 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 service delivery. 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 service deliveries.

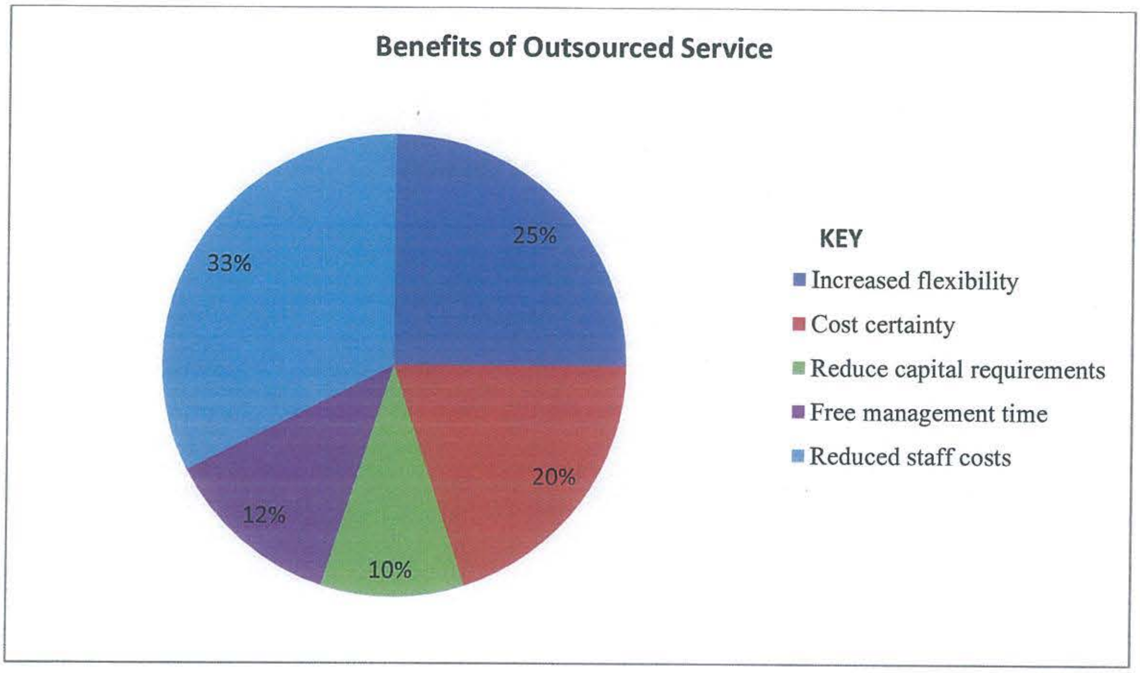
4.1.5 The Benefits of Outsourced Services to Equity Bank

Table 4: Showing Benefits of Outsourced Services to Equity Bank

Benefits of Outsourced Service	No. of Respondents	Respondents in percentage (%)
Increased flexibility	10	25
Cost certainty	8	20
Reduce capital requirements	4	10
Free management time	5	12
Reduced staff costs	13	33
Total	**40**	**100**

Source: Primary data, 2014

Figure 4: Pie Chart Showing the Benefits of Outsourced Services



The major advantage of outsourcing strategy identified by the respondents are the gaining for 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 customer's fluctuating requirements and as well as sufficient capacity to fulfill 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 the suppliers through which the desired can be achieved. The outsourcing company accords utmost attention to managing the quality to ensure that all variations are addressed before the final output is obtained. The procuring company should 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 quality.

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 summary of the findings, conclusions drawn, recommendations and area for further study.

5.1 Findings

This study was guided by three objectives which comprised of these objectives.

1. To assess the relationship between outsourcing and service delivery at equity bank Mubende branch.
2. To find out how outsourcing improve efficiency at Equity Bank Mubende branch.
3. To examine the different outsourcing strategies used by Equity bank Mubende branch.

5.2 Conclusion

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

As regards the relationship between outsourcing and service delivery, a strong relationship was indicated by the findings obtained implying that outsourcing has a major effect on the service delivery within the exception of service timeliness which has no relationship with outsourcing as indicated by the findings. Therefore the delay in service delivery is blamed mainly on the bureaucracy of the organizational fund and pure capacity of contractors.

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.

5.3 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 service problems. The entire procurement functions and service delivery team should be trained on outsourcing strategy and service deliveries.

The organization should ensure an efficient outsourcing system, which does not compromise on the quality of the products or services. Whenever a service or products is to be outsourced, service delivery team should be able to monitor the process, 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.

5.4 Suggested Areas for Further Research

Because of various limitations encouraged 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 the service delivery team members responsible for the outsourcing.

iii) The measures that can be put in place to effectively and efficiently counter challenges encountered during the outsourcing process.

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APPENDIX I: QUESTIONNAIRE

Dear Sir/Madam,

I am Biira Sylivia a candidate for a Bachelors Degree in Supplies and Procurement at Kampala International University with the topic "outsourcing and service delivery of commercial banks in Uganda a case study of equity bank Mubende branch".

As I pursue the academic requirement, may I request your assistance by being part of the study. Kindly provide the most appropriate information as indicated in the Questionnaires and please do not leave any item unanswered. Any data from you shall be for academic purposes only and will be kept with utmost confidentiality.

Thank you very much in advance

Yours faithfully,

Biira Sylivia
(Researcher)

SECTION A

PERSONAL INFORMATION

Personal Profile

1. Name (optional)...

2. Gender (Please Tick the appropriate)

a. Male ☐ b. Female ☐

3. Age

a. 15-24 ☐ b. 25-34 ☐ c.35 - 44 ☐ d. Above 45 ☐

4. Working experience

i. 1-5 years ☐

ii. 5-10 years ☐

iii. Above 10 years ☐

6. What is your area of specialization? ....

7. Department you work in

a. Procurement ☐ b. Finance ☐ c. Loan ☐ d. ICT ☐

e. Others (Please Specify) ....

SECTION B

1. What are the services outsourced at Equity Bank?
   a. Information Technology ☐
   b. Insurance ☐
   c. Security ☐
   d. Legal Services ☐
   e. Freight, Forwarding and clearing
2. What attitude do you have towards service delivery?

....

....

....

....

3. Which different service delivery attributes are employed at Equity Bank?
   a. Performance ☐
   b. Reliability ☐
   c. Durability ☐
   d. Competence ☐
4. Are there any challenges encountered in procuring outsourcing services?
   a. YES ☐
   b. No ☐

If **YES**, please list them down

....

....

5. Who is responsible for ensuring proper service delivery in the institution?
   a. Procurement staff ☐
   b. Quality assurance team ☐
   c. Branch manager ☐
   d. Others (Please Specify) ....
6. Which benefits do outsourced services bring to the organization.
   a. Reduce staff costs ☐
   b. Reduce capital requirement ☐
   c. Increased flexibility ☐
   d. Free management time ☐
7. How often is service delivery exercise conducted?
   a. Weekly ☐
   b. Monthly ☐
   c. Quarterly ☐
   d. Annually ☐
8. What are some of the weaknesses you detect in outsourcing?

   ....

   ....

   ....

9. Suggest some measures that can be put in place to address in service delivery in your organization.

   ....

   ....

   ....

Thank you for your cooperation.

APPENDIX II: PROPOSED BUDGET

Item Description	Quantity and unit price	Cost in Ugx
1st draft typing and printing	50 pages @ Ugx 500 per page	25,000
Final draft typing and printing	50 pages @ Ugx 500 per page	75,000
Binding	Ugx 15000	45,000
Photocopy	Ugx 30,000	90,000
Internet and airtime	Ugx 50,000	50,000
Miscellaneous	Ugx 150,000	150,000
Total		**435,000**

APPENDIX III:

PROPOSED TIME FRAME, 2014

Activity	March	March-April	April – May	May
Formulating of topic	✓			
Proposal writing and correction		✓		
Final correction and submission of proposal		✓		
Data collection and project writing			✓	
Project presentation submission				✓