

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF ARTS AND SOCIAL SCIENCE

DEPARTMENT OF MANAGERIAL SCIENCES

SCHOOL OF BUSINESS

KNUST

TOPIC:

**THE IMPLICATION OF HUMAN RESOURCE OUTSOURCING IN THE BANKING
INDUSTRY.**

**A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS KWAME NKRUMAH
UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILLMENT OF
THE AWARD OF MASTER OF BUSINESS ADMINISTRATION IN HUMAN
RESOURCE MANAGEMENT**

BY:

Gloria Adu-Acheampong

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DECLARATION

I, Gloria Adu-Acheampong, the author of this study, hereby declare that except for the references to other people's work, which I have duly acknowledged, the work presented here was carried out by me, a student of KNUST, School of Business, under the supervision of Ms. Hannah Vivian Osei.

I also declare that this work has never been submitted partially or wholly to any institution for award of a certificate.

Gloria Adu-Acheampong
(PG5768511)

Date

Ms. Hannah Vivian Osei
(Supervisor)

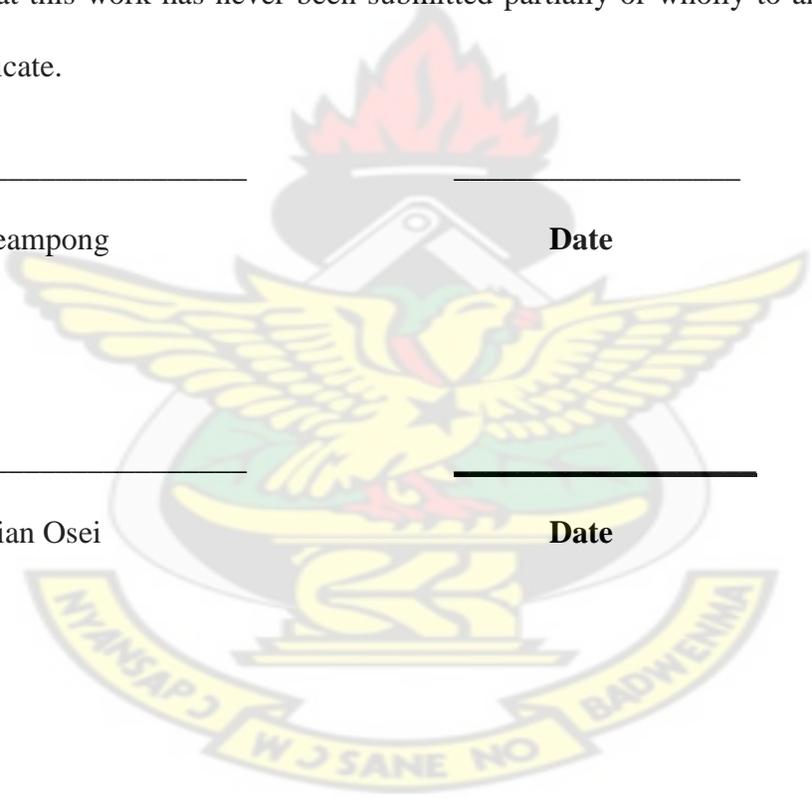
Date

Certified by:

Mr. J.K. Turkson
(Head of Department)

Date

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DEDICATION

This thesis is dedicated to my dear my husband, Mr. Daniel Tutu Benefoh who entrusted to me all the support and resources needed to make this dream a reality and to my son, KwabenaOtengBenefoh whom I had during my first year in school, for his support, understanding and the time he gave me away from him right from two weeks of his birth to enable me go through my studies successfully.



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Praise the Lord oh my soul and all that is within me praise His Holy name. I thank God Almighty for helping me to complete my second degree programme. Had it not been Him on my side, I would not been where I am.

In works of this kind, one cannot rely solely on her own strength, but needs the guidance and direction of more experienced person. I therefore wish to express my profound gratitude and appreciation to my supervisor, **MISS VIVIAN HANNAH OSEI** for her invaluable service, suggestions, encouragement, corrections, support and above all his patience and concern that made the completion of this work possible.

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ABSTRACT

In today's global business environment, firms are increasingly confronted with competition, uptake of trendy technologies and corporate restructuring. These factors require them to seek and sustain competitive advantage over their markets by emphasizing on profitability and productivity. Firms embrace outsourcing either wholly or part of their businesses, to reduce cost or increase productivity. Ultimately, which form, shape or scope any business outsourcing will take, it must result in greater benefit to the organization in the short-to-medium term. Although different studies have attempted to assess and understand the various reasons for different forms of outsourcing in the banking sectors, no or little study is available in Ghana, which attempt to establish the implication of human resource outsourcing in the banking sector. The researcher sought to determine the level of HR Outsourcing in the banking sector, to determine the organizational strategies behind HR outsourcing in the banking sector and to determine the impact of human resource outsourcing on employee attitudes and performance in the banking sector. An exploratory research designed was adopted for the study with the population from five outsourced banks operating in Ghana namely, Access Bank, prudential Bank, UT bank, fidelity bank and United Bank of Africa. The management and human resource staff were the focused of the study. A total of one hundred and fifty (150) respondents comprising of senior management and human resource staff from the 5 selected banks that outsource their

HR functions formed the sample size; with thirty (30) respondents from each bank the research tool used for data collection was questionnaires. They were grouped into two sections (A and B): Section A focused on the demographic characteristics of the respondents. Data collected from the banks was captured with codes into statistical software; Statistical Package for Social Sciences (SPSS). The SPSS was used to generate frequency on the set of responses on each question item and presented into tables and charts. This enabled the researcher to arrive at conclusions that moderate level of HR outsourcing being practiced in the banking sector of Ghana. Also as organizations strive to implement outsourcing, most managers have the improvement in customer service as a key strategy for outsourcing. HR outsourcing was recorded as having a positive and significant correlation with productivity. However a negative correlation was found between HR outsourcing and Affective commitment and Job satisfaction in the banking sector. It was identified that the level of productivity is positively affected by the use of HR outsourcing. This means that as organizations outsource some of the HR duties the level of productivity is increased. Hence a thorough benefit analysis should be done to help organizations outsource most of their activities the implementation of HR outsourcing will lead to reduced levels affective commitment and job satisfaction. These may be due to the way the outsourcing was implemented. Therefore. Strategies measures should be put in place before deciding on outsourcing some HR functions in the organizations. in other to minimize the negative effects of outsourcing

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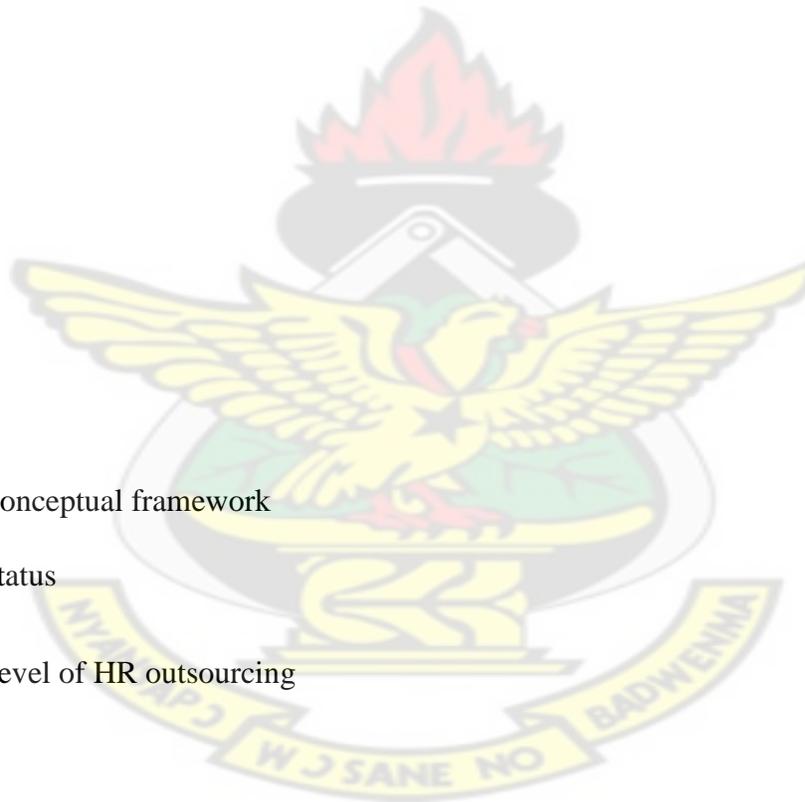
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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

In today's global business environment, firms are increasingly confronted with competitive, uptake of trendy technologies and corporate restructuring. These factors require of them to seek and sustain competitive advantage over their markets by emphasizing on profitability and productivity. For the reasons stated above and many others, firms embrace outsourcing either wholly or part of their businesses, to reduce cost or increase productivity. By adopting a well-managed outsourcing, businesses can obtain in markets that would derive the best resources to increase the efficiency and productivity of the firm. The marketplace for outsourcing services has advanced greatly in international trade and businesses.

The outsourcing industry has been a major contributory factor to the gradual shift of the primary industrialization hub from the west to most emerging economies such as China, India, and South Africa etc. largely because of cost of service or production. In Ghana, the outsourcing industry has the potential of attracting ransom profits in the medium and long-term which can facilitate the development of the business world in which they operate. . Offshore and in-country outsourcing services are the two dominant categories depending on the structure and the major business actors involved. Generally, outsourcing services could cover wide range spectrum of aspects of production or service delivery. These can include among many others; human resources, IT, back counter services, data management and accounting.

Many reports carried out in the past year have exhibited that the use of HR outsourcing is developing and ongoing with a rapid growth. There have been diverse reasons why many organizations have commenced to outsource their HR functions. Largely, firms contend that, outsourcing makes significant business sense and thus, could be beneficial to organizations by cutting down their overhead costs, acquiring adept staff from outside agencies, reducing the daily routine line of work of HR employees and enhancing efficiency and quality of the organization. Myriad of reasons buttress different outsourcing designs. According to Baldwin, (2001), some reasons that influence organizations to settle for HR outsourcing basically concern with cost and financial gains. Emergent modeling and movement designate that, other than cost there are other factors that propel outsourcing decisions in this present age. The decision-making process thus, is much composite than it regularly presented. This indicates that, cost is not the only prime factor to consider when making decisions to outsource since outsourcing decisions could be impelled by a number of composite, interconnected ideas in a bid to decrease the perils and uncertainty. It is fashioned in a manner that, the firms could leverage on its competitive advantage.

1.1. Statement of the Problem

Business outsourcing is emerging corporate strategy, particularly in the banking sector. The decision to outsource aspects of the banking business is made on several considerations. Ultimately, which form, shape or scope any business outsourcing will take, it must result in greater benefit to the organization in the short-to-medium term. Although different studies have attempted to assess and understand the various reasons for different forms of outsourcing in the banking sectors, no or little study is available in Ghana, which attempt to establish the implication of human resource outsourcing in the banking sector.

Although banks may have the benefit of learning from others that are already outsourcing, it is virtually counter-productive to spend additional resources to go through the mechanics of making outsourcing decision that are practically ad-hoc and generally based on the financials. This situation usually arises because of lack of information that will be a basis for decisions regarding HR outsourcing in the banking industry. This study therefore seeks to clearly establish the implication of HR outsourcing in the banking industry.

1.2 Research Objectives

The objective of the research is categorized into general specific objectives.

1.2.1 General Objective

The general objective of this study is to establish the implications of HR outsourcing in the banking industry.

1.2.2 Specific Objectives

The study focuses on achieving the following specific research objectives;

- (a) To Determine the level of HR Outsourcing in the banking sector
- (b) To determine the organizational strategies behind HR outsourcing in the banking sector.
- (c) To determine the impact of human resource outsourcing on employee attitudes and performance in the banking sector.

1.3 Research Questions

This study will therefore find answers to the following questions;

- (a) What is the level of adoption of HR outsourcing?
- (b) What are the strategies behind HR outsourcing

(c) What is the impact of human resource outsourcing on employee attitudes and performance in the banking sector?

1.4 Significance of the study

Outsourcing, in particular, HR outsourcing, in the banking sector is catching up steadily among various banks. Even though, an amount of work has been carried out on the various aspects of outsourcing, little has been done by these studies focusing on the implication of HR outsourcing in the banking industry. The study will contribute significantly to enrich existing data or literature regarding the implication of HR outsourcing. It will be a strong basis for further studies in the area of HR outsourcing. The findings of this study will also serve as a guide for HR practitioners within the banking industry regarding immediate and future decisions on HR outsourcing. Recommendations from this study will be useful to the banks currently using HR outsourcing to address existing challenges associated with the system.

1.5 Methodology

Structured questionnaire administration will be the research instruments to be adopted for this study. To regulate, analyze and understand the organizational motive for selecting particular HR outsourcing strategy, comprehensive desktop study and review will be done to review the banks level of adoption of human resource within the industry this will be the basis for designing and formulating questionnaires. The questionnaire will be tested before administration. Apart from eliciting the background, trends and the outlook of the HR outsourcing; specific criteria which boarder on training and the recruitment processes will be used to assess the impact of human resource outsourcing on employee attitude and performance of key frontline staff as well as the overall HR strategy of the bank. After the analysis of the quantitative data, the result will be discussed in the context of the objectives as basis for drawing conclusions and recommendations

1.6 Scope and Limitation of the study

This study focused on establishing the implication of HR outsourcing in the banking industry and covered a total number of 30 respondents from only five selected banks. The study was limited to a large extent in the sense that, it used only 5 different selected banks to represent the entire population of banks in Ghana. The study was also limited in terms of the limited time and financial resources allotted for an extensive study of this nature. Considering these factors, a greater sample could not be considered. The ideal option would have been selecting a much more representative sample of the study population. The research subject area to some extent was a limiting factor such that some of the respondents felt that decisions and information regarding HR outsourcing was entirely an internal matter not meant for public consumption. It took the researcher additional effort to persuade them and emphasize that the information being secured was solely for academic purposes. A few of the respondents however did not complete the questionnaires and some others did not provide accurate responses even though they were just of few and could not greatly affect the results of this study.

1.7 Organisation of the study

The research study is coordinated into five chapters. The first Chapter comprises the introduction to the study, made up of the background to the study and problem statement. In this chapter, the objective of the study is clearly outlined and the significance of the study highlighted and also outlines the organization of the study. An extensive and thorough review of relevant literature aimed at obtaining detailed knowledge of the subject matter being studied has been presented in chapter two. Chapter three features the methodology used in the research. Issues

described include population, sample, size, sample techniques, data collection procedures and instrument and data analysis. Chapter four presents an analysis and discussion of field data in line with the research objectives and details of the literature review. The summary of the study, conclusions drawn by the study and recommendations are presented in chapter five.

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CHAPTER TWO

LITERATURE REVIEW

2.12.1 Introduction

There are wide ranges of definitions on business outsourcing from the most consistent and accurate up to superficial and partial ones. The definitions by Ellram and Maltz, (1997), Kubr, (2002), and Greever, (1999) focus on different dimensions of the conceptual framing and the extent of scope of business outsourcing. Ellram and Maltz, (1997) stated that the sheer size of outsourced operations is the basis to determine the requirements that seeking to outsource. The study of Kubr, (2002) delimited the scope of outsourcing and reiterated that the resultant benefits of outsourcing resonate greatly with the principles of business efficiency and allocation of resources. The most useful and versatile of the definitions probably is the one put forward by (Greever), 1999. In his definition, he highlighted outsourcing as contractual handover of certain operations and business processes from an organization seeking to outsource to an external entity.

The overall concept of business outsourcing, particularly, in the banking sector, is perceived to underpin business efficiency and decision-making. It helps organizations to strive to enhance performance by cutting down costs and giving more attention on its main functions and activities. One business aspect that outsourcing has been most relevant is the rolling-out of human resource strategy. In a typical bank where parts of the businesses have been outsourced, greater efficiency, value for money and time and greater competitive advantage would inure. In

general, banking sector reforms have been characterized by budgetary restrictions which requires organizations to cut spending.

In the 1980s, there was significant redirection in business approaches. Businesses began thinking of outsourcing as alternative solution to achieving higher market competitiveness, although they started with fewer activities. On top of the most outsourced range of business operations include cleaning, IT, catering and security. Adler (2003); Cook, (1999); Galanaki and Papalexandris, (2005); Lilly et al., (2005) stated that HR activities have been increasingly outsourced and remains the fastest-growing segment over the past ten years.

2.2 Outsourcing Definitions

According to Brown and Wilson (2005, p. 24), outsourcing is “the act of obtaining services from an external source” such as management of information technology infrastructure, human resources and/or operations to a third party supplier for monetary payments over an agreed time period.” The scope of the definitions makes efforts to reflect the practical experiences on human resources outsourcing (HRO). For example, the use of the practice of “badge flipping” (which is the term used when an HRO provider assumes the employment responsibility for a share of the new client’s former human resource professionals) to demonstrate the dynamic nature of HRO gives an overall impression of how complex business outsourcing could look like.

McIvor, (2005) presented another dimension to the definition to outsourcing. He intimated that outsourcing “involves the sourcing of goods and services previously produced internally within the sourcing organization from external suppliers.” What is striking with his definition is that precluded underlying processes of internal function of organization that is seeking to outsource. Although this definition uses the input and output approach, hardly did it unpack the

underpinning business value of the decision to outsource across the entire demand-supply nexus. Linder, (2004) provided greater elaborations in his definition by indicating that outsourcing “include purchasing ongoing services from an outside company that a company currently provides, or most organizations normally provide, for themselves.” This view build on McIvor’s, 2005 definition by adding another layer on top of the scope of the definition by a qualification that, most organizations seeking to outsource normally maintain certain services to be delivered by themselves.

Lee and Hitt (1995) provided broader definition using the practice-approach. Their central message is that outsourcing also includes transferring value-adding activities and seeks to exclude activities such as advertising and independent auditing. The reasons for not including them are that they nearly universally outsourced by companies that are not directly selling these services to other companies.

Kotabe and Mol’s (2006) definition reflected modern principles of outsourcing and the interrelationships among them. According to them the notion that outsourcing may be considered as both a process and state is helpful in understanding the nuances it present to achieving operational efficiencies. They used example of “procurement of goods and services from external suppliers to depict the state of outsourcing whereas the opposite which is vertical integration or the production of goods or services as within the firm. Their definition also encompasses purchasing and subcontracting, which recalls Thompson’s categorization of interdependence mechanisms.

This study having recognized the multiplicity of definition for outsourcing will adopt Kotabe and Mol (2006) and apply it to HRO. Mol (2007) further summarizes the attempt to define outsourcing by providing three descriptions of outsourcing and refers to:

- (a) Those activities that are undertaken by outside suppliers.
- (b) The transfer of activities and possibly assets from a firm to an outside supplier.
- (c) Those activities that are undertaken by outside suppliers but could also be undertaken by the firm.

2.3 Rationale of business outsourcing

Most organizations decide to outsource for a variety of reasons; reduction in cost tends to be one of the key reasons for outsourcing. However, many researchers' views are in contrary that reduction in cost should not be the only factor to considered in the decision making processto outsource. For example, a study by Beaman (2004) shows "the real payoff from HR outsourcing is not in reduced costs, but in improved quality". Belcourt, (2006); Lever, (1997); Scott-Jackson et al., (2005) have explain that the "Other drivers of HR outsourcing are, achieving flexibility, and enhancing access to advanced technology",reducing risks and gaining specialized HR expertise (cited in Klaas, B.S, 2003).

Outsourcing the information system and accounting, is the most popular practiced organizational activities. There are lots of theoretical and empirical articles, but the academic literature on HR outsourcing is very small. The cost benefit analysis is the top and most important argument in the topic of human resource outsourcing.

“Empirical data from government agencies outsourcing to private suppliers generated savings in the range of 20-30 % in production costs”. (Anderson et al, 1986; Greer et al, 1999; Gupta et al, 1992; Kakabadse et al, 2002; Lever, 1997, and Vining & Globerman 1999). But some researchers in their studies suggested that when an organization is deciding to outsource some of their activities to an external source, there are other factors other than cost reduction which should be considered. These other reasons which are exposed in outsourcing by the researchers are specialized services, vendor-customer satisfaction, employee satisfaction and to gain competitive advantage. Adler (2003) noted that a review by the Granter group identified six factors which are considerable in decisions of outsourcing: “dependency risk, , relative proficiency, spillover risk, trust, strategic capabilities, and flexibility. The first four of these factors are short term factors, whereas the last two are considered more long term or strategic”.

However, in literature there is no defined procedure that identifies when outsourcing is most efficient and effective. Once a firm has decided to outsource the particular functions, it needs to find out the best supplier for specialized services. An external source providing a single supplier of services should be preferred to multiple suppliers for a number of reasons.

Firstly, it is very easy to supervise one vendor as it will save time of the HR staff. Secondly, a single supplier better understands the needs of client and provides integrated solution across the company. Thirdly, it is great advantage when a number of solutions are being bought from one supplier which enables a firm to confer upon a better agreement.

Lieven and De Corte (2008) published the first study on the commitment of Human Resource managers to make the decision to continue an outsourcing partnership with the present supplier of the services. They formed a model of HR manager commitment, testing affective commitment

and continuance commitment in outsourcing partnerships. This study found that affective commitment and the continuance of the outsourcing partnership was linked to frequency of HR outsourcing.

Brain S. Klaas, who has written a long theoretical study on the impact of HR outsourcing, found that, future benefit and risk should be accessed and analyzed before choosing an HR vendor. He accounted that, the small and medium enterprises in particular, are speedily adopting HR Outsourcing. He further analyzed that, there are other variables that can be affected by organizations which also vary from organizations to organizations, which are administration fees, staff time costs, HR outcomes and compensation costs. He suggested that, an organization that intend to outsource its HR functions, should completely research into these variables to see which benefits can be obtained in contrast lowering the costs.

At both strategic and operational levels, there are a number of reasons why banks want to outsource their business processes including HR activities. In literature, most studies have indicated the desire for cost savings may drive many outsourcing initiatives. Much of the literature identifies the desire to save costs as an explanation for why outsourcing occurs (Arnold, 2000; Aubert et al., 1996; Bienstock and Mentzer, 1999; Bergsman, 1994; Brandes et al., 1997; Fan, 2000; Kriss, 1996; Laarhoven et al., 2000; Vining and Globberman, 1999; Willcocks et al., 1995).

In theory, outsourcing for cost reasons can occur when external suppliers' costs are low enough that even with added overhead, profit, and transaction costs suppliers can still deliver a service for a lower price (Bers, 1992; Harler, 2000). One may wonder how an organization can achieve enough savings to cover an additional layer of overhead and still meet profit requirements yet perform a function for less than another organization already doing the function

With respect to the outsourcing of HR activity, earlier studies by Klaas et al., 1999 and Lever, (1997) have shown that organizations attempt outsourcing to cut down costs, attain access to HR expertise, realize workforce flexibility, and focus managerial resources on strategic matters and also to maintain workplace regulation. Superficially, it would seem that the most evident drive for outsourcing in the banking industries would be to make cost savings. However, the “make or buy” decisions at the heart of outsourcing are often quite complex. While short-term cost savings are usually seen as the major reason for outsourcing, recent research has shown that they are not the only one.

The desire to achieve “best practice”, to improve service quality, to focus upon the “core competences” of an organization, and to utilize new technology are also some of the prominent reasons offered by organizations (Kakabadse and Kakabadse, 2002).

The thought process for different drivers for business process outsourcing, has received strong theoretical support from economic theories of firms - especially transaction cost economics (Williamson, 1975), and the resource based theory of the firm (Barney, 1991). Transaction cost economics was applied initially to analyze the outsourcing of information technology, and only more recently to HR outsourcing (Klaas et al., 1999, 2001; Woodall and Gourlay, 2002). According to this, Activities that was most unlikely to incur high costs due to uncertainty, the threat of opportunism, asset specificity, frequency, and ease of measurement are the human resource activity which is most likely to be outsourced

Specialization and economies of scale are mechanisms used to achieve this level of efficiency (Klainguti, 2000; Ashe, 1996; Kakabadse and Kakabadse, 2000a; Quinn et al., 1990a, b; Roberts, V. 2001). In fact, cost savings due to outsourcing can be quite profound. Also another variable

that can drive outsourcing may be desire to save indirect cost. Having less employees requires less infrastructure and support systems (Fontes, 2000; Hubbard, 1993) which may result in a more agile and efficient organization. Some organizations outsource to achieve better cost control. Although organizations may outsource for cost related reasons, there are no guarantees that expected savings will be realized. There is increasing evidence that cost savings have been overestimated and costs are sometimes higher after outsourcing (Bryce and Useem, 1998; Cole-Gomolski, 1998; Pepper, 1996); Vining and Globerman, 1999; Welch and Nayak, 1992).

In addition to not realizing the costs that originally drove the outsourcing initiative, there are also some additional indirect and social costs that may be incurred (Gillett, 1994), (Maltz and Ellram, 1997). Indirect costs may include, transition costs contract generation and procurement, intangibles, contract monitoring and oversight and. Capital expenses incurred by the relationship should also be calculated (Hubbard, 1993; Bounfour, 1999; Burzawa, 1994; Cole-Gomolski, 1999; Kakabadse and Kakabadse, 2000a; Vining and Globerman, 1999). The literature shows that significant savings can result. However, savings are not a given. Apparently the effects of outsourcing on an organization's cost are not yet entirely understood and perhaps the variables and their relationships are more complex than expected.

Turning to the resource based view (RBV) of the organization, this provides another view on what HR activities might take into consideration when outsourcing, and also whether outsourcing is necessarily of advantage to an organisation. According to the RBV, only those HR activities that could not meet the criteria of, inimitability, durability and non-substitutability deliverability should be outsourced (Barney, 1991; Boxall, 1998; Priem and Butler, 2001).

The argument devolve on the identification of what are called “core competences” that are essential to that organisation. These attributes or dimensions are to be nurtured and maintained in-house. Lepak and Snell (1999) argue that externalization can be a way of rendering internal connectedness, by permitting a linkedwith core competences. But by what is entailed, this would mean that the selection of HR activity for outsourcing would be dependent upon preserving the “core competences” of the organisation and in definite circumstances which might prevent consideringHR outsourcing.

Many organizations share similar functions with the outsourcing of their various activities. The demands for increased productivity, profitability and growth in particular, have compelled organizations to analyzed their internal HR processes, and evaluate whether HR outsourcing is a business mechanism for attaining competitive advantage. Some authors identified that, firms can derive competitive advantage through outsourcing which could offer improve, faster and cheaper the best-in-world HR services (Jeffay, Bohannon and Laspisa 1997, p.42).

Switser, (1997) also has advanced point of view, he pointed out that, HR managers and other managers who outsource the transaction-based HR activates can liberate them of the laborrelating with strategic business issues (Switser 1997).

However, Huselid, (1995) argued that, competitive advantage can be diminishedby outsourcing some HR activities. He points out that some HR activities that are usually outsourced are seen as cost centers whiles other may create value as part of a firm’s strategic plans. From a strategic forefront, recruiting and selection are requisite activities in the firms in order to single out talents. If outsourcing these firm-specific skills may impede the ability of the firms to evolve unique competencies within their organisation.

Therefore, outsourced agencies who may lack firm-specific knowledge and engages in opportunistic behavior could restrain the development of distinctive competence and to cause inefficiencies as a result of outsourcing (Huselid 1995).

Some authors have also mentioned that, there are three benefits of outsourcing that also are drives firms to outsource their HR functions. These benefits comprise of, enhance value of the organization, to increase speed to change and cost reduction. Indeed, these are not only the benefits to the firms. Another benefit which is not mention in the article involves free sources for other intentions. For instance, outsourcing allows the firms to sublimate their resources from non-core business activities towards other activities and then figure out in focusing on customers' needs and to provide better customer service as well as improving quality of product and services to meet customer satisfaction.

2.4 Types of outsourcing

Outsourcing may originate in two modes. Firstly, outsourcing that develops through substitution of external purchases for internal activities and secondly, outsourcing which occurs in abstention. With regard to the former, the use of an internal supplier is interrupted in favor of acquiring from an external supplier which may be viewed as vertical disintegration. This appears to be the most widely acceptable type of outsourcing. Gilley and Rasheed (2000) depict the second type of outsourcing that occurs through *abstention*. Here, outsourcing need not to be narrowed to activities transferred to outside suppliers, which may also spring up when a firm buy goods or services which is not previously provided in-house. Abstention-based outsourcing dissent from basic securing of products and service because rendering of the good or service outsourced is within the adopted firm's managerial capability.

Outsourcing is thus, utilization of external resources and assets to perform those business activities which was previously handled by internal staff and resources. The “make versus buy” decision has a history as long as that of the trade of goods or services between people. Organizations have long employ contractors for very specialized modes of work or to level out spikes in their workload in their day to day activities. Nevertheless, subcontracting dissent from outsourcing in that subcontracting is basically engaging intemporal supplement of resources to an organization, while outsourcing engages the restructuring and redesigning of business functions on a more permanent ground, Gilley and Rasheed (2000).

2.5 Reasons for outsourcing

Generally, gaining competitive advantage is mostly the significant motive for firms to make decision to outsource their Human Resource activities. Knowledge derived from various written reports, emphasize on the matter that, competitive advantage to the organization can be rendered by the human resource system. In such situation, HR outsourcing a firm is utilizing more differentiated product and services likely from an environment that differs with other experts and the intellectual skills can assist a firm to attain a competitive advantage over its competitors’ secondly, reducing cost is the primary rationale behind outsourcing Human Resource functions has been outlined in literary.

compete for outsourcing is seen as substantially reducing the peril and cost, maximizing the firms flexibility, capacity, innovation capabilities, as well as creating chances for helping stakeholder gain value for their investments and returns. Evidently, most firms choose reducing cost of production operations. However, these reasons are not withstanding difficulties that could

impede the perceived benefits. Variety of the difficulties has been given as quality of HR services from vendors, inadequate employee planning to takeduties of the jobs, and lack of expertise to handle Human Resource outsourcing as the activist, (Roberts, 2001) competed

HR manger needs to reckon that all operations of outsourcing starting from how resources are efficiently and effectively utilize, how product and service could advance , is to give HR staff ample of time to focus on strategic roles such formulation and implementation of strategies to ensure that the organization meet their mission , vision and goals The matter is that Human Resource managers can execute more strategic roles which would move them slightly away from the normal administrative roles of recruitment and selection, payroll, keeping checks on employee absence records and focus much more on taking up challenging strategic activities that will create value for all the stakeholders of the organisation by facilitating the organization to achieve its mission and goals in other for them to achieve competitive advantage over their competitors within and outside their industry to maximize the profitability and productivity of the firm.

The technology advancement is taking lead when it comes to HR outsourcing. Because of technology advancement, there is the need for organizations to possess the modern equipment's and processes. Organizations preference is to buy outsourcing product and services, which will give them the modern and right service delivery. Many of these currentequipment's and systems demand unique proficiency and technical skills to carry out the various roles and activities. Therefore, firms with such demand go in for specialized functions by outsourcing.

In general, the adoption of HR Outsourcing by firms usually exhibit relatively highvariation among firms. To a greater extent, these variations seems to have little connectedness to the size, cost, or productivity of the role (Greer et al., 1999; Vernon et al., 2000), though Klass et al.

(2001) examined that, both the intensity of outsourcing and the perceived returns and benefits are affected by idiosyncratic HR practices, the size of the firm, and pressures that arise from different types of cost.

Literature on HR outsourcing happens to be narrow in general. It's a new phenomenon which is in its origin, since it is in the beginning phase of growth and development. Many organizations desire to outsource the activities of HR that are discretionary for instance, (training, payroll, legal advice and health and safety), activities which they regard as a non-cost effective to develop and maintain internally and the lack of internal expertise.

Although some researchers remain cautious about the future growth of HR outsourcing but as per the existing evidence, HR outsourcing has augmented significantly over the last decade. Training and payroll listed as the most favorite areas of HR outsourcing. In addition, recruitment, taxation, and legal compliance are most common functions which are outsourced very often.

However, employee relations, HR planning, career management, and performance appraisal are less likely to be outsourced, as these activities are considered to be the core competencies. Even so, there are no clear patterns of the types of HR activities that are outsourced.

2.6 Advantages of outsourcing

In general, organizations undertake outsourcing for number of reasons summarized below. It allows to

- A. Target their attention on their “core” business functions where they have expertise and are likely to do best.
- B. Obtain competitive advantage and gain profit from the expert service providers who may have specialized skill in the concerned areas.

- C. Gain greater flexibility and efficiency to cater with fluctuating labor requirements with the help of subcontractors.
- D. Reduces the risk factor of uncertainty to the vendor. And lastly, outsourcing provides opportunities to firms to choose most competitive tender to keep the future costs down.
- E. Save the direct costs by the on time provision of the human resource (e.g., reducing headcount and overtime working) and indirect costs (e.g., cutting administration and backup costs, saving recruitment and training costs, saving absenteeism costs, and reduced industrial relations problems).

The factors that underlie for outsourcing can be grouped into 4 general aspects. These reasons are:

- (a) *Costeffectiveness*
- (b) *Quality assurance*
- (c) *Risk transfer-*
- (d) *Focusattention on core business*

In addition, Domberger (1998) and Hendry (1995) offered a list of five advantages to outsourcing as follows: lower production costs, cost avoidance, strategic focus, flexibility and relational rents. More recently, Burkholder (2006), expanded the lists to include ten of the following: (a) acceleration of reengineering benefits, (b) access to world-class capabilities, (c) cash infusion,(d) freeing up resources for other purposes, (e) function difficult to manage or out of control, (f) Improved company focus, (g) making capital funds available, (h) reducing operating costs, (i) reducing risk and (j) resources not available internally

2.7 Disadvantages of Outsourcing

HR outsourcing practice is not without challenges. One of the most important challenging issues is the inability to maintain the continuous delivery of expertise and the retention of knowledge and skill internally. Most of organizations adopt outsourcing to save the training costs as they assume that the specialized service providers will deliver the key skills as per requirement. As Prahalad and Hamel (1990) pointed out, “outsourcing can provide a shortcut to a more competitive product, but it typically contributes little to building the people-embodied skills that are needed to sustain product leadership” (cited by Wray, G. N. 1999).

The deterioration in quality of service is also another most important factor in outsourcing, especially for those firms which are operating in a very competitive business environment. Employees of the firm often assess the service quality by comparing the result of the service and expectations of the service under the proposed change. Disadvantages of outsourcing that identified by Domberger, (1998) and Hendry, (1995) include the following: (a) hollowing out, (b) opportunistic behavior and (c) transaction costs, reduced learning and innovation.

According to Domberger et., al., giving out HR functions could reduce the amount of knowledge about the workforce controlled and owned by the organization. This may result in a sharp cut in the number of HR positions and may reduce the ability to attract high quality HR professionals. Transferring an HR activity to a vendor can take a year or more and the switching costs may make it very difficult and costly to return the activity in-house. This can lead the vendor to act opportunistically with respect to reducing service levels and pricing a contract renewal. Interfacing with another organization on critical business processes involves transaction costs such as monitoring the agreement, establishing and renewing the contract and the risk of the

vendor being acquired or failing that otherwise would not exist. Finally, any learning and resulting innovations that would provide higher quality and/or lower cost HR service are captured by the external party.

2.8 Concept of Business Outsourcing

There is slight dissent in literature concerning the significance of outsourcing as a management practice and its applications have accelerated dramatically in the last years. HRO has been the fastest growing area of business process outsourcing According to (Engardio, et al., 2006). There is a small understanding about the how of the term “outsourcing” is defined. HRO can include conveying the total functions of HR (e.g. payroll), or a part of the related processes (e.g. mailing paychecks, training, salary surveys etc.). Outsourcing decision may be strictly financial; however, it may also have strategic implications. Different contextual definition therefore exists but the most succinct one has been given by Elmuti, (2003), which defines business outsourcing as the “strategic use of outside resources to perform activities that are usually handled by internal staff and resources”.

2.9 HR Activities to be outsourced

When a firm makes the decision to outsource their HR functions, the organization needs to decide on first and foremost on which HR activities should be transferred to an external vendor and which should be handled internally. The firm who decides to outsource their HR activities do not only consider the make or buy decisions but also the analyze the impact of those HR activities to be outsource on the organizational performance For best result, there is the need for

organizations clarify the “core” and the “noncore” business activities . Finn (1999) suggests that “a fundamental differentiation can be drawn between HR “core” and “noncore” business activities of the organization. This include top-level strategy, HR policies, and line management duties and responsibilities (e.g. Rewards and compensation systems discipline and appraisal), while the non-core activities consist of expertise activities (e.g., recruitment and outplacement), routine personnel administration (e.g., payroll and pension), and professional HR advice (e.g., legal advice related to employment regulations)”. Hall and Torrington (1998) examine that, recruitment and selection, outplacement, “training and management development, and health and safety, are the more likely HR activities to be outsourced, because they were considered as the noncore or because the firm may not have the proficient to handle these functions with their internal staff. The literature outlines some of the HR functions which completely outsourced. These are employee recruitment and selection, training and development, payroll, healthcare benefits to employees, pension benefit and legal services

Irrespective of the speedy advance in the outsourcing of Human Resource activities, the empirical studies by Klaas, McClendon & Gainey, (2001), Gainey & Klaas, 2003; Klaas, 2003; Klaas, McClendon & Gainey, (1999) of Human Resource outsourcing focus on subjects like “the role of transaction costs”, “the impact of organizational characteristics”, “the relationship between HR department size and outsourcing activity”. Nevertheless, when to outsource the HR activity, is the most significant subject of outsourcing. Factors that allow organizations to perform the HR functions internally and factors that make the firm transfer their function to external sources propel the organization to reckon outsourcing.

2.10 Banking and HR Outsourcing

The banking sector among the service industry engages variety of outsourcing in-country and offshore services. In Ghana for example, most of the emerging banks have outsourced on counter, recruited and selected HR functions to third-party firms. The practice is gradually catching up in the service industry. Although it is expected that most banks or businesses would make sure the outsourcing options are often cost effectiveness hardly would its impacts or effectiveness be assessed at the strategic level. Number of studies; Balwin, (2001), Elmuti, (2003), Gewalda, (2009), have been conducted on outsourcing in general and in selected banking operations; none of them focus on HR outsourcing to assess its cost and performance effectiveness. HR outsourcing is critical to efficient performance for banking firms. This is largely because outsourcing of certain level of HR functions in the banking activities is believed to be cost-effective and ensure greater efficiency at all levels.

Banking HR outsourcing might include the following operational activities; recruitment and selection process; human capital management/talent Management, Payroll; Benefits; Employee Health and Safety Management; Employee and Background Checks. This study will focus on training and development as well as the recruitment process out of the many human resource activities which is practiced by the banking industries. Because different strategic reasons underpins HR outsourcing, a number of banking institutions in Ghana generally rely on these broad range of factors for branding their outsourcing strategy; Cost Saving- Operating Cost and Cash flow; focus on Core Business; and ensure flexibility.

2.10.1 Recruitment process outsourcing

Recruitment process is where an organization outsources their entire or part of their HR function such the recruitment and selection process functions to an outsider who is specialized in that field. The Recruitment Process Outsourcing Association describes the recruitment process outsourcing as: where a provider acts as an organization's internal recruitment function for an entire or part of its jobs. RPO providers handle the whole recruiting/hiring process from job profiling through the onboarding of the new hire, including staffing, technology, method and reporting. Where the recruitment process outsourcing is efficiently and effectively manage will improve the firms time to go through the recruitment process, maximize the quality of the candidate pool, provide verifiable metric, Government compliance and to decrease cost and improve Balwin, (2001),

2.10.2 Training and development

The economic value of training to the current corporation is open and unquestioned. However, to train internally or to transfer it to outside expertise is vital decision that is essential to configuring programs that truly support a company's business mission, visions and objectives. Some firms will have the option to re-create their in-house learning units by themselves so that training reflects business strategies and productivity objectives. But an increasing number of organization are exploring the various options of outsourcing their training needs to expertise who can reconnect training to core business objectives at a reduce costs and with high level of flexibility and efficiency. Balwin, (2001),

2.11 Conceptual framework

The processes firms go through before taking decisions on outsourcing of certain aspects of their business are largely influenced by contingencies (antecedents), such as strategy and competition with mediating variables on job attitude such as job commitment, job involvement and job satisfaction which is likely to affect the outcome on organization cost and performance.

There are different strategies alternatives that business organizations analyze concerning human resource outsourcing decision making and coming out with the best choice depending on the strategic fit for their organizations' vision, missions and goals. Strategy according to Johnson et al (2008) is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. The strategy option a firm chooses to go with, will influence the firm opting for human resource outsourcing as part of its grand strategy to either to reduce cost and risk and to increase profitability.

An organization who wishes to win over its competitors might result to practicing human resource outsourcing to aid them to focus on the core business activities and buy in service or products that were previously produced in-house that can provide better value for money. Michael Porter presented a convenient framework for exploring the economic forces that affect the profit of an industry. It is essential for an organization to have an absolute understanding not just of their competitor, but also of the nature of the competitive environment, particularly if you are to succeed in developing a sustainable competitive advantage to be able to respond from a position of strength to competitor attacks. Porter's five forces model which includes internal competitive rivalry, threat of entry, threat of substitution, supplier and buyer power, will be

peculiarly assistive when planning a competitor analysis within the existing organization environment. It gives a model for an analytic thinking of a range of micro-factors, which helps organizations attractiveness to be calculated and also enables firms understand the complexity of the market environment in which they operate to maximize their profit margins and market share.

The outcome of outsourcing decisions on organizational cost and performance can be affected by job attitude such as job commitment, job involvement and job satisfaction. Job commitment is the person's psychological bond to their company. Organizational commitment foretells work variables such as turnover, organizational citizenship behavior and job performance. Factors such as empowerment, job insecurity and employability, and distribution of leadership have been shown to be linked to an employee's sense of a firm's commitment.

Job satisfaction is normally described as the degree to which workers like their work. Most Researchers have outlined Job satisfaction for the past several years. Studies have been dedicated to working out the dimensions of job satisfaction, ascendant of job satisfaction, and the relationship between satisfaction and commitment. Satisfaction has also been analyzed under different demographics of gender, age, race, education, and work experience. Most studies on job satisfaction have been object towards the person-environment fit paradigm. Job satisfaction has been established to be an essential area of studies since one of the major motives employees give for resigning a job is when they are not satisfied. Most of the report on the relationship between commitment and satisfaction with one's job shows that if individuals are well contend they acquire intense commitment to their job and the organization. Kalleberg (1990) studied work attitudes of workers in the USA and Japan and found a correlation of 0.73 between job

satisfaction and organizational commitment of workers in Japan and a higher significant correlation of 0.81 among Americans

Job involvement is the extent to which an individual's bond to one's work transcends the standard stage of commitment. The worker can become so entangled with his or her job that it regards performance in other life responsibilities and role areas. People who are highly into in their job happens to be much more motivated and therefore are probable to channel all their energy, dedication and effort into their jobs and consequently should perform better than less involved individuals (Brown and Leigh, 1996). These mediating variables as have been explained can equally affect the organizational cost and performance as well as their decision to outsource human resource activities with the intention of increasing organisation performance and reducing cost to achieve competitive advantage over their competitors.



Conceptual Diagram of HR Outsourcing

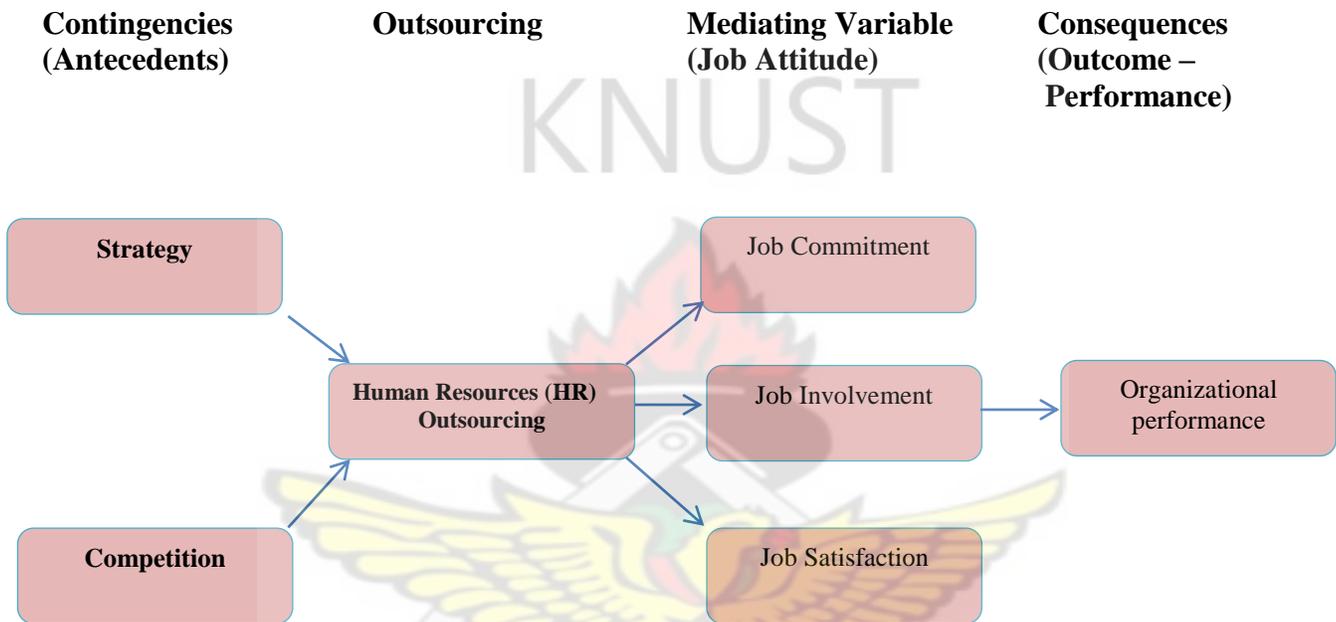


Figure 2.1: Conceptual framework

Source: researchers own construct

CHAPTER THREE

METHODOLOGY AND ORGANISATIONAL PROFILE

3.1 Introduction

Chapter two as have been thoroughly discussed earlier reviewed relevant literature and conception that link the research objectives and research questions regarding HR outsourcing. This methodology of the study shall be discussed in this chapter. The chapter begins by looking at the research design, target population for the research and also describes the sampling technique, tools and methods of data collection used.

3.2 Research Design

In the report of Smith and Albaum (2005) they considered research design as the detailed description of methodical and processes for obtaining the details and facts required to structure and figure out problems. The descriptive research approach was adopted for this study. Descriptive research is purpose to depict something, such as market characteristics or functions and comprises cross-sectional and longitudinal designs (Malhotra, 2010); while a causal research design is employed where the major objective is to acquire cogent evidence regarding cause and effect relationships (Malhotra and Birks, 2006). An exploratory research designed was adopted

for the study. This rendered the researcher to establish the implication of HR outsourcing in the banking industry.

3.3 Population

Malhotra and Birks (2006) defined population as the group of elements that possess the information sought and about which inferences will be made. It focussed on senior management and human resource staff from 5 selected banks namely; that outsource their HR functions namely; Fidelity Bank, Access Bank, UT bank, United Bank of Africa (UBA) and prudential bank.

3.4 Sample Size and Sampling Technique

The fundamental concept of sampling is that by choosing some of the elements in a population, we may take out decisions about the entire population (Cooper *et al.*, 1998). According Cooper (1998) it's not possible to address the total population in a research of this kind. He suggests that it formal to take a representation out of a study population to fulfill the requirement of accuracy and precision.

A total of one hundred and fifty (150) respondents comprising of senior management and human resource staff from the 5 selected banks that outsource their HR functions formed the sample size; with thirty (30) respondents from each bank. The respondents were selected using the non-probability sampling technique. The Convenience and purposive sampling technique was employed to determine the sample. Convenience sampling technique was considered in view of the fact that the researcher could not reach a larger sample to access data easily and also considering the limited time allotted for the study. Purposive sampling approach was also adopted in order to reach the most appropriate people for the study. Champion (2002) highlights

the advantage of convenience sampling. He indicates that convenience sampling is usually used when there is limited access to the wider population or there is the need to gather a sample quickly due to time constraints. He further adds that purposive sampling method is the best since with this method, the most appropriate people for the study are selected, this process becomes less time consuming and the results of purposeful sampling are also, usually expected to be more exact and more precise than that of other sampling methods.

3.5 Tool and Methods of Data Collection

The research tool used for data collection was questionnaires. They were grouped into two sections (A and B): Section A focused on the demographic characteristics of the respondents. Section B was on issues with regards to the implications of Human Resource Outsourcing in the banks. Some of the questions asked were close ended mainly for precision and straight analysis. Others were open ended ones because of the explorative nature of the research. Likert questions also formed part of the questionnaire. Since almost all the target respondents were well educated, the questionnaires were distributed to them to secure their response. Questionnaires were retrieved from respondents the following day, this was to allow them sufficient time to provide very accurate responses other than waiting on them as at the time of distributing the questionnaires which may end up having respondents giving inaccurate responses and provide responses as mere exercise to satisfy the expectation of the researcher. This procedure occurred with each bank. Duration of two weeks was used in the entire data collection exercise.

3.5.1 Validity and Reliability

In an effort to address the research aims and avoid ambiguity, pre-testing was done. Pre-testing was done on five respondents. The respondent's general reaction and interest about the questionnaire was also noted and the needed corrections and necessary adjustment were done in consultation with the research project supervisor.

3.5.2 Ethical Consideration

The research process was explained to the subjects. In response, there was voluntary participation of subjects after informing them of possible benefits. In order to ensure anonymity and confidentiality, names of the respondents were not ascertained to ensure that answers to questions asked and other information they disclosed had nothing to do with their identity and had no adverse implications.

3.6 Data Analysis

Data analysis involved coding and use of computer software. A total number of 150 questionnaires were distributed, but 128 questionnaires were finally collected, thus the data analysis was done on 128 responses which were in line with the actual sample size. Data collected from the banks was captured with codes into statistical software; Statistical Package for Social Sciences (SPSS). The SPSS would be used to generate frequency on the set of responses on each question item and presented into tables and charts.

3.7 The Banking Industry in Ghana

In Ghana, the finance services industry encompasses a wide range of firms that handles the management of money. In Ghana, the financial services industry is classified into three main settings (a)Insurance, (b)Banking and Finance (which includes Non-Bank Financial Services and

Forex Bureau) and (c) Financial market/capital markets. For banking and finance, operating organizations consist both foreign and local major banks, rural and community banks (RCBs), savings and loans companies (SLCs) and other finance and leasing companies. According to GIPC, at the end of April 2008, the number of organizations that existed in the various forms was as follows: (a) Banks [28], (b) Rural and Community Banks [129], (c) Non-Bank Financial Institutions [44] and (d) Forex Bureau [273].

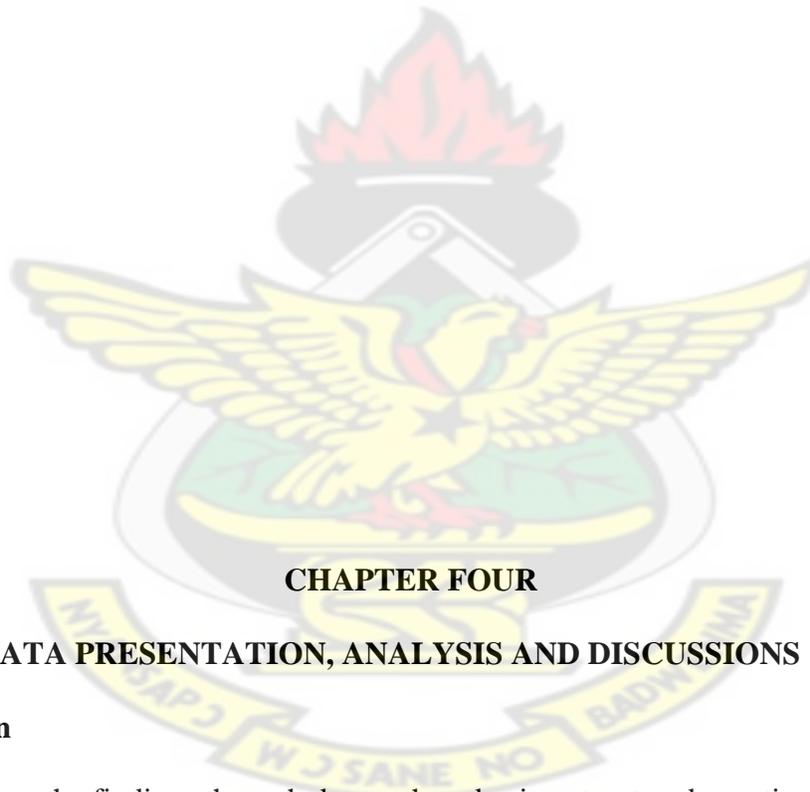
As of January 2008, advancement in the banking organization exhibits a continuum rise in asset growth which results more often from credit expansion. Banks' deposits and borrowings were used to fund the growth in assets. Total assets of the banking sector grew on an annual basis by 46.2 per cent to GH¢7,807.0 million as of January 2008, compared with 38.1 per cent growth for same period in 2007. As of January 2008 net loans and advances had grown to GH¢3,868.7 million, recording an annual growth of 59.2 per cent compared with growth of 37.6 per cent a year earlier. Banks' investments reached GH¢1,363.1 million in January 2008 recording a year-on-year deceleration of 0.4 per cent compared with 37.5 per cent in the 12-month period to January 2007. The growth in banks' foreign assets picked up in January 2008 reaching 54.7 per cent compared with the 20.7 per cent recorded during the same period in 2007. Credit- deposit ratio increased to 81.5 per cent as of January 2008 from 73.4 per cent in the same period in 2007.

Government has joined reforms in the industry through the Financial Sector Strategic Plan (FINSSP) which is purposed at widening and intensified the financial industry. Developed governance in the financial markets continues to be an essential focal point for an uninterrupted reform agenda. The Government of Ghana, aim to further the evolution of the financial industry

which is proper for the needs of a country moving towards middle income status through the implementation of the FINSSP. The vision of the FINSSP is one of financial sectors which react to the needs of the 21st century, especially given the expectation of greater international and regional competition and chance for Ghanaians who participate in the financial market. In accordant with the Government's vision, the project has an fundamental theme of setting up an enabling environment buttressed by effectual regulation, with an purpose that all savers and investors will have the gain of regulatory oversight. As a "second generation" financial sector reform program, it is acknowledged that the fundamental organizations mandatory for effectual provision of financial services are widely in order; the instead the aim is to allow these institutions is to operate much more effectually and efficiently.

Pursuing importantly the progress in the financial system, it much of greater expectations that the sector is now in a healthier shape to perform the effective role of control the financial resources to keep up economic growth of the country. The banking sector has responded to the changing market landscape in order to stay in competition. According to Ghana banking survey 2012, People-Customers, Employees and Shareholders will be the major ground upon which banks are likely to compete in the future. Therefore most of the banks are responding by putting in place strategic human interventions that will cut cost and ensure greater efficient. One of such interventions is out-sourcing.

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CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter shows the findings through data gathered using structured questionnaires. The study is focused on establishing the impact of Human Resource Outsourcing on Employees in the banking industry.

4.2 Demographic Data

The demographic data of the respondents were analyzed to discover if a particular group of people were more covered than the other. Here, a lot of areas in terms of respondents' background were covered. The demographic includes status, gender, age and education.

4.2.1 Status

From the responses gathered, 128 responses were received from the respondents. Out of the total 128 responses received, 99 employee responses representing 77% of the total. 29 respondents representing 23% were from management of the various banks.

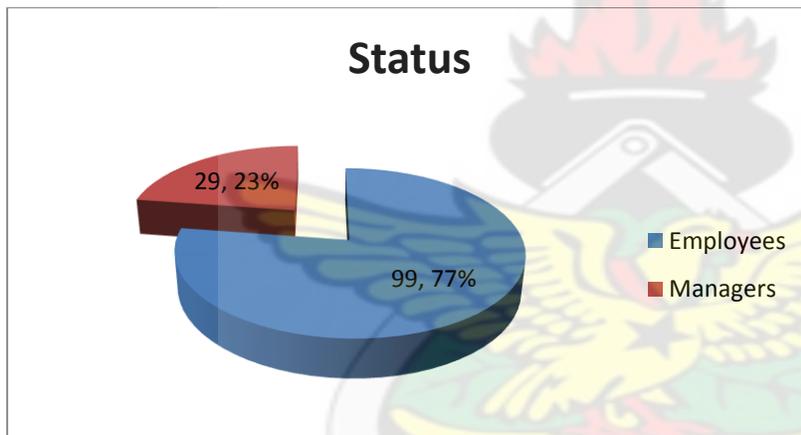


Figure 4.1 StatusSource: Researcher's field data, 2013.

4.2.2 Gender

The gender of the respondents was assessed for the purpose of this research. Gender of the respondents were assessed to enable the researcher determine how skewed the respondents are in terms of gender. Male respondents accounted for 54.3% of the valid responses which represent 69 employees and managers contacted. Females were 58 which represent the minority respondents accounting for 45.7% of the valid responses gained. The role females are now playing in the employment sector of Ghana.

Table 4.1 Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	69	53.9	54.3	54.3
Female	58	45.3	45.7	100.0
Total	127	99.2	100.0	
Missing System	1	.8		
Total	128	100.0		

Source: Researcher's field data, 2013

4.2.3 Education

First degree holders in terms of education were the majority of employees which account for 42.6% of the valid response. Master's holders also number up to 31.1% of our respondents for the study. HND holders only accounted for 25.4% whilst other forms of certification also accounted for the least minority of .8%. These people are lower forms of education.

Table 4.2 Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Master's Degree	38	29.7	31.1	31.1
First Degree	52	40.6	42.6	73.8
HND	31	24.2	25.4	99.2
Others	1	.8	.8	100.0
Total	122	95.3	100.0	

Missing System	6	4.7	
Total	128	100.0	

Source: Researcher's field data, 2013

4.3 Determine the level of Human Resource Outsourcing

Five areas that are mostly outsourced were asked of the areas they usually outsource. The information was subsequently computed and ranked to measure the level of outsourcing. Key areas like of HR which are usually outsourced are Payroll, employee relation, training and development, recruitment and selection and performance appraisal. The respondents were to indicate how many of these practices are actually outsourced. The higher the number of areas outsourced, the higher the level of out sourcing.

From the figure 4.2 most managers' responds relate to the fact that there is a moderate level of outsourcing in the banking industry this is explained by 43% of respondents pointing to the moderate level of adoption. Followed by Low level (38%), Very low (8%), very high (6%) and a high response of 5%.

These responses point to the fact that there is a moderate level of HR outsourcing being practiced in the banking sector of Ghana. Per the results, a response for moderate outsourcing is the dominant factor.

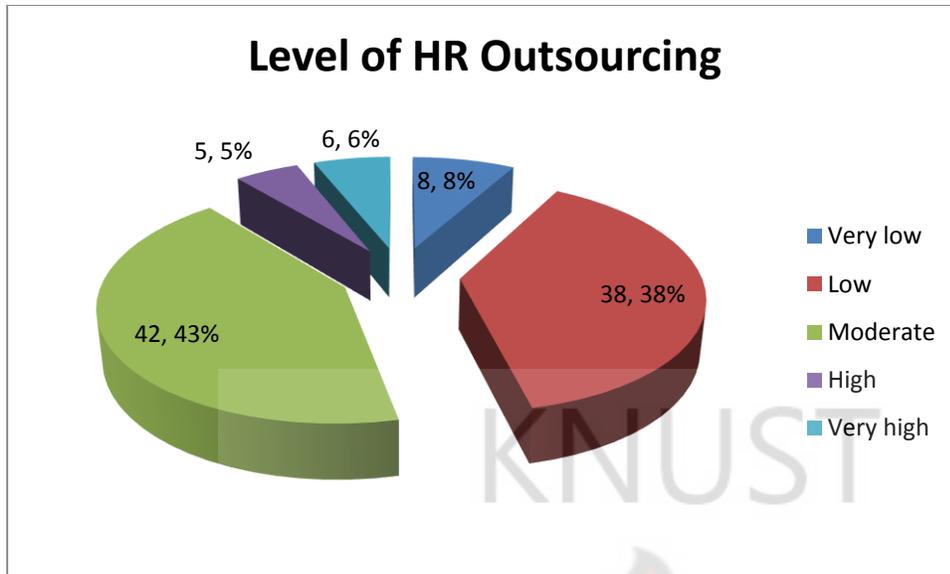


Figure 4.2 Level of HR outsourcing

Source: Researcher's field work, 2013

4.4 Determine the organisational strategies behind HR Outsourcing

The reason for different drivers for business process outsourcing, has received strong theoretical support from economic theories of organizations - particularly transaction cost economics (Williamson, 1975), and the resource based theory of the firm (Barney, 1991).

In determining the HR outsourcing strategy of the companies, respondents answered on a likert scale of 1 to 4. Where 1 is least dominant and 4 is most dominant reason. The strategies were classified under Cost cutting, Product Innovation, customer satisfaction and branding. A minimum of two questions were used to measure each strategy.

From the table the means of the various reasons are outlined below. On cost cutting, the two questions had means greater than 3 which is closer being the most dominant reason for HR outsourcing. However, operating efficiency recorded a mean of 3.53 which is higher than that

controls control of operating and overhead cost mean of 3.38. This shows that, on cost cutting, management viewed operating efficiency as a major reason for adopting HR outsourcing strategies in their banks. This is a deviation from what literature mostly revealed which showed that cost considerations were the most influential driver for HR outsourcing.

On product innovation, the three statements; Offering broad range of services, Improving or refining existing product or service and Developing new product or service recorded means of 3.37, 3.32 and 3.56. A study by Beaman (2004) shows that, “the real payoff from HR outsourcing is not in reduced costs, but in improved quality. This is deduced from the research findings above. Although all the measures are included as most dominant, developing new products and services was viewed as the most dominant amongst the rest.

Table 4.3 Descriptive Statistics on strategies for HR outsourcing

	N	Minimum	Maximum	Mean	Std. Deviation
<u>Cost Cutting</u>					
Control of operating and overhead cost	99	1.00	4.00	3.38	.65
Operating efficiency	99	1.00	4.00	3.53	.54
<u>Product Innovation</u>					
Offering broad range of services	99	1.00	4.00	3.37	.52
Improving or refining existing product or service	99	1.00	4.00	3.32	.60
Developing new product or service	99	1.00	4.00	3.56	.53
<u>Customer satisfaction</u>					
Offering competitive pricing for services	90	1.00	4.00	3.38	.75
Improvement of customer service	99	1.00	4.00	3.75	.47
<u>Branding</u>					
Innovative in marketing services	95	1.00	4.00	3.36	.61
Advertising and promotion of products or services	99	1.00	4.00	3.48	.71

Building brand and company identification	99	1.00	4.00	3.42	.53
Valid N (listwise)	90				

Customer satisfaction was measured with offering competitive pricing for services and Improvement of customer service. The questions recorded means of 3.38 and 3.75 which means that they are close to the most dominant category. In all, improvement in customer satisfaction had a higher mean of 3.7.

Branding was recorded with questions such as Innovative in marketing services, Advertising and promotion of products and services and Building brand and company identification. The means recorded for these were 3.36, 3.48 and 3.42. These means indicate that these reasons nearly fell into the most dominant category. This means that branding of the various banks was part of the reasons for outsourcing.

In all, almost all the strategies were dominant reasons for outsourcing. Amongst the strategies are Cost cutting, product innovation, customer satisfaction and branding. However improvement in customer service was the most dominant strategy for outsourcing. It recorded the highest mean of 3.75. This implies that as organizations strive to implement outsourcing, most managers have the improvement in customer service as a key strategy for outsourcing. This affirms Kakabadse and Kakabadse, (2002) findings.

4.5 Determine the impact of Human resource outsourcing on employee's attitudes and performance.

Employee attitudes were evaluated with affective commitment, Continuance commitment, normative commitment, job satisfaction and job involvement. The correlations of these employee attitudes and productivity were conducted to evaluate the relationship.

Table 4.4 below gives the responses received from these attitudes and productivity. The correlations recorded between HR outsourcing and Affective commitment ($r = -.153$, $p = 0.46$), Continuance Commitment ($r = -.177$, $p = .288$), Normative Commitment ($r = .037$, $p = .826$), Job Satisfaction ($r = -.345$, $p = .002$), Job involvement ($r = .037$, $p = .828$), Productivity ($r = .267$, $p = .048$)

Results between HR outsourcing and Continuance commitment ($r = -.177$, $p = .288$), though a negative correlation was recorded, no significant levels were recorded between the two. This means that there is no link between HR outsourcing and continuance commitment. Also Normative commitment recorded $r = .037$, $p = .826$, indicating a weak positive correlation but no significant level was achieved.

Affective commitment showed a correlation of $r = -.153$, $p = 0.046$ which indicates a negative correlation but significant relationship with HR outsourcing. This means that, as organisations outsource most of their activities, the level of employee's commitment to the organisation in terms of affection is greatly affected. This implies that as organisations outsource most of their activities, the level of employee's affective commitment is greatly reduced by outsourcing of most HR activities. From table 4.5 Job Satisfaction and HR Outsourcing reveal a negative significant correlation of with a p value of .002. This indicates a relationship between job satisfaction and hr outsourcing. This means that high levels of HR outsourcing will to a reduction in job satisfaction levels of employees. Charara (2004) extends that fact that the overall economic benefits of outsourcing are at the expense of the individual workers.

A Positive and significant correlation was recorded between HR outsourcing and productivity ($r=.267$, $p=.048$). This indicates that as organization outsource most of their activities; it leads to higher level of productivity within the organization. This is contrary to the work Klass et al (2001) which states that Outsourcing entails dramatic alteration in the nature of work, control, and organizational design which usually results in loss of productivity. Roberts (2005), such lower productivity can aggravate performance level that already unacceptable and inspire additional outsourcing.

Table 4.4 Correlations between HR outsourcing and

Control Variables			HR Outsourcing	Affective Commitment	Continuance Commitment	Normative Commitment
Gender & Age & Marital Status & Education	HR	Correlation	1.000	-.153	-.177	.037
	Outsourcing	Significance (2-tailed)	.	.046	.288	.826
		Df	0	36	36	36
AffectiveComm itment	Correlation		-.153	1.000	-.346	.325
	Significance (2-tailed)		.046	.	.033	.047
	Df		36	0	36	36
Continuance Commitment	Correlation		-.177	-.346	1.000	-.014
	Significance (2-tailed)		.288	.033	.	.932
	Df		36	36	0	36
NormativeCom mitment	Correlation		.037	.325	-.014	1.000
	Significance (2-tailed)		.826	.047	.932	.
	Df		36	36	36	0
Job Satisfaction	Correlation		-.345	-.536	.285	-.433

	Significance (2-tailed)	.002	.001	.083	.007
	df	36	36	36	36
Job involvement	Correlation	.037	-.190	.296	-.277
	Significance (2-tailed)	.828	.254	.071	.093
	df	36	36	36	36
Productivity	Correlation	.267	-.170	.146	.067
	Significance (2-tailed)	.048	.307	.381	.688
	df	36	36	36	36

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter incorporates the summary of research findings, conclusion as well as recommendations on the research topic. The study focused on establishing the implications of Human Resource Outsourcing in the banking industry. To arrive at a valid conclusion, the researcher sought to determine the level of HR Outsourcing in the banking sector, To determine the organizational strategies behind HR outsourcing in the banking sector and To determine the impact of human resource outsourcing on employee attitudes and performance in the banking sector.

5.2 Summary of findings

Here the researcher render a brief account on the outcome of the field work that is, what the research brought to their notice.

5.2.1 Determine the level of Human Resource Outsourcing

Most managers' responds relate to the fact that there is a moderate level of outsourcing in the banking industry this is explained by 43% of respondents pointing to the moderate level of adoption. Followed by Low level (38%), Very low (8%), very high (6%) and a high response of 5%. These responses point to the fact that there is a moderate level of HR outsourcing being practiced in the banking sector of Ghana. Per the results, responses for moderate outsourcing are the dominant factor.

5.3 Determine the organizational strategies behind HR Outsourcing

The rationale for different drivers for business process outsourcing, has received strong theoretical support from economic theories of organizations - particularly transaction cost economics (Williamson, 1975), and the resource based theory of the firm (Barney, 1991).

Operating efficiency recorded a mean of 3.53 which is higher than that controls control of operating and overhead cost mean of 3.38. This shows that, on cost cutting, management viewed operating efficiency as a major reason for adopting HR outsourcing strategies in their banks. This is a deviation from what literature mostly revealed which showed that cost considerations were the most influential driver for HR outsourcing.

Offering broad range of services, improving or refining existing product or service and Developing new product or service were used to measure product innovation. Means of 3.37, 3.32 and 3.56 were recorded respectively. A study by Beaman (2004) shows “the real payoff from HR outsourcing is not in reduced costs, but in improved quality. This is deduced from the research findings above. Although all the measures are included as most dominant, developing new products and services was viewed as the most dominant amongst the rest.

Customer satisfaction was measured with offering competitive pricing for services and Improvement of customer service. The questions recorded means of 3.38 and 3.75 which means that they are close to the most dominant category. In all, improvement in customer satisfaction had a higher mean of 3.7.

Branding was recorded with questions such as Innovative in marketing services, Advertising and promotion of products or services and Building brand and company identification. The means recorded for these were 3.36, 3.48 and 3.42. These means indicate that these reasons nearly fell into the most dominant category. This means that branding of the various banks was part of the reasons for outsourcing.

Almost all the strategies were dominant reasons for outsourcing. Amongst the strategies are Cost cutting, product innovation, customer satisfaction and branding. However improvement in customer service was the most dominant strategy for outsourcing. It recorded the highest mean of 3.75. This implies that as organizations strive to implement outsourcing, most managers have the improvement in customer service as a key strategy for outsourcing. This affirms Kakabadse and Kakabadse, (2002) findings.

5.4 Determine the impact of HR outsourcing on employee's attitudes and performance

Employee attitudes were evaluated with affective commitment, Continuance commitment, normative commitment, job satisfaction and job involvement. The correlations of these employee attitudes and productivity were conducted to evaluate the relationship. Correlations recorded between HR outsourcing and Affective commitment ($r = -.153$, $p = 0.46$), Continuance Commitment ($r = -.177$, $p = .288$), Normative Commitment ($r = .037$, $p = .826$), Job Satisfaction ($r = -.345$, $p = .002$), Job involvement ($r = .037$, $p = .828$), Productivity ($r = .267$, $p = .48$).

Continuance commitment ($r = -.177$, $p = .288$), though a negative correlation was recorded, no significant levels were recorded between the two. Normative commitment recorded $r = .037$, $p = .826$, indicating a weak positive correlation but no significant level was achieved. Affective commitment showed a correlation of $r = -.153$, $p = 0.46$ which indicates a negative significant relationship with HR outsourcing. This implies that as organizations outsource most of their activities, the level of employee's affective commitment is greatly reduced by outsourcing of most HR activities. Job Satisfaction and HR Outsourcing reveal a negative significant correlation of with a p value of .002. This indicates a relationship between job satisfaction and hr outsourcing. This means that high levels of HR outsourcing will to a reduction in job satisfaction levels of employees. Charara (2004) extends the fact that, the overall economic benefits of outsourcing are at the expense of the individual workers.

A Positive and significant correlation was recorded between HR outsourcing and productivity ($r = .267$, $p = .48$). This indicates that as organization outsource most of their activities; it leads to higher level of productivity within the organization. This is contrary to the work Klass et al (2001) which states that Outsourcing entails dramatic changes in the nature of work, control, and organizational design which usually results in loss of productivity. Roberts (2005), such lower

productivity can aggravate performance level that is already unacceptable and inspire additional outsourcing.

5.5 Conclusion

Responses point to the fact that there is a moderate level of HR outsourcing being practiced in the banking sector of Ghana. Per the results, responses for moderate outsourcing are the dominant factor. This is attributed to the fact that most companies are still not satisfied with outsourcing most of the HR duties in the company. These are usually due to the confidential nature of some HR activities. Some of these include Payroll and employees relations.

Almost all the strategies were seen as dominant reasons for outsourcing. Amongst the strategies are Cost cutting, product innovation, customer satisfaction and branding. However improvement in customer service was the most dominant strategy for outsourcing. It recorded the highest mean of 3.75. This implies that as organizations strive to implement outsourcing, most managers have the improvement in customer service as a key strategy for outsourcing. This affirms Kakabadse and Kakabadse, (2002) findings.

The evaluated attitudes, thus, affective commitment, Continuance commitment, normative commitment, job satisfaction and job involvement had different relations with HR outsourcing. However, a Positive and significant correlation was recorded between HR outsourcing and productivity. This indicates that as organization outsource most of their activities; it leads to higher level of productivity within the organization. This is contrary to the work Klass et al (2001) which states that Outsourcing entails dramatic changes in the nature of work, control, and organizational design which usually results in loss of productivity. Roberts (2005), such lower productivity can aggravate performance level that is already unacceptable and inspire additional

outsourcing. Other attitudes recorded negative significant correlations. These include Affective commitment and Job Satisfaction .others also recorded no correlations. These were Continuance commitment, normative commitment and job involvement.

5.6 Recommendations

It was identified that the level of productivity is positively affected by the use of HR outsourcing. This means that as organizations outsource some of the HR duties the level of productivity is increased. Hence a thorough benefit analysis should be done to help organizations outsource most of their activities.

Mixed results were obtained from the impact of HR outsourcing on continuance commitment, normative commitment and job involvement.No significant correlations were observed from the correlations. It is therefore advisable that, the implementation of HR outsourcing may not have shown significant correlations with these attitudes; it is likely that the continuous and negative influences of HR outsourcing may adversely affect the continuance commitment, normative commitment and job involvement.

The implementation of HR outsourcing will lead to reduced levels affective commitment and job satisfaction. These may be due to the way the outsourcing was implemented. Therefore.Strategiesmeasures should be put in place before deciding on outsourcing some HR functions in the organizations.in other to minimize the negative effects of outsourcing

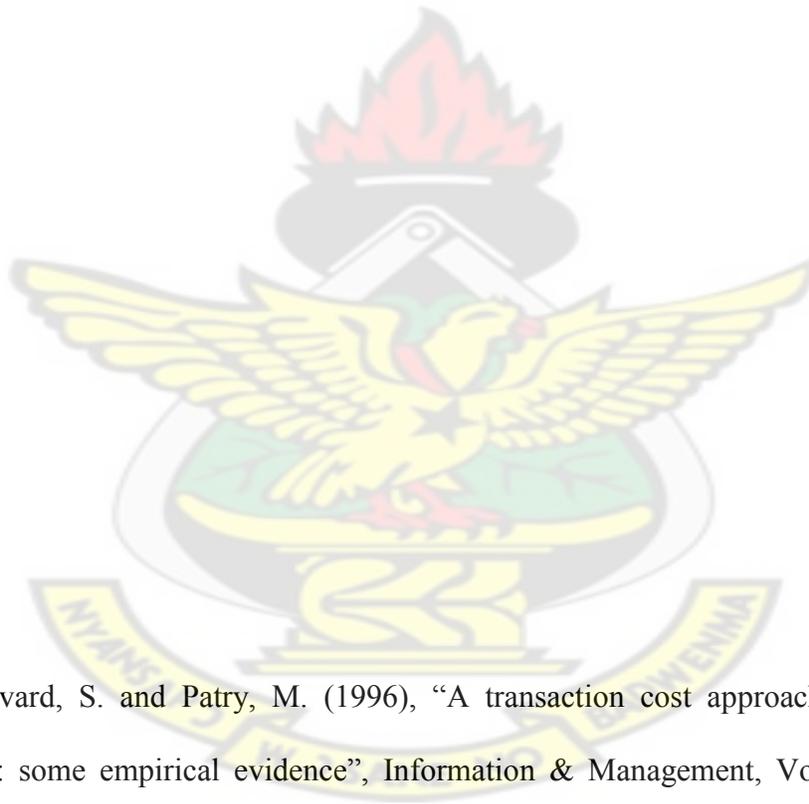
5.7 Directions for future research

The study recommends the following for future empirical studies:

1. Research should focus on ways to implement outsourcing in order to improve the positive attitude of workers toward their organizations.

2. Researchers should focus on finding ways and which combination of HR activities when outsourced will improve productivity and positive attitudes at work.
3. Research should also focus on the impact of outsourcing on job security in the Ghanaian economy.

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KNUST

Appendix 1

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY KNUST SCHOOL OF BUSINESS

QUESTIONNAIRE - MANAGEMENT

I am a student from KNUST undertaking a research in your organisation. The questionnaire is meant to solicit information on the implication of human resource outsourcing in the banking industry. The information will be used for academic purposes only hence confidentiality is assured.

1. Gender Male Female

2. Age (in years)
20 - 30 31 – 40 (c) 41 – 50 51 – 60
61 and above

3. Marital status: Single Married Divorced

4. Highest level of education
(a) PhD (b) Master's Degree (c) First Degree
(d) HND (e) others (specify)

5. Organization type (please tick one): public private

6. How long have you been working in this organisation?

Less than 1 year [] 1-5 [] 6-10 [] 11-15 [] 16-20 [] 21 and above []

7. How many hours on average do you work per day?

1-4 [] 5-8 [] 9-12 [] 13-16 [] 17-20 []

8. Current position of respondent: Management [] Non-management []

Please tick where appropriate

1. Level of competition in your industry

Low Competition [] High Competition []

Please tick where appropriate

Which of these HR function does your company outsource. Please tick as much as applicable.

Payroll []

Employee relations []

Training and Developing []

Recruitment and selection []

Performance appraisal []

Please tick where appropriate

INSTRUCTIONS: Please respond to the following statements by using the scale 1- 4 in the block that most accurately represents the strategy of your organisation

1 The least dominant	2 The next most dominant	3 The next most dominant	4 The most dominant		
Cost-Cutting1		1	2	3	4
1. Controls of operating and overhead cost					
2. Operating efficiency					

Product Innovation				
3. Offering a broad range of services				
4. Improving or refining existing product or service				
5. Developing new product or service offering				
Customer Satisfaction				
6. Offering competitive pricing for services				
7. Improvement of customer service				
Branding				
8. Innovative in marketing services				
9. Advertising and promotion of products or services				
10. Building brand and company identification				

Instructions: Please respond to the following statements by putting “√” in the block that most accurately represents your opinion concerning your experience at work using the following scale:

1 Strongly Disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly Agree
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Organizational cost				
Economies of scale				
My organisation enjoys economies of scale by outsourcing HR activities requiring high levels of subject matter expertise.				
My organisation is faced with many opportunities to fill customer needs and recoup their initial investment.				
Transactional cost				
my organization's the total cost of handling an HR activities internally is higher than cost of obtaining the results of those activities from an employment agency				
My organisation elect to outsource to avoid unreasonable costs that may be associated with defined benefits in labor-union contracts and taxes for government-mandated benefits				

The costs of making sure our partner employment agency sticks to the terms of the contract are minimized.					
The labor costs of my organisation is reduced					

From the statement below describe your company's performance in relation to other companies in the industry.

(1 = much worse than our competitors; 2=worse than our competitor, 3 = equal to our competitors; 4=better than our competitors, 5 = much better than our competitors)

	1	2	3	4	5
Improvements in customer satisfaction					
Customer retention					
Improvements in the communication with customers					
Reduction in the number of complaints or claims from customers					
Improvements in the range of products and services offered to our customers					
Being able to adjust to customers'					
Approaching customers quickly					

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
KNUST SCHOOL OF BUSINESS
EMPLOYEE QUESTIONNAIRE**

I am a student from KNUST undertaking a research in your organisation. The questionnaire is meant to solicit information on the implication of human resource outsourcing in the banking industry. The information will be used for academic purposes only hence confidentiality is assured.

9. Gender Male Female

10. Age (in years)

20 - 30 31 – 40 (c) 41 – 50 51 – 60
61 and above

11. Marital status: Single Married Divorced

12. Highest level of education

- (a) PhD [] (b) Master's Degree [] (c) First Degree []
 (d) HND [] (e) others (specify)

13. Organization type (please tick one): [] public [] private

14. How long have you been working in this organisation?

- Less than 1 year [] 1-5 [] 6-10 [] 11-15 [] 16-20 [] 21 and above []

15. How many hours on average do you work per day?

- 1-4 [] 5-8 [] 9-12 [] 13-16 [] 17-20 []

16. Current position of respondent: Management [] Non-management []

Instructions: Please respond to the following statements by putting an “X” in the block that most accurately represents your opinion concerning your experience at work using the following scale:

1	2	3	4	5
Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree

AFFECTIVE COMMITMENT					
I enjoy discussing my organization with people outside it					
I really feel as if this organization's problems are my own					
I think that I could easily become as attached to another organization as I am to this one					
I do not feel like 'part of the family' at my organization					
I do not feel 'emotionally attached' to this organization					
This organization has a great deal of personal meaning for me					
I do not feel a <i>strong</i> sense of belonging to <i>my</i> organization					
CONTINUANCE COMMITMENT					

I am not afraid of what might happen if I quit my job without having another one lined up					
Too much in my life would be disrupted if I decided I wanted to leave my organization now					
It wouldn't be too costly for me to leave my organization now					
Right now, staying with my organization is a matter of necessity as much as desire					
I feel that I have too few options to consider leaving this organization					
One of the few serious consequences of leaving this organization would be the scarcity of available alternatives					
One of the major reasons I continue to work for this organization is that leaving would require considerable personal sacrifice — another organization may not match the overall benefits I have here					
It would be very hard for me to leave my organization right now, even if I wanted to					
NORMATIVE COMMITMENT					
I think that people these days move from company to company too often.					
I do not believe that a person must always be loyal to his or her organization					
Jumping from organization to organization does not seem at all unethical to me					
One of the major reasons I continue to work for this organization is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain					
If got another offer for a better job elsewhere I would not feel it was right to leave my organization					
I was taught to believe in the value of remaining loyal to one organization					
Things were better in the days when people stayed with one organization for most of their careers					
I do not think that wanting to be a 'company man' or 'company woman' is sensible anymore					

INSTRUCTIONS: Please rate your response to the following statements by circling the appropriate number that describes your satisfaction level: **Key**

1 Very dissatisfied	2 Dissatisfied	3 Neither Satisfied nor dissatisfied	4 Satisfied	5 Very Satisfied
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JOB SATISFACTION	1	2	3	4	5
Generally speaking, I am very satisfied with my job.					
Most of the things I do at work are useful and important.					

The work I do is very meaningful to me.					
I feel a very high degree of personal responsibility for the work I do.					
I feel a great sense of personal satisfaction when I do my job well.					
I feel a sense of achievement in my career.					
I feel satisfied and happy when I discover that I have performed well on this job.					
My job is interesting					
My work is recognized/ appreciated					
I am satisfied with my income					
I have good relationship with my colleagues					
I consider myself part of the organisation					

INSTRUCTIONS: Please rate your response to the following statements by circling the appropriate number that describes your satisfaction level: Key

1 Strongly Disagree	2 Disagree	3 Neither agree or disagree	4 Agree	5 Strongly Agree
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Job involvement					
1. The most important things that happen to me involve my present job.					
2. To me, my job is only a small part of who I am.					
3. I am very much involved personally in my job.					
4. I live, eat, and breathe my job.					
5. Most of my interests are centered on my job.					
6. I have very strong ties with my present job that would be very difficult to break					
7. Usually I feel detached from my job.					
8. Most of my personal life goals are job-oriented.					
9. I consider my job to be very central to my existence.					
10. I like to be absorbed in my job most of the time					
Skill alignment					
This company has the people with the right knowledge and skill sets					
This company has all the expertise it needs to be successful					
We sometimes lack people with the knowledge and skills necessary to do the job right (reverse)					
Deployment alignment					
This company effectively utilizes people at all times					
This company consistently gets the most out of its employees' knowledge and skills					
This company provides people with ample opportunities to do their best possible work					
Contribution alignment					

The people in this company are always working to improve company performance					
The people in this company always act in ways that help the organization achieve its goals					
The people in this company are highly focused on realizing organizational results					

From the statements below describe your company's performance in relation to other companies in the industry.

(1 = much worse than our competitors; 2=worse than our competitor, 3 = equal to our competitors; 4=better than our competitors, 5 = much better than our competitors)

	1	2	3	4	5
Improvements in customer satisfaction					
Customer retention					
Improvements in the communication with customers					
Reduction in the number of complaints or claims from customers					
Improvements in the range of products and services offered to our customers					
Being able to adjust to customers'					
Approaching customers quickly					

