

**EFFECTS OF OUTSOURCING ON ORGANIZATIONAL PERFORMANCE IN THE
BANKING INDUSTRY IN KENYA: A CASE OF EQUITY BANK**

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ABSTRACT

Successful implementation of an outsourcing strategy has been credited with helping to cut cost, increase capacity, improve capacity, improve quality, increase profitability and productivity, improve financial performance, lower innovation costs and risks, and improves organizational competitiveness. The general objective of the study was to investigate the effects of outsourcing on organizational performance in the banking industry in Kenya with a case study of Equity bank. The study was guided by the following specific objectives: to find out if outsourcing increases return on investment in the banking industry in Kenya, to establish if outsourcing frees resources in the banking industry in Kenya, to investigate if outsourcing reduces costs in the banking industry in Kenya and to determine if outsourcing enables access to specialized vendors in the banking industry in Kenya. This research utilized the case study design. The population of this study consisted of Equity Bank employees at the head office. There are a total of 200 employees. A total of 72 out of a population of 200 Equity Bank employees were selected. Methods of data collection that were used involved both primary and secondary data. The data analysis included both qualitative and quantitative techniques. From the study findings it is clear that respondents thought outsourcing had an effect on organizational performance in relation to reducing costs, increasing quality, and enhancing a firms overall competitive position. Outsourcing also helped improve organizational performance through the increase of capacity, increase of profitability and productivity. In addition it was important to the organization performance because it improved financial performance, lowered innovation costs and risks as well as improving organizational competitiveness. The study concludes that it is possible that the rapid advances in Internet and communications technologies, for example, could have lowered the costs associated with seeking out suppliers and managing relationships with them. The study also concludes that as companies seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs and maintain quality by relying more on outside service providers for activities viewed as supplementary to their core businesses. It can be recommended from the study that firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization. The study recommends that the trend is for outsourcing relationships to function more as partnerships. Outsourcing providers are taking increasing responsibility in realms that have traditionally remained in-house, such as corporate strategy, information management, business investment, and internal quality initiatives. An organization must therefore analyze the effects expected to be achieved before deciding on what functions to outsource