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Effects of Outsourcing on Banking Staff Productivity: A Case Study of Barclays Bank Ghana Limited, Cape Coast-Ghana

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Abstract: *The objective of the study was to examine the effects of outsourcing on banking staff productivity, focusing on the challenges and benefits of outsourcing in Ghana with Barclays bank of Ghana Limited as a case study. Descriptive survey design was used. The census method was used to capture all the 29 staff of the bank made up of six managers, 10 permanent staff and 13 outsourced staff. Data were collected using questionnaire for both managers and permanent/outsourced staff. Descriptive statistical tools such as cross tabulation, frequency and percentage distributions were used to analyse the data. The findings of the study show that the bank outsourced for staff whose contracts are often renewed in every six months. Outsourcing reduces the bank cost and risk of operation. It put the bank in a position to have best practices in the banking industry. However, outsourced staff are not allowed to perform certain sensitive roles in the bank. Outsourcing of staff also de-motivates permanent staff. Based on the key findings and conclusions the study recommended to managers of the bank that they should request management to ensure that appropriate outsourcing strategies are used to boost the output and performance of the bank and it staff. Also, management must try to remove the fear being entertained by permanent staff that their job will be taken over one day by the outsourced staff.*

Keywords: *bank, Outsource, outsourcing practices, productivity*

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I. Introduction

For most of the 20th century, a successful firm was defined by its ability to own, manage and directly control all of its assets and processes. In the 1950s and 1960s, in order to protect profits, companies began to look for ways to broaden their base and take advantage of economies of scale (Agrawal & Farrell, 2003). This resulted in the emergence of diversification as a popular strategy. As competition became more global in the 1970's and 1980's, organisations found that diversification had actually bloated their management structures (Bardhan & Kroll, 2003). Consequently, they had lost their flexibility. To counter this undesirable development, many large companies began to consider outsourcing. Shifting focus to their core processes, they handed off non-critical procedures, to be managed by third parties (Chadwick, 2003). According to Samuelson (2004), it wasn't until the early 1990s, however, that outsourcing really caught on. Companies now focusing on cost-saving measures to increase revenues, realised the value of handing-off functions necessary, but not directly related, to their core businesses. The trend toward using outsourcing as part of an effective business strategy continues to the present.

Traditionally, headcount and cost reductions were the primary drivers of outsourcing initiatives. Today, however, outsourcing is a more strategic decision, focusing on core competencies. Some common reasons for outsourcing in the 21st century include improving company focus, gaining access to world-class capabilities and freeing internal resources - cash and personnel - for other purposes, for instance research and development (Kumar & Eickhoff, 2006). Other common reasons for outsourcing are requiring specific expertise for functions that are either time-consuming or are currently out of control and sharing risks and costs with a partner.

Outsourcing amounts to companies using suppliers to provide the necessary expertise and/or product to be assembled into an end product (Samuelson, 2004). The supplier system in the United States and around the world creates an environment where jobs may be sustained or increased depending upon the demand for a product or service (Elmuti & Abebe, 2012). How and where these jobs are located is what is creating concern over this concept.

To begin the decision to outsource specific operations or functions must be based on sound judgment not just a cost factor though cost is an integral part of an outsourcing decision. There is nothing wrong with this concept but when companies choose this option, it must be for the right reasons. The subject of outsourcing and the decision to use this concept is different for each company (Knittel & Stango, 2012). The justification and support is as different as there are products and services. It is necessary to evaluate several details or conditions before deciding to outsource operations/functions. Outsourcing is not for everyone and companies sometimes lose something in the process when they incorporate this concept (KPMG, 2012).

The main purpose of outsourcing is in effect to reduce costs and increase profit (Elmuti & Abebe, 2012). This is not a bad thing. Companies must make money to survive in the world economy as it is today. While it is up to each company and their management to make the decision for outsourcing, there is an impact to the employees and the consumer when outsourcing is used (Dele, 2012). Outsourcing for Ghanaian companies is a good thing if it creates or sustains jobs in Ghana but if the jobs are located in foreign countries this sometimes comes under fire in the media (KPMG, 2012). While I feel outsourcing jobs to foreign lands may be necessary in some cases, it is not always the right decision. Granted costs are involved but there are usually ways to work with employees to keep their jobs and still make a profit. Companies make a variety of products for which they do not have all the resources or talent in house to complete them for their final product. This is where the concept of outsourcing comes into play (Knittel & Stango, 2012).

Before outsourcing the resources of a company must be examined to determine if the capability exist within the company to provide the necessary capacity and expertise (Elmuti & Abebe, 2012). If these conditions are not present and cannot be developed, then outsourcing may be necessary. This is an aspect that should be examined before an outsourcing decision is made. Granted there are many complex issues and factors involved in the manufacture of many products consumers want. Outsourcing is not for every company but it is a necessary option for others. Outsourcing is normally used sparingly for direct control of operational performance (Dele, 2012).

According to Dele (2012), outsourcing creates the need for validating requirements that are accomplished per contractual terms and this in effect causes an increase in cost that may not otherwise exist. Though outsourcing and productivity is a known concept in the business environment, it effects has not been examined fully in the Ghanaian cultural context. It is in the light of this that the researcher wants to examine the effects of outsourcing on Barclays bank – Cape Coast staff, focusing on the challenges and benefits of the concept and its effects on the staff productivity.

Purpose of the Study

The purpose of the study was to examine the effects of outsourcing on banking staff productivity, focusing on the challenges and benefits of outsourcing in Ghana with Barclays bank of Ghana Limited, Cape Coast as a case study.

Research Questions

Based on the purpose of the study, the following research questions were formulated to guide the study. the questions were:

1. What are the categories of skills the bank outsource?
2. What are the benefits of outsourcing to the bank?
3. How does bank outsourcing links to it staff productivity?
4. What are the challenges the bank faces as a result of it outsourcing practices?

Significance of the Study

From a practical standpoint, the findings will be useful for examining the strengths and weaknesses of the staff of the bank with regards to outsourcing and its effects on their productivity. This information could have great bearing on the viability outsourcing in the banking industry. Both public and private companies in the country and beyond might use this information to become more competitive by helping their staff to develop positive attitude towards work through proper and appropriate outsourcing strategies. The present study will again enable managers of the various banks and other financial institutions to devise appropriate mechanism when outsourcing in order to increase the staff productivity. The study will serve as a guide to the design and implementation of effective outsourcing strategies for banks and other organisations in the service sector.

The findings of the study will enhances our understanding of outsourcing and provides a starting point for organisations that may see it fit to design or redesign the employees work or even the organisation as a whole. The study may acknowledge that making work interesting is not an easy task for any organisation, but using survey results like this one may guide the organisation in the right direction, which could make a whole lot of difference for both the employer and employee.

II. Delimitation

The study was delimited to Barclays Bank Limited – Ghana, Cape Coast branch. A single study cannot cover an entire spectrum of a problem, such as outsourcing and its effects on companies. Hence it is prudent to concentrate on an aspect of the problem. This is why the study was confined to examine the challenges and efficacy of outsourcing in Ghana with Barclays bank of Ghana Limited as a case study. The study focused on the challenges and benefits of outsourcing and its implementation.

III. Literature Review

Outsourcing is the contracting out of an internal business process to a third party organisation. The practice of contracting a business process out to a third party rather than staffing it internally is common in the modern economy. Outsourcing sometimes involves transferring employees and assets from one firm to another but not always (Kletzer, 2005). The definition of outsourcing includes both foreign and domestic contracting, and sometimes includes offshoring, which means relocating a business function to another country. The opposite of outsourcing is called insourcing, which entails bringing processes handled by third party firms in-house, and is sometimes accomplished via vertical integration. However, a business can provide a contract service to another business without necessarily insourcing that business process (Garner, 2005).

Outsourcing in Ghana first came into sight in the IT industry (Sourirajan, 2015). This was the time when companies acknowledged the benefits of having IT service partners in development of complex systems, and improved the way that a business process or service is managed. It paved the way for advent of a new genre of business approach, termed 'outsourcing' and in today's world it has become an entity, important at that, enhancing every business system. According to Sourirajan (2015), banks and financial institutions in developing countries normally outsourced ICT experts, tellers, security personnel and lead generators.

Research Methodology

The study aims at finding out the effects of outsourcing on banking staff productivity. Since the study entailed a survey of the branch/sales managers and outsourced/permanent staff views on the issues, situations and processes; the descriptive survey design was deemed the most appropriate.

Population, sample and sampling procedure

The target population for the study was all permanent and non permanent staff of Barclays bank Ghana limited while the accessible population was all permanent and non permanent staff of Barclays Bank Ghana limited – Cape Coast branch. According to Barclays Bank Ghana Limited – Cape Coast Brach (2017), the bank has six managers, 13 outsourced staff and 10 permanent staff. Meaning there are 29 employees in the Cape Coast branch of Barclays Bank Ghana. Due to the small number of staff in the Barclays Bank Ghana Limited – Cape Coast, the census method was deemed appropriate and feasible. Also, the census method was necessary since staff of the bank were quite different from each other. The staff, both permanent and non permanent were 29 and they were able to provide data that facilitated the examination of effects of outsourcing on staff productivity. Table 1 presents the distribution of the population used for the study.

Table 1: Distribution of Staff of Barclays Bank Ghana – Cape Coast Branch

Staff category	Frequency (Freq.)	Percent (%)
Branch manager	1	3.4
Sales manager	3	10.4
Operations manager	1	3.4
ATM custodian	1	3.4
Outsourced staff	13	44.9
Permanent staff	10	34.5
Total	29	100

Source: Barclays Bank Ghana Limited – Cape Coast Brach (2017).

Data collection instruments, procedures and analysis

Two set of structured questionnaires were used to collect data for this study. The internal consistency of the two questionnaires one for the branch/sales/operations/ ATM custodian managers and the other for outsourced/permanent staff of the bank were calculated using Cronbach's alpha. The Cronbach's alpha coefficients of the questionnaires generated were 0.721 for branch/sales/operations/ATM custodian managers and 0.787 for outsourced/ permanent staff with the help of Test Analytics for Surveys (TAfS), a tool of SPSS Predictive Analytic Software (PASW) Version 18.0.

Prior to the administration of the questionnaire, an informal familiarisation visit was made to the study area for the confirmation of the number of staff and to seek for more information concerning the staff and the bank. The branch manager of the bank was written to for permission to carry out the study in the bank. The heads of the various units, divisions and departments were given a copy of an approved letter to carry out the study in their various areas of control. The questionnaires were self-administered, but with some support from the heads and some senior staff of the bank. In order not to disturb the working hours of respondents, the researcher met with all the selected heads in each unit or division to explain the purpose of the study, to seek for their consent to participate in the study and to assure them of confidentiality. With the help of the Predictive Analytic Software (PASW) Version 18.0, the Test Analytics for Surveys (TAfS) was used for coding the data and analysing verbatim responses to close and open-ended items in the questionnaire. Descriptive statistical tools such as cross tabulations frequency and percentage distributions were used to analyse the data in order to answer the research questions.

IV. Results and Discussion

The first research question focused on the categories of skills outsourced by the bank. Table 2 contained the category of skills staff belong to in the bank. The table shows that majority (60.0%) of the permanent staff were tellers while 20.0 percent were security personnel or messengers. With regard to staff that were on contract, more (46.2%) were tellers while 15.3 percent were security personnel.

Table 2: The Category of Skills Staff belong to in the bank

Categories of skills staff belong to	Position of Staff				Total	
	Permanent		Contract			
	Freq.	%	Freq.	%	Freq.	%
Tellers	6	60.0	6	46.2	12	52.3
ICT experts	0	0.0	0	0.0	0	0.0
Accountants	0	0.0	1	7.7	1	4.3
Lead generators	0	0.0	1	7.7	1	4.3
Cash collectors	0	0.0	1	7.7	1	4.3
Clerks	0	0.0	1	7.7	1	4.3
Security personnel	2	20.0	2	15.3	4	17.4
Drivers	0	0.0	0	0.0	0	0.0
Messengers	2	20.0	0	0.0	2	8.8
Cleaners	0	0.0	0	0.0	0	0.0
Cooks	0	0.0	0	0.0	0	0.0
Waiters/banking hall executives	0	0.0	1	7.7	1	4.3
Caterers	0	0.0	0	0.0	0	0.0
Total	10	100	13	100	23	100

Source: Field Data, 2017.

In all, majority (52.3%) of the staff were tellers while 17.4 percent were security personnel. The views of the staff were triangulated with that of the managers. Out of the total number of managers captured for the study, 83.3 percent of them were of the view that the category of skills the bank outsourced was teller agents. In addition, the managers indicated that other categories of skills the bank outsourced were lead generators, security personnel, messengers and waiters/bank hall executives. The views of the managers confirm that of the staff. The findings are consistent with the view of Sourirajan (2015) who posits that banks and financial institutions in developing countries normally outsourced ICT experts, tellers, security personnel and lead generators.

The second research question focused on the benefits outsourcing will bring to the bank. The managers were asked to give the reasons why the bank outsourced some of the staff. The managers were of the view that the bank outsourced staff to reduce cost and risk of operation, to have best practices in the banking industry and to enhance the business. The managers further indicated that outsourcing helps the bank to improve and focus on customer satisfaction.

The views of the managers are congruent with the comments that outsourced staff enhance every business system (Kotler et al., 2001). Elmuti and Abebe (2012) added that organisations realise the benefits from an effective strategic outsourcing initiative which improved focus, as the outside 'experts' take on necessary but non-core responsibilities, increased customer satisfaction and reallocation of internal resources to core activities. Other benefits from an effective strategic outsourcing initiative according to Sourirajan (2015), are access to world-class capabilities, systems and services, without the need to build them from the bottom up, staffing flexibility, whereby staffing levels are 'in sync' with immediate needs and reduced operating costs, resulting in increased capital funds availability for things like research and development, market analysis.

The third research question focused on the link outsourcing has on the bank's staff productivity. Table 3 contains results on the benchmarks the bank uses to measure outsourced staff productivity. As depicted in the table, majority of the managers (83.3%) and staff (82.6%) indicated that the rate/speed with which a staff completes a given task effectively and efficiently is one of the benchmarks the bank uses in measuring the outsourced staff productivity.

Table 3: Benchmarks the Bank uses to Measure Outsourced Staff Productivity

Benchmarks the bank uses to measure outsourced staff productivity	Category of Staff			
	Managers		Staff	
	Freq.	%	Freq.	%
Rate/speed with which a staff complete a given task effectively and efficiently	5	83.3	19	82.6
Level of cooperation with colleagues in the bank	4	66.7	11	47.8
How the staff handles customers' enquiries on the banks services the bank renders	3	50.0	12	52.2

The error rate of the staff in question	4	66.7	10	43.5
The level of punctuality and regularity at work	4	66.7	12	52.2

Source: Field Data, 2017. (n1 = 6, n2 = 23)

However, with regard to the level of cooperation with colleagues in the bank, majority (66.7%) of the managers agreed that it is one of the benchmarks the bank uses to measure outsourced staff productivity while for staff only 47.8 percent agreed to the issue. Similarly, half (50.0%) of the managers and majority (52.2%) of the staff were of the view that how the staff handles customers' enquiries on the banks services the bank renders also serve as a benchmark used to measure productivity of outsourced staff productivity in the bank.

The findings support the submission of Dele (2012) who posits that employees who complete a given task as quick as possible, and those that have a good interpersonal relationship with their colleagues and customers of the company help in increase his/her productivity. It helps in promoting skills development, job creation, enterprise development and cooperatives. According to Dele (2012), worker to worker and worker to management relationship at work affects productivity.

Table 3 further shows that majority (66.7%) of the managers use error rate of the staff in question and the level of punctuality and regularity at work of a staff to measure the productivity of workers in the bank. Similarly, 43.5 percent of the staff agreed that the management of the bank uses the error rate of staff in question to measure their productivity. Again, majority (52.2%) of the staff confirm the views of the managers that the level of punctuality and regularity at work is a benchmark used by management to measure their productivity.

The views of the managers and staff corroborate with the views of Kotler et al. (2001). According to Kotler et al., happy employees are productive employees and it doesn't take a rocket scientist or a consulting firm to figure that one out. Negative attitudes such as absenteeism of employees can torpedo employee productivity much faster than nonstop basketball being streamed over the Web. According to Kotler et al., an employee with a positive attitude usually enjoys the work that they do and feels empowered and recognised for their contributions. An employee that is complacent and does not really enjoy their work, but is simply there for a pay check usually does not produce at a high level, develops a bad attitude and generally drags a team down (Dele, 2012). Therefore, it is appropriate for management to use staff level of punctuality and regularity at work to measure their productivity.

Further data were elicited concerning what management does to increase worker productivity. The results show that majority of the managers indicated that they normally motivate staff to increase their productivity. They further stated that other things they do to increase staff productivity are continuous assessment of staff, health and safety issues and internship study tours. The views of the managers corroborate with that of Garner (2005) who found that, among other things, an employee's productivity is determined by their relationship with their immediate supervisor. When the bad boss fails to keep promises, never gives credit when due, makes negative comments, or blames others for their mistakes, does not care about employee health and safety issue, non assessment of employees, the productivity level of their employees is significantly impacted.

The last research question examines the challenges the bank faces as a result of it outsourcing practices. Table 4 presents findings on the means through which outsourced staff channel their grievances. Majority of the permanent staff (60.0%) and those on contract (53.8%) indicated that they channel their grievances through the management. The views of the staff are incongruent with that of the managers. The managers were of the view that the bank receives grievances from the outsourced staff through the employer agency.

Table 4: Means through which Outsourced Staff Channel their Grievances

By what means do you channel your grievances to the bank?	Position of Staff: Permanent		Contract		Total	
	Freq.	%	Freq.	%	Freq.	%
Direct to the management	6	60.0	7	53.8	13	56.5
Through my employer agency	4	40.0	6	46.2	10	43.5
Total	10	100	13	100	23	100

Source: Field Data, 2017.

Respondents were further asked to indicate some of the things they expect the bank to do for the contract staff. They were to indicate some of the challenges the bank faces regarding it outsource practices. The results are presented in Table 5.

Table 5: Respondents View on some of the Challenges the Bank Faces as a Result of it Outsourcing Practices

Challenges the bank faces as a result of it outsourcing practices	Category of Staff			
	Managers		Staff	
	Freq.	%	Freq.	%
Job security is not assured	6	100	19	82.6
Certain sensitive roles must not be performed by outsourced staff	6	100	18	78.3
It does not enhance productivity of work	2	33.3	9	39.1
It de-motivate permanent staff	4	66.7	17	73.9
Cost in retraining outsourced staff	2	33.3	11	47.8
After sometime in the bank they want to be confirm as permanent staff	2	33.3	10	43.5
They want to be treated the same as the permanent staff	1	16.7	14	60.9

Source: Field Data, 2017. (n1 = 6, n2 = 23)

Table 5 contains findings on some of the challenges the bank faces as a result of it outsourcing practices. All (100%) the managers of the bank were of the view that the outsourced staff job security is not assured in the bank and also they are not allowed to perform certain sensitive roles in the bank. These challenges indicated by the managers are consistent with that of the staff. The table shows that 82.6 percent and 78.3 percent of the staff respectively stated the same challenges identified by the managers as a challenge the bank faces as a result of outsourcing practices by the bank.

The views of both managers and staff are consistent with the comments of Elmuti and Abebe (2012) who posit that most companies' fear of service outsourcing focuses on the job security of the outsourced employees and also certain sensitive positions in the company may not be advisable for outsourced staff to involve in. According to Sourirajan (2015), since outsourced employees are not permanent staff of the company, the company cannot afford to create room for people to know certain vital information of the company that their competitors can use against them in such a competitive environment. Security in terms of health and safety measures at work greatly affects worker performance positively or negatively. Worker productivity is positively affected where a worker feel secured in a particular work environment and vice versa.

The table further shows that both managers (66.7%) and staff (73.9%) of the bank were of the view that outsourcing practice done by the bank de-motivates permanent staff. Majority (60.9%) of the staff further stated that the outsourced staff in most cases normally want to be treated the same way as the permanent staff. The findings are consistent with the comments of Sourirajan (2015) who commented that if the staff is not properly motivated or if the service provider does not do a good job with knowledge transfer, this can cause decreased efficiency in service delivery and possibly introduce operational risk. In other words, if permanent staff of the bank are not oriented well with regard to outsourcing practice, they can be de-motivated which will affect productivity in the long run. A good supervisor will motivate, inspire, encourage and reward good performance. A poor supervisor, of course, is just the opposite, only in multiples. Employees who do not have a direct connection with the company begin to lose all the reasons for wanting to do that little bit extra and take the additional time to make something right. Therefore, for the bank to increase productivity, managers must ensure that they motivate both permanent and outsourced staff of the bank.

V. Conclusions

Barclays Bank Ghana limited – Cape Coast normally outsourced for teller agents, lead generators, security personnel, messengers and waiters/bank hall executives. These outsourced staff work till the bank closes in a day. Outsourcing brings many benefits to the bank. Some of the benefits are that it reduces the cost and risks in operations. It puts the bank in a position to have best practices in the banking industry and to enhance it business. It also helps the bank to improve and focus on customer satisfaction. However, outsourced staff job security is not assured in the bank and also they are not allowed to perform certain sensitive roles in the bank. Outsourcing of staff also de-motivates permanent staff because the outsourced staff can one day take over their job.

Outsourced staff level of productivity are measured by management using benchmarks such as the rate/speed with which staff complete a given task effectively and efficiently, the level of cooperation with colleagues in the bank, how the staff handles customers' enquiries on the banks services the bank renders and the error rate of staff in question and the level of punctuality and regularity at work of staff. Most of the outsourced staff are normally motivated by management to increase their productivity. They are also being assessed continuously. Again, their health and safety issues and their internship study tours are also emphasised and to ensure that they are productive enough for the bank.

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