EFFECT OF OUTSOURCING ON STRATEGIC COMPETITIVENESS OF COMMERCIAL BANKS IN KENYA; A CASE OF KISUMU COUNTY

Muhadia, C. J., Kadima, M. J., & Miroga, J.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com

Vol. 9, Iss. 1, pp 1014 – 1029. March 28, 2022. www.strategicjournals.com, ©Strategic Journals

EFFECT OF OUTSOURCING ON STRATEGIC COMPETITIVENESS OF COMMERCIAL BANKS IN KENYA; A CASE OF KISUMU COUNTY

[1] Muhadia, C. J., [2] Kadima, M. J., & [3] Miroga, J.

[1] Master Student, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya
[2] Lecturer, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya
[3] Doctor, Lecturer, Jomo Kenyatta University of Agriculture and Technology [JKUAT], Kenya

Accepted: March 17, 2022

ABSTRACT

Crucial challenges facing organizations is to build sustainable competitive organizations. Change in strategic initiatives; mergers and acquisitions, new product and market strategy, joint ventures, strategic alliances, diversification, and outsourcing calls for organizational restructuring and embrace an integrative mechanism that cements this changes. In highly competitive financial industry in Kenya, restructuring decision is considered necessary for out weighing competitors. Therefore, this study sought to establish the effects of outsourcing on strategic competitiveness of commercial banks in Kenya Kisumu County; Kenya. The study employed descriptive survey research design on Population target of the management of commercial banks from the region. A sample size of respondents was drawn from the population using stratified random sampling method. Data collection was done by use of structured Questionnaires.Analysis of data was done by use of statistical package for social sciences (SPSS 24) for the purpose of solving concerned information of descriptive and inferential content of the study based on descriptive statistics of (frequencies, percentages and means), correlation analysis, and regression analysis. The results revealed that Outsourcing effects of organization restructuring influenced strategic competitiveness of commercial banks in Kenya, Kisumu County; Kenya. The study concluded Outsourcing had a significant influence on Strategic Competitiveness of commercial banks in Kenya. Study recommendation was that the more an organization outsourced the higher her organizational growth and organizational productivity. More so, the study recommended for further research on Outsourcing practice to be carried out on identifying other elements that could be critical to the success of organization development.

Key words: *Outsourcing, Organization Restructuring, Strategic Competitiveness.*

CITATION: Muhadia, C. J., Kadima, M. J., & Miroga, J. (2022). Effect of outsourcing on strategic competitiveness of commercial banks in Kenya; A case of Kisumu County. *The Strategic Journal of Business & Change Management,* 9 (1), 1014 – 1029.

INTRODUCTION

The existence of a turbulent business environment has encouraged decision-makers to formulate how to strategically position the organization or business unit for the future and gain competitive advantage over others (Sauerhoff, 2014).Organizations have been under-competitive pressure to compete for survival, and stay important on the market (Mahdavian, Mirabi, & Haghshenas, 2014).Managers must therefore be strategic in every aspect of the organization's management function, taking into account the changing business environment characterized by rigid competition, raised stakeholder expectations and the need to maximize the use of organizational resources through more efficient operation (Cao, Wang, Luo & Tan,2018)

In the study by Zhu and Cheung (2017) on states of divesture, most influenced business associations are commercial banks whose working condition has mirrored a number or players developing with similar and even extraordinary item offerings that influence their item execution. Some of these players incorporate micro-finance institutions; Sacco's and the mushrooming cell phone based small scale crediting firms. As per Ling and Li (2016) changing condition requires a change in vital activities.

In the study by Kuo, Lin and Lu (2017) on core competence of corporation, crucial challenges facing organizations is to build sustainable competitive organizations. Ashmos (2000) stipulates that change in strategic initiatives; mergers, acquisitions, new product, joint ventures, strategic alliances, diversification, and outsourcing calls for organizational restructuring and embrace an integrative mechanism that could cements this changes. A prominent view of organization structures as supported by Porter (1985), structures follow strategy, as structural designs pull together key activities and resources of firm, successful strategy implementation depend largely on a firm's primary organization structure.

According to Mathur and Nair (2015), mismatch between strategy and the structure leads to inefficiency in all cases and hence a less than optimal input/output ratio and more so, affect performance. In the study by Marek and Blazek (2016) on beyond strategic planning to organization learning, changes in environment liberalization and globalization necessitates a change in the organizational restructuring process for sustainable performance, hence restructuring of a firm helps to identify key activities and how they would be coordinated in order to achieve strategic purposes and hence improve its performance.

In Camiso and Fores's study (2015) on Strategic Competitiveness, it is an organization's ability to conduct activities in a more distinct way than rivals, thus realized by organizational structure and processes of implementation. As per Lopez-Camero, Molin and Zorin (2016) an association is said to have competitive advantage of it makes or can possibly make higher benefits contrasted with its adversaries inside a similar market. Ling and Li (2016) contended that competitive advantage was a company's capacity to win restores that could reliably be over the normal for the business. In the study by Fraj ,Matute and Malero (2015) competitive advantage was feasible if rival firms couldn't duplicate wellspring of competitive advantage or concoct a superior contribution. As indicated by Cao, Wao, Luo and Tan (2018) henceforth competitive advantage could be brief or manageable. All the more so competitive advantage procures a firm high benefits, the benefits draw in rival firms to discover the fruitful firms' privileged insights, coming about to impersonations or counter measures by rebuilding approaches subsequently restricting the life span of competitive advantage.

In the study by Manar (2014) on core competence of a corporation, organization restructuring and strategic competitive policies are intertwined. Organization success over the competitors depends much on how the management deals with the existing strategies and involve in restructuring if need be for better operation that could result high margins. Chen, Wu And Wu (2015) defines restructuring as the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs. In study by Camiso and Fores (2015) on organization restricting, the definition embraced was as, planned changes in a firm's organizational structure that affect its use of people. Tan, Ochoa Langston and Shen (2015), on contrary defined organizational restructuring as altering of the size and basic configuration of the organizational chart. Whatever the scale of existing companies, they must be part of the global business environment that influences and is influenced by social change, events and pressures from all over the world. It is so because a evolving, dynamic, volatile, discontinuous and highly competitive market climate (Olanipekun, 2014); more so, the connection among business and society has changed fundamentally, hence key drivers of this change have been globalization of trade, expanded size and impact of corporate associations, the repositioning of government and the rise in the key significance of stakeholder's connections, information, and brand reputation. The adjustments in the environments call for changes in methodologies in taking care of businesses thus promising rebuilding for competitiveness and also reacting to complexity and sophistication of business decision making. Africa being a developing continent, strategic competitiveness still possesses inefficiencies that are of internal and external exercises that require present day responsibilities. Both internal and external condition give a test on how the association ought to restructure the strategies and face truth of what business ought to be (Olanipekun, 2014). Organizational restructuring could be characterized as essential reconsidering and radical upgrading of hierarchical structures, business procedures, systems and useful structures (Porter, 1985).What is evident from these concepts is that the idea that some practices within the company value chain are more important to the success of the business plan than others is at the core of the transformation process.

Statement of the problem

Business environments have been enlarging globally due to many organizations indulging in technological changes. According to Kumar (2015), trading transactions have become paperless allowing real time executions and as well enabling immediate response to the clients, hence justifying competitive strategies employed by organizations for sustainability and growth. Increase in the banking sector environment has encouraged complexity in strategic competitiveness among organizations. In the study by Mutunga and Minja (2014) on commercial banks, many banks and micro- finance firms have sprung up and for long-term survival such firms require strategic competitiveness, otherwise many firms fail to succeed on the market. Many studies have been done by researchers on strategic competitiveness, among them Kumar (2015) but did not link Outsourcing practice and strategic competitiveness on commercial banks specifically in Kenya. This necessitates for a research gap to be explored on Outsourcing on strategic competitiveness. In the study by Munga (2018) on challenges facing banks, several banks have actively resorted to organizational restructuring in a bid to maximize on their resources and compete among themselves. The high operating costs and rising income to expense ratio created are driving the bank's policy decision makers to come up with transformation agenda to review their business models, structures and strategies, processes and procedures, risk management mechanisms as well as people related issues like numbers, placement, remunerations, performance management. Hence, this study established the effects of Outsourcing practice on strategic competitiveness of commercial banks in Kenya.

Objective of the Study

The study established the effects of Outsourcing practice on Strategic Competitiveness of Commercial banks in Kenya, Kisumu County; Kenya.

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

The study was guided by the following research hypothesis;

- **H_{01}**: Outsourcing has no significant effect on Strategic Competitiveness of Commercial banks in Kenya, Kisumu County; Kenya

LITERATURE REVIEW

Theoretical review

Resource Based View Theory

Resource-based view of the firm and the resultant resource-based theory provide an important framework for explaining and predicting the basis of a firm's competitive advantage and performance (Vorhies& Morgan 2005). In the study by Barney (1991) on firm's success, prior works had identified organizational resources as important to a firm's prosperity; it was not until 1980s that the resource based view of the firm began to take shape due to increase in emerging firms and widening of business environment. According to Peteraf and Barney (2003), a firm could achieve a competitive advantage when it was able to generate "more economic value than the marginal (breakeven) competitor in its product market". In the study by Mwailu and Mercer (1983) on resource-based view as a basis for the competitive advantage, a firm lied primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. Peteraf (1993) embraced transformation of a short-run competitive advantage into a sustained competitive advantage required resources that are heterogeneous in nature and not perfectly mobile.

Wenerfelt (1984) stipulated Resource Based View theory being resources possessed by a firm where by being primary determinants of its performance, hence these contributes to a sustainable competitive advantage of the firm. According to Barney (1991), the concept of resources included all assets, capabilities, organizational processes, firm attributes, information, knowledge controlled by a firm that enabled the firm to conceive of and implement strategies that improve its efficiency and effectiveness. According to Daft (1983) a competitive advantage could be attained if the required strategy was value-creating, and not currently being implemented by present or possible future competitors. Sustainability in the context of a sustainable competitive advantage is independent with regard to the time frame. More so Rumelt (1984) expressed a competitive advantage being sustainable when the efforts by competitors to render the competitive advantage redundant cease (Rumelt, 1984).

Life-cycle Theory

The product life-cycle theory is an economic theory that was developed by Raymond Vernon in response to the failure of the Heckscher-Ohlin model to explain the observed pattern of trade. In the study by Miller and Friesen (1984) on product life cycle, the theory suggests that early in a product's life-cycle all the parts and labor associated with that product come from the area in which it was invented. After the product becomes adopted and used in the world markets, production gradually moves away from the point of origin. In some situations, the product becomes an item that is imported by its original country of invention. A firm grows and eventually matures while moving through different stages of the corporate lifecycle. Each of the stages differs from the other in terms of characteristics and firm structure. Lifecycle theory suggests the unique firm lifecycle characteristics of birth, growth, maturity, and decline and how these characteristics affect the decisions a firm makes, especially in situations such as financial distress and the threat of bankruptcy (Koh, Dai, & Chang, 2012).

According to Koh, Dai and Chang (2012), at birth phase a firm is in the initial stage of starting up business operations. The firm is therefore more geared towards expansion and is mostly action oriented. As it progresses into growth stage, the firm is more or less successful and experiencing growth in terms of strong business and cash flows. The firm then enters maturity. Here, the firm is cash rich, financially oriented, and focuses more on low risk projects. Eventually, at decline stage firms has limited investment opportunities and generally are incapable of generating sufficient resources. Given that at different lifecycle stage a firm is faced with different challenges, management must have adjusted decisions that account for these differences. Accordingly this scholar embraces Lifecycle characteristics present limited options for restructuring to managers, this especially when firms are faced with distress.

In the study by Wruck (1990) on life cycle, considering the stage in the Lifecycle in which the firm is, the specific lifecycle characteristics will affect the restructuring strategies that the firm may employ if in financial distress, namely; managerial, operational, asset and financial strategies. For example, mature firms replace top level management while growth, mature and decline firms reduce dividend payments and raise funds from external sources. Corporate finance theory, on the other hand, argues that states of financial distress, default and bankruptcy present a fundamental stage in the life cycle of firms. The survival of a firm is therefore not only dependent on its ability to remain profitable, to maximize shareholder wealth and to avoid financial distress but also on its ability to make decisions which take into consideration its stage in the lifecycle. There is therefore a need to effectively deal with financial distress and immediately so, especially given that it precedes bankruptcy. How effectively a firm responds when it is in financial distress is crucial when it comes to recovery.

In the study by Mwandembo (2009) on growth of firms, restructuring strategies available to a firm when in distress is limited by the lifecycle stage it is in. For instance, it is more likely for mature firms in distress to replace their managers if incompetent. According to Singh (2008),firms at birth while open to this option might not choose it. Distress firms at decline stage are also more likely to employ operational and asset restructuring strategies as compared to birth firms. Growth, mature and decline firms are more likely to reduce dividend payments to preserve investments and resources due to increased creditor pressure. Consistent with the pecking order hypothesis, distress firms will raise external funding through the issuance of common shares. Munjuri (2011) embraced financial institutions in Kenya having undergone various forms of restructuring based on the different stages of their corporate life cycle hence processes involved includes; mergers and acquisitions, management restructure, product redefinition, cost cutting measures such as product reprising and staff competency leading to downsizing. All these have relevance to this study considering the dynamics of the restructuring measures taken by different institutions based on their thirst for success and their own structural capacity.

Conceptual Framework

Outsourcing
- Core Business
- Coordination Costs
- Firm Flexibility

Independent Variable

Strategic Competitiveness
- Financial Performance
- Market Performance
- Shareholder Returns

Dependent Variable

Figure 1: Conceptual Framework

Empirical Review: Outsourcing on strategic competitiveness

Fraj, Mutute & Malero (2015) defines outsourcing as letting other organizations perform a needed service and/or manufacturing needed parts or products. This scholar embraced outsourcing and down-sizing go hand in hand, hence the ability to outsource allows organizations to become flatter in hierarchy and smaller; meaning becoming more effective. Outsourcing allows an organization to concentrate on its core business by striving to continuously improve on aspects that contribute to better productivity in an organization. In the study by Onabajo (2010) on strategic competitiveness, advantages of outsourcing include; an activity that can be performed more cheaply by outside specialists, an activity that can be performed better by outside specialists, when the activity is not crucial to a company's sustainable competitive advantage and won't hollow out its core competencies, capabilities, or technical know-how. According to Muogbo (2013) outsourcing reduces the company's risk exposure to changing technology and as well changing buyer preferences. It streamlines the company's operations in ways that cut the time it takes to get newly developed products into the market place. It lowers internal coordination costs as well improves organizational flexibility.

Ling and Li (2016) expressed that outsourcing allows a company to concentrate on strengthening and leveraging its core competencies, hence allowing the company to focus on distinctive competencies, more so creating a sustainable competitive advantage. Marek and blazek (2016) embraced firms or companies always to have or keep in mind outsourcing of too many and the wrong type of activities, resulting in weakening the company's own capabilities. Cao, Wang, Luo and Tan (2018) examined strategic re- structuring and outsourcing focusing on the effect of mergers and acquisitions and leveraged buy-outs on building firm skills and capabilities. The model proposed that restructuring process serves as a catalyst to a series of complex changes within the firm that make outsourcing an attractive alternative to internal investments in the development of new skills and capabilities. High levels of merger and acquisition activities are expected to produce a diminished resource base for organizational learning and technology development (Hence according to the scholar, continued reliance on outsourcing, in turn, could potentially “lock out” the firm from participating in future technologies and new industries.

Sarifuzzaman (2012) examined the impact of outsourcing on company performance using a local public limited company in Bangladesh as a case study. The study established that outsourcing can be an element of competitive advantages for businesses. For outsourcing to be successful the decision needs to be informed. Good, hard, detailed information in the hands of capable management can help avoid a costly step, one that is not easily reversed. Ultimately, for outsourcing in any form to be successful, quick response times to strategic opportunities and threats are essential. Effective management of the outsourcing relationships is an organizational imperative. Study conclusion was that outsourcing brings lots of benefits for the organizations. However, there was confusion about core competence and managers understanding of core competence. However, the argument made by Steensma and Corley (2010) was that successful outsourcing cases did not prove that the same strategy would guarantee a success to any other company

Rajee and Akinlabi (2013) examined outsourcing service as a strategic tool for organizational performance using data generated from fifteen (15) companies in the Nigeria food, beverage, and tobacco industry, within the period 2000-2010. The results revealed that the more an organization outsourced, the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost. The study also revealed that outsourcing is beneficial to organizational performance, and enhances firm’s financial economies and competitive advantage in the market place. Therefore, Organization should develop a comprehensive plan to clarify strategic outsourcing objectives, expectations, and requirements towards their outsourcing function.

Akewushola and Elegbede (2014) conducted a study on outsourcing strategy and organizational performance using empirical evidence from Nigeria’s manufacturing sector. The findings reveal that firms that outsource experience reduce average cost, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduced administrative burden and save time for core activities. Outsourcing has a series of advantages and disadvantages which could be categorized into for analytical purposes into strategic and operational nature. According to Ling and Li (2016), main strategic advantages are; the creation of competitive advantages, reduction of risks, improved long-term cost structure and increase in organizational sale turnover and profitability. From a strategic point, outsourcing allows the firm to concentrate its efforts on consolidating and expanding its core competences. On contrary, among the operational advantages, the study found an increase in efficiency as a result of activities being carried out by specialized firms and reductions in permanent staff, which then became variable costs related to the level of activity. As for the disadvantages of a strategic nature, the most important are the loss of control of activity done through outsourcing, the transfer of sensitive information, the possibility of exorbitant price increase by the suppliers at a future date, along with fluctuations in quality. The operational problems observed were difficulties related to the making of the contract arising from the effects on human resources.

Agburu, Nyianshima and Iyortsuun (2017) examined the effect of outsourcing strategies on the performance of small and medium scale enterprises (SMEs). The study found that; outsourcing of back office activities (such as bookkeeping, payroll, billing, order processing, payment processing, cleaning services, security services and other administrative activities); outsourcing of primary activities (such as manufacturing, purchases, warehousing, Sales force and customer service); outsourcing of Supporting activities(such as shipping, IT services/system, training, advertising, legal services, transport services, public relations) has a significant effect on organizational profitability of SMEs whereas, outsourcing of accounting activities(such as financial reporting, tax processing) has no significant effect on performance of SMEs.

Alwanga (2015) did a study on the effect of business process outsourcing on the performance of telecommunication firms in Kenya found that that outsourcing hada significant effect on operational cost resulting in operational cost reduction in telecommunication companies in Kenya. Cost reduction was mainly cost saving, better resource management and reduction in the number of employeesthus promoting of telecommunication companies' overall cost efficiency. However, despite the positive effect outsourcing had on operational cost reduction, not all forms of outsourcing had a positive effect on outsourcing. Study findings on the effect of outsourcing on profitability in telecommunication companies showed that outsourcing does effect profitability through focus on market and sales, reduction in operational and recruitment costs, improvement of information sharing and the ability of the firm to use new technologies that save on resources, improvement in firms performance in terms of return per employee and also firm restructuring their activities towards profitability. However, the effect of outsourcing on productivity in telecommunication companies was found to be insignificant. Study results showed that outsourcing had a positive effect on productivity through access to skilled and excellent expertise, flexible services to meet changing market demands, Focus on core competency enabling firm to heighten strategic Focus etc, however, the effect was found to be statistically insignificant.

Mung'ala(2014) investigated the effect of outsourcing decision on organizational performance in the manufacturing industry focusing on Unga Group Limited, Kenya as a case study. The findings revealed that outsourcing had become necessary because of the unskilled labour and lack of specialists. Further, the company was not as competitive as it should be because of unskilled labour and therefore created a need to outsource. Further, outsourcing reduced costs; both overhead and fixed costs. Outsourcing for cost reduction created better short and long term performance. Further, firms equated the cost of outsourcing to the cost of acquiring additional resources to do work internally and it also generated needed cash when firms sold assets or transferred employees to vendors. Cost reduction was a major factor considered for performance. In the study by Child, Elibania and Rodriques (2016) on outsourcing, Resource Based View perspective agreed with the conclusion by suggesting that firms base their decisions on whether outsourcing reduces costs or builds strategic advantage, hence making cost reduction as a major outsourcing decision motivates. It can therefore be concluded that outsourcing for cost reduction was a significant influence on organizational performance in Unga Group Limited.

METHODOLOGY

Descriptive research survey design was used to determine an association between the conceptualized independent and dependent variables as shown in the study's conceptual model. The study had had a total target of 104 respondents including branch managers, credit managers, customer relationship managers, and operations managers drawn from all the banks. Sampling frame was drawn from 26 commercial banks in Kisumu County, where it included Branch managers, Credit managers, Customer relationship managers and operation managers. After obtaining the required sample size, the sampling frame of the study was used to stratify the banks into 3 categories. Neyman allocation formula was used to allocate the sample size into their respective strata. The purpose of the method was to maximize survey precision, given a fixed sample size. With Neyman allocation, the "best" sample size for stratum h would be:

$$n_h = \left(\frac{N_h}{N}\right)n$$

Where, n_h is the sample size for stratum h, n is total sample size, N_h is the population size for stratum h, N is the total population.

The study employed Krejcie and Morgan Formula technique to determine a sample of 104 employees of Commercial Banks in the County Government of Kakamega ; Kenya. Primary data was collected by means of self-administered questionnaires. The questionnaires had structured questions. These questionnaires were structured and designed in multiple choice formats. Section one introduced the researcher, topic of research and its purpose to the respondent. Data collected from the field was coded, cleaned, tabulated and analyzed using both descriptive and inferential statistics with the aid of specialized Statistical Package for Social Sciences (SPSS).version 24 software. Descriptive statistics such as frequencies and percentages as well as measures of central tendency (means) and dispersion (standard deviation) was used. Further, inferential statistics such as regression and correlation analyses was used to determine both the nature and the strength of the relationship between the dependent and independent variables. Correlation analysis is usually used together with regression analysis to measure how well the regression line explains the variation of the dependent variable. The linear regression plus correlation analyses were based on the association between two (or more) variables. SPSS version 24 is the analysis computer software that was used to compute statistical data.

Study conceptualized Regression Model;

$Y= \beta_0+\beta_1X_1 + \varepsilon$

Y= Strategic Competitiveness

β_0 = Constant

X_1= Outsourcing Practice

$\{\beta_1\}$ = Beta coefficients

ε = the error term

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

FINDINGS AND DISCUSSIONS

In this study, a total of 83 questionnaires were administered out of which only 63 questionnaires used in the study representing a response rate of 76%. According to Mugenda and Mugenda (2003), response rate of 50% is good enough for analysis even though researchers should aim as high response rates as possible. Babbie (2014) also asserted that a return rate of 50% is acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions, 76% is greater than 50% and 70% and therefore was concluded to be enough to draw conclusion.

Descriptive Statistics

Outsourcing and Strategic Competitiveness of Commercial Banks in Kenya; Kisumu County

The respondents strongly agreed (mean = 4.41; Std. dev = 0.670) that the commercial banks at times outsource part of their core business functions and also concurred (mean = 4.44; Std. dev = 0.549) that the commercial banks are very rigorous when selecting a partner to outsource their core business function. In addition, the participants also alluded (mean = 4.09; Std. dev = 0.850) that Outsourcing reduces their coordination costs this findings are consistent with those of Akewushola and Elegbede (2014) who conducted a study on outsourcing strategy and organizational performance using empirical evidence from Nigeria's manufacturing sector. The findings reveal that firms that outsource experience reduced average cost, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduced administrative burden and save time for core activities and also strongly agreed (mean = 4.37; Std. dev = 0.559) that outsourcing helps them to accurately plan their coordination costs. It also emerged that a significant majority of the participants concurred (mean = 4.24; Std. dev = 0.755) that outsourcing enables them to achieve organizational flexibility. It was generally admitted (mean = 3.56; Std. dev = 1.035) that outsourcing enables them to prioritize other activities. These findings are consistent with the findings of Alwanga (2015) who studied the effect of business process outsourcing on the performance of telecommunication firms in Kenya. The findings revealed that outsourcing had a significant effect on operational cost resulting in operational cost reduction in telecommunication companies in Kenya. Cost reduction was mainly cost saving, better resource management and reduction in the number of employees thus promoting of telecommunication companies' overall cost efficiency.

Inferential Statistics

Linear influence of Outsourcing on Strategic Competitiveness

A correlation analysis was also done to determine whether outsourcing had a significant effect on strategic competitiveness of commercial banks in Kisumu County. The results showed a significant relationship existed ($r = 0.218$, $p < 0.05$) between the two variables. The degree of the association of the two variables was weak but positive suggesting that outsourcingwas not a strong factor in the effective strategic competitiveness of commercial banks in Kisumu County. This finding was consistent with that of Rajee and Akinlabi (2013) whom examined outsourcing service as a strategic tool for organizational performance using data generated from fifteen (15) companies in the Nigeria food, beverage, and tobacco industry, within the period 2000-2010. The results revealed that the more an organization outsourced, the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost.

Regression Analysis

$Y = 2.25 + 0.177X_1$

Where; y = Strategic Competitiveness, X_1 = Outsourcing

It can be deduced from the findings that outsourcing reflected ($\beta = 0.177$, $\rho = 0.001 < 0.05$) respectively. This indicates that the dependent variable, that is, the strategic competitiveness, would change by a corresponding number of standard deviations when the respective independent variables change by one standard deviation.The study therefore establishes that outsourcing was factor could influencing strategic competitiveness of commercial banks in Kenya focusing on banks in Kisumu County.

Study hypothesis (H_{02}), study hypothesis two (H_{02}) stated that Outsourcing does not significantly influence Strategic Competitiveness of Commercial Banks in the County Government of Kisumu; Kenya. However, regression results indicate that Outsourcing significantly influence Strategic Competitiveness of Commercial Banks in the County Government of Kisumu (β = 0.177 (0.103) at $p<0.01$). **Hypothesis two is therefore rejected**. The results indicate that that a single improvement in effective Outsourcing will lead to 0.177 unit increase in the Strategic Competitiveness of Commercial Banks in the County Government of Kisumu ; Kenya.

CONCLUSIONS AND RECOMMENDATIONS

The objective was to examine the effects of outsourcing on strategic competitiveness of commercial banks in Kisumu County. Descriptive results revealed that the commercial banks at times outsource part of their core business functions and also concurred that the commercial banks are very rigorous when selecting a partner to outsource their core business function. In addition, the participants also alluded that Outsourcing reduces their coordination costs. The results showed that businesses that outsource experience have reduced operating costs, increased employee efficiency and productivity, increased competence, improved quality of service, reduced staff size, simplified the manufacturing process, reduced administrative burden and saved time for core activities and also strongly agreed that outsourcing helps them to accurately plan their coordination costs. It also emerged that a significant majority of the participants concurred that outsourcing enables them to achieve organizational flexibility. It was generally admitted that outsourcing enables them to prioritize other activities. The findings revealed that outsourcing had a significant effect on operational cost resulting in operational cost reduction in commercial banks in Kisumu County. Cost reduction was mainly cost saving, better resource management and reduction in the number of employees thus promoting of commercial banks overall cost efficiency.

A correlation analysis was also done to determine whether outsourcing had a significant effect on strategic competitiveness of commercial banks in Kisumu County. The results showed a significant relationship existed between the two variables. The degree of the association of the two variables was weak but positive suggesting that outsourcingwas not a strong factor in the effective strategic competitiveness of commercial banks in Kisumu County.The results revealed that the more an organization outsourced, the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost. The hypothesis test results showed that there exist statistically significant correlations between outsourcing and strategic competitiveness. The result led to the rejection of the null hypothesis, hence a conclusion that there exists a significant effect of outsourcing on strategic competitiveness of commercial banks in Kenya.

The study concluded that the commercial banks at times outsource part of their core business functions and also concurred that the commercial banks are very rigorous when selecting a partner to outsource their core business function. In addition, it can be concluded that outsourcing reduces their coordination costs. However, businesses that outsource experience have reduced operating costs , increased customer efficiency and productivity , increased competence, enhanced service quality, reduced workforce size, simplified the manufacturing cycle, reduced administrative burden and saved time for core operations and have strongly agreed that outsourcing allows them to manage their management costs effectively. In addition it can be concluded that outsourcing enables commercial banks to achieve organizational flexibility. Moreover, it can be concluded that outsourcing commercial banks to prioritize other activities. Cost reduction was mainly cost saving, better resource management and reduction in the number of employees thus promoting of telecommunication companies' overall cost efficiency.A correlation analysis was also done to determine whether outsourcing had a significant effect on strategic competitiveness of commercial banks in Kisumu County. The results showed a significant relationship existed between the two variables. The degree of the association of the two variables was weak but positive suggesting that outsourcingwas not a strong factor in the effective strategic competitiveness of commercial banks in Kisumu County.The results revealed that the more an organization outsourced, the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost. From the theory test results it tends to be reasoned that there exists a measurably critical connection among's re-appropriating and key intensity. The outcome prompted the dismissal of the invalid theory, thus a determination that there exists a noteworthy impact of re-appropriating on key intensity of business banks in Kenya.

The study recommended that the commercial banks should at times outsource part of their core business functions and also commercial banks should be very rigorous when selecting a partner to outsource their core business function. In addition, it can be recommended that outsourcing should be used to reduce commercial banks coordination costs. Moreover, firms that redistribute experience diminished normal cost, expanded deals turnover and gainfulness, upgrade ability, improve administration quality, decrease staff quality, smooth out the creation procedure, diminished authoritative weight and spare time for center exercises and furthermore emphatically concurred that re-appropriating encourages them to precisely design their coordination costs. In addition it can be recommended that outsourcing should enable commercial banks to achieve organizational flexibility. Moreover, it can be recommended that outsourcing should be prioritized by commercial banks to other activities. Cost reduction was mainly cost saving, better resource management and reduction in the number of employees thus promoting of telecommunication companies' overall cost efficiency. The results led to the recommendation that the more an organization outsourced, the higher its organizational growth and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost.

Areas for further research

Further research on strategic management practices should be carried out to identify other elements that appear to be critical to the success of organization development. These comprise of situational analysis, strategic direction setting, policy development and strategic control. Also, further studies should be carried out to assess the pro-active organization restructuring on strategic competitiveness in other sectors other than in the banking sector.

REFERENCES

Adeleke .A, Ogundele, O. K. &Oyenuga, O. O. (2008), *Business Policy and strategy* (2nd Edition). Lagos: Concept Publications Limited.

Akewushola & Elegbede (2013).Outsourcing Strategy and Organizational Performance: Empirical Evidence from Nigeria Manufacturing Sector, *European Scientific Journal.*

Alwanga, J. M. (2015). The effect of Business Process Outsourcing on performance of Telecommunication firms in Kenya. Unpublished thesis University of Nairobi.

Aremu, M. A. (2000). Enhancing Organizational Performance through Strategic Management: *Conceptual and Theoretical Approach*" ISSN: 157-9385

Babbie, E., (2014). *The practice of social research*. Belmont, CA: Wadsworth

Bartlett, C. A. (2000). Beyond strategic planning to organization learning: Lifeblood of the Individualized corporation. *Strategy and Leadership*, 26(1), 7

Batley, R.(2004). The changing role of government: *The reform of public services in developing countries.* London: Palgrave Macmillan.

Bruno, G., Esposito, E., Genovese, A., & Simpson, M. (2016). Applying supplier selection methodologies in a multi- stakeholder environment, A case study and a critical assessment, *expert Systems with Applications*, 43, 271-285.

Buciuni, G., Coro, G., & Micelli, S. (2013). Rethinking the role of manufacturing in global values chains, *An international comparative study in the furniture industry*, 10-30

Camison, C., & Fores, B. (2015). Is tourism firm competitiveness driven by different internal or external specific factors: New empirical evidence from Spain. *Tourism Management*, 48, 477-499.

Cao, D., Li, H., Wang, G., Luo, X., & Tan, D. (2018). Relationship Network structure and organizational competitiveness: Evidence from BIM implementation practices in the construction industry. *Journal of Management Engineering*, 34(3), 34

Chavunduka, D., Chimunhu, P., & Sifie, O. (2015). Strategic Planning intensity and firm performance: A case of Zimbabwe mining development corporation. *European Journey of Business and Management*, 7(5), 12-18.

Chen, Y. J., Wu, Y. J., & Wu, T. (2015). Moderating effect of environmental supply chain collaboration Evidence from Taiwan, *International Journal of Physical Distribution & Logistics Management,* 45(9), 959-978

Child, J., Elbanna, S., & Rodrigues, S. (2016). *The Political Aspects of Strategic Decision M aking,* The Handbook of Decision Making

Claver-Cortés, E., Pertusa-Ortega, E. M., & Molina- Azorín, J. F.(2012). Characteristics of organizational structure relating to hybrid competitive strategy: Implications for performance. *Journal of Business Research*, 65 (7), 993-1002.

Central Bank of Kenya, S*upervision Annual Report*, .2001

Daft, R. L. (2007). Understanding theory and Design of Organizations, *International student edition,* Mason, OH: Thomson South-Western

Dumas, M., La Rosa, M., Mendling, J., &Reijers, H. A. (2013).*Fundamentals of Business Process Management,* Berlin: Springer.

Equity Bank. *Annual report*, 2010

Erickson. S. & Gustavasson . F.,(2013).Centralization in Decentralization; A case study of Centralized goal settings effect on employee motivation in a multi-unit organization. Degree Project, Umea school of Business and Economics

Eisenhardt, K. M., & Brown, S. L. (2009).Patching*: Restitching Business Portfolios in Dynamic Markets, Harvard Business Review*, 77 (3), 72-82

Glisson, C. A. (1980). Productivity and Efficiency in Human Service Organizations as Related to Structure, Size and Age, *Academy of Management Journal* 23 (1), 21-37.

Gómez-Miranda, M.E., Pérez-López, M.C.,Argente-Linares, E., & Rodríguez-Ariza, L. (2015) The impact of organizational culture on competitiveness, effectiveness and efficiency in Spanish-Moroccan international joint ventures, Personnel Review, 44 (3),364-387

Galbraith, J. R. (2012). The Future of Organization Design, *Journal of Organization Design,*1(1).

Gitonga.L.K.,(2014). Influence of work environment on organization performance in Government Ministries, Kenya. *Strategic Journal of Change and Business management*2, 83

Hernaus, T.(2008). Process-based Organization Design Model: Theoretical Review and Model Conceptualization. Paper presented at *Third International Workshop on Organization Design*, Aarhus School of Business, Aarhus 1(1), 3-6.

Hernaus, T. (2010).Integrating macro- and micro-organizational variables through multilevel approach.(Unpublished doctoral thesis). Zagreb: University of Zagreb.

Hernaus, T. (2011). The Process-Based Face of Organizations, In M. A. Sarlak (Ed.), The New Faces of Organizations in the 21st Century, (Vol. 2) (pp. 3380). Toronto: NAISIT Publishers.

Houssin, A. (2010). An extensive restructuring, imposed by crisis, *case of Dexia*

Kiragu, D. (2005). A Survey of adaptation of the balanced scorecard by selected companies in Kenya. *Unpublished MBA Project.* University of Nairobi.

Kirui, S.K.L (2001). Competitive Advantage through Outsourcing of non-core logistics Activities within the Supply Chain of British America Tobacco Kenya", Unpublished MBA project, University of Nairobi, Nairobi, Kenya.

Kumar, P. (2015). Correlation between strategic planning and firm performance. International *Journal of Management and Business studies*, 5(2), 64-75

KCB (2013).Kenya Commercial Bank FY13, Results Summary.

Kiptoo, J. K., & Mwirigi, F. M. (2014). Factors that influence strategic planning process in organizations, IOSR Journal of Business and Management, 16(6), 188-195

Kumar, P. (2015). Correlation between strategic planning and firm performance, International *Journal of Management and Business studies*, 5(2), 64-75

Kuo, S-Y., Lin, P-C., & Lu, C-S. (2017). the effects of dynamic capabilities, service capabilities, competitive advantage, and organizational performance in container shipping, Transportation Research Part A, 95, 356-371

Ling, F. Y. Y., & Li, S. (2016). Business models for foreign firms offering construction-related consultancy services in China. *Construction Management and Economics*, 34(4-5), 218-235

Lopez-Gamero, M. D., & Molina-Azorin, J. F. (2016). Environmental management and firm Competitiveness: The joint analysis of External and internal elements. *Long Range Planning*, 49, 746-763.

Lattman, .P (2013), Mass Layoffs at a Top-Flight, *Law Firm*

Luoma, M. A. (2015), Revisiting the strategy-performance linkage: An application of an empirically derived typology of strategy content areas. *Management Decision*, 53(5), 1083-1106.

Mallory, J. (2013). *Profitability possible without layoffs*

Marsick, V. J. (2008). Learning in the Workplace: The case for reflectivity and critical effectivity, *Adult Education Quarterly*, 38(4), 187-198.

Manar, I. A. (2014). The impact of organizational structure on organizational commitment: a comparison between public and private sector firms in Jordan*. European Journal of Business Management,* 6(12), 30-37.

Subramanian, N., & Gunasekaran, A. (2015). Cleaner supply-chain management practices for twenty-first-century organizational competitiveness: Practice-performance framework and research propositions. *International Journal of Production Economics*, 164, 216-233.

Tan, Y., Ochoa, J-J., Langston, C., & Shen, L. (2015). An empirical study on the relationship between sustainability performance and business competitiveness of international construction contractors, *Journal of Cleaner Production*, 93, 273-278

Mathur, P., & Nair, M. (2015). Organizational structure, a key driver to competitive advantage, *International Journal of Management and Commerce Innovations*, 3(2), 348-356

Maynard Moody, S. (2003). Cops, teachers and counselors: *Stories from the front lines of public service.* University of Michigan Press

Mahdavan.M, Mirabi. V.R, & Haghshenas .F.(2014). A study of the impact of strategic thinking on the performance of Mashhad Municipal Managers, *Management Science Letters*, 44(3), 679-690

Muogbo, U.S. (2013). The Impact of Strategic Management on Organisational Growth and Development (A Study of Selected Manufacturing Firms in Anambra State, *Journal of Business and Management (IOSR-JBM*), 7(1), 24-32.

Munga.J., (2018).Determinants of Strategic plan implementation in public universities; a case of selected public universities in Nairobi County, Kenya,3(2).

Munjuri, M.,(2011). A survey of the criteria used by commercial banks in Kenya to determine Employees to retrench, *The CDF Insight*: 1-4.

Mwandembo, C. (2009). An Study of Staff Layoffs in Kenya: *Evidence from companies quoted in the Main Investment Market Segment of the Nairobi Stock Exchange*, Strathmore University

Nag & Pathak., (2009). *Corporate* Restructuring: A boon for competitive advantage. *American Society for competitiveness*

Njuguna, P.M. (2015). A Comparison of Consumerism activity amongst Household consumers In Nakuru County, Kenya, *European Journal of Business and Management* 7 (29), 1-7.

Olanipekuni. W.D., 2014) . Impact of strategic management on competitive advantage and organization performance, evidence from Nigerian Bottling Company, *Journal Policy and development studies*, 9(2)

Onabajo, O. (2010). *Foundations of Communication Research*, Sibon Books Limited.

Owolabi, A.S., and Makinde, G.O. (2012).The Effect of Strategic Planning on Corporate Performance in University Education: A Study of Babcock University. *Kuwait Chapter of Arabian Journal of Business and Management Review,* 2(4), 27-44 Lagos

Odhuno, L., Kambona, O., Othuno, E. &Wadongo, B.(2010). Key performance indicators in the Kenyan hospitality industry.A Managerial perspective, Benchmarking. *An International Journal,* 17 (6), 858-875

Osterman, P. (2001).The Role of Promotion in Inducing Specific Human Capital Acquisition, *Quarterly Journal of Economics*, (108) 523–34

Pertusa-Ortega, E. M., J. F. Molina-Azorín and E. Claver-Cortés (2009), Competitive strategies and firm performance: A comparative analysis of pure, hybrid and 'stuck-in-the-middle' strategies in Spanish firms. *British Journal of Business Strategy and Organizational Performance Management*, 20, 508-523.

Parnell, J. A. (2011), Strategic capabilities, competitive strategy, and performance among retailers in Argentina, Peru and the United States. *Management Decision*.49(1),139-155.

Parnell, J. A., M. A. Koseoglu, Z. Long & J. E. Spillan (2012), Competitive strategy, Uncertainty and performance: An exploratory assessment of China and Turkey. *Journal of Transnational Management*, 17, 91-117.

Porter, M. E. (1980), *Competitive Strategy*. New York: The Free Press.

Porter, M. E. (1985), *Competitive Advantage*. New York: The Free Press.

Salavou, H. E. (2013), Hybrid strategies in Greece: A pleasant surprise. *European Business Review*, 25(3) 301-314.

Salavou, H. E. (2015), Competitive strategies and their shift to the future. *European Business Review*, 27(1), 80-99.

Sharabati, A.A, &Fuqaha, S.J. (2013), Impact of Strategic Management on the Jordanian Pharmaceuticals Manufacturing Organisation Business Performance *International Review of Management and Business Research* . 3(2)

Sungau.J &Msanjila.S., (2012).Towards Systematic Approach for Business Process Re-engineering: addressing organizational behavior challenges. *Independent journal of academic of organization behavior management,* (2).

Sauerhoff.C., (2014). *Competitive differentiation within ship building industry*

Sarifuzzaman, M., (2012), Impact of outsourcing on company performance; *study on a local public limited company in Bangladesh.*

Schein, E. H. (2000). How can organizations learn faster? The challenge of entering the green room, *Sloan Management Review*, 34(2), 85-92

Sridevi M. S. (2010). Employee engagement: the key to improving performance. International *journal of Business management,* 5 (12) 89

Spreitzer, G.M. (2000). The Organization in Crisis: *Down-sizing, Restructuring, and Privatization:* 97-120. London: Blackwell.

Spreitzer, G.M. (2002). To stay or to go: Voluntary survivor turnover following an Organization downsizing, *Journal of Organizational Behavior*, 23: 705- 729

Subramanian, N., & Gunasekaran, A. (2015). Cleaner supply-chain management practices for twenty-first-century organizational competitiveness: Practice-performance framework and research propositions. *International Journal of Production Economics*, 164, 216-233.

Tan, Y., Ochoa, J-J., Langston, C., & Shen, L. (2015). An empirical study on the relationship between sustainability performance and business competitiveness of international construction contractors, *Journal of Cleaner Production*, 93, 273-278

Takahito, K. & Kazuyuki M., (2010).*Centralization or Decentralization of Decision Rights*? Impact on Performance of Firms. RIETI Discussion Paper Series 06-E-032.

Thompson, A. A. Jr.,& Strickland, A. J.,(1987). *Strategic Management*: Concepts and Case. Illinois: Home wood

Turkulainen, V., & Ketokivi, M. (2013). The Contingent Value of Organizational Integration. *Journal of Organization Design*, 2 (2), 31-43.

Useem, M., (2000). When does restructuring improve economic performance, *Minneapolis/St.Paul*: West Publishing Company

Vorhies. W. D.,& Morgan. N.A.,(2005).Benchmarking Marketing capabilities for sustainable competitive advantage. *Journal of marketing* 69, 80-94

Zábojník, J. (2002). Centralized and Decentralized Decision Making in Organizations. *Journal of Labor Economics,* 20, 22-17

Zhao, X., Zhao, Y., Zeng, S., & Zhang, S. (2015). Corporate behavior and competitiveness: impact of environmental regulation on Chinese firms. *Journal of Cleaner Production*, 86, 311-322.

Zhu, L., & Cheung, S. (2017). Harvesting Competitiveness through building Organizational innovation capacity, *Journal of Management Engineering*, 33(5)