IT OUTSOURCING FOR UON

Outsourcing is the practice of contracting people from outside the organization to provide specific services. Outsourcing as a strategy is not a new concept in the business world as most organizations outsource most of their services. Research indicates that the sheer size of spending on outsourcing and active involvement of top management executives makes outsourcing decisions more strategic in an organization today than ever. The objective of this study was to investigate the competitive advantage and challenges experienced by Barclays Bank of Kenya as a result of outsourcing of its services. Since the study was a case study, it was conducted through the use of interview guide that provided open ended questions that enabled the researcher to probe the respondents further for clarity of the subject. Data collected was analysed by the use of content analysis. The respondents were top management at the Sourcing Division of the bank. The findings of the study indicated that outsourcing enables Barclays Bank reduce its operational cost, enjoy expert and quality service and to focus on the core and strategic activities. It also noted that the major challenge experienced by the bank was training of new employees provided by the vendor. Another challenge noted was low motivation of the outsourced staff and difficulty in managing the vendors. The study experienced some limitations, such as, some respondents were not willing to provide certain information, and the study was also limited by the scope of information since it was a case study. Recommendation of the study was for Barclays Bank of Kenya to pilot test sourcing options in order to mitigate risk associated with vendors not being able to fulfill their obligations and to include confidentiality clause to guard against leakage of information. Further research need to be done to explore the opinion of other employees especially the junior staff, towards outsourcing and also a study on cost benefit analysis of outsourced services needs to be done to find out whether outsourcing is truly cheap in the long term.

ICT outsourcing is an act of delegating or transferring some or all of the IT related decision

making rights, business processes, internal activities, and services to external provider(s). The

external providers develop, manage, and administer these activities in accordance with agreed

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upon deliverables, and quality standards as set forth in the contractual agreement (Dhar, et al.

, 2004 ). Outsourcing is promoted as one of the most powerful trends in modern management.

The rationale for outsourcing some functions and/or processes includes substantial financial

economies, increased ability to focus on strategic issues, access to technology and specialized

expertise, and an ability to demand measurable and improved service levels (David & Shao,

2007). In today’s world of complex IT solutions, high competition and the world becoming a

global village, many organizations have realised that they cannot operate in isolation. The

need to focus on the core areas and leave other activities to those who have expertise in those

functions is taking shape in most organizations.

IT outsourcing has gotten space at both the operational and strategic functions of

organizations and as the services get more and more integrated to the core service of an

organizations its role remain critical. Some of the main identified services outsourced are

helpdesk support services, application development, Internet services provision and

management, data backup services, Network infrastructure service, Staff training on IT issues

and ICT security audits policy (Arshad, May-Lin, & Mohamed, 2007). These services are

important to an organizations performance and its ability to meet crucial set objectives.

Outsourcing has been identified to be of great benefit to profit making organizations that have

embraced the concept (Wang, 2002). The benefits are classified as either short term while

others are long term and are not realised immediately upon implementation. Some recognized

benefits include the access to the state of the art technologies; the cost of operating IT

services has also been significantly noted to reduce; flexibility of outsourced staff; improved

focus on core business by senior management (Adams, Nelson, & Todd, 1992).

Outsourcing just like other services, emanates with different challenges. Some of the notable

challenges are; doubtful supplier loyalty i.e. the organization is not certain of the consistency

of service delivery, lack of a functional internal IT management i.e. while it is assumed that

all IT services can be outsourced it has been noted that a functional IT unit needs to be in

place to manage the process, the quality of services outsourced will depend on the market

players hence a functional procurement market is crucial (Bahli & Rivard , 2003). Other

significant challenges are security, confidentiality of organizational data and hidden extra

costs. This compounded by controversy over the resulting jobs loss to the external service

providers for the outsourced services are critical headaches (King, 2004). Despite its potential

benefits, IT outsourcing may also not be a straightforward choice for a firm, this is because of

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the potential risks involved, such as loss of control on outsourced activities and sharing

critical data with third-parties (Willcocks & Lacity, 2001).