

**OPPORTUNITIES AND CHALLENGES AND OF
BUSINESS OUT SOURCING ATJIMMAA TOWN
GOVERNMENTAL ORGANIZATIONS**

*A thesis Submitted to the School Graduate Studies of Jimma University Partial
Fulfillment of the Award of the Degree of Masters of business Administration
(MBA)*

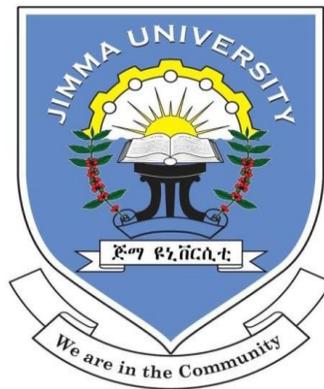
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CERTIFICATE

This is to certify that the thesis entitled Opportunities and Challenges of business out sourcing at Jimma town governmental organizations submitted to Jimma University for the Award of Degree in Masters of Business Administration (MBA) and research work carried out by Mr.Dessaegn Tolemariam under the guidance and supervision of Chalchissa Amentie (PhD) and Mrs.RejebutMohammed (MBA). Therefore, we hereby declare that no part of this research has been submitted to any other university or institutions for the award of any degree of diploma.

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DECLARATION

I hereby declare that this thesis entitled “Opportunities and Challenges of Business out Sourcing at Jimma Town Governmental Organizations” has been carried out by me under the guidance and supervision of Dr. Chalchissa Amentie and Mrs. Rejabut Mohammed.

The thesis is original and has not been submitted for the award of degree or diploma in any university or institutions.

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Abstract

The purpose of this research was to assess the opportunities and challenges of business outsourcing at Jimma town governmental organizations. The study covered Commercial bank of Ethiopia (CBE), Jimma University and ethiotelecom. Secondary data from documents and primary data collected through questionnaires and interview were used to address the objectives. The findings of the study show that the outsourced services created the three organizations a great opportunity to save managers cost and time, gave more attention for the core functions of the institutions rather than non- core areas and 85.1%CBE, 76.9%JU and 86.2% ethiotelecom replied the effectiveness of organization increased. On the other side, the outsourced employee did not consider themselves as permanent organization staff and they are worried about their future walk of life, this leads to low employee belongingness and (79.1%CBE, 59.6%JU and 70.7% of ethiotelecom) agreed to loss of control over the service providers. Behaviors like, low morals of those supplied staff as compared to organizations staff and conflict of interest among outsourced and permanent employees especially in case of fringe benefits between the two were the major challenges of the organizations. In addition to these, the results confirm that it takes longer time to select third party service provider especially in Jimma University and ethiotelecom. Finally, it is recommended that the three organizations should deal with the service provider to overcome outsourcing challenges, perk up the outsourcing team through benefits as per the service provider staff; revise the service level agreement and to build morals of outsourced staff. It is also recommended to adapt the best practice and scale up outsourcing strategy to other service giving organizations in the town in order to give quality service and more attention for the core functions of their organizations.

Key Words

Challenges, opportunities and practice of out sourcing

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Table of Contents

CERTIFICATE	i
DECLARATION	ii
<i>Abstract</i>	iii
Table of Contents	v
List of Acronyms and Abbreviations	viii
List of tables	ix
List of Figures	x
CHAPTER ONE	1
1.1 Background of the Study	1
1.2 Statements of the problem	3
1.3 Basic Research Questions	4
1.4 Objectives of the Study	4
1.5 Significance of the Study	5
1.6 Scope of the study	5
1.7 Limitation of the Study	6
1.8 Operational definition of key terms	6
1.9 Organization of the thesis	6
CHAPTER TWO	8
REVIEW OF RELATED LITERATURE	8
2.1 Definition and Terms of outsourcing	8
2.2 Theoretical reviews of outsourcing	8
2.2.1 The practices of outsourcing	10
2.2.2 Opportunities in outsourcing	11

2.2.3	Challenges in out sourcing	12
2.2.4	Reasons for outsourcing.....	13
2.3	Empirical review	15
2.4	Conceptual Frame Work.....	17
CHAPTER THREE		18
RESEARCH DESIGN AND METHODS.....		18
3.1	Research Design.....	18
3.2	Source of Data.....	18
3.3	Population of the study	19
3.4	Sampling Method	19
3.5	Sample Size	19
3.6	Data Collection Instrument.....	20
3.7	Validity and Reliability.....	20
3.8	Methods of Data Analysis.....	21
3.9	Ethical Consideration	21
CHAPTER FOUR.....		22
DATA PRESENTATION, ANALYSIS AND INTERPRETATION		22
4.1	Background Information of the Respondents	22
4.2.	Practice of out sourcing	24
4.3	Reasons for implementing outsourcing.....	30
4.4.	The Opportunities of Organizations in implementing outsourcing.	34
4.5	Challenges of Organizations in Implementing Outsourcing.....	39
4.6.	Narrative of Manager’s interview	49
4.6.1	Interview and its discussions of Commercial Bank of Ethiopia.....	49
4.6.2	Findings from interview and its discussions of Jimma University.....	50

4.6.3 Findings from interview and its discussions of ethiotelecom.....	51
CHAPTER FIVE	53
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	53
5.1 Summary of Findings.....	53
5.2 Conclusion.....	54
5.3 Recommendations	55
REFERENCES.....	56
Appendices A: Questionnaire	59
Appendices B: Semi structured Interview questions.....	64
Appendices C: Research Interview Results.....	65

List of Acronyms and Abbreviations

BPO-Business process organizations
CBE-Commercial Bank of Ethiopia
CN-Commercial Nominees
ETC -Ethiopian Telecommunication Corporation
FF-Fleet and Facility
FAN-Fixed Access Network
HRM-Human Resource Management
ITO- Information Technology Outsourcing
JU-Jimma University
N-Neutral
NA-Not applicable
R&D –Research and Development
SPSS -Statistical Package for Social Science

List of tables

Table 3.7.1 Cronbach's alpha coefficient	20
Table 4.1 Background information of the respondents	23
Table 4.2 Out sourced employees are committed to their duties and responsibilities	28
Table 4.3 Cost cutting	30
Table 4.4 Improved operational efficiency	31
Table 4.5 Improved customer service	32
Table 4.6 Cost shifting (from 'fixed' to variable)	33
Table 4.7 Access to new and updated technologies on continuous basis	34
Table4.8 Quality of service	36
Table4.9 Finance status/Stability	36
Table4.10 Based on Price	37
Table4.11 Expertise in technology/IT capability/	38
Table4.12 Lack of skill and expertise of personnel in the outsourcing team	40
Table4.13 Inadequately scoped work and control systems over services are delivered	40
Table4.14 Ineffective relationship management and performance evaluation	42
Table 4.15 Higher cost and longer time taken to select third party service provider	43
Table 4.16 A high level of dalliance of customer order delivery	44
Table 4.17 Lack of security and flexibility of service provider	44
Table4.18 Service providers failure to deliver on time/ delay	45
Table 4.19 various hidden costs and high risks occurred as a result of them	46
Table4.20 Higher switching costs as a result of cancellation of contracts	47
Table 4.21 Lack of capacity of service providers to deliver the required service	48
Table 4.22 Service providers offer higher price	48
Table4.6.1 Activities out sourced in CBE	49
Table 4.6.2 Activities out sourced in JU	51
Table 4.6.3 Activities out sourced in ethiotelecom	51

List of Figures

Picture 1 Conceptual Framework _____	17
Figure 2 Communication difficulties and stress at work _____	24
Figure 3 Standards to measure results and quality _____	25
Figure 4 the effectiveness of out sourcing strategy _____	26
Figure 5 out sourced workers effectively know their duties and responsibilities _____	27
Figure 6 Satisfaction on the strategy _____	27
Figure 7 workers respect the cultures and norms of their organization _____	29
Figure 8 Achieve better focuses on core competencies _____	32
Figure 9 on time deliveries performance _____	35
Figure 10 Improve range of services provided _____	39
Figure.11 Loss of control over the Service Providers _____	41

CHAPTER ONE

INTRODUCTION

This paper aims at assessing the main opportunities and challenges of business outsourcing in governmental organizations of Jimma town. The summary of the study has being presented in this chapter on background on benefits and effect of outsourcing strategy on business followed by the problem statement, aim and objectives of this study, summary of research gap from literature review, the questions of this study, research methodology, the significance of this study and brief summary on all the other subsequent chapters

1.1 Background of the Study

Various business strategies are emerging and changing with the development of technology. Many organizations grow with transfer or delegation of the operation and day-to-day management of the business process to an external service provider.

Kumuri (2010) found out that smart organizations focus on core competencies that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. They approach outsourcing in a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage. His key findings show that outsourcing have a positive effect on improvement of quality of services delivered, reduce operation cost and so the service will have ample resources to concentrate on core business and solve the unavailability of internal resources

Aran and Patel (2005), also explained outsourcing is driven by a number of factors such as costs, focusing on core areas, improve service level and process innovation, of all these cost consideration and the need to focus on core activities seems to be the prominent drivers. Through time reducing the cost has become a trivial factor rather value addition to the business.

Siyoum (2013) the advancement of information technology and globalization have become instrumental to make easy to outsourcing activities which are non-core and less competitive business functions. The drive for greater efficiency and continuous cost reduction has forced many organizations to outsource activities which traditionally were carried out in-house. For this

reason, organizations can focus on their core competencies, which contribute most to a sustainable competitive advantage. Functions, such as maintenance and janitorial services, security services and information

Mulat (2007) confirmed that Ethiopian organizations are willing to outsource non-core business technology services. Conversely, accounting and administration outsourcing service providers face great challenges from Ethiopian organization to deliver their services. This is mainly due to fear of organizations fear to loss confidential information and loss of control. In addition, the organizations suspect that the external service providers are not loyal to them.

Goshu (2016) stated that outsourcing can add measurable value to products, enhancing customer service, assisting in opening new markets, and providing dedicated resources. The primary reason lead the firms to outsource their logistics activities is to get a quick response to customers' demands, cost reduction and earn other potential benefits which enable the firm to compete with the global market. It is also observed that to select the right service provider, price, past experiences, on time shipment & deliveries performance are the major selection criterion given the top priorities by the firms followed by the other criterion.

Taye (2018) stated majority agreed that outsourcing cleaning and messenger services save time and cost, allows focusing on core activities, reducing budget allocation, lower investment requirement, brings lack of internal expertise and increase flexibility. This indicates that outsourcing those above non-core activities are in good position or beneficial. However, the bank has faced some challenges; low quality of services delivered, low employee morals, conflict of interest, unethical behavior of employees and low quality of workers. Moreover, from all the challenges, the most serious one are difficult to measure service quality and low employee belongingness.

Bargent (2012) showed the list of off shore providing countries was 72 in number in 2008 with Egypt, South Africa and Morocco appearing in the 30 list. South Africa remains a dominant player in this industry in the African continent. While North African countries are struggling to retain their former popularity, due to business uncertainty arising from recent political upheaval in the region. The Africa Report (2012)

Mulat (2007) wrote on outsourcing practice in Ethiopia, the use of outsourcing in Ethiopia is very low and limited with the exception of the use of some Non-core functions like Security service and Janitorial service.

When we come to see the business out sourcing at Jimma zone in general and Jimma town in particular, business outsourcing has been started to operate but still at infant stage compared to the activities at national level. This study seeks to look at the challenges and opportunities of business out sourcing in Jimma town. In the town, there are a number of governmental organizations that have been operating in different business environments. It is believed that some of these organizations have already started out sourcing part of their non-core activities in order to boost their operational efficiency. The main purpose of this research therefore to thoroughly analyze the opportunities and challenges involved in business out sourcing services in some selected governmental organizations in Jimma town.

1.2 Statements of the problem

Outsourcing is one of the most prevalent trends in today's world business environment even though it is a new practice in Ethiopia.

Siyoum (2013) showed in the business sector firms whether large or small need to be competitive and profitable in order to survive or escape from shutting down .The global and local dynamism, the need to satisfy customer and technological advent are imposing business firms in order to improve their old ways of doing and looking for innovation or better management options. Sometimes less expensive, often more innovative, definitely more agile, contract manufacturers and private labelers are a great alternative in many instances. (Dibon, 2009)

Goshu (2016) also indicated that the worldwide trend in globalization has led many companies to outsource their logistics function to third party companies, so as to focus on their core competencies and gain competitive advantage over their competitors. We can understand that out sourcing have many opportunities and challenges.

Gulter (1996) also revealed that on the same tradition, managers are required to regularly monitor, establish constant communication, and evaluate outsourced functions to be confident that they are beneficial to their organization. Hence, burdens of managers with transactional administrative tasks may increase once again.

Ethiopia is also not exceptional country as a country is also connected to the world during this globalization era. The booming of digitalization in the service sectors including universities, ethiotelecom and banking institutions could be cited as changes that have been made and also aggressively growing . Among other management practices business out sourcing has been being implemented in many of governmental organizations though it's at infant stage.

There are dearth of information or no documented evidences that clearly shows how this new but growing business operation is being implemented in the country and the opportunity and bottlenecks of providing such services in public institutions. Jimma town is hosting large number of governmental institutions with various capacities. This research aimed to contribute to the growing science of management and literature by investigating the opportunities and challenges.

1.3 Basic Research Questions

The following are the research questions the study needs to address

1. What are the existing practices business outsourcings in governmental organizations at Jimma town?
2. What are the reasons of business out sourcing in the town?
3. What are the opportunities in implementing business out sourcing in the institutions?
4. What are the main challenges in the outsourcing services?

1.4 Objectives of the Study

1.4.1 General objective of the study

The general objective of the study is to assess opportunities and challenges of business out sourcing at Jimma town governmental sectors

1.4.2 Specific objectives

The specific objectives of the study are to;

- To assess the existing practices of business outsourcing in governmental organizations at jimma town
- To examine reasons for business out sourcing at the study area.
- To identify the opportunities in implementing business out sourcing at governmental institutions of jimma town

- To determine the main challenges in the outsourcing services at the study area

1.5 Significance of the Study

Business outsourcing is extremely related to globalization. Globalization is growing in fast speed throughout the world forcing continents and countries to take part in the growth or be forgotten and worthless. However, Ethiopia shows slow development in attracting investors mostly for offshore outsourcing business. The development has a long way to be strengthened to include more and more kind of outsourcing types. So study examines such practices in outsourcing, identify the opportunities and challenges after outsourcing. Based on these it is expected that the findings and recommendations from this study are useful to commercial bank of Ethiopia, Jimmaa University and ethio-telecom at Jimma town and other similar business organizations, particularly for those considering outsourcing or broadening the range of their services of the governmental organizations of Jimma town. Moreover, no formal research has been carried out to find out the town's potential in outsourcing. Therefore, this research has great significance in identifying the opportunities and challenges of business outsourcing, among governmental organizations and for the researcher to gain more knowledge in the practices of outsourcing. Serve also as a springboard and a reference for further research.

1.6 Scope of the study

The researcher believes that it would be appropriate to conduct the study in large scale. However, the limited time and other resources do not allow doing so. The study basically covered three sectors that are operating in Jimma town and the outsourcing activities which are awarded in the last five years. Therefore, accordingly, the research was limited to commercial bank of Ethiopia, Jimma University, ethio-telecom and the study will not cover all business organization especially of the private sectors as well as institutions outside Jimma town. The conclusion that will be drawn from this research is based on the above circumstances.

1.7 Limitation of the Study

This study was conducted on governmental organization that practice and outsource their service but the research did not include those who did not outsource their business operation. The geographical coverage of the study was on business out sourcing in Jimma town. Therefore, did not cover the entire country and the region as a whole. The other limitation is lack of previous researches and written documents specifically in Jimma town context

1.8 Operational definition of key terms

Outsourcing is “the strategic use of outside resources to perform activities traditionally handled by internal staff and resources” (Handfield, 2006).

Core competencies; harmonized combination of multiple resources and skills that distinguish affirm in market place and therefore are the foundation of companies competitiveness (C.K.prahalad and Grey Hamel -2003)

Service level –determining whether the types of services that where contracted for are actually being provided and at least the minimum quantity level that is required

Offshore outsourcing is “the *transfer of the responsibility for delivering service to provide who delivers these services from continent different from where the recipients operate*” (Buelen et al, 2006).

Outsource provider -The firm providing outsourcing services (Schienederjans, Schienederjans, &Schienederjans, 2005). In this research third party and service provider will be used interchangeably to refer to firms providing outsourcing services (cited by Nuredin .2016)

1.9 Organization of the thesis

The paper is organized in to five chapters each dealing with different ideas for one common purpose.

Chapter 1: Introduction

This chapter discusses the background of the study, the statement of the research problem, research questions and objectives, scope of the study and significance of the study.

Chapter 2: Literature review and Theoretical Framework

The first section of the chapter provides a comprehensive literature study of outsourcing in general, definition and terms of outsourcing, theoretical reviews of outsourcing empirical review of outsourcing activities.

Chapter 3: Research Design and Methodology

This chapter deals mainly discuss the research methodology used in the study. It includes:- The research methods, techniques and sampling procedures followed to carry out the research work.

Chapter 4: Data Analysis and Research Results

This chapter focuses on the analysis of both the qualitative & quantitative results of the research. Tables and narratives are used to illustrate the research results.

Chapter 5: Conclusions and Recommendations

This last chapter provides conclusions and recommendations drawn from the research results. The recommendations for further studies are also provided in this chapter.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter reviews various literatures on the major issues related to the definitions, opportunities, challenges and reasons of business outsourcing in governmental organizations in Jimma town, also review empirical studies in the research area and develop a theoretical framework.

2.1 Definition and Terms of outsourcing

The term of outsourcing is defined in different ways at different time by different scholars based on the location and type of function outsourced. The following are some of the definitions and terms of outsourcing explained by different scholars.

Out sourcing is “*the act of obtaining services from an external source*” (Brown and Wilson, 2005).

Outsourcing is “*the strategic use of outside resources to perform activities traditionally handled by internal staff and resources*” (Handfield, 2006).

Business process outsourcing is “the movement of business processes from inside the organization to an external service provider” (Duening and Click, 2005)

Outsourcing is a process of contracting with an outside party to handle a portion of a client’s business Compared with traditional make or buy decisions (Espino and Padrón, 2006).

2.2 Theoretical reviews of outsourcing

The dictionary meaning of out sourcing is obtained (goods and services) by contract from an outside supplier (Siyoun: 2013) .The idea of outsourcing is not new. Outsourcing can be traced back to the industrial revolution of England in 1700. But its significance and its fashionable way of solving some business problems are getting more attention as a business strategy is increased in recent years. It was initially used primarily for information technology.

According to Mehta et al. (2006) is that an external service provider can be given operational ownership of the company’s business for one or more than one activities.

Barthelemy and Quelin (2006) noted that the companies often discontinue in-house production system to minimize the operational cost including goods and services and benefit from an outside

service provider which is known as outsourcing. The firms seeking a BPO strategy can also outsource back office functionalities to an outsider at relatively lower cost. Although there are number of benefits associated with offshore outsourcing have been studied by different academia and research institutes but there are also key issues of BPO , for example cultural and linguistic issue, quality of service and customer satisfactions.

Linden (2010) stated that three different phases within the history of outsourcing can be distinguished. The first one is traditional outsourcing. This phase had a time period of the beginning of the eighties of the last century until the beginning of the nineties. The main reason of traditional outsourcing was cost reduction. Furthermore, traditional outsourcing was primarily done domestically. The second one is strategic outsourcing and started in the end of the eighties. The main reason was still cost reduction. However, getting skilled people abroad was another important reason. India was emerging as a potential candidate for outsourcing IT work. Hence, the focus of outsourcing became more internationally oriented. Other reasons for strategic outsourcing were the wish to improve agility and quality. The third phase within the history of outsourcing is transformational outsourcing. This development started around the beginning of this century onwards. Prime motives of transformational outsourcing are organizational transformation, including knowledge creation and improve quality and team virtualization.

Abdulkadir (2016) cited that an effort to make the result oriented partnership with an external agency or service provider, to perform the activities which were conducted in the organization in a traditional way. The outsourcing can be explained as, operating through one or more activities give out to the external agency

Kamuri (2010) Outsourcing involves contracting for the provision of a service or good or execution of a task, previously undertaken in-house, to a third party to perform on the organization's behalf.

Christine Harland, Louise Knight and Helen Walker, (2005) defined outsourcing as the contracting with an external party to provide services or products that could be provided by an internal source. (Cited by Mulat, 2007)

Handfield (2006) Outsourcing” Sometimes known also as “facilities management”, outsourcing is a strategy by which an organization contracts out major functions to specialize and efficient

service providers who become valued business partners. Outsourcing is, thus, the strategic use of outside resources to perform business functions traditionally managed by internal staff. Using an outsourced company which will help reduce costs and gain efficiencies by leveraging the talent, technology, and expertise of third party vendors. (Cited by Mekuria, 2017)

Iqbal and Dad (2013) Outsourcing is a practice among both private and public organizations, and is a major element business strategy. Most organizations now outsource some of the functions they used to perform themselves. Due to widespread outsourcing practices, it has become a frequent topic in literature (Tibor, Oya and Walter, 2006). While Lysons and Gillingham (2003), define outsourcing as the strategic use of resources to perform activities traditionally handled by internal staff and their resources. They view it as a management strategy by which an organization contracts major non-core functions to specialized efficient server providers.

2.2.1 The practices of outsourcing

Siyoun (2013) cited that there will be a continuing rise in outsourcing revenues for global outsourcing, with BPO overtaking ITO within five years. India will continue to dominate the outsourcing market but its role will change. China gives out promise but will still struggle to achieve scale in Western European and North American markets. Emerging country competition will intensify. Near-shoring will be a strong trend. Outsourcing, by offering a potential Alternative will help discipline in-house capabilities and service. Knowledge process outsourcing will increase as emerging countries move up the value chain. Outsourcing Successes and disappointments will continue as both clients and suppliers struggle to deal with a highly dynamic set of possibilities.

Dibon (2009) “R&D in contract manufacturing is often outstanding because companies bring us the products that don’t work, the problems they can’t solve themselves,” adds McLarty

Meresa (2007) cited that today, when a company contracts work from another company, it is called outsourcing. Outsourced work performed locally (i.e. in the same country) is called “onshore outsourcing”. Outsourced work performed in other countries that are in roughly the same time zone is called “near shore outsourcing”. For the United States, near shore would include Mexico, Canada, and many Caribbean Islands. Outsourced work that is performed in

countries that are many time zones away or a long distance away is called offshore outsourcing. Examples of offshore locations for the U.S. include China, India, Singapore and South Africa.

Geburu (2016) there are international laws to govern trade among two nations but most of the time it is a long process to resolve any dispute. So for a company it is always a good idea to employ the local laws. To have a smooth operation in the offshore destination, a company should keep its team aware about the difference in legal system and devise a management plan to deal with it.

Noah et al. (2014) stated outsourcing is a practice among both private and public organizations, and is a major element business strategy. Most organizations now outsource some of the functions they used to perform themselves. Due to widespread outsourcing practices, it has become a frequent topic in literature. While, others define outsourcing as the strategic use of resources to perform activities traditionally handled by internal staff and their resources. Management strategy by which an organization contracts major non-core functions to specialized efficient service providers. Outsourcing is a process of contracting with an outside party to handle a portion of a client's business Compared with traditional make or buy decisions

2.2.2 Opportunities in outsourcing

Kamuri (2010) stated that outsourcing is a strategy that refers to taking some of the business functions outside the organization to be performed by others; reasons for outsourcing are varied and involve several issues such as taking the work to outside experts rather than developing that expertise within the company performance the ease of measuring the value added by the provider, without which it is difficult to write and price contracts and monitor performance the service not being so integral to the nature of government as to make outsourcing inappropriate, for instance when a supplier has to make key policy decisions

Sasse et al (2019) showed that there are several conditions that make outsourcing more likely to succeed, including three key ones: the existence of a competitive market of high-quality suppliers, without which government opens itself to supplier opportunism and risks poor service. There are essential activities. These activities involve the creation of new products and services. Second there are the Non-essential activities and these provide the necessary inputs and infrastructure for performing essential functions

Siyoum (2013) Organizations have been, or are being, restructured, downsized, and reengineered in a relentless attempt to achieve a state of efficiency, effectiveness, and agility expected to deliver increased productivity. This all shows the evolution of out sourcing, how the organizations contracts major non-core functions to specialized service providers in order to be competitive, profitable and run the core activities in a smart way.

2.2.3 Challenges in out sourcing

Kumuri (2010) states that the kinds of execution obstacles most companies run into fall into two categories: problems internal to the company and problems generated by outside forces in its industry. These internal and external issues are affected by the extent of flexibility companies have to launch strategic initiatives successfully.

Linden (2010) described that organizations in general are influenced by their environment (Harris et al, 1998). By outsourcing, organizations are affected in three management levels, namely strategic, tactical and operational level.

Siyoum (2013) listed potential risks in relation to outsourcing that are gathered from outsourcing literatures. The following are the potential risks unrealized savings or hidden costs, less flexibility, poor contract or poor selection of partner, loss of knowledge/skills and/or corporate memory and the difficulty in reacquiring a function, loss of control/core competence, power shift to supplier, supplier problems (poor performance or bad relations, opportunistic behavior, not giving access to best talent or technology),losing customers, opportunities, or reputation, uncertainty/changing environment, poor morale/employee issues, loss of synergy, create competitor, conflict of interest, security issues, false sense of irresponsibility and legal obstacles.

Mekuria(2017) cited that the major challenges to outsourcing activities included loss of managerial control over outsourced operations, quality problems, threat to security and confidentiality, hidden costs and reallocation of existing teams. With the issue of loss of control over the outsourced operations they indicated that special skills are required in the management of systems. These skills include the skills to manage people and processes, management of contracts and negotiation skills

Kremic (2014) illustrates that the lack of methodology is believed to cause some outsourcing failures (Bounfour, 1999; Lonsdale, 1999). This thinking is supported by Lonsdale who suggests that outsourcing failures are not due to an inherent problem with outsourcing but rather the lack of guiding methodology for managers (Lonsdale, 1999). Another difficulty encountered with outsourcing, particularly in the US (GAO, 1997), is the lack of skills within public organizations to manage and monitor outsourced functions. While not discussed in detail, (Earl, 1996) identifies 11 risks with outsourcing IT; many of them have applicability to the outsourcing of other functions as well.

2.2.4 Reasons for outsourcing

Kumari (2010) cited that organizations that outsource are seeking to realize benefits as well as address various issues amongst them, cost saving thereby lowering of overall cost of the service to the organization. This involves reducing the scope, definition of quality levels, re-pricing, re-negotiation, cost re-structuring, and access to lower cost economies through cost re-structuring. Operating leverage is achieved and this is a measure that compares fixed costs to variable costs, outsourcing changes the balance of this ratio and hence making variable costs more predictable. Improve quality involves achieving a step change in quality through contracting out the service with a new service level agreement. In addition there is acquisition of operational expertise, access to operational best practice that would be too difficult or time consuming to develop in-house. Contract for services, which can be performed more economically or efficiently by private contractors with an aim of reducing costs, increasing productivity, and provide higher quality service is achieved

Haberberg & Rieple (2007), the goals of outsourcing can also be tactical or strategic. As a tactic, outsourcing is rationalized by its ability to reduce production costs, improved efficiencies, improve operational flexibility, and support higher quality of products and services.

Linden (2010) illustrates in random order, the first one is cost reduction. Many companies do believe that outsourcing will save money in the long run. However, hidden cost and unclear cost-benefit relationships are risks causing an outsourcing activity to turn out more expensive than keeping the processes in-house. The second reason for outsourcing is to focus more on strategic issues. Outsourcing is seen as a serious alternative to focus on the basic activities

According to Siyoum(2013) a desire to save indirect costs may also drive outsourcing. Outsourcing allows having fewer employees that requires less infrastructure and support systems which may result in a more efficient organization. Some organizations outsource to achieve better cost control while others try to shift fixed costs into variable costs

Abdulkader(2016) agreed that the cost reduction and financial gain even it is for a short term, is the prime motive for the Western organizations. The other factors or drivers which were mentioned by the researchers regarding the achievement of the cost efficiency are the most attracting factor so far. The employees, backbone of the organization, are provided with the feeling of oneness or togetherness under the roof of organization but when this is not so they can become restless and sometimes harmful because their identification sense is disrupted. There is a risk of losing the jobs as minor number of HR professionals is against outsourcing, because they can be forced to work under vendors who are unfamiliar and management may come to the conclusion that outsiders are more able and competent

Mekuria(2017) described outsourcing as an effective strategy that can help an organization to give out its noncore activities to be performed by another supplier. This they indicated could help the company maintain its customer services and also gain a competitive advantage in the market that it operates. The predominant reason given for engaging in outsourcing is the cost savings, which are realized in several ways. First, cost savings can come from the simple move from fixed to variable cost models. In the fixed cost model, you own all the resources and have to pay for 11 their acquisition, upkeep and maintenance. These costs are fixed and occur no matter if you use the resource or not. Second, cost savings can come from the company doing the outsourced work. In the case of software development, most of the current outsourcing is occurring with companies in the so called developing world. Third, other cost savings could result from beneficial tax treaties and other foreign-trade agreements, wherein governments may encourage multinational and international corporations to open up businesses in the developing countries by giving tax concessions and other setup benefits.

Wilding & Juriado (2004) attempt to rank the reasons of outsourcing by using a scoring model. Based on their model, they placed the following reasons into an order: (1) reduce costs, (2) improvement of service levels, (3) increase in operational flexibility (4) focusing on core competencies and (5) improvement of asset utilization. (Cited by Goshu, 2016 p 9)

2.3 Empirical review

Abdulkadir (2017) revealed that business outsourcing affect the internal labor market and economy of the country'. This was the statement presented to the respondents to express their agreement or disagreement. 44% of the respondents agreed to the statement, and 37% responded as they strongly agree to the statement. These answers reveal that these respondents consider the 'outsourcing of jobs' as an increasing trend which can affect the internal labor market and economy of the home country. 12% showed their disagreement to the statement. And 7 % strongly disagreed. From the analysis of data, it can be interpreted that, three fourth of the total respondents believe that the outsourcing trend can reduce the employment possibilities of people in home country and finally it can affect the local job market and economy of the country.

Mekuria (2017) found out that the majority of the respondents believed that, the benefits from outsourcing is in an average term. But for the case of concentrating on Bank's core business and saves management time, 77.6% of respondents agreed that outsourcing benefited the bank and also 63.6% of the respondents indicate that, employees of the service provider had lack of commitment and belongingness towards their job.

Siyoum (2013) shows that the majority of respondents 68% believe that there is an increasing practice of outsourcing. However considerable amount of study participants do not see the future potential of outsourcing practice. Based on the above mentioned results most of the outsourcing companies have the practices, face challenges of out sourcing on relationship that 3PLs have with their customers, competing with giant global companies, on-time delivery performance , excessive lead times and lower end customer satisfaction levels because of delays at third parties and as a result of lack of care full selection of service providers, , escalating fees and outsourcing costs, poor labor, safety, environmental practices and inadequate technology capabilities

Taye (2017) also shows many finding about the challenges and benefits of outsourcing practices of Dashen Bank. The result shows that the respondents are neutral with the bank have standards to measure the results and quality of performance of outsourced workers and applying outsourcing strategy increased effectiveness of the bank. 41.1% agreed that the outsourced staff do respect the cultures and norms of the bank. Majority 51.1% of the respondents agreed that, there are ethical 32 problems of those supplied staffs and 41.6% of the respondent agreed that

high maintenance cost are occurred due to poor handling of the bank's resource. There are also less consistency and quality of services delivering. But for the case of focused on banks core business activities, saves time and increased flexibility, majority of respondents agreed that outsourcing those activities benefited the bank. The study revealed some challenges that the bank encounters in outsourcing its business functions

Tenkorang(2015) The result was significant at 0.00. The implication is that if telecom firms outsource non-core functions, service delivery would be enhanced by approximately 27%. The t-value was also significant hence the study concludes that outsourcing has a positive effect on service delivery of telecom companies. The effect of the relationship was however less 0.3 (weak) (p.50).

Maru (2015) On top of this majority of them (71.62%) assured that there was no a regular discussion program with their employer (CN) about their own problems as well as the service provides to the bank. Thus, employees of the service provider working in CBE lack commitment and belongingness towards their job.(P.52)

Assefa (2016) The research result also indicates that there is considerable improvement in the service delivery of the company. The improvement on new service delivery could be stated one of the better performing functions with 81.4% confirming it. Other service delivery functions have been also commented as improvements by the majority of the respondents with 67.6% voting for it.(P.49)

Rashid (2016) The benefits that have been mentioned in the Literature Review especially on **operational cost, cost management, employee innovation** as well as **employee core competence** have cemented that there essential significance and correlation to outsourcing strategy (**work quality and work productivity**). Key employees believe that if outsourcing strategy will be improved even better than before, this will improve work performance, quality and productivity. (P.101)

Mehta (2006) India is the world's leading offshore outsourcing destination, studying BPO operations there is crucial. In 2003, India accounted for 75 percent of total BPO Offshore delivery value, a value that is expected to increase by 55 percent annually over the next five years (Neale, 2004). India's revenue from BPO operations is expected to

Grow from approximately \$1 billion in 2002 to \$13.8 billion in 2007, and its share of Supply is projected to be 57 percent of the offshore BPO market (Scholl et al., 2003).(P.2)

2.4 Conceptual Frame Work

The conceptual framework proposes that outsourcing practice will have an steps in implementing on organization

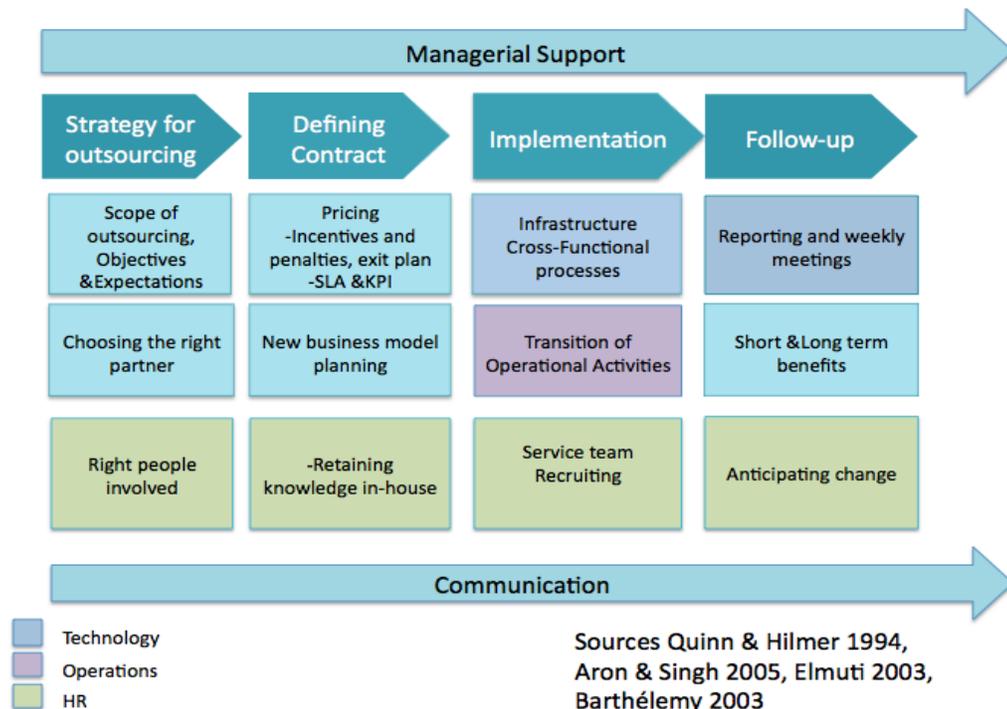


Figure 1- Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODS

This chapter presents the research methodology that were used in carrying out the research study by describing the research design, sampling, data collection approaches and instrument, and finally, approach to data analysis. Selection of research methods depends on the research objectives, nature of the subject and implementing facilities. The intention of the research is to describe the existing situations related to outsourced services.

3.1 Research Design

In order to achieve this objective the researcher used a descriptive type of research. The reason for selected descriptive type is that the researcher has no control the variables rather he only report what is happened in the area where the research is conducted. Kothari (1990) the major purpose of descriptive research is to describe the state of affairs as it exists at present.

3.2 Source of Data

In this study data were gathered from selected governmental organizations of Jimma town managers, staff members who have adequate information about challenges and opportunities of business out sourcing in their organizations. The data were gathered from both primary and secondary sources. The primary data were obtained through questionnaire and semi-structure interview which was designed to collect the necessary data to answer the research questions. This idea was supported by (Eisenhart et.al 2007) Qualitative analysis is used as the research method because the interviews will provide a large amount of rich data on the project to get an overview of the studied outsourcing Project.

The secondary source of data were based on business out sourced organizations like number of out sourced activities and service, number of employee, for out sourced services in the last three years was` used as secondary data.

3.3 Population of the study

Population of the study includes staffs and manager of CBE Jimma main, Jimma University and ethiotelecom of which are found in Jimma town. Only main offices were targeted to be considered in the population. The total population of the study was 308. Among these 89 were from CBE main staffs, 103 were from Jimma university main campus (HRM & head nurses) and 116 were from ethiotelecom of FF and FAN departments.

3.4 Sampling Method

The researcher applied both probability sampling (simple random sampling) and non-probability sampling (purposive or judgmental sampling) techniques by stratifying the population into three different governmental organizations of managers and staff members. The organizations were selected by judgmental sampling technique hence not all governmental organizations in the town have been participated in outsourcing their activities and not all departments have equal opportunity to know the practices, reasons and challenges of outsourcing. The managers and HRM members of the outsourcing administrative office were also selected by similar technique and sample for other groups was selected by using simple random sampling. The reason for using judgmental sampling was because both the managers and HRM staff members of the outsourcing administrative office have direct relationship with managing and facilitating as well signing the contractual agreements between the two parties. The study was conducted at different organizations with different groups which were the best way to get representative from each organization.

3.5 Sample Size

According to Kothari, (2004) sample size refers to the number of items to be selected from the population to constitute a sample. To get viable information in the outsourcing administrative offices Yamane (1967:886) a simplified formula

$$n = \frac{N}{1 + N(e)^2}$$

Where n= the sample size,

N= the population size

e= the level of precision.

were used to calculate sample sizes. Based on this 56.5 % of the population which was 50 from CBE Staff, 58 from Jimma University, 66 from ethiotelecom total 174 taken as a sample for the study according to their proportion.

3.6 Data Collection Instrument

The study used both primary and secondary data sources. To get primary data close ended questionnaires prepared by the researcher were distributed to the selected respondents in the selected organizations. The nature of the questionnaire was scale. Also semi-structured interview were prepared for top managements in three selected organizations. Moreover, secondary data which play vital role in research studies provide information for us to understand, explain, and solve our research problems (Ajakaiye, 2012).

3.7 Validity and Reliability

Validity

Items in the questionnaire were prepared using a five point-liker scale multiple questions and interview questions. In order to ensure validity of the items incorporated the questioner, it was examined the instrument before it was distributed. Therefore, to insure the quality of the tool, a pilot study was conducted on 23 workers in the selected governmental organizations of Jimma town .To guarantee validity the tool adopted from literature and vital revision was made on clarity of contents relevancy and difficulty of the language after the pilot test.

Reliability

Table 3.7. 1. Cronbach's alpha coefficient

Cronbach's Alpha	N of Items
.752	19

Source: survey data (2020)

Reliability of the questionnaire were checked by the help of Cronbach's alpha calculated through SPSS version 25.0 windows, The result of Cronbach's alpha of the study was **0.752** for **19** items which is reliable and acceptable. This idea was supported by (Rovai, Baker and Potton, 2013 cited Koonee 2014) which states reliability testing in an alpha of .7 are generally acceptable as having high reliability. As indicated in the Table 3.7.1 above, the Cronbach Alpha test implies that the instrument's internal Consistency is 75.2%.

3.8 Methods of Data Analysis

To analyze the data, mixes of qualitative and quantitative techniques were used. For quantitative data analysis the researcher used figures, tables, frequencies and percentages used to show the highest number of group responses or the most common opinions from the group responses. In addition, the researcher examined qualitative responses through narrative analysis for the data that show perceptions and opinions.

3.9 Ethical Consideration

The researcher addressed ethical considerations of confidentiality and privacy. The respondents participated in response of an interview and questionnaire were expressed their full consent to participate in this study and also they were not required to write their name on questionnaire, they were notified to kept their response confidential and used for only academic purpose. The response that the participants gave is analyzed without any change by the researcher. In addition the reference works of other researchers and authors are cited appropriately.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with data presentation, interpretation and analysis of the study. It has two main parts: the first part deals with the background information of the respondents, the second part consist of data collected from employees and managers through questionnaires and interview respectively.

In order to address the research questions,174 questionnaires were prepared and distributed to the three organizations managers and staff members.50 questionnaires for CBE Jimma main branch ,58 questionnaires for Jimma university main campus (HRM &head nurses) and 66 questionnaires for ethiotelecom FF and FAN departments. Out of these questions 157 of them were filled and returned .The rest 17 questionnaires were unreturned .Out of unreturned questionnaires 3 of them at CBE, 6 at Jimma University and 8at ethiotelecom particularly the FF department. In addition to questionnaires the researcher also conducted key informant interview with manager of HRM of the outsourcing administrative office in CBE, human resource manager of Jimma University and ethiotelecom. Based on liker-type scale the level of agreement or disagreement is different but for the sake of data interpretation and to draw visible conclusion the researcher added the value of strongly agree with agree and strongly disagree with disagree and very low with low and very high with high in the same way.

4.1Background Information of the Respondents

In the following table, the demographic information of respondents is presented. These include respondent's position, gender, age, educational level, service and work experience of the respondents in the current position.

Table 4.1 Background information of the respondents

N O	Demography	Characteristics	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethio Telecom	
			F	%	F	%	F	%
1	Position	Manager	1	2.10%	1	1.90%	1	1.70%
		staff	46	97.90%	51	98.10%	57	98.30%
2	Gender	Male	44	93.60%	32	61.50%	50	86.20%
		Female	3	6.40%	20	38.50%	8	13.80%
3	. Age	18-25	0	0.00%	10	19.20%	6	10.30%
		26-35	30	63.80%	33	63.50%	39	67.20%
		36-45	14	29.80%	7	13.50%	11	19.00%
		above 45	3	6.40%	2	3.80%	2	3.40%
4	Education	Technic	0	0.00%	0	0.00%	2	3.40%
		diploma	0	0.00%	8	15.40%	5	8.60%
		Degree	40	85.10%	37	71.20%	45	77.60%
		post graduate	7	14.90%	7	13.50%	6	10.30%
5	Service	<1 year	0	0.00%	3	5.80%	1	1.70%
		1-5	10	21.30%	25	48.10%	39	67.20%
		6-10	25	53.20%	17	32.70%	7	12.10%
		>10years	12	25.50%	7	13.50%	11	19.00%
6	Current Experience	<1 year	5	10.60%	10	19.20%	5	8.60%
		1-5	29	61.70%	27	51.90%	47	81.00%
		6-10	10	21.30%	11	21.20%	4	6.90%
		>10years	3	6.40%	4	7.70%	2	3.40%

Source: survey data (2020)

As displayed in the above table 4.1, most of the respondents were staff members (97.9 % in CBE, 98.1% in JU and 98.3%in ethiotelecom) and the rest are managers. With respect to gender in the three of the organizations the respondents were male 93.6% in CBE, 61.5in JU and 86.2% in ethiotelecom and the rests were female. This shows that the major respondent was dominated

by male. Regarding the age most of the respondents were in between (26-35) 63.8% in CBE, 63.5% in JU and 67.2% in ethiotelecom respectively. The rests were in other ranges.

In terms of educational level of the respondents, most of the respondents (85.1% in CBE, 71.2% in JU and 77.6% in ethiotelecom) were degree holders, and the rests were post graduates (14.9%in CBE, 13.5%in JU and 10.3%in ethiotelecom) only 3.4% of the respondents were technical school in FAN department of ethiotelecom. This indicates that the employees are fairly educated and they can also understand and gave reasonable responses to the questionnaire distributed to them. From the table above we can see that respondents who have served for 1-5 years and more represent 67.2% in ethiotelecom , 48.1% for JU and 6-10 years representing 53.2% in CBE and others were in other categories. This helps them to analyze the service of the outsourcing teams. we can also see that respondents experience in their current position most of them have experience for 1-5 years (61.7% in CBE,51.9% in JU and 81% in ethiotelecom) and others were in 6-10 (17.4% in CBE,17.9% in JU and 9.7% in ethiotelecom).

4.2. Practice of out sourcing

(i.e. 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree)

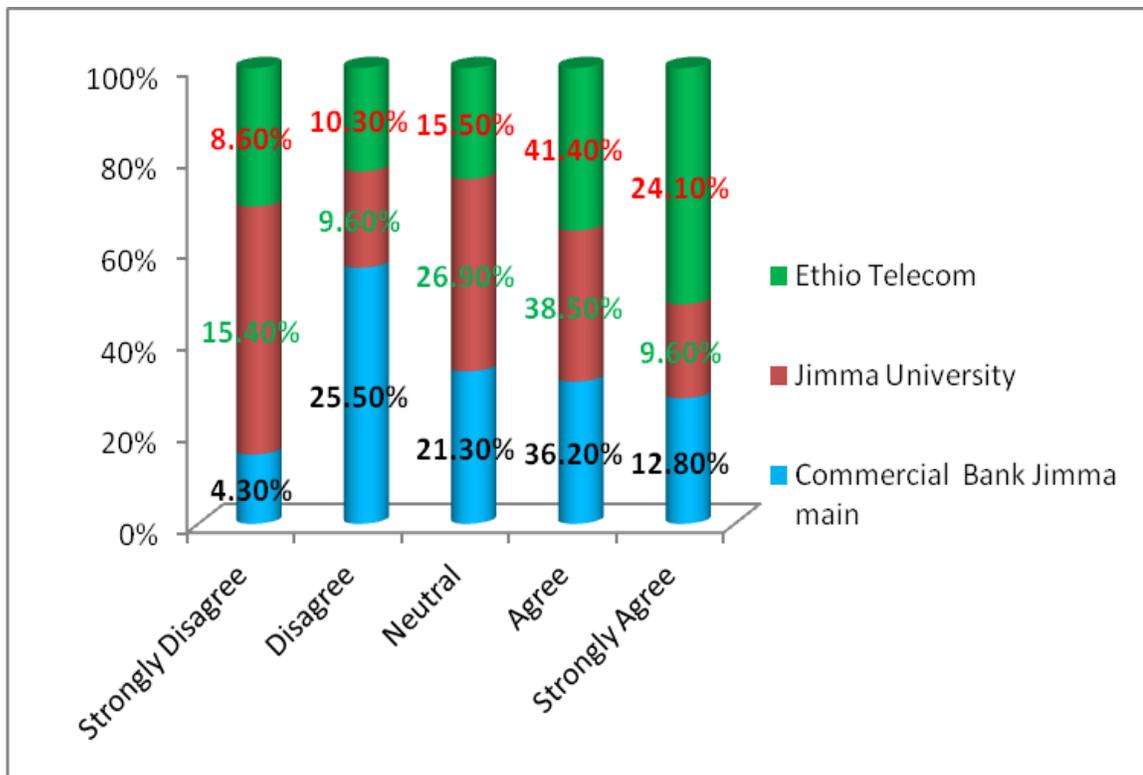


Figure 2 Communication difficulties and stress at work

Source: Survey data (2020)

As it can be seen from graph above, the largest groups of respondents' shows that they agree to communication difficulties between in-house and outsourcing team lead to unnecessary stress at work (49%in CBE, 48.1%in JU and 65.5% in ethiotelecom) of the selected tanneries. Others indicate that they disagree (29.8%in CBE,25.0%in JU and 18.9% in ethiotelecom) to the question .This shows that there are communication difficulties between in-house and outsourcing team lead to unnecessary stress at work in three of the organizations but the degree varies.

*Nalina Ganapathi **Dr. N. Panchanatham (2012) Good communication between all levels in the workplace, from top management to the lower level management is an effective way of combating stress. The management should encourage having open communication with its staff by holding regular meetings to relay further developments and that gives an opportunity for the workers as well to express their opinion. This way of improving communication flow and sharing information are considered to be the most important and effective measures to be taken to reduce Stress- free environment in an organization.

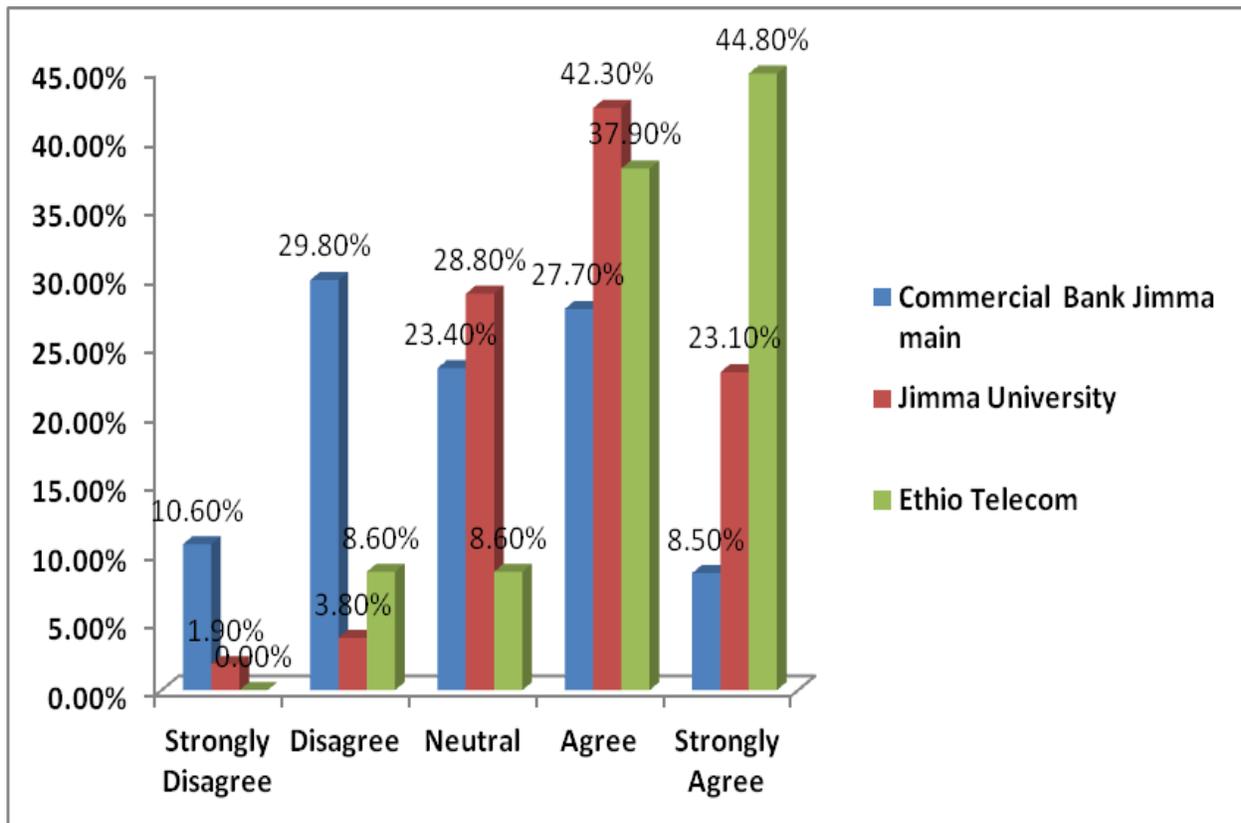


Figure 3 Standards to measure results and quality

Source: survey data (2020)

On the other hand, they were asked if the organizations have standards to measure the results and quality of performance of outsourced workers and response and the result shows that 36.2%, 65.4% and 82.7% in CBE, JU and ethiotelecom respectively agreed in the organizations which shows two of the organizations JU and ethiotelecom have standards to measure the results where as CBE have no standards. Others 40.4 %CBE, 5.7% in JU and 8.6% in ethiotelecom disagree and the rest of them were on an average.

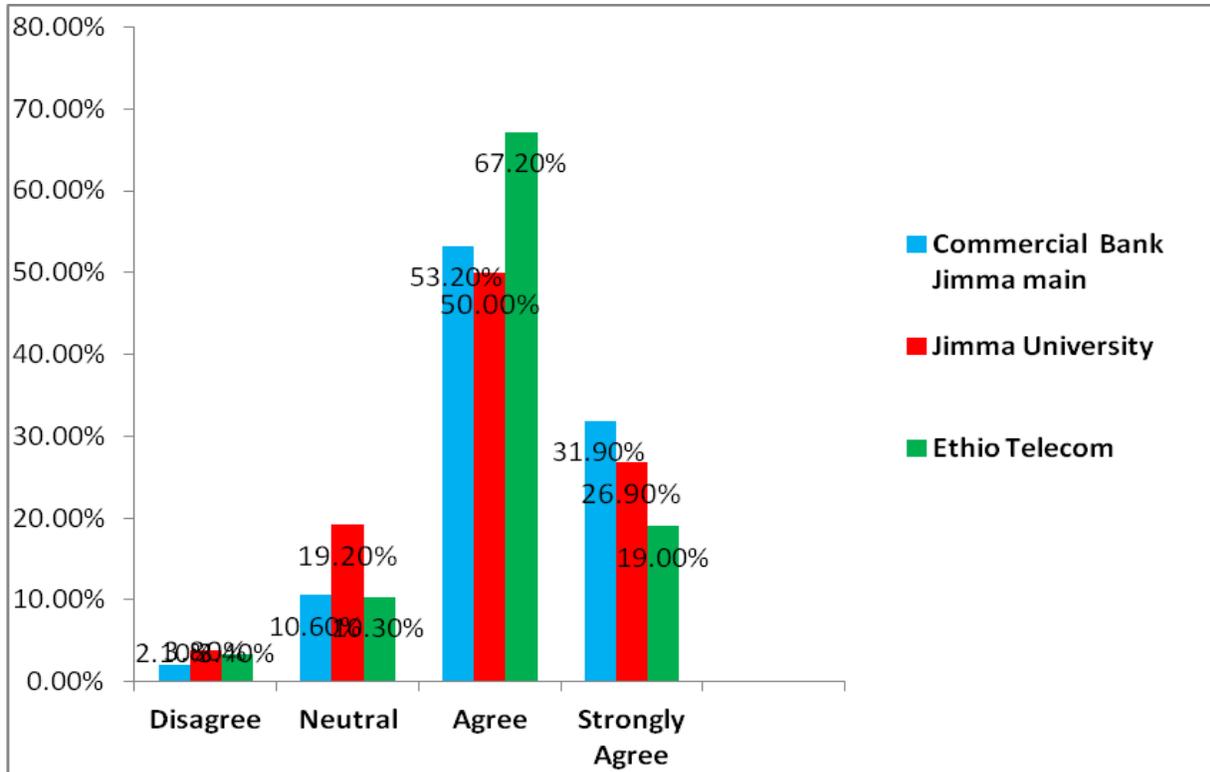


Figure 4 the effectiveness of our sourcing strategy

Source: survey data (2020)

The majority of the respondents agreed that by applying outsourcing strategy, the effectiveness of organization increased (85.1% in CBE, 76.9% in JU and 86.2% in ethiotelecom), but 4.2% CBE, 3.8% JU and 3.4% of respondents disagree to the effectiveness of the strategy. The rest were in other categories. This finding was supported by (Federal Reserve Bank of New York, 1999). The outsourcing strategy has shifted from product and service focus to that of differentiation and speed market. Several studies pertaining to outsourcing in the financial services sector show a gradually growing trend in outsourcing, both in terms of nature and scope

of activities outsourced, and also emphasize that outsourcing is a critical aspect of financial institutions to survive in today's business environment.

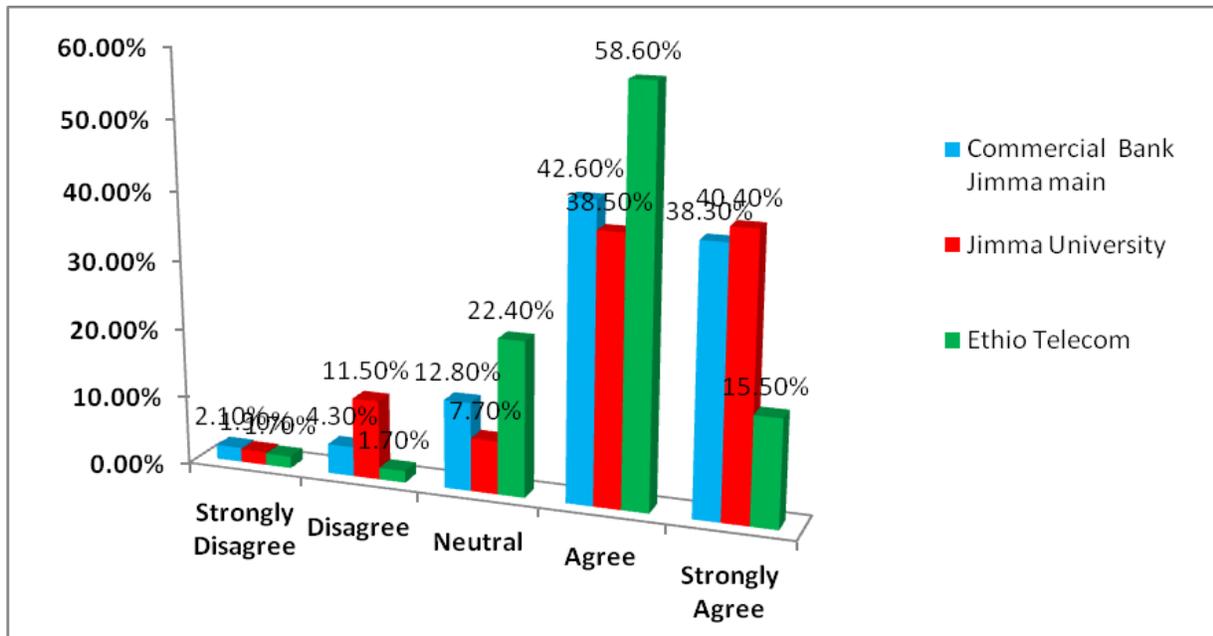


Figure 5 Outsourced workers effectively know their duties and responsibilities

Source: survey data (2020)

From the graph, it can be seen that outsourced workers effectively know their duties and responsibilities (80.9% in CBE, 78.9% in JU and 74.1% eth telecom) who reported as they agree and strongly agree with the question and (6.4% 13.4% and 3.4%) of the respondents reported as disagree and strongly disagree in CBE, JU and ethiotelecom respectively. This shows that most of the out sourced workers effectively know their duties and responsibilities.

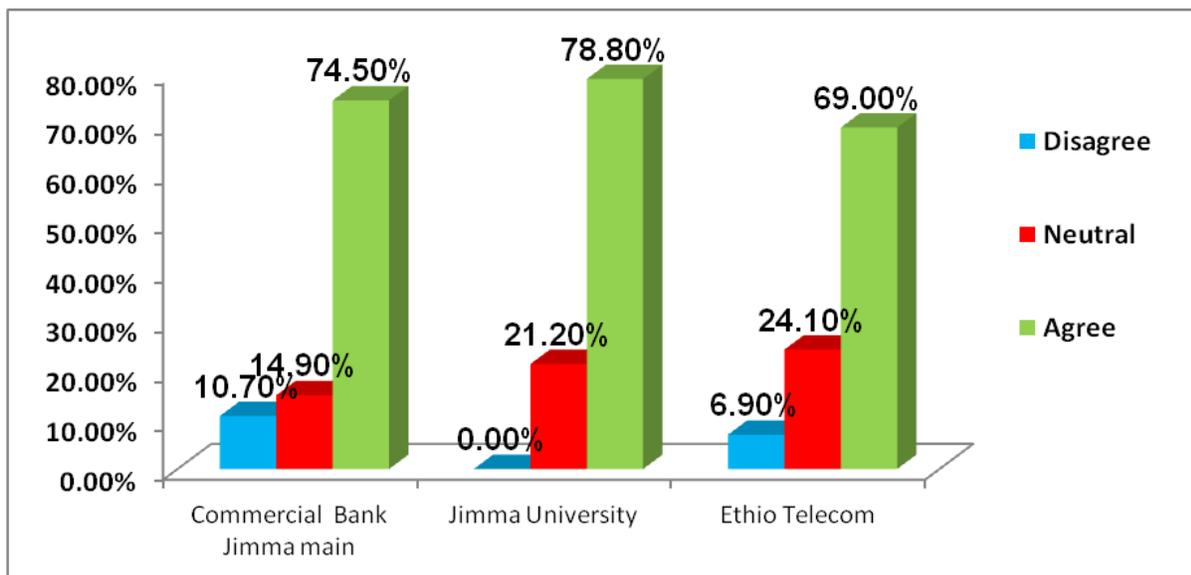


Figure 6 Satisfaction on the strategy

Source: survey data (2020)

Figure 6 shows that majority of the respondents 74.5%, 78.8%, 69.0% of CBE, JU and ethiotelecom in respective of their order agree that they and their customer are satisfied with the out sourced service and others only 10.7% CBE, 0.0%JU and 6.9% ethiotelecom disagree with the satisfaction of out sourcing strategy and the rest of them in between the two. This implies that the three organizations are satisfied with outsourcing strategy

Table 4.2 Outsourced employees are committed to their duties and responsibilities

N O	Variables	Categories	Name of the organization					
			Commercial Bank		Jimma University		Ethio Telecom	
			F	%	F	%	F	%
6	The outsourced employees are committed to their duties and responsibilities	SD	1	2.10%	2	3.80%	1	1.70%
		D	3	6.40%	2	3.80%	3	5.20%
		N	4	8.50%	8	15.40%	15	25.90%
		A	25	53.20%	30	57.70%	31	53.40%
		SD	14	29.80%	10	19.20%	8	13.80%

(i.e. SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree)

Source: survey data (2020)

To examine whether outsourced employees are committed to their duties and responsibilities the greater number of respondents (83.0%, 76.9%, and 67.2%) in CBE, JU and ethiotelecom respectively answered agree to the questions and also others 8.5%, 7.6%and 6.9% disagree according to their order. This shows that outsourced employees are committed to their duties and responsibilities.

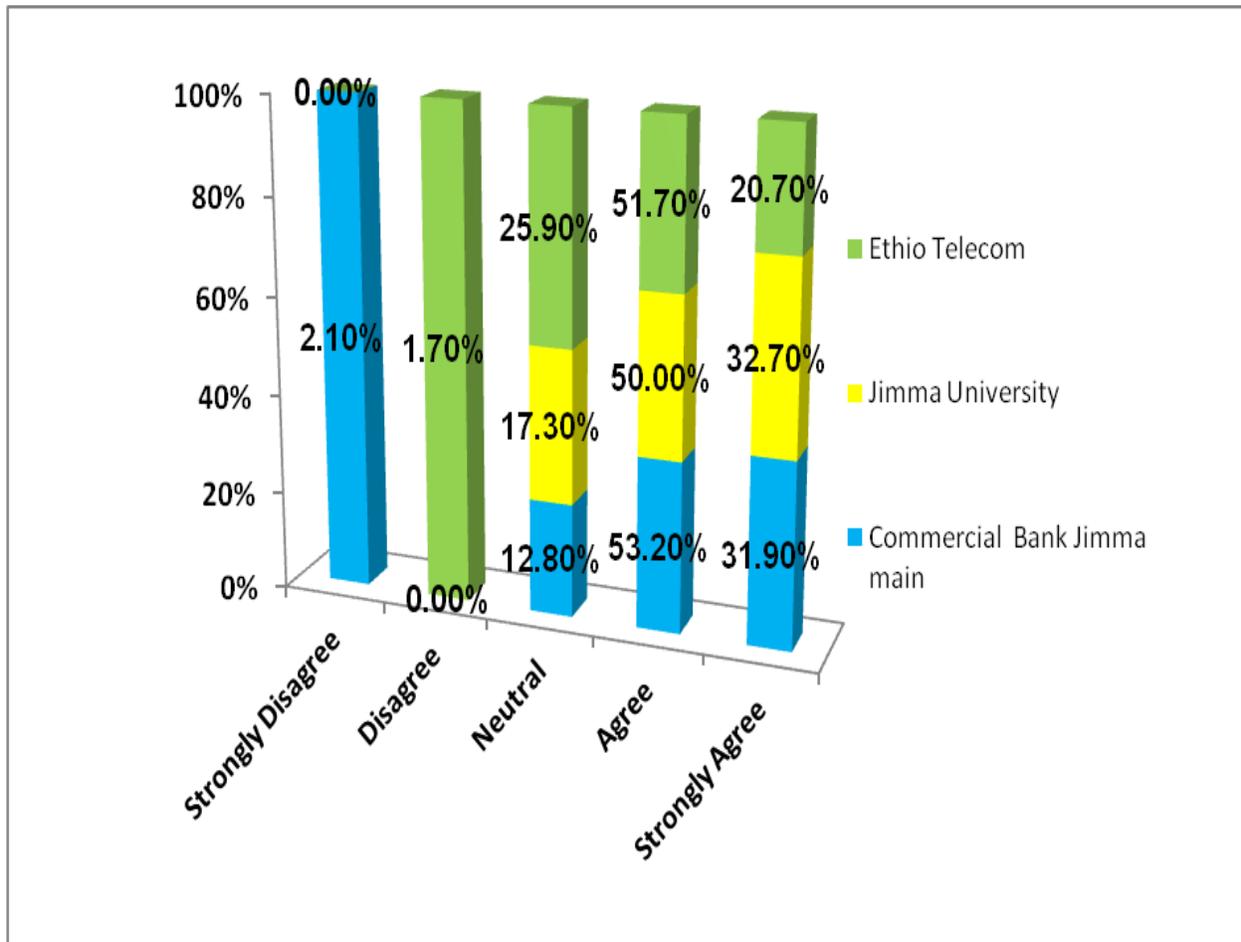


Figure 7 workers respect the cultures and norms of their organization

Source: survey data (2020)

On the other hand, the majority of respondents replied on outsourced workers respect the cultures and norms of the organization (85.1%, 82.7% and 72.4%) of the respondents responded agree and strongly agree in CBE, JU and ethiotelecom respectively and 2.1%, 0.0% and 1.7% suggests that outsourced doesn't respect the cultures and norms of the organization. This implied that workers respect the cultures and norms of their organization.

According to (Jesper Momme:2015) The company must aim to use outsourcing actively through a stronger focus on internal core business areas as a way to improve manufacturing performance, generate employee commitment and consequently increase competitiveness and profitability. This presupposes that management creates a culture that enhances the core business and recognizes the incentives of outsourcing complementary competencies. Furthermore, the importance of integrating the sourcing decisions with the strategic planning process has been addressed.

4.3 Reasons for implementing outsourcing.

Scale. Very high –5, High – 4, Neutral – 3, Low – 2, Very Low – 1.

Table 4.3 cost cutting

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma Main		Jimma University		ethiotelecom	
			F	%	F	%	F	%
1	Cost cutting	very low	3	6.40%	4	7.70%	1	1.70%
		Low	0	0.00%	2	3.80%	2	3.40%
		Neutral	14	29.80%	17	32.70%	13	22.40%
		High	24	51.10%	21	40.40%	30	51.70%
		Very high	6	12.80%	8	15.40%	12	20.70%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data (2020)

As shown in the above table most of the respondents 63.9% of CBE, 55.8% of JU and 72.4% of ethiotelecom asserted about the cost cutting as a reason of implementing outsourcing in the contrary 6.4% CBE, 11.5% JU and 5.1% ethio telecom replied cost cutting was not the main reason for implementing outsourcing. Others 29.8% of CBE, 32.7% of JU and 22.4% of ethiotelecom responded they have no idea about the question. This indicates that well designed and well managed outsourcing reduces operating costs. According to Brown and Wilson (2005) outsourcing is not all about reducing cost. However, a company may emphasize cost saving of a variety of reason, such as being a poor financial position, plan to increase profit. Cost advantages are the prevailing reason why corporations choose to outsource parts of their business. But study in German banking sector shows that business value seems to be replacing cost reduction as the main motive for outsourcing (Gewald and Dibbern 2005)

Table 4.4 Improved operational efficiency

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
2	Improved operational efficiency	very low	1	2.10%	0	0.00%	0	0.00%
		Low	1	2.10%	0	0.00%	2	3.40%
		Neutral	11	23.40%	9	17.30%	7	12.10%
		High	24	51.10%	32	61.50%	40	69.00%
		Very high	10	21.30%	11	21.20%	9	15.50%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data (2020)

On the other hand the above table illustrates that majority of the respondents agreed that implementing outsourcing improved operational efficiency high and very high 72.4% in CBE, 82.7% in JU and 84.5% in ethiotelecom. Others 4.2%, 0% and 0% in CBE, JU and ethiotelecom disagree about improvement of operational efficiency. This indicates that outsourcing improves operational efficiency. According to Haberberg & Rieple (2007), the goals of outsourcing can also be tactical or strategic. As a tactic, outsourcing is rationalized by its ability to reduce production costs, improve efficiencies, improve operational flexibility, and support higher quality of products and services.

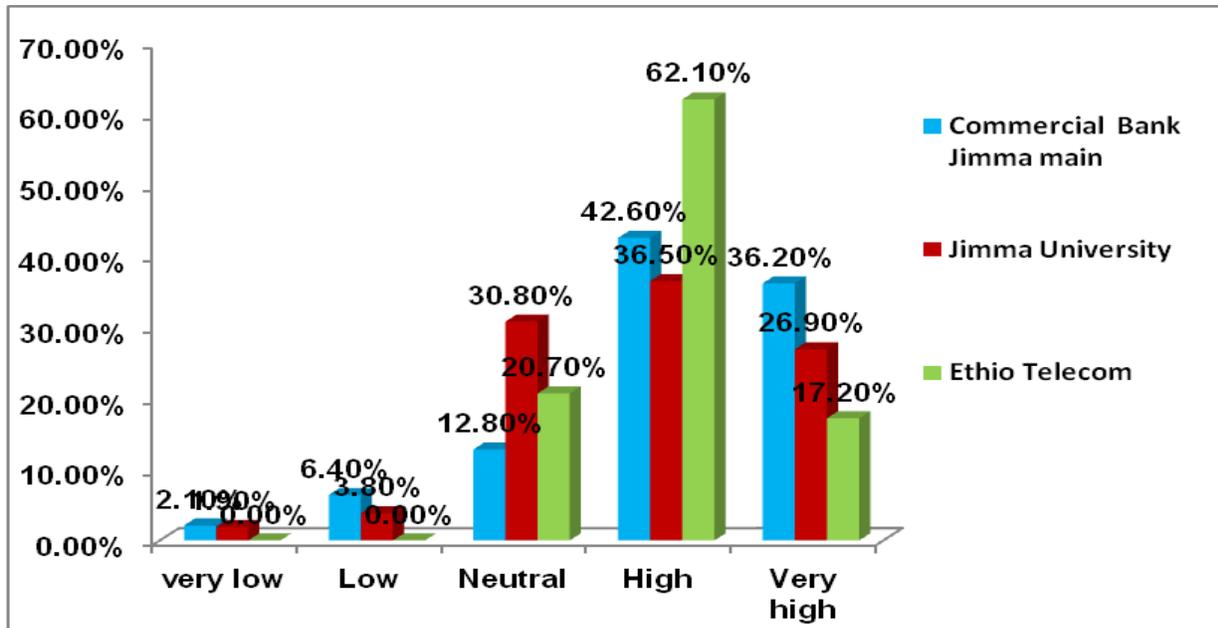
Table 4.5 Improved customer service

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
3	Improved customer service	very low	1	2.10%	0	0.00%	0	0.00%
		Low	5	10.60%	0	0.00%	0	0.00%
		Neutral	7	14.90%	10	19.20%	12	20.70%
		High	18	38.30%	36	69.20%	40	69.00%
		Very high	16	34.00%	6	11.50%	6	10.30%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data (2020)

The analysis further shows that implementing outsourcing improved customer service and the respondents 72.3% of CBE, 80.7% of JU and 79.3% of ethiotelecom responded high and very high and only 12.7% of CBE, 0% of JU and 0% of ethiotelecom responded disagree and others unable to decide about implementing it. This implies that outsourcing improved customer service.



Source: Survey data (2020)

Figure 8 achieve better focus on core competencies

In examining the effect of outsourcing on how they achieve better focus on core competencies (core business) 78.8% of CBE, 63.4% of JU and 79.3% of ethiotelecom showed outsourcing helped them to concentrate with core activities. Only 8.5% in CBE, 5.7% in JU and none of them in ethiotelecom replied low and very low in better focus on core activities and the rest responded neutral to this questionnaire. This finding agrees with Aran and Patel (2005) suggestion that states that functions non-core for the outsource is core for the vendors. Since it is a core activity for the vendor, it would strive to bring about improvements in the outsourced process and deliver superior quality standard than the company itself.. This idea corroborates with the findings of (Kim and Won, 2007 cited by Siyoum 2014) that states activities are complementary, integrative, or duplicative activities scattered throughout the company; in which outsiders have greater expertise's or capabilities for innovation. Therefore, by outsourcing non-core activities for

vender organizations, clients can focus on their core activities that give them competitive advantage and improve overall performance.

Table 4.6 Cost shifting (from ‘fixed’ to variable)

N O	Variables	Categories	Name of the organization					
			Commercial Bank		Jimma University		Ethio Telecom	
			F	%	F	%	F	%
5	Cost shifting (from ‘fixed’ to ‘variable’)	very low	0	0.00%	3	5.80%	2	3.40%
		Low	1	2.10%	1	1.90%	1	1.70%
		Neutral	17	36.20%	16	30.80%	22	37.90%
		High	19	40.40%	21	40.40%	21	36.20%
		Very high	10	21.30%	11	21.20%	12	20.70%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data (2020)

In looking at the nature of cost shifting (from ‘fixed’ to ‘variable’) 61.7% of CBE,61.6 % of JU and 56.9% the respondents agreed that cost is shifting but, some 36.2%,30.8% and 37.9% of the respondents respectively responded that they unable to decide about the cost shifting. Only 2.1% CBE, 7.7% JU and 5.1% of ethiotelecom respondents replied low and very low .This shows that Cost shifting (from ‘fixed’ to ‘variable’) from time to time depending on their contractual agreements .

Table 4.7 Access to new and updated technologies on continuous basis

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
6	Access to new and updated technologies on continuous basis continuous basis	very low	7	14.90%	4	7.70%	1	1.70%
		Low	17	36.20%	9	17.30%	1	1.70%
		Neutral	12	25.50%	17	32.70%	8	13.80%
		High	5	10.60%	19	36.50%	29	50.00%
		Very high	6	12.80%	3	5.80%	19	32.80%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data (2020)

From the above table the respondents responded that 23.4 %in CBE, 42.3%in JU and 82.8 % in ethiotelecom replied high and very high in access to new and updated technologies on continuous basis which shows that high exposure to technologies in ethiotelecom and low access in CBE and JU. Other respondents 25.5%of CBE,32.7% and 13.8%of ethiotelecom respondents have no idea about the new technologies and other 51.1% CBE,25% JU and 3.4% replied low and very low especially CBE service providers have no access to new and updated technologies.

4.4. The Opportunities of Organizations in implementing outsourcing.

Scale: 5 =strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree

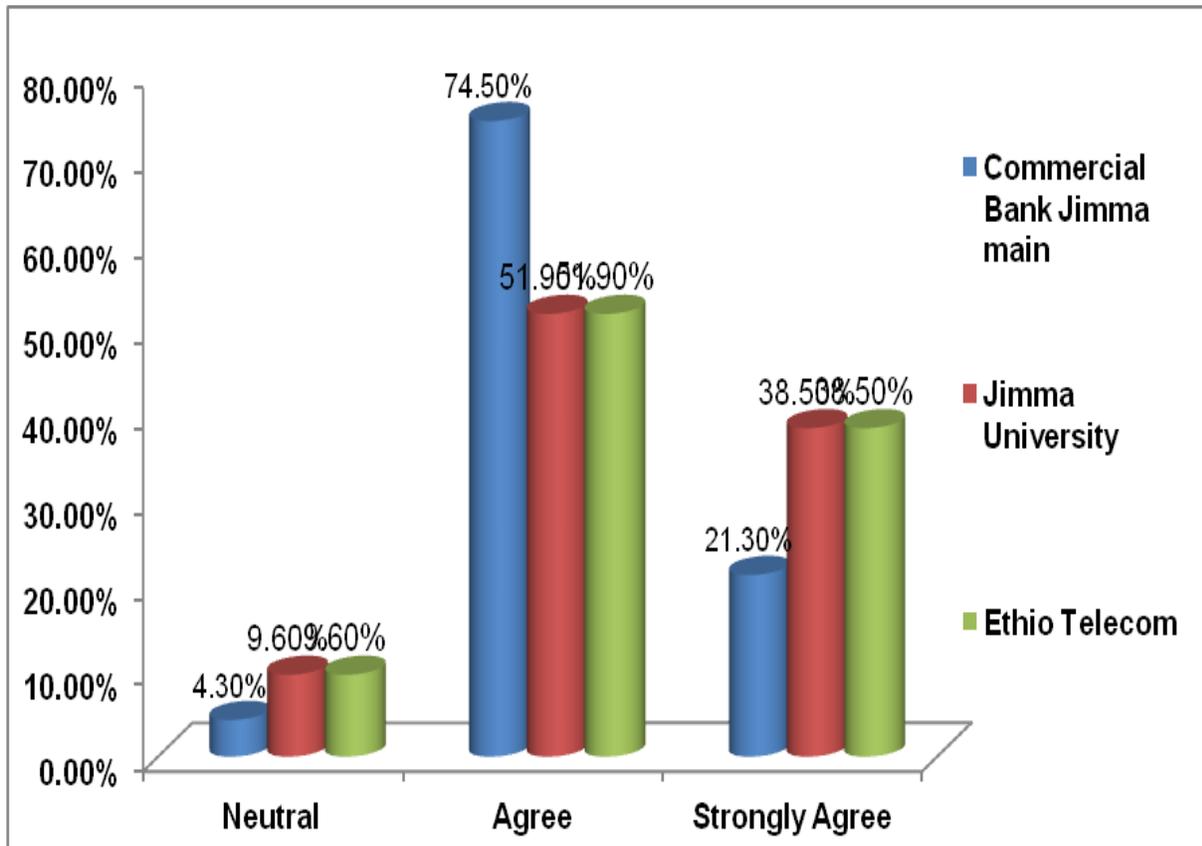


Figure 9 on time deliveries performance

Source: Survey data, (2020)

As figure 9 shows the majority 95.8% CBE, 90.4% of JU and 81.1% ethiotelecom the respondents replied agree and strongly agree that on time deliveries performance is an opportunity for the organizations. None of them responded disagrees and strongly disagree that out sourcing is an opportunity. This implies on time deliveries performance is an opportunity for the organizations.

Ideas also support the outsourcing practice was getting widely adopted across several industries and geographies, coupled with the maturing of the vendor market and the outsourcing services being offered in a variety of packages, several new sourcing models have emerged during the late 1990s (Prasad et. Al, 2011).

Table 4.8 Quality of service

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
2	Quality of service	S	0	0.00%	1	1.90%	0	0.00%
		D	2	4.30%	1	1.90%	0	0.00%
		N	7	14.90%	9	17.30%	9	15.50%
		A	24	51.10%	24	46.20%	31	53.40%
		SA	14	29.80%	17	32.70%	18	31.00%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data, (2020)

The table further provides evidence of the respondents quality of service was supported by 80.9% in CBE,78.9%in JU and 84.4% of the ethiotelecom replied agree and strongly agree respectively . 14.9% of CBE, 17.3%of JU and 15.5%of ethiotelecom neither agree nor disagree on the service quality. Others 4.3%CBE, 3.8%JU and none of ethiotelecom responded disagree to the quality of service. This shows that out sourcing is an opportunity for organizations to give quality service.

Table 4.9 Finance status/Stability

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
3	Finance status/Stab ility	S D	0	0.00%	3	5.80%	0	0.00%
		D	5	10.60%	0	0.00%	4	6.90%
		N	18	38.30%	11	21.20%	7	12.10%
		A	12	25.50%	24	46.20%	32	55.20%
		SA	12	25.50%	14	26.90%	15	25.90%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA)

Source: Survey data, (2020)

In addition the data collected tried to examine finance status/stability of organizations 51% of CBE, 73.1% of JU and 81.1% of ethiotelecom replied they agree and strongly agree to the stability of finance respectively. Others 10.6% CBE, 5.8% of JU and 6.9% of ethiotelecom respondents disagree to this questionnaire. This indicates outsourcing is an opportunity for finance stability.

Table 4.10 Based on Price

NO	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
5	Based on Price	SD	0	0.00%	1	1.90%	0	0.00%
		D	3	6.40%	2	3.80%	1	1.70%
		N	14	29.80%	14	26.90%	7	12.10%
		A	23	48.90%	26	50.00%	25	43.10%
		SA	7	14.90%	9	17.30%	25	43.10%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA))

Source: Survey data, (2020)

Three of the Organizations agreed and strongly agreed that out sourcing has an opportunity on the price (63.8% of CBE, 67.3% of JU and 86.2% of ethiotelecom. Only 6.4% CBE, 5.7% JU and 1.7% ethiotelecom disagreed. Others 29.8% of CBE, 26.9% of JU and 12.1% had no idea about out sourcing as an opportunity of price. This indicates that outsourcing is an opportunity based on price to be utilized by service providers.

Table 4.11 Expertise in technology /IT capability/

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
6	Expertise in technology /IT capability	SD	6	12.80%	2	3.80%	0	0.00%
		D	16	34.00%	13	25.00%	1	1.70%
		N	9	19.10%	19	36.50%	11	19.00%
		A	11	23.40%	12	23.10%	24	41.40%
		SA	5	10.60%	6	11.50%	22	37.90%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source: Survey data, (2020)

Most of ethiotelecom respondents (79.3%) replied out sourcing is an opportunity on expertise in technology /IT capability/. Others 46.8% CBE, 28.8% JU and 1.7% of ethiotelecom responded disagreed and strongly disagreed. This confirms that outsourcing is an opportunity improving an expertise in technology /IT capability ethiotelecom and not in CBE and Jimma University. This idea is also supported by Lister (2015) that the telecommunications industry employs outsourcing in different ways, depending on the size of the company using the strategy. A number of these outsourcing is also highlighted by Albridge (2015) reveals other outsourcing opportunities for the Information Technology Outsourcing (ITO) including: telecommunications network infrastructures to global or regional providers, integrated digital technology infrastructure platforms to manage both data and voice services, and Internet optimization services to accelerate delivery of web content (cited by Tenkorang 2015) .

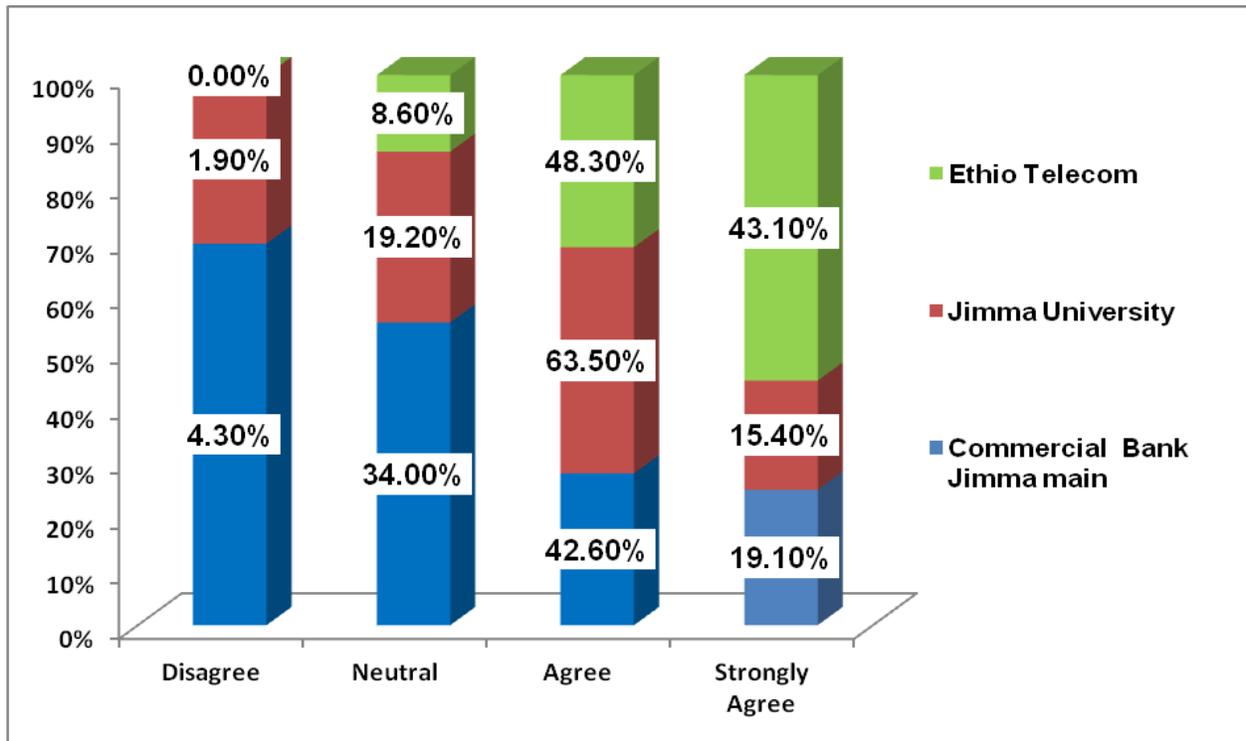


Figure 10 Improve range of services provided

Source: Survey data, (2020)

Figure10 conveyed additional important points that improve range of services provided as an opportunity in out sourcing majority (61.7%, 78.9% and 91.4%) of CBE, JU and ethiotelecom rationalized to improve range of the service. Others 4.3% CBE, 1.9JU and none of ethiotelecom replied that out sourcing doesn't improve range of services provided. The rest 34% in CBE, 19.2% in JU and 8.6% in ethiotelecom failed on average. This shows that out sourcing strategy improve range of service provided

4.5 Challenges of Organizations in Implementing Outsourcing.

Regardless of potential outsourcing advantages, it also leads to several problems. Rushton and Walker, (2007) classify the challenge of outsourcing logistics in to internal and external (cited by Goshu; 2016; p.42).

Table 4.12 Lack of skill and expertise of personnel in the outsourcing team

N O	Variables	Categories	Name of the organization					
			Commercial		Jimma		Ethiotelecom	
			Bank Jimma		University			
F	%	F	%	F	%			
1	Lack of skill and expertise of personnel in the outsourcing team	SD	19	40.40%	22	42.30%	13	22.40%
		D	10	21.30%	14	26.90%	16	27.60%
		N	7	14.90%	4	7.70%	9	15.50%
		A	7	14.90%	10	19.20%	17	29.30%
		SA	4	8.50%	2	3.80%	3	5.20%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

In the above table most (61.7% CBE, 69.2%JU and 50% ethiotelecom) replied disagreed and strongly disagreed to the challenge indicating that they have lack of skill and expertise of personnel in the outsourcing team. Others (23.4%CBE, 23%JU and 34.5of ethiotelecom replied agreed and strongly agreed. This implies that lack of skill is not a challenge in the companies.

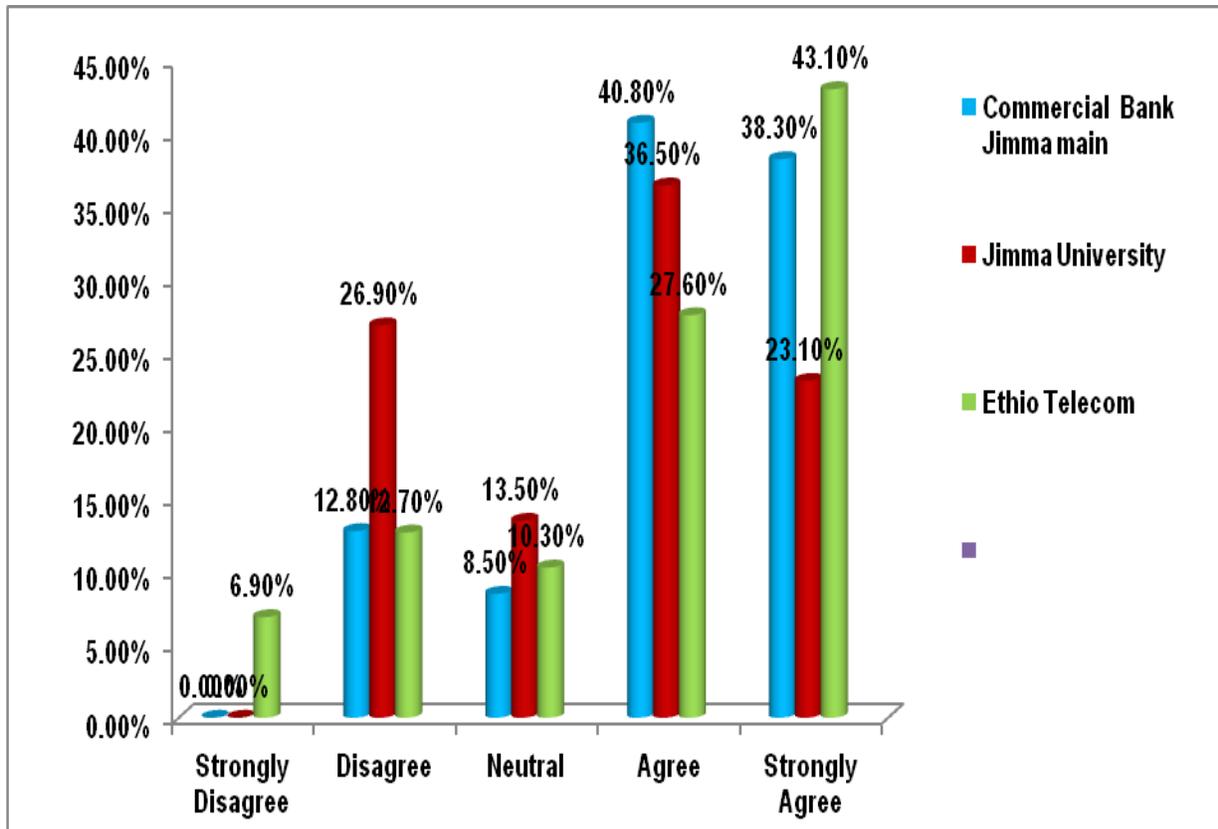
Table 4.13 inadequately scoped work and control systems over how services are delivered

N O	Variables	Categories	Name of the organization					
			Commercial		Jimma		Ethiotelecom	
			Bank Jimma main		University			
F	%	F	%	F	%			
2	Inadequately scoped work and control systems over how certain services are delivered	SD	2	4.30%	2	3.80%	4	6.90%
		D	12	25.50%	13	25.00%	17	29.30%
		N	11	23.40%	16	30.80%	17	29.30%
		A	20	42.60%	19	36.50%	15	25.90%
		SA	2	4.30%	2	3.80%	5	8.60%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

On the other hand 46.9%,40.3% and 34.5%)of CBE,JU and ethiotelecom respectively replied agree and strongly agree to the inadequately scoped work and control systems over how certain services are delivered ; (29.8%,28.8% and 36.2%) of the organizations in respective of their order disagreed and strongly disagreed. whereas (23.4%,30.8% and 29.3%)were in the medium on the item . This implies that the respondents have some challenges on inadequately scoped work and control systems over how certain services are delivered.



Source survey data (2020)

Figure. 11 Loss of control over the Service Providers

This finding also showed (79.1%, 59.6% and 70.7%) in CBE, JU and ethiotelecom respectively replied agree and strongly agree to the loss of control over service providers. Others 12.8% CBE, 26.9% JU and 19.6% ethiotelecom disagreed on loss of control over the service providers. Those 8.5%, 13.5% and 10.3% of these organizations respectively have an average idea about the challenge. This means that there are challenges on loss of control over the service providers especially the CBE and JU. According to Domberger (1998) said, outsourcing involves the perceived loss of control. Many managers adhere to the view that ownership means control. In

outsourcing if complementary assets are independently owned, cost will higher and efficiency lower than if they are held under single ownership,

Table 4.14 Ineffective relationship management and performance evaluation

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
4	Ineffective relationship management and performance evaluation	SD	5	10.60%	3	5.80%	9	15.50%
		D	23	48.90%	23	44.20%	23	39.70%
		N	9	19.10%	13	25.00%	14	24.10%
		A	9	19.10%	10	19.20%	8	13.80%
		SA	1	2.10%	3	5.80%	4	6.90%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA))

Source survey data (2020)

In effective relationship management and performance evaluation was also tested and replied (59.5% CBE, 50% JU and 55.2% ethiotelecom) disagree and strongly disagree to the challenge of relationship between the two. Some (21.2%, 25% and 20.7%) CBE, JU and ethiotelecom respectively answered agreed and strongly agreed. The rest were on average. This shows that there was positive relationship between the management and performance evaluation. The relationship between the management and performance evaluation is effective in outsourcing strategy.

Table 4.15 Higher cost and longer time taken to select third party service provider

N O	Variables	Categories	Name of the organization					
			Commercial Bank		Jimma		Ethiotelecom	
			F	%	F	%	F	%
5	Higher cost and longer time taken to select third party service provider	SD	4	8.50%	0	0.00%	6	10.30%
		D	9	19.10%	15	28.80%	22	17.90%
		N	12	25.50%	7	13.50%	17	29.30%
		A	12	25.50%	21	40.40%	10	37.20%
		SD	10	21.30%	9	17.30%	3	5.20%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

Higher cost and longer time taken to select third party service provider asked and majority (46.8%,57.7%,42.4%)CBE, JU and ethiotelecom of the respondents replied they agree to higher cost and longer time taken to select third party service provider ,but 27.6%, 28.8%and 28.2% of CBE,JU and ethiotelecom in respective of their order replied disagreed and strongly disagreed to the questionnaire . This indicates that higher cost and longer time taken to select third party service provider as a challenge in these organizations. In this regard Brown and Wilson (2005) confirm that, choosing the right partner, establishing effective governance for relationship and managing employee transition with sensitivity are the three most outsourcing challenges for outsourcing. Moreover, the human resource manager of the service provider disclosed that as the concept of outsourcing is new for the service providers as well as the service receiver, defining the service level agreement and measuring its cost were another problem (Cited by Feleke, 2015)

Table 4.16 A high level of dalliance of customer order delivery

NO	Variables	Categories	Name of the organization					
			Commercial Bank		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
6	A high level of dalliance of customer order delivery	SD	4	8.50%	4	7.70%	7	12.10%
		D	21	44.70%	15	28.80%	24	41.40%
		N	14	29.80%	17	32.70%	18	31.00%
		A	5	10.60%	8	15.40%	6	10.30%
		SD	3	6.40%	8	15.40%	3	5.20%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

In the table above (53.2% ,36.5%,53.5%) of CBE and JU and ethiotelecom disagreed and strongly disagreed to high level of dalliance of customer order delivery but, 17%, 30.4% &15.5%of.CBE,JU and ethiotelecom in respective of their order agreed to a high level of dalliance of customer order delivery and (29. 8%of CBE,32.7% of JU and 31% of ethiotelecom replied on average to dalliance. This indicates that there isn't high level of dalliance of customer order delivery in the companies.

Table 4.17 Lack of security and flexibility of service provider

NO	Variables	Categories	Name of the organization					
			Commercial Bank		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
7	Lack of security and flexibility of service provider	SD	1	2.10%	5	9.60%	4	6.90%
		D	15	31.90%	9	17.30%	9	15.50%
		N	7	14.90%	8	15.40%	13	22.40%
		A	18	38.30%	22	42.30%	27	46.60%
		SA	6	12.80%	8	15.40%	5	8.60%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

A result on lack of security and flexibility of the service provider reveals that most respondents agreed and strongly agreed to the question 51.1%, 57.7% and 55.2% of CBE, JU and ethiotelecom respectively. Others (34%, 26.9% and 22.4%) in respective of their order disagreed and the rest responded on average. These show that there were challenges in these organizations in terms of their security and flexibility of service provider. According to Choi (2008), flexibility maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods (cited by Mekuria, 2017 p.40)

Table 4.18 Service provider’s failure to deliver on time/ delay

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
8	Service providers failure to deliver on time/ delay	SD	4	8.50%	0	0.00%	1	1.70%
		D	20	42.60%	28	53.80%	25	43.10%
		N	17	36.20%	9	17.30%	22	37.90%
		A	4	8.50%	10	19.20%	9	15.50%
		SA	2	4.30%	5	9.60%	1	1.70%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) 5=Strongly Agree (SA))

Source survey data (2020)

The above table also shows that the majority the respondents disagreed with the idea service providers failure to deliver on time/delay (51.1%,53.8% and 44.8%)of CBE,JU and ethiotelecom in respective order. Only 12.8%CBE, 28.8%JU and 17.2%of ethiotelecom agreed to service providers’ failure to deliver on time/ delay. Others (36.2%, 17.3% and 37.5%) respectively replied the problem was at on average. This indicates that in the three organizations service providers deliver properly on time/no delay.

According to Fan et al. (2011) the major challenges to outsourcing activities included loss of managerial control over outsourced operations, quality problems, threat to security and confidentiality, hidden costs and reallocation of existing teams(cited by Mekuria,2017 p 26)

Table 4.19 various hidden costs and high risks occurred as a result of using service providers

NO	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
9	Various hidden costs and high risks occurred as a result of using service providers	SD	8	17.00%	2	3.80%	1	1.70%
		D	23	48.90%	18	34.60%	23	39.70%
		N	10	21.30%	20	38.50%	22	37.90%
		A	4	8.50%	8	15.40%	9	15.50%
		SA	2	4.30%	4	7.70%	3	5.20%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

Table 19 shows the findings of the survey from various hidden costs and high risks occurred as a result of using service providers the staff (65.9% CBE, 38.4% JU and 41.4% of ethiotelecom replied disagree and on the opposite 12.8% CBE, 23.1JU and 20.7% ethiotelecom accept the presence of various hidden costs and high risks occurred as a result of using service providers. This study identified that there are no various hidden costs and high risks occurred as a result of using service provider in outsourcing strategy as challenge in the organizations. According to (Burton, 2013) companies become confused the difference between price and total land cost and they failed to consider all of the cost factors associated with outsourcing.

Table 4.20 Higher switching costs as a result of cancellation of contracts

N O	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethio Telecom	
			F	%	F	%	F	%
10	Higher switching costs as a result of cancellation of contracts	SD	11	23.40%	2	3.80%	6	10.30%
		D	23	48.90%	25	48.10%	16	27.60%
		N	7	14.90%	15	28.80%	24	41.40%
		A	5	10.60%	10	19.20%	8	13.80%
		SD	1	2.10%	0	0.00%	4	6.90%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA)

Source survey data (2020)

Another implication is higher switching costs as a result of cancellation of contracts most(72.3%, 51.9% and 28.9%)of CBE,JU and ethiotelecom in the listed order disagreed and strongly disagreed .Small number of the respondents 12.7% CBE,19.2%JU and 20.7% replied agree and strongly agree to the higher switching costs as a result of cancellation of contracts. Others 14.9%, 28.8% and 41.4% of CBE, JU and ethiotelecom respectively responded neither agreed nor disagreed .These show that there are no higher switching costs as a result of cancellation of contracts in CBE and JU. Other was on the average in ethiotelecom.

(Aron 2005) stated that management of end-of-life arrangements is executed in the completion phase. Contracts that come up for renewal are assessed in this phase. Buyer makes vital decisions on extension of the contract, amicable/friendly separation with the vendor to consider engagement with another vendor or executing the function in-house. The decision to outsource has associated risk that can be mitigated by adequate planning (cited by Taye 2018 p)

Table 4.21 Lack of capacity of service providers to deliver the required service

NO	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
11	Lack of capacity of service providers to deliver the required service	SD	12	25.50%	8	15.40%	7	12.10%
		D	21	44.70%	14	26.90%	23	39.70%
		N	8	17.00%	21	40.40%	14	24.10%
		A	4	8.50%	8	15.40%	8	13.80%
		SA	2	4.30%	1	1.90%	6	10.30%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA))

(Source survey data (2020))

As observed in the above table most of the respondents 70.2%, 42.3% and 51.8% of CBE, JU and ethiotelecom respectively replied disagreed and strongly disagreed to the lack of capacity of service providers to deliver the required service. The rest 12.8% CBE, 17.3% JU and 24.1% of ethiotelecom agreed to the questionnaire. This means that service providers deliver the required service with the necessary capacity.

Table 4.22 Service providers offer higher price

NO	Variables	Categories	Name of the organization					
			Commercial Bank Jimma main		Jimma University		Ethiotelecom	
			F	%	F	%	F	%
12	Service providers offer higher price	SD	11	23.40%	12	23.10%	8	13.80%
		D	22	46.80%	13	25.00%	19	32.80%
		N	8	17.00%	17	32.70%	16	27.60%
		A	2	4.30%	7	13.50%	7	12.10%
		SA	4	8.50%	3	5.80%	8	13.80%

(Scale =strongly disagree (SD) =Disagree (D) =Neutral (N) =Agree (A) =Strongly Agree (SA))

Source survey data (2020)

On the other majority of the 70.2%, 48.1% 46.6% of CBE, JU and ethiotelecom in respective of their order responded disagreed and strongly disagreed to service providers offer higher price where as 12.8% CBE, 19.3% JU and 25.9% ethiotelecom of the respondents supported that Service providers offer higher price. Some of them 17% CBE, 32.7% JU and 27.6% of ethiotelecom replied an average. This implies that service providers didn't offer higher price as an issue of challenge for the three of the organizations in Jimma town.

4.6. Narrative of Manager's interview

One of the methods chosen for assessment of the Challenges and Opportunities of Business out Sourcing is to do a qualitative research by doing personal interview with selected representative managers of the companies. The interview was held with the HRM managers of the three organizations in order to gather practical activities, opportunities and challenges of outsourcing based on pre prepared questions at their offices

4.6.1 Interview and its discussions of Commercial Bank of Ethiopia

. The CBE HRM manager first explained the out sourcing contracts that their company awarded in the last five years in Jimma town as indicated in the following table.

No	Activities outsourced	Number of employees	Year of contract	Name of service provider
01	Shift leader	16	3years	Commercial Nominees
02	Security officers	112	3years	Commercial Nominees
03	Drivers	4	3years	Commercial Nominees
04	Messengers	6	3years	Commercial Nominees
05	Janitress	39	3years	Commercial Nominees
06	laborers	05	3years	Commercial Nominees
07	woman searchers'	20	3years	Commercial Nominees
08	Lobby man	10	3years	Commercial Nominees
09	Gardner	01	3years	Commercial Nominees
10	Traffic	01	3years	Commercial Nominees
Total		214		

Table 4.6.1 Activities out sourced in CBE

Based on interviewee responses out sourcing started before 10years in CBE with other service provider Degen. At that time there was dissatisfaction of the company and customers with them. This leads to establishment of the sister company of CBE the commercial nominees. But, in

general the commercial bank of Ethiopia motivated to outsource some non-core activities depending on challenges in the employment especially in upgrading internal employee according to the rules and regulations of the CBE. Any employee in the company must be required to the new vacancy without any they pre-fulfillment .This made especially the security officers to upgrade from current status to the accountant without outside competition being on the in service upgrading of their education. This made customer care and satisfaction low, which leads the bank to apply the strategy. According to the interviewee's response of human resource managers the contractual agreement was signed at head office level as per three years agreement.

Banks achieved the expected benefits of outsourcing in two aspects. The first one is the administration burden of managing non clerical staffs are decreasing as compared to the previous. Now, in outsourcing, bank is required to give payments for the service providers as per the contract and service delivery. Hence management time is free for more critical jobs than before even though managing outsourcing contract by itself has some challenges. The second benefit the bank realized is cost reduction. Hiring, training, insurance, bonus, medical, overtime, uniform, education fees and annual leaves are costs that are reduced due to outsourcing. This all implies out sourcing was a good opportunity for CBE

The challenge faced the CBE was the outsourced employee did not consider themselves as CBE Staff and they consider themselves as a temporary staff, so they worry about their future walk of life. This leads to lack of ownership and belongingness which is the major challenge faced by banks from the outsourced staffs. An interviewee mentions that there were, no risks occurred at Jimma town but at others.

4.6.2 Findings from interview and its discussions of Jimma University

During the selection of the managers effort was made to target managers from HRM division's and Purposeful selection was used to ensure the awareness of those interviewed managers on the out sourcing. The history of out sourcing was an infant in Jimma University specialized hospital and it started three years ago in order to get quality service and concentrate on core process of the university. This decision was made by the top managers of the University. According to the interviewee's response managers and internal staff free time for more strategic activities, cost

saving, better quality, and external expertise management are the major benefits gained from outsourcing. .

Out sourcing have also challenges like, low morals of those supplied staff as compared to before and there is conflict of interest among outsourced and permanent employees. Here the conflict of interest is a serious issue that will bring about low belongingness. In order to follow up the quality of service provided, the university assigned its own total quality manager that control the overall security level of the university that makes sudden supervision of the outsourced staffs.

No	Activities outsourced	Number of employees/service	Year of contract	Name of service providers
01	Janitress	486	2years	TFG

Table 4.6.2 Activities out sourced in Jimma University

4.6.3 Findings from interview and its discussions of ethiotelecom

Interviews were made with HRM manager and FF department head, in order to gather practical activities of outsourcing on the practices, opportunities and challenges of out sourcing in ethiotelecom.

No	Activities outsourced	Number of employees/service	Year of contract	Name of service providers
01	Security officers	100	3years	Alif and D4
02	Car rent service	34	3years	River Gibe car rent
03	Drivers	26	3years	Alif and D4
05	Janitress	12	3years	Tsegereda cleaning
06	Garage	03	3years	Master frame agreement
07	Tower foundation	01	1month per site	Gizacho Girma construction
08	Shop rent	10	3years	WD building
Total		186		

Table 4.6.3 Activities out sourced in ethiotelecom

Ethiotelecom was named as such after the former Ethiopian Telecommunication Corporation (ETC), which was the name of the telecommunication company starting from 1996 G.C, ceased to exist in November 2010. In 2009 a consultant was hired to study ETC for introduction of structural change to make it a world class telecom company.

Out sourcing started in this company after ETC (Ethiopian Telecommunication Corporation) changed to ethiotelecom before 10 years. The CN was one of the service providers of ethiotelecom before but, after time other service providers become competent. According to the interviewee's ethiotelecom became motivated to outsource different services since it is cost efficient, time saving and makes the management to concentrate on core activities of the company. This is a great opportunity for the company ethiotelecom only write a letter to service providers and pay salary with the commission as per the contractual agreement which was signed at a maximum of three years and have a right to terminate if the vendors are not delivering what is expected by the company as belong to agreement.

There are challenges like, low morals of those supplied staff as compared to before and conflict of interest among outsourced and permanent employees especially in case of security officers and drivers. This leads to lack of trust and belongingness of service provider's staffs and management.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This part of the study summarizes and concludes the main findings obtained from the collected data and provide some recommendations to be implemented by concerned bodies in order to alleviate existing opportunities and challenges.

5.1 Summary of Findings

The following points are the major findings of the study:

- The finding on challenges and opportunities of business out sourcing in Jimma town shows that the respondents of the three organizations responded 85.1% CBE, 76.9% JU and 86.2% of ethiotelecom agreed that applying outsourcing strategy increased effectiveness of their company and the outsourced staff do respect the cultures and norms of their own. Majority 74.5%, 78.8% and 69% of the CBE, JU and ethiotelecom respondents respectively agreed that, they and their customers are satisfied with the outsourced services.
- Majority of the respondents have their own reasons to make outsourcing decisions. In this regard supporting to improve customer service 72.3% CBE, 80.7% JU and 79.3% of ethiotelecom, cost reduction 63.9% CBE, 55.8% JU and 72.4% of ethiotelecom and focusing on core function and strategies 78.8% CBE, 63.4% JU and 79.3% of ethiotelecom responded high advantage to the companies, and saving managers time that allotted for controlling the day to day activities of none core functions. This indicates that outsourcing is great opportunity for those organizations. Foster and Muller, (1990) stated that outsourcing can add measurable value to products, enhancing customer service, assisting in opening new markets, and providing dedicated resources.
- 79.1% CBE, 59.6% JU and 70.7%, the respondents indicate that, there were loss of control over the Service Providers. According to Bradley, (1995) besides losing control, losing touch with important information, failure to select or manage providers properly, unreliable promises of the providers, their inability to respond to changing requirements,

their lack of understanding of the buyer's business goals and difficulty of changing providers have also been cited as potential problems by their users.

- All of the interviewee's responses also indicate that the main reason of out sourcing is cost saving, better quality, and concentrating on core process are the major benefits gained from outsourcing .In the other side common problems of the service providers were low employee belongingness and conflict of interest as compared to the permanent staff of the organizations which leads low morale and develop sense of ownership.

5.2 Conclusion

The study has assessed the challenges and opportunities of outsourcing practices at Commercial Bank of Ethiopia, Jimma University and ethiotelecom at Jimma town on non-core activities (messenger, Security, lobby, tower foundation, garage and cleaning Services) in order to answer whether outsourcing has benefited or hindered the core business functions after the implementation of outsourcing strategy.

Majority of the respondents agree that outsourcing security services save cost , improve customer service, allow to focused on core activities, increase the effectiveness of the organization , and the organizations and their customers are satisfied with the outsourced services. This indicates that outsourcing those above non-core activities are in good position or beneficial. However, the three governmental organizations has faced some challenges like to low employee belongingness, loss of control over the service provider and , also it takes longer time to select third party service provider especially in Jimma University and ethiotelecom. But from all the challenges, the most serious one are loss of control over the service provider and low employee belongingness.

In order to keep the opportunities of out sourcing and to solve the existing problems a great effort expected from the three organizations out sourced service administrative office by taking corrective actions with the service providers together.

5.3 Recommendations

Based on the analysis of results received from the questionnaire and also based on the interview with the managers of sampled organizations, the researcher would like to recommend the following points

Since outsourcing has many opportunities, organizations have to sustain this happenstance the service providers should be checked at certain time intervals. The outsourced activity should be monitored and managed. The companies should have a complex overview about the outsourced activity and the control over it. Monitoring and evaluation system need to be put in place for timely corrective action before time elapses and rectification becomes so difficult. When it is used in a calculated and well-designed way, outsourcing could bring lots of benefits to the client organization. Hence, any form of outsourcing is likely called for maximizing benefits and minimizing risks

The organizations should work on, these main challenges : conflict of interest, low belongingness, controlling over the service providers, consistency of those supplied staff and inadequately scoped work and control systems over how certain services are delivered. Management of the companies should also improve and as well as build up a good personal relationship with its service providers in order to gain more from each other through solving of challenges that arises from outsourcing those activities. The organizations in the town should give due emphasis on increasing employee belongingness.

Further the outsourcing organizations can also adapt the best practice and scale up the outsourcing strategy of successful organizations to other service giving companies in Jimma town. The three organizations were also not at the same stage in implementing of outsourcing strategy. There should be experience sharing between the beginners and other experienced organizations in order to give quality service and more attention for the core functions of their organizations this business outsourcing

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Appendices A: Questionnaire

Dear participants,

This questionnaire is prepared to collect data used for thesis entitled” Challenges And Opportunities Of Business Out Sourcing At Jimma Town Governmental Organizations” in partial fulfillment of requirement for Masters of Arts Degree in Business Administration.

The information you provide is highly valuable to identify general practices, reasons, opportunities and challenges related to outsourcing. I would like to assure you that the information you provide will be used for research purpose only and all responses will be treated in strict confidentiality

Section I: Demographic and respondents profile please put (√) mark)

1. Name of the organization.....

2. Your position in the organization

3. Gender: Male Female

4. Age : 18-25 26-35 36-45 Above 45 years

5. Educational Background: High School Technical school

College Diploma Bachelor’s Degree Postgraduate

6. How long have you been working in the organization?

Less than 1 Year 1-5 years 6-10 years More than 10 years

7. Years of experience in the current position?

Less than 1 Year 1-5 years 6-10 years More than 10

Section II: Questions designed to collect information about the Practices on Outsourcing

Indicate about practice you feel each item in making decision of outsourcing the business functions using the following rating scale: 5 =strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree Put “√” Mark in the appropriate column to signify the importance level of each item

S. No	Practices of outsourcing	Degree of Expectation						NA
		5	4	3	2	1		
1	Communication difficulties between In-house and Outsourcing Team lead to unnecessary stress at work							
2	Organization has standards to measure the results and quality of performance of outsourced workers							
3	Due to applying outsourcing strategy the effectiveness of organization increased							
4	Outsourced workers effectively know their duties and responsibilities							
5	Outsourced workers respect the cultures and norms of the organization							
6	You And your customers are you satisfied with the outsourced services							
7	The Outsourced employees are committed to their duties and responsibilities							
Other justification: (Please list and rate them):								

NA –not applicable

Section III: Questions designed to collect information about the reasons for implementing outsourcing.

Please indicate the ‘degree of expectation’ of *reasons of* outsourcing on a five-point Scale. Please (Put \surd Mark) in the appropriate cell against each question) Scale: Very high – 5, High – 4, Neutral – 3, Low – 2, Very Low – 1.

S. No	Reasons of outsourcing	Degree of Expectation						NA
		5	4	3	2	1		
1	Cost cutting							
2	Improved operational efficiency							
3	Improved customer service							
4	Achieve better focus on core competencies (core business)							
5	Cost shifting (from ‘fixed’ to ‘variable’)							
6	Access to new and updated technologies on continuous basis							
Other justification: (Please list and rate them):								

NA –not applicable

Section IV: Questions designed to collect information about the Opportunities of organizations in implementing outsourcing.

Indicate about opportunities you feel each item in making decision of outsourcing the business functions using the following rating scale: 5 =strongly agree 4 = Agree 3 = Neutral 2 = Disagree 1 = Strongly Disagree

Put “√” Mark in the appropriate column to signify the importance level of each item

S. No	Opportunities of outsourcing	Degree of Expectation						NA
		5	4	3	2	1		
1	On time deliveries performance							
2	Quality of service							
3	Finance status/Stability							
4	Based on Price							
5	Expertise in technology /IT capability/							
6	Improve Range of services provided							
Other justification: (Please list and rate them):								

Section V; Questions designed to collect information about the challenges of Organizations in implementing outsourcing. Please indicate your level of agreement on Challenges your company facing as a result of outsourcing business activities by using the following rating scales; 1=Strongly disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree Please put (√ Mark) in the appropriate column

S. No	Challenges of outsourcing	Degree of Expectation					N A
		5	4	3	2	1	
Internal challenges							
1	Lack of skill and expertise of personnel in the outsourcing team						
2	Inadequately scoped work and control systems over how certain services are delivered						
3	Loss of control over the Service Providers						
4	Ineffective relationship management and performance evaluation						
5	Higher cost and longer time taken to select third party service provider						
6	A high level of dalliance of customer order delivery						
External challenges							
7	Lack of security and flexibility of service provider						
8	Service providers failure to deliver on time/ delay						
9	Various hidden costs and high risks occurred as a result of using service providers						
10	Higher switching costs as a result of cancellation of contracts						
11	Lack of capacity of service providers to deliver the required service						
12	Service providers offer higher price						
Other justification: (Please list and rate them):							

Appendices B: Semi structured Interview questions

This semi structured interview question is prepared to collect data used for thesis entitled "Challenges and opportunities of business outsourcing at Jimmaa town governmental Organizations" in partial fulfillment of requirement for Masters of Arts Degree in Business Administration. The information you provide is highly valuable to identify general practices, benefits, risks and challenges related to outsourcing.

1. What are outsourcing contracts your organization has awarded in the last 5years? Please specify the activity outsourced, and how many year of contract agreement is signed?
2. When did you start outsourcing? What is the organization motivation for outsourcing? How is the process of outsourcing?
3. How is one business activity proposed for outsourcing? Who made the decisions? How much Participation of concerned staffs considered? What is the labor union reaction?
4. What difficulty faced to outsource externally as well as internally?
5. In what bases service provider are selected? Are the service providers' foreign or local company?
6. What benefits your organization realizes due to outsourcing? What risk faced/potential risks? What solutions were taken to solve the problems?
7. From your time of experience is out sourcing an opportunity for your company?
8. How is the relationship of the service provider in terms of contractual agreements? Are service Providers performing to the require standards? Who follow their performance?
9. How is the level of interaction and integration between the service provider staffs and the organization staffs? Are you satisfied with currently outsourced services performance?
10. Is there any return back decision made on outsourced business process (interrupted, renegotiated, or prematurely terminated)? Why?
11. Is there a risk management framework for outsourcing by the organization? Does government has regulatory guideline on outsourcing?

Thank you

Appendices C: Research Interview Results

Interview 1

TOPIC: Client Commercial Bank of Ethiopia of Ethiopia

Information about the informant (Interview 1)

Details	Client Commercial Bank of Ethiopia
Name of the informant	Interview 1
Position in the case company	Human Resource Manager
Date of the interview	06-05-2020
Duration of the interview	23m
Document	Sound

Research Interview 2

TOPIC: Client Company Jimma University

Information about the informant (Interview 2)

Details	Client company Jimma University
Name of the informant	Interview 2
Position in the case company	Human Resource Manager
Date of the interview	08-05-2020
Duration of the interview	30m
Document	Oral interview

Research Interview 3

TOPIC: Client Company Ethio telecom

Information about the informant (Interview 2)

Details	Client company Ethio telecom
Name of the informant	Interview 2
Position in the case company	Human Resource Manager
Date of the interview	11-05-2020
Duration of the interview	13m+25oral interview
Document	Sound