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INFLUENCE OF LABOUR OUTSOURCING ON ORGANIZATIONAL PERFORMANCE IN THE BANKING SECTOR IN KENYA

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Abstract

The main goal of this study was to explore the influence of Labour outsourcing process on the performance of Kenya's Banking Sector. The study used descriptive research design since it deemed suitable for this kind of study. It used stratified random sampling and the selection of the respondents using a questionnaire that had a blend of different kinds or modes of questions to get feedback from respondents. The target population for the study consisted of employees working in selected banks in Nairobi County. The sample size used in this study was 132 human resource employees, out of a population of 199 employees. A pilot test was carried out to test the validity and reliability of the research instruments used in the study. The analysis of the findings of the study were measured using the Statistical Package for Social Sciences (SPSS version 21). The study used the Multiple Linear Regression Model for testing relationships existing among variables, more so the predictor variable and the dependent variable. The study established that organization capacities had a statistically significant relationship with perfomance. The study also found that labour costs had a strong posotive correlation with perfomance. The study found that risk management was statistically significant to perfomance. Further, benefit administration had a significant positive relationship with perfomance. The study concludes that organization capacities, labour costs, risk management and benefit administration has a positive influence on performance of the Kenyan Banking Sector. The study recommends that the management of banks should constantly conduct capacity audits. This would enable the organization to understand the existing competencies in the organization and the competencies needed in the company due to the volatile business environment. The study recommends that the management of banks in Kenya should focus on reducing labour costs. This can be done by reducing the amount of labor employed or changing working hours. The study recommends that the banks should review their risk management procedures from time to time. This is because as the business environment is volatile new business risk keep emerging and therefore the organization should be in the know. The study recommends that banks should improve on the employee benefit programs they provide. This is because the employees need keep on changing and the management should always understand their employees.

Keywords: Outsourcing, Organization capacities, Labour costs, Risk management, Benefit administration.

Introduction

Labour outsourcing is a management strategy by which a company assigns an experienced and efficient service provider to perform their non-core functions, by doing so they can save time and money (Swar, Moon, Oh & Rhee, 2012). The functions generally should be performed in house but sometimes organization can make an arrangement with another company to execute it from outside the organization (Ates, 2013). Therefore, it is the shift of business units/ functions to external service providers whereby, authority is appointed to third party to provide services under a business contract that includes service level agreements associated to cost, quality and timely delivery of product and service (Reichel & Lazarova, 2013).

Labour is a strategic business function and is today perceived as a strategic business partner aligned with the organization's vision and strategy. HR is the catalyst in helping an organization define its mission, vision, values, and goals (Ates, 2013). HR outsourcing is the process of in which certain human resources activities are outsourced to external partners which helps the organization get advantage of specialized skills, reduce cost and enable HR personnel to focus on strategic initiatives (Sheehan & Cooper, 2011). Organizations outsource administrative and transactional activities which are non-core, enabling HR Personnel focus on core activities. What activities an organization needs to outsource depends on the nature and size of the organization, internal skill sets, regulatory environment in which it operates, financial advantage, partner capabilities, key HR initiatives, culture (Chu & Wang, 2012).

Gilley *et al.* (2014) believe that outsourcing of HR functions positively influences organizational performance and promotes innovation, notably in the outsourcing of functions such as training and development. On the contrary, Chiang and Shih (2011) question the validity of such a perspective by claiming that skills gained from external training suppliers cannot be fully integrated in the organization and argue that training outsourcing has no significant impact on effectiveness. Gilley *et al.* (2014) analyzed the relationship between outsourcing of HR activities such as payroll, training and firm performance using secondary data. Their results suggested that outsourcing of payroll and training had a positive impact on financial, stakeholder and innovation performance.

According to the study by Armstrong (2013), 45% of executives in Australia admit to outsourcing payroll management. Similarly, 51% of private companies in the US outsource all or some HR activities because they cannot afford to employ talented part-time or fulltime employees across all areas of the organization's operations. A study conducted by KPMG (2006) found that 47% of companies in Japan either already outsource or plan to outsource. In India, 65% of companies either already outsource or plan to outsource their human resource functions (Gupta, 2012). Seth and Sethi (2011) did a review on outsourcing of human resources (HR) while considering two moderators the lack of in-house HR expertise and positive HR outcome using data collected from Vietnamese firms of different sizes. They concluded that the strategic involvement of HR management is positively related to the decision to outsource HR. As expected, a positive significant relationship exists between cost reduction and the decision to outsource HR for non-core HR activities.

In developing world, particularly African countries, labour outsourcing is booming these days just like in developed world. Whereby many businesses that do not have the time or the resources to manage HR functions, outsourcing has been seemed to be a cost-effective alternative to hiring an in-house human resources staff (Gray, 2011). In one of the recent labour market research studies in 2014 by International Labour Organization forecasts that the African market for labour outsource grows at the rate of 11% annually. This same study forecasts that the total human resource outsourcing market grows by 27% annually worldwide (Baldwin, *et, al.*, 2014).

In Kenya, outsourcing is underscored in the Kenya Vision 2030 program which was unveiled in 2007. The initiative is seen as a principal pillar as well as driver of social and economic improvement by means of wealth and job creation. According to Manono, (2012) the aim of the Kenya government is to have development goals in the use of technology as well as emulating countries like India and China which have succeeded in outsourcing. The advancement in Information's and Communications Technology (ICT) through the incorporation of fibre-optic cable infrastructure will boost outsourcing activities. Many jobs will be created for Kenyans and other non-local firms will be attracted to do business in Kenya. A review by Kivuva (2018) on effects of outsourcing on organizational performance revealed that outsourcing influences organization performance even though to a small extent.

In Kenya, according to Ciuri (2012), business process outsourcing (BPO) prospects are positive. However, the challenges facing the field in the country include; a skewed global market, poor brand recognition and lack of qualified personnel. Mushrooming of outsource business and quacks claiming to be consultants have diluted and spoilt the Kenyan BPO market for the professionals who are trying hard to build a name and create trust in their clients. Rapids improvement in technology has played a key role in making outsourcing business in Kenya a realistic and profitable affair to many companies. Outsourcing in Kenya has been taken as key strategy to reinvent their business operations (Ngichiri, 2011).

Statement of the Problem

Outsourcing is a concept that has lately gained prominence in the current corporate body. These is as a result of the demand to cut down costs and at the same time assure clients of quality delivery. However, it is only about 50% of the Kenya Banking Sector that has managed to improve on outsourcing processes as per the customers' expectations (Mathew, 2011). According to Ochieng (2009) many Banking Sector are unable to employ successful outsourcing strategy as result of experiencing a lot of setbacks while engaging in outsourcing. Outsourcing is increasingly being used as a means of both reducing costs and achieving strategic goals (Basle Committee, 2015). Globally, regulators concern is how banks manage risks associated with a third party offering certain key services (Basle Committee, 2015). Outsourcing risk is manifested in loss of control on some key functions and likelihood of opportunistic expropriation by vendor (Lacity & Wilcocks, 2018). While outsourcing has profound benefits, it equally exposes firms to serious risks. Beasley et al., (2014) suggests that outsourcing poses multitudes of risks to a number of firm's functions such as finance, human capital, IT and operations.

In Kenya, there is significant rise in outsourcing activities in the banking sector. Surprisingly, in a survey conducted by the Central Bank of Kenya, a number of financial institutions have no risk management frameworks (Central Bank of Kenya, 2015). In addition, there is currently, no regulatory guideline on outsourcing. Kerandi *et al.* (2014) on commercial banking crisis in Kenya found out non-core services in Kenyan banks are most outsourced to enable them to concentrate on the core activities. It is unclear on the criteria used for establishing core and non-core activities in the Kenyan banking sector. Hence influencing outsourcing in commercial banks.

A few studies have been done in Kenya on outsourcing among commercial banks. For instance, Serem (2012) did a survey on outsourcing of human resource services by banks in Nairobi. Kipsang (2013) did a survey on outsourcing information technology services by commercial banks in Kenya. Makhino (2016) did a study on the benefits and challenges of outsourcing HR activities in commercial banks in Kenya. Mohamed (2016) did a survey of outsourcing of training services by commercial banks in Kenya while Wandabwa (2016) did a study on the current outsourcing practices by commercial banks in Kenya. According to Robinson (2015) outsourcing implementation problems in the banking segment are common in many emerging economies. There are frequent complaints about contract duration, and some have pressurized the bank for payments before fulfilling their contractual obligations.

However, despite some studies being carried out in Kenya on the above topic little is known about the influence of outsourcing labour in banking Industry. There is minimal study on banking industry on what effect, if any, outsourcing of labour has had on their performance. For this reason, the present study sought to fill in the gap by establishing the influence of labour outsourcing on Performance of the Kenyan Banking Sector.

Research Objectives

The general objective of this study was to explore the influence of the labour outsourcing on performance of the Kenyan Banking Sector. The study was guided by the following specific objectives:

i. To establish the influence of organization capacities on performance of Kenya's Banking Sector.
ii. To determine the influence of labour costs on performance of Kenya's Banking Sector.
iii. To assess the influence of risk management on performance of Kenya's Banking Sector.
iv. To establish the influence of benefit administration on performance of Kenya's Banking Sector.

Theoretical Review

A theory is a set of principles or statements that explains phenomena or why something occurs. Any principle or a statement that explains what is measured or described or any statement about cause and effect are theory based (Bowrin, 2004). The study was anchored on the following theories.

Dynamic Capability Theory

The Dynamic Capabilities Theory was developed by Teece, Pisano and Shuen (1997). Dynamic capability is the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. The basic assumption of the dynamic capability's framework is that core competencies should be used to modify short-term competitive positions that can be used to build longer-term competitive advantage. Three dynamic capabilities are necessary in order to meet new challenges. Organizations and their employees need the capability to learn quickly and to build strategic assets. New strategic assets such as capability, technology, and customer feedback have to be integrated within the company. Existing strategic assets have to be transformed or reconfigured. This theory is adopted because of its support in developing organization capacities.

Transaction Cost Economics (TCE) Theory

This theory has been adopted by many scholars while writing articles on outsourcing. The theory is presumed to be a key guide in the provision of the best decision-making tool that assists organizations to make choices on whether to outsource or not and at the same time prepare for future outsourcing needs as and when they arise. The theory to a large extent depends on the governance structure of the theory since it has in the past been referred in managing the relationship phase and at the same time adopting the concept of cost switching hence making the theory useful at the reconsideration phase. Outsourcing as explained by TCE explains the complications of contracting. This notwithstanding, despite the fact that TCE has in many cases been used to study or explains the vendor selection phase, incomplete contracting has been used to give insight on the structure and outsourcing contents, including contract management activities and their preparation.

Enterprise Risk Management Theory

According to Nocco and Stulz (2006), Enterprise Risk Management (ERM) is a risk management theory advocates for recommends for the measurement and management of notable risk facing a given entity whole than the management of each risk independently. Its main aim is to combine the risk management silos in an organization into one holistic and comprehensive framework. The theory also stresses on a creation of risk management culture where all stakeholders are empowered and accountable to manage risks. Cormican (2015) suggested that ERM practices involve increased competitive advantage, stakeholder confidence and long-term viability of organizations. The ERM theory was developed for management of company risks.

Agency Theory

This theory lays emphasis on the issue of relationships among employees. This occurs where two people or parties cooperate and get involved or participate in an association where, one of the principal's delegates decisions and/or work to another party or an agent to work on their behalf (Eisenhardt, 2009; Rungtusanatham *et al.,* 2007). Key assumptions that guide the Agency Theory include issues such as: individual parties act in their own individual self-interest, frequent information asymmetry exists between principles and agents, principles and agents more often conflict or disagree on potential future goals of the organization, agents are more exposed to risks than the principle and the effectiveness criterion is determined by the efficiency of the of the organization.The focus of the agency theory originally was on the relationship between managers and stakeholders but had spread over the time on explaining the relationship between two inter-firm subjects. This theory was adopted because of its support of benefit administration and in particular in managing the relationships between the firms.

Resource Based Theory

This theory is based on the precism that organizations own or possess resources that contribute toward s the attainment of the organizations competitive advantage. The school of thought behind the theory argues that the resources available are a unit of those who contribute to standard long-term performance. This theory supports technology, outsourcing policies, and employee's competencies variables and their relationship to outsource. Firm's resources are those tangible and intangible assets that tie semi permanently to the firm at a given time. The tangible resources include skilled personnel, machinery, capital, efficient procedures and so on. The intangible resources include among others brand names, trade contacts, management and technological know-how, proprietary technologies.

Conceptual Framework

According to Orodho (2009) a conceptual framework describes the relationship between the research variables. Sekeran (2003) opines that a variable is a characteristic that is measureable which is presumed to have different values among subjects.

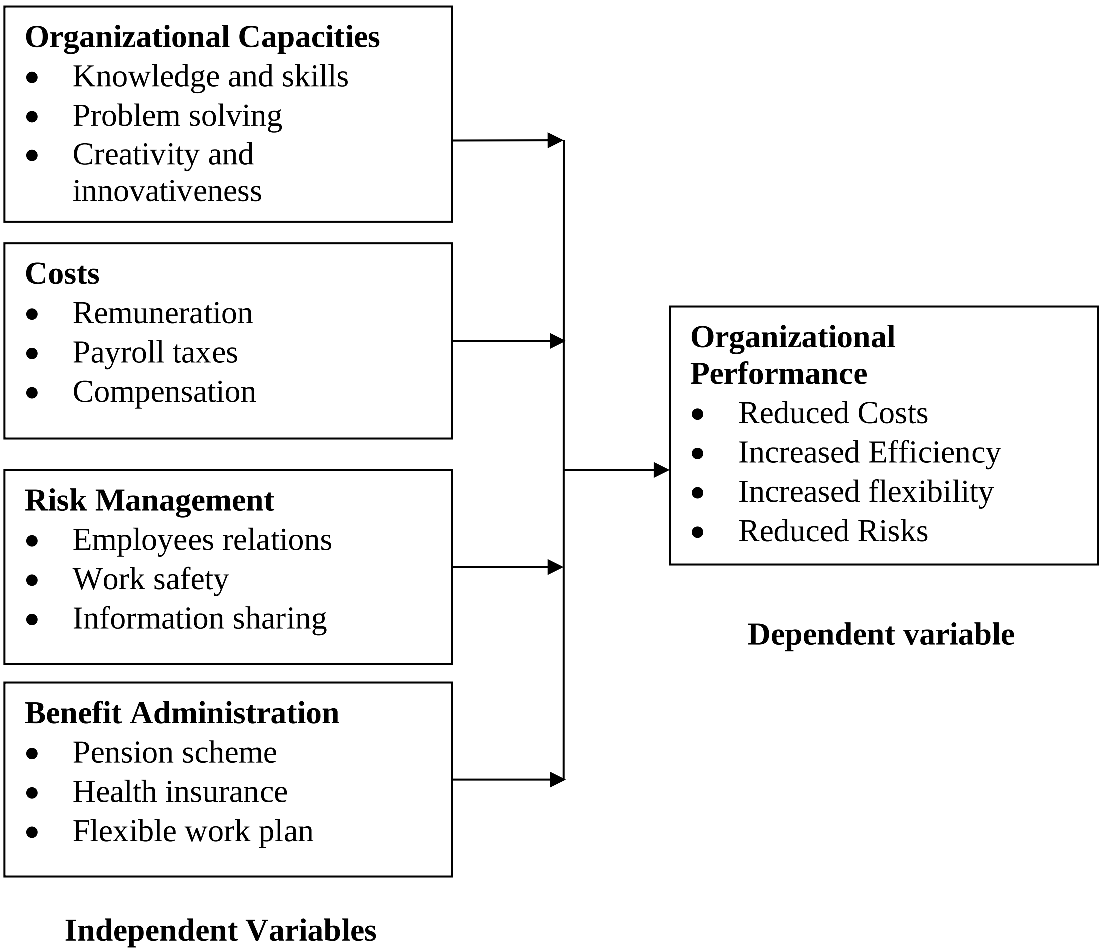

Figure 1: Conceptual Framework

Critique of Existing Literature

The empirical literature shows that, many previous studies have undertaken on outsourcing but there lacks a specific study that has managed to explore the effects of the labour outsourcing process on Performance of the Kenyan Banking Sector. Ojokuku and Adegbite (2014) studied the impact of capacity building and manpower development on staff performance in selected organisations in Nigeria. Bassey and Tapang (2012) researched on expensed human resources cost and its influence on corporate productivity in Nigeria. This study focused on corporate productivity in Nigeria while the current study focus is on organizational performance in banking sector in Kenya. Chematany (2012) studied the effect of organizational capacity on performance: the case of civil society organizations in Kenya. This study focused on performance of civil society organizations in Kenya while the current study focus is on organizational performance in banking sector in Kenya.

Kisaka and Musomi (2015) studied the effect of risk management on performance of investment firms in Kenya. This study was about performance of investment firms in Kenya. While the current study focus is on organizational performance in banking sector. Oehmen, Olechowski, Kenley, & Ben-Daya (2014) did an analysis of the effect of risk management practices on the performance of new product development programs. This study focus was on performance of products while the current study focus is on organizational performance in banking sector. Ekere and Amah (2014) researched on staff benefits and organizational performance, a study of private hospitals in Rivers State Nigeria. This study focus was on performance of private hospitals in Rivers State Nigeria while the current study focus is on organizational performance in banking sector. Achieng (2011) researched on perceived effects of employee benefits on employee retention at Kenya Forest Service. This study focused on employee retention at Kenya Forest Service while the current study focus is on organizational performance in banking sector.

Research Gaps

There are many studies that have so far been carried out in respect of outsourcing human resource activities and organizational engagement. A close critique of empirical studies includes; Ojokuku and Adegbite (2014) studied the impact of capacity building and manpower development on staff performance in selected organisations in Nigeria. Bassey and Tapang (2012) researched on expensed human resources cost and its influence on corporate productivity in Nigeria. Chematany (2012) studied the effect of organizational capacity on performance: the case of civil society organizations in Kenya. Kisaka and Musomi (2015) studied the effect of risk management on performance of investment firms in Kenya. Oehmen, Olechowski, Kenley, & Ben-Daya (2014) did an analysis of the effect of risk management practices on the performance of new product development. Ekere and Amah (2014) researched on staff benefits and organizational performance, a study of private hospitals in Rivers State Nigeria. Achieng (2011) researched on perceived effects of employee benefits on employee retention at Kenya Forest Service.

The studies failed to explicitly address the issue of organization capacities, labour costs, risk management and benefit administration and the effect of the same on organizational performance. Therefore, the present study seeks to fill the knowledge gap. It is hence evident that a rich gap in literature exists on labour outsourcing process on performance of organization. This study therefore aimed to fill the missing gap by exploring the influence of the labour outsourcing process on Performance of the Kenyan Banking Sector.

Research Methodology

The study adopted a descriptive research design. The unit of observation was banks in Nairobi County while the unit of analysis was the employees at the banks. The study target population was senior managers and human resource managers and their assistants in selected banks in Nairobi County. From the human resources of the banks, the target population was 199 employees. The sample size was 132 respondents. In this study the main data collection instruments were questionnaires. To ensure reliability in this study, pilot test was conducted on a total of ten (10) staff from across all the units in the firm. Based on the questionnaire, both quantitative and qualitative data was generated. The analyzed data was then presented using frequency tables and bar graphs. Ratios, percentages and measure of central tendency was used to analyze data (Kothari, 2004). Inferential statistics was also used to analyze quantitative data through the use of correlation analysis and Multiple Linear Regression model to establish the relationship between the independent variables on the dependent variable. The findings were then presented using tables and charts.

Research Findings and Discussion

Descriptive and inferential statistics have been used to discuss the findings of the study. The study targeted 132 staff working at selected banks in Kenya. All staff were issued with questions but only 126 filled and returned the questionnaire, forming a response rate of 95.5%. A response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent (Mugenda & Mugenda, 2008). In this study the response rate was excellent, hence they could be used to make research conclusion.

Reliability Analysis

Reliability analysis was done to determine the reliability of the questionnaire. The study used the Cronbach's Alpha. Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming a benchmark for the study. The Cronbach's alpha was used to determine the reliability of each objective. The findings indicate that organization capacities have an alpha of 0.798, labour costs have an alpha of 0.761, risk management has an alpha of 0.751 and benefit administration an alpha of 0.754. This is an indication that all the variables are reliable.

Descriptive Statistics

Organization Capacities

From the findings, the respondents agreed that knowledgeable and skilled employees are able to work under minimum supervision as shown by a mean of 4.119, the organization outsources employees with skills and knowledge needed in the organization as shown by a mean of 4.111, employees are encouraged to be creative as shown by a mean of 4.103, knowledgeable employees are able to solve problems before they become crisis as shown by a mean of 4.079, the organization always cultivate new competencies that enable the organization to survive and prosper as shown by a mean of 4.024, the organization is able to upgrade and revise existing organizational competencies as shown by a mean of 4.016, employees are encouraged to come up with new innovations as shown by a mean of 4.008, employee performance is enhanced through dynamic nature business environment capacity development programs as shown by a mean of 3.960, the employees are encouraged to solve problems among themselves as shown by a mean of 3.984 and the organization is able to respond to an increasingly unpredictable and volatile environmental context as shown by a mean of 3.897. The findings concur with the findings of Çömleka, Kitapçıb, Çelikc and Özşahin (2012) who revealed that organizational learning capacity (system orientation and knowledge acquisition-utilization orientation) affects firm innovative performance positively. The study findings depict that organization capabilities influence performance of the Kenyan Banking Sector.

Table 1: Influence of Organizational Capacities on Performance

Statement	Mean	Std. Dev.
The organization outsources employees with skills and knowledge needed in the organization	4.111	0.981
Knowledgeable and skilled employees are able to work under minimum supervision	4.119	1.002
The employees are encouraged to solve problems among themselves	3.984	0.867
Knowledgeable employees are able to solve problems before they become crisis	4.079	0.961
Employees are encouraged to creative	4.103	1.105
The organization is able to upgrade and revise existing organizational competencies	4.016	0.884
Employees are encouraged to come up with new innovations	4.008	1.008
Our organization is able to respond to an increasingly unpredictable and volatile environmental context	3.897	0.930
The organization always cultivate new competencies that enable the organization to survive and prosper	4.024	0.879
Employee performance is enhanced through dynamic nature business environment capacity development programs	3.960	0.869

Labour Costs

From the findings, the respondents agree that labour outsourcing reduces employee costs as shown by a mean of 4.175, labour outsourcing reduces employee compensation costs as shown by a mean of 4.135, when labour cost increases, the organization thinks of reducing employment or working hours as shown by a mean of 4.103, anticipated savings on cost owing to low labour expenditures have put outsourcing at the top of the management agenda as shown by a mean of 4.071, increase in labour cost forces the employer to reduce the amount of labour employed as shown by a mean of 4.056, labour outsourcing minimizes costs on wages in the organization as shown by a mean of 4.024, labour outsourcing minimizes payroll taxes in the organization as shown by a mean of 4.016, labour outsourcing increases employee efficiency as shown by a mean of 4.008, due to increased labour cost, our organization has explored alternative sources that can deliver at low cost as shown by a mean of 4.000 and labour outsourcing reduces employee remuneration costs as shown by a mean of 3.952. The findings concur with the findings of Bassey and Tapang (2012) who revealed that expensed human resources (remuneration, and dismissal/ compensation) costs are important determinants of expensed human resources cost and does significantly influence corporate productivity.

Table 2: Influence of Labour Costs on Performance

Statement	Mean	Std. Dev
Labour outsourcing minimizes costs on wages in the organization	4.024	1.146
Labour outsourcing minimizes payroll taxes in the organization	4.016	1.065
Increase in labour cost forces the employer to reduce the amount of labour employed	4.056	1.045
Labour outsourcing reduces employee costs of hiring	4.175	1.003
Due to increased labour cost, our organization has explored alternative sources that can deliver at low cost	4.000	1.002
Labour outsourcing reduces employee remuneration costs	3.952	1.165
Labour outsourcing reduces employee compensation costs	4.135	0.934
Anticipated savings on cost owing to low labour expenditures have put outsourcing at the top of the management agenda.	4.071	0.943
Labour outsourcing increases employee efficiency	4.008	0.967
When labour cost increases, our organization thinks of reducing employment or working hours	4.103	0.943

Risk Management

From the findings, the respondents agreed that the employees work together as large team as shown by a mean of 4.238, risk management provides principles, framework and a process for managing risk as shown by a mean of 4.198, information is communicated to the right individuals at the right time as shown by a mean of 4.175, information is communicated using efficient communication methods as shown by a mean of 4.159, the organization has huge resource mobilization to have effective risk management as shown by a mean of 4.198, the management ensures that employees maintain a good relationship as shown by a mean of 4.095, risk management provides framework to improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment as shown by a mean of 4.079, the management ensures that the work equipment's are safe as shown by a mean of 4.056 and the management ensures that employees work in a safe environment as shown by a mean of 4.000. The findings are related with the findings of Yahaya, Lamidi, Kutigi and Ahmed (2015) who concluded that risk and liquidity management policies are important to high financial performance. Channar, Abbasi and Maheshwar (2015) found that risk management has a negative non-significant relation with operational performance where as it has positive relation with financial performance. The study findings indicate that risk management influence performance of Kenya's Banking Sector.

Table 3: Influence of Risk Management on Performance

Statement	Mean	Std. Dev
The management ensures that employees work in a safe environment	4.000	1.075
The management ensures that the work equipment's are safe	4.056	1.061
Risk management provides principles, framework and a process for managing risk	4.198	1.013
The employees work together as large team	4.238	1.030
Through risk management, the organization increases the likelihood of achieving objectives	3.976	1.116
The management ensures that employees maintain a good relationship	4.095	0.990
Risk management provides framework to improve the identification of opportunities and threats and effectively allocate and use resources for risk treatment	4.079	1.014
Information is communicated using efficient communication methods	4.159	0.956
Information is communicated to the right individuals at the right time	4.175	1.015
Our organization has huge resource mobilization to have effective risk management	4.198	1.030

Benefit Administration

From the findings the respondents agreed that pension schemes help employee to save for their retirement as shown by a mean of 4.405, the organization has a pension scheme plan for its employee as shown by a mean of 4.357, the organization provides health insurance benefits for its employees as shown by a mean of 4.381, health insurance benefits help employees to focus on their work as shown by a mean of 4.349, the organization aims to improve his personal needs to be able to lead a better quality of life as shown by a mean of 4.270, benefits program in the organization is provided to employees based on their service and employment period as shown by a mean of 4.175, in the organization, employee benefits programs are meant to improve the lives of employees and add happiness as shown by a mean of 4.151, flexible work plan make employees happier and effective as shown by a mean of 4.151, employees have a flexible work plan as shown by a mean of 4.103 and benefits have a positive impact on employee productivity as shown by a mean of 4.056. The findings concur with the findings of Ju, Kong and Hussin (2015) who suggested that mandatory benefits and fringe benefits were positively influenced organizational commitment. Kang, Yu and Lee (2016) found that employee benefits have a positive impact on employee productivity through the embodied effect (direct effect). The study finding is an indication that benefit administration influence performance of Kenya's Banking Sector.

Table 4: Influence of Benefit Administration on Performance

Statement	Mean	Std. Dev
The organization has a pension scheme plan for its employee	4.357	1.122
In our organization, employee benefits programs are meant to improve the lives of employees and add happiness	4.151	0.967
Pension schemes help employee to save for their retirement	4.405	1.185
Benefits program in our organization is provided to employees based on their service and employment period	4.175	1.018
The organization provides health insurance benefits for its employees	4.381	1.223
Our organization aims to improve his personal needs to be able to lead a better quality of life	4.270	1.063
Health insurance benefits help employees to focus on their work	4.349	1.150
Employees have a flexible work plan	4.103	0.988
Employee benefits have a positive impact on employee productivity	4.056	0.932
Flexible work plan makes employees happier and effective	4.151	0.947

Performance

From the findings, the respondents agreed that the organization has significantly cut on cost through outsourcing as shown by a mean of 4.087, the productivity of our organization has improved due to outsourcing of labour as shown by a mean of 4.040, outsourcing of capacities has helped the organization have higher levels of service and expertise as shown by a mean of 3.984, outsourcing has enabled our organization to have flexibility and scalability of resources as shown by a mean of 3.929, Corporate use of outsourcing implies substantial opportunities for future growth as shown by a mean of 3.913, outsourcing has resulted to lower capital investment as shown by a mean of 3.857, business process outsourcing (BPO) has a positive contribution to the firms' overall performance as shown by a mean of 3.865, the average market share of or organization has increased over the pasts five years as shown by a mean of 3.841 and over the past five years, the average annual profit of our organization has increased as shown by a mean of 3.810. The findings concur with those of Awino and Mutua (2014) who found that BPO had a positive contribution to the firms' overall performance. The study findings depict that labour outsourcing significantly influence performance of Kenya's Banking Sector.

Table 5: Performance of Kenya's Banking Sector

Statement	Mean	Std. Dev
Over the past five years, the average annual profit of our organization has increased	3.810	0.912
Corporate use of outsourcing implies substantial opportunities for future growth	3.913	0.886
Business process outsourcing (BPO) has a positive contribution to the firms' overall performance	3.865	1.024
The average market share of or organization has increased over the pasts five years	3.841	0.813

Outsourcing has enabled our organization to have flexibility and scalability of resources	3.929	1.052
Our organization has significantly cut on cost through outsourcing	4.087	0.924
Outsourcing has resulted to lower capital investment.	3.857	0.914
Outsourcing of capacities has helped the organization have higher levels of service and expertise	3.984	1.017
The productivity of our organization has improved due to outsourcing of labour	4.040	0.891

Correlation Analysis

The results revealed that there was a strong positive correlation between organization capacities and organizational performance as shown by r = 0.832, statistically significant p = 0.000<0.01; there was a strong positive correlation between labour costs and organizational performance as shown by r = 0.803, statistically significant P = 0.000; there was a strong positive correlation between risk management and organizational performance as shown by r = 0.816, statistically significant P = 0.000; there was a strong positive correlation benefit administration and organizational performance as shown by r = 0.799, statistically significant P = 0.001. This implies that organization capacities, labour costs, risk management, benefit administration and organizational performance have an association. The findings concur with the findnings of Chematany (2012) who indicate that there was a correlation between organizational capacity and organizational performance. Ifurueze and Odesa (2014) found a positive relationship between profitability and human resource cost. Yahaya, Lamidi, Kutigi and Ahmed (2015) concluded that risk and liquidity management policies are important to high financial performance. Ju, Kong and Hussin (2015) suggested that mandatory benefits and fringe benefits were positively influenced organizational commitment.

Table 6: Correlations Coefficient

		Organizational Performance	Organization Capacities	Labour Costs	Risk Management	Benefit Administration
Organizational Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	126				
Organization Capacities	Pearson Correlation	.832**	1			
	Sig. (2-tailed)	.000				
	N	126	126			
Labour Costs	Pearson Correlation	.803	.439	1		
	Sig. (2-tailed)	.000	.066			

	N	126	126	126		
Risk Management	Pearson Correlation	.816**	.575	.550	1	
	Sig. (2-tailed)	.000	.059	.065		
	N	126	126	126	126	
Benefit Administration	Pearson Correlation	.799**	.347	.466	.336	1
	Sig. (2-tailed)	.001	.078	.072	.058	
	N	126	126	126	126	126

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model summary is used to analyze the variation of dependent variable due to the changes of independent variables. The study analyzed the variations of performance of Kenya's Banking Sector due to the changes of organization capacities, labour costs, risk management and benefit administration. Adjusted R squared was 0.748 implying that there was 74.8% variation of performance of banking industry due to the changes of organization capacities, labour costs, risk management and benefit administration. The remaining 25.2% imply that there are other factors that affect performance of banking industry in Kenya which were not discussed in the study.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.869[a]	0.755	0.748	0.1507

Analysis of Variance

The analysis of variance ANOVA is used to determine whether the data used in the study is significant. From the ANOVA statistics, the processed data (population parameters) had a significance level of 0.001. This shows that the data is ideal for making conclusions on the population's parameter as the value of significance (p-value) is less than 5%. The F calculated was greater than F critical (43.492>2.446). This shows that organization capacities, labour costs, risk management and benefit administration significantly influence perfomance of Kenya's banking sector.

Table 8: Analysis of variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	27.674	4	6.919	43.492	.001
	Residual	19.248	121	0.159		
	Total	46.922	125			

Coefficients

The regression equation was

$Y = 1.174 + 0.543\ X_1 + 0.5498X_2 + 0.515X_3 + 0.501\ X_4$

The equation above reveals that holding organization capacities, labour costs, risk management and benefit administration constant, the variables will significantly influence perfomance of Kenya's banking sector as shown by constant = 1.174 as shown in Table 11.

From the findings organization capacities is statistically significant to perfomance of Kenya's banking sector ($\beta = 0.543$, $P = 0.001$). This implies that organization capacities has a significant positive relationship with perfomance of Kenya's banking sector. Therefore a unit increase in organization capacities will result to increase in perfomance of Kenya's banking sector by 0.543 units. The findings concur with the findings of Çömleka, Kitapçıb, Çelikc and Özşahin (2012) who revealed that organizational learning capacity affects firm innovative performance positively. Labour costs are statistically significant to perfomance of Kenya's banking sector ($\beta = 0.498$, $P = 0.003$). This implies that labour costs has a significant positive relationship with perfomance of Kenya's banking sector. Therefore a unit increase in labour costs will result to increase in perfomance of Kenya's banking sector by 0.498 units. The findings concur with the findings of Ifurueze and Odesa (2014) who indicated that changes in profitability can be explained when the expenditure on human resource are segregated into revenue expenditure and capital expenditure.

Risk management is statistically significant to perfomance of Kenya's banking sector ($\beta = 0.515$, $P = 0.000$). This implies that risk management has a significant positive relationship with perfomance of Kenya's banking sector. Therefore a unit increase in risk maangement will result to increase in perfomance of Kenya's banking sector by 0.515 units. The findings concur with Channar, Abbasi and Maheshwar (2015) who found that risk management has a positive relation with financial performance. Benefit administration is statistically significant to perfomance of Kenya's banking sector ($\beta = 0.501$, $P = 0.002$). This implies that benefit administration has a significant positive relationship with perfomance of Kenya's banking sector. Therefore a unit increase in benfit administration will result to increase in perfomance of Kenya's banking sector by 0.501 units. The findings concur with the findings of Kang, Yu and Lee (2016) who found that an increase of one unit in employee benefits leads to an increase of employee productivity.

Table 9: Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.174	0.169		6.947	0.000
	Organization Capacities	0.543	0.109	0.522	4.982	0.001
	Labour Costs	0.498	0.112	0.447	4.446	0.003
	Risk Management	0.515	0.103	0.487	5.000	0.000
	Benefit Administration	0.501	0.11	0.492	4.555	0.002

Conclusions

The study established that organization capacities had a statistically significant relationship with perfomance of Kenya's banking sector. This implies that organization capacities have a significant positive relationship with perfomance of Kenya's banking sector. The study found that a unit increase in organization capacities will result to increase in perfomance of Kenya's banking sector, hence organziation capacities positively influnece performnace. The study found that labour costs had a strong posotive correlation with perfomance of Kenya's banking sector. Further labour costs was statistically significant to perfomance of Kenya's banking sector. This implies that labour costs influences perfomance of Kenya's banking sector. The study found that risk management is statistically significant to perfomance of Kenya's banking sector. This implies that risk management has a significant positive relationship with perfomance of Kenya's banking sector. Risk management influences perfomance of Kenya's banking sector. The study established that benefit administration had a significant positive relationship with perfomance of Kenya's banking sector. Therefore a unit increase in benefit administration will result to increase in perfomance of Kenya's banking sector.

Recommendations

The study recommends that the management of banks should constantly conduct capacity audits. This would enable the organization to understand the existing competencies in the organization and the competencies needed in the company due to the volatile business environment. This will enable the organization to upgrade or revise existing organizational competencies, while cultivating new competencies that enable the organization to survive and prosper. The study recommends that the management of banks in Kenya should focus on reducing labour costs. This can be done by reducing the amount of labor employed or changing working hours. This would help the organization minimize the labour costs and enhance the performance of the organization. The study recommends that the banks should review their risk management procedures from time to time. This is because as the business environment is volatile new business risk keep emerging and therefore the organization should be in the know. To implement effective risk management, it needs huge resource mobilization. Hence, company expects better improvement in performance resulted from the risk management system employed. The study recommends that banks should improve on the employee benefit programs they provide. This is because the employees need keep on changing and the management should always understand their employees. The provision of benefits programs is not based on the performance of employees but based on the status of a person as an employee or member of the organization itself that aims to improve his personal needs to be able to lead a better quality of life.

Area for Further Research

This study explored the influence of the labour outsourcing on performance of the Kenyan Banking

Sector. The study recommends that another study should be conducted to cover other factors of labour outsourcing influencing performance in the banking sector which have not been discussed in this study. Another study should also be conducted about the influence of the labour outsourcing on employee performance.

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