

# UNIVERSITY OF LUSAKA

**School of Postgraduate Studies**

RESEARCH REPORT

**AN INVESTIGATION EFFECT OF OUTSOURCING PROCUREMENT FUNCTIONS  
TO THIRD-PARTY PROVIDERS ON BANKS PERFORMANCE IN SELECTED  
BANKS IN LUSAKA.**

A

Report presented

in Partial Fulfilment for requirement of the program

Master of Science Procurement Logistics and Supply Chain Management (MSCPLSM)

**By**

**Wilfred Kaambwa Mulomba**

**MSCPLSM23121365**

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## Declaration


I, Wilfred K. Mulomba, hereby declare that this dissertation titled “**An investigation effect of outsourcing procurement functions to third-party providers on Banks performance in selected banks in Lusaka.**” is my work.

I affirm that this work has been conducted in accordance with the copyright and academic writing rules and guidelines of the University of Lusaka. Furthermore, I confirm that this research complies with the University’s research ethics.

This dissertation has not been submitted for assessment or award at any other institution of higher learning, nor has it been published elsewhere.

### **Student:**

**Name:** Wilfred K. Mulomba

**Signature:** 

**Date:** 19<sup>th</sup> January, 2025.

### **Supervisor:**

Name: Dr. Roy Manchisi

**Signature:** 

**Date:** 19<sup>th</sup> January, 2025.

## Dedication

This research is dedicated to my wife and parents, whose unwavering support and belief in my potential have been my greatest source of inspiration. Your sacrifices and encouragement have laid the foundation for my academic and personal achievements.

I also dedicate this work to all procurement professionals in Zambia striving to enhance Banks performance and foster innovation in their field. May this research contribute to your continued success.

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## Abbreviations

- **TCE:** Transaction Cost Economics - A theory that explains outsourcing decisions as a balance between internal production costs and external transaction costs.
- **RBV:** Resource-Based View - A management theory emphasizing leveraging core competencies and outsourcing non-core activities to achieve competitive advantage.
- **SPSS:** Statistical Package for the Social Sciences - A software tool used for statistical analysis of quantitative data.
- **MSCPLSM:** Master of Science in Procurement Logistics and Supply Chain Management - The academic program under which this research is conducted.
- **GDP:** Gross Domestic Product - A measure of the economic performance of a country, indicating the total value of goods and services produced.
- **ICT:** Information and Communication Technology - Technologies used for communication and information processing, critical in modern outsourcing practices.
- **R&D:** Research and Development - Activities undertaken by Banks to innovate and introduce new products or services.
- **KPI:** Key Performance Indicator - A measurable value used to evaluate the success of an organization or specific activity.
- **BPO:** Business Process Outsourcing - The practice of contracting specific business operations to third-party providers.
- **CRM:** Customer Relationship Management - Strategies and tools for managing interactions with customers to enhance satisfaction and loyalty.

## Abstract

This research investigates the effect of outsourcing procurement functions to third-party providers on Banks performance in selected banks in Lusaka, Zambia. The study explores trends, benefits, challenges, and the overall impact of procurement outsourcing, focusing on key performance dimensions such as operational efficiency, cost savings, regulatory compliance, and customer satisfaction. A quantitative research approach was adopted, utilizing structured questionnaires to collect data from 30 respondents across multiple banks. Data were analyzed using descriptive and inferential statistics, including multiple regression analysis using SPSS v26.

Key findings indicate that outsourcing procurement functions significantly enhances operational efficiency (mean score: 4.45) and reduces operational costs (mean score: 4.50), contributing positively to profitability and customer satisfaction (mean score: 4.30). However, challenges persist, including dependency on third-party providers (mean score: 3.70) and regulatory compliance issues (mean score: 3.95), which were identified as major concerns. The regression model demonstrates that outsourcing explains 52.4% of the variance in Banks performance ( $R^2 = 0.524$ ,  $p < 0.001$ ), with trends in outsourcing ( $\beta = 0.365$ ,  $p < 0.001$ ) having the strongest positive effect.

The study concludes by recommending that banks optimize their outsourcing strategies through rigorous provider selection processes, integration of advanced procurement technologies, and proactive risk management frameworks. These measures will enable banks to fully leverage the benefits of outsourcing while mitigating associated risks and aligning practices with Banks objectives.

**Keywords:** Procurement Outsourcing, Operational Efficiency, Cost Savings, Regulatory Compliance, Customer Satisfaction, Banks Performance, Risk Management, Banking Sector, Lusaka, Zambia

## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

In an era marked by increasing globalization, technological advancements, and competitive markets, Banks are continually exploring strategies to enhance operational efficiency, minimize costs, and improve overall performance. One such strategy is outsourcing, which involves delegating specific Banks functions to external service providers. Outsourcing enables Banks to concentrate on their core competencies while leveraging external expertise and resources (Quinn, 2000). This approach is particularly relevant in today's dynamic business environment, where operational efficiency and cost management are critical for sustainability and growth.

Procurement a critical Banks function has become a focal point for outsourcing initiatives. Procurement involves acquiring goods, services, and works necessary for Banks operations (Monczka et al., 2015). In industries such as banking, procurement processes are often resource-intensive and require specialized knowledge to ensure cost-effectiveness and compliance with regulatory requirements. Outsourcing procurement functions to third-party providers is increasingly viewed as a strategic move that enables Banks to optimize costs, improve supply chain efficiency, and access global expertise (Bals et al., 2009). However, this practice raises concerns, such as loss of control, dependency risks, and potential misalignment with Banks objectives (Schniederjans et al., 2005).

In Zambia, procurement outsourcing is an emerging trend, particularly in the banking sector. Banks in Lusaka face unique challenges, such as navigating a highly regulated environment and meeting increasing customer expectations. Outsourcing provides an opportunity to address these challenges by leveraging external expertise and reducing operational burdens (Chigunta, 2020). However, research focusing on the impact of procurement outsourcing on Banks performance within the Zambian banking sector is limited, necessitating this study.

This chapter introduces the study, detailing the background, problem statement, objectives, research questions, significance, and scope.

## 1.1 Background of the Study

Outsourcing has evolved from a cost-reduction tactic to a strategic approach aimed at enhancing Banks performance. Globally, the adoption of procurement outsourcing has accelerated, driven by the complexities of managing supply chains in competitive and dynamic environments (Research and Markets, 2022). Procurement outsourcing offers benefits such as cost savings, improved efficiency, and access to specialized expertise (Cousins et al., 2008). However, challenges, including dependency risks, regulatory compliance, and quality assurance, persist (Tate et al., 2009).

The rise of digital technologies has further amplified the potential of procurement outsourcing by introducing tools like artificial intelligence, data analytics, and blockchain, which enhance decision-making and improve efficiency. Globally, Banks in industries such as manufacturing, healthcare, and finance have adopted procurement outsourcing to stay competitive in increasingly globalized markets (Lacity et al., 2009). For example, multinational corporations often outsource procurement functions to tap into economies of scale and access suppliers with niche expertise.

In the banking sector, procurement is a crucial function as it involves acquiring goods and services necessary for operational efficiency and regulatory compliance. For banks in developed economies, outsourcing procurement functions has become a common strategy to mitigate operational inefficiencies and focus resources on core banking activities. Studies have shown that procurement outsourcing can lead to cost savings of up to 30% and a reduction in cycle times by over 20% when properly implemented (Monczka et al., 2015).

In Zambia, outsourcing procurement functions is gaining traction within the banking sector. This shift is attributed to the increasing complexity of procurement processes, regulatory pressures, and the need for operational efficiency (Zuze et al., 2019). Banks in Lusaka, operating in a competitive and dynamic environment, face additional challenges such as limited access to skilled outsourcing providers and navigating local regulatory frameworks. While outsourcing provides an opportunity to leverage external expertise, it also exposes banks to risks like loss of control over procurement activities and dependency on third-party providers (Chigunta, 2020).

Despite the benefits of procurement outsourcing, such as cost savings and improved efficiency, the Zambian banking sector's unique context warrants localized research. Existing global literature

does not fully address the specific challenges faced by banks in Zambia, such as ensuring compliance with local regulations and managing relationships with a limited pool of outsourcing providers. Moreover, the socio-economic conditions in Zambia, including resource constraints and evolving customer demands, add layers of complexity to procurement practices.

This study seeks to bridge the knowledge gap by exploring the trends, benefits, challenges, and overall impact of procurement outsourcing on Banks performance in the Zambian banking sector. By contextualizing global insights within the local banking environment, this research aims to provide practical recommendations for optimizing procurement strategies and enhancing Banks outcomes.

## **1.2 Statement of the Problem**

Procurement outsourcing has gained prominence as a strategy for improving efficiency, reducing costs, and accessing specialized expertise. However, it also introduces challenges such as dependency risks, loss of control, and regulatory compliance issues (Schniederjans et al., 2005). While global studies highlight these dynamics, the Zambian banking sector presents unique challenges, including a limited pool of skilled outsourcing providers and regulatory constraints (Chigunta, 2020). Despite its potential, the impact of procurement outsourcing on Banks performance in Zambian banks remains underexplored. This study aims to fill this gap by investigating the trends, benefits, challenges, and overall impact of procurement outsourcing in Lusaka-based banks.

## **1.3 Objectives of the Study**

### **1.3.1 General Objective**

To investigate the effect of outsourcing procurement functions to third-party providers on Banks performance in selected banks in Lusaka.

### **1.3.2 Specific Objectives**

- i To identify the trends in outsourcing procurement functions to third-party providers among Banks in Lusaka.
- ii To examine the benefits associated with outsourcing procurement functions to third-party providers.

- iii To explore the challenges faced by Banks in Lusaka when outsourcing their procurement functions.
- iv To evaluate the impact of outsourcing procurement functions on Banks performance in Lusaka.

#### 1.4 Research Questions

- i What are the current trends in outsourcing procurement functions to third-party providers among Banks in Lusaka?
- ii What benefits are associated with outsourcing procurement functions to third-party providers?
- iii What challenges do Banks in Lusaka face when outsourcing their procurement functions?
- iv How does outsourcing procurement functions influence Banks performance in Lusaka?

#### 1.5 Significance of the Study

This study holds significance for several stakeholders:

- **Bank Management:** Insights from this research can guide bank managers in making informed decisions regarding the outsourcing of procurement functions, balancing potential benefits against inherent risks.
- **Policy Makers:** The findings can inform policy formulation aimed at regulating outsourcing practices to ensure they contribute positively to the banking sector's performance.
- **Academic Community:** The study contributes to the existing body of knowledge on outsourcing and Banks performance, particularly within the context of the Zambian banking sector.

#### 1.6 Scope of the Study

The study focuses on selected banks operating in Lusaka, Zambia, including Zanaco Bank Zambia, Stanbic Bank Zambia, Barclays Bank Zambia (now Absa Bank Zambia), Standard Chartered Bank Zambia, First National Bank (FNB) Zambia, Indo-Zambia Bank, Finance Bank Zambia, Cavmont Bank, Ecobank Zambia, and Bank of China Zambia. It examines the trends, benefits, challenges, and impact of outsourcing procurement functions to third-party providers on organizational

performance. The research encompasses data from the past five years to capture recent developments and practices in procurement outsourcing within the banking sector. The study will involve procurement managers, senior executives, and supply chain professionals within these banks to gather diverse perspectives on the outsourcing of procurement functions.

### 1.7 Definition of Key Terms

1. **Outsourcing:** Outsourcing refers to the strategic decision by an organization to delegate specific non-core business functions or processes to external service providers who specialize in those areas (Quinn, 2000). In this study, outsourcing specifically pertains to the delegation of procurement-related activities to third-party providers.
2. **Procurement Functions:** Procurement functions involve the processes and activities associated with acquiring goods, services, and works necessary for an organization's operations (Monczka et al., 2015). These functions include supplier identification, contract negotiation, order placement, and supplier performance management.
3. **Third-Party Providers:** Third-party providers are external entities, typically companies or individuals, contracted to deliver specific services or perform designated tasks for an organization (Lacity et al., 2009). In the context of this study, these providers specialize in procurement services such as strategic sourcing, vendor management, and contract administration.
4. **Banks Performance:** Banks performance refers to the ability of an organization to achieve its goals and objectives effectively and efficiently (Kaplan and Norton, 1996). Performance is often evaluated through indicators such as profitability, operational efficiency, customer satisfaction, and compliance with regulations.
5. **Trends in Outsourcing:** Trends in outsourcing refer to the observable patterns and practices in the adoption and evolution of outsourcing strategies within Banks over time (Bals et al., 2009). In this study, trends are analyzed to understand how banks in Lusaka are adapting to changes in the procurement outsourcing landscape.
6. **Benefits of Outsourcing:** Benefits of outsourcing are the advantages that Banks derive from delegating specific functions to external providers. These benefits may include cost

savings, improved focus on core activities, access to specialized expertise, and enhanced operational efficiency (Cousins et al., 2008).

7. **Challenges of Outsourcing:** Challenges of outsourcing refer to the difficulties and risks Banks encounter when outsourcing business functions. These may include dependency on external providers, loss of control, quality concerns, and potential conflicts of interest (Schniederjans et al., 2005).
8. **Impact of Outsourcing:** The impact of outsourcing refers to the measurable effects, both positive and negative, that outsourcing practices have on an organization's performance and operational outcomes (Tate et al., 2009). In this study, impact is assessed in terms of changes in efficiency, cost, service quality, and compliance resulting from outsourcing procurement functions.
9. **Banking Sector:** The banking sector encompasses financial institutions that provide services such as deposits, loans, and other financial products to customers (Chigunta, 2020). This study focuses on banks operating in Lusaka, Zambia, as they represent a critical sector impacted by procurement outsourcing practices.
10. **Supply Chain Management:** Supply chain management involves the coordination and integration of all activities related to sourcing, procurement, conversion, and logistics within and across Banks to deliver value to customers (Christopher, 2016). Procurement is a core component of supply chain management, and its outsourcing can significantly influence supply chain efficiency.
11. **Regulatory Compliance:** Regulatory compliance refers to the adherence of an organization to laws, regulations, and guidelines relevant to its operations (Cousins et al., 2008). In the banking sector, compliance is critical to avoid penalties and maintain customer trust. Procurement outsourcing often includes ensuring compliance with procurement laws and standards.
12. **Cost Efficiency** Cost efficiency refers to the ability of an organization to minimize costs while achieving desired outcomes or maintaining the quality of goods and services (Monczka et al., 2015). Outsourcing procurement functions is often aimed at achieving cost efficiency by leveraging the expertise and economies of scale of third-party providers.

## 1.8 Structure of the Thesis

The thesis is structured as follows:

- **Chapter One:** Introduction—Provides the background, problem statement, objectives, research questions, significance, scope, and definitions pertinent to the study.
- **Chapter Two:** Literature Review—Examines existing literature related to outsourcing, procurement functions, and Banks performance, identifying gaps that this study aims to address.
- **Chapter Three:** Research Methodology—Outlines the research design, population, sampling methods, data collection instruments, and analysis techniques employed in the study.
- **Chapter Four:** Data Analysis and Presentation—Presents the findings of the study, including data analysis and interpretation in relation to the research questions and objectives.
- **Chapter Five:** Discussion, Conclusions, and Recommendations—Discusses the implications of the findings, draws conclusions, and offers recommendations for practice and further research.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter explores the existing literature on procurement outsourcing and its impact on Banks performance, with a specific focus on the banking sector. It examines global trends, benefits, challenges, and the implications of outsourcing in the Zambian context. The chapter concludes by presenting the theoretical framework and identifying gaps in the literature that the study seeks to address.

#### 2.1 Overview of Procurement Outsourcing

##### 2.1.1 Introduction to Procurement Outsourcing

Procurement outsourcing involves the transfer of procurement-related functions, such as supplier selection, contract negotiation, and vendor management, to third-party providers (Monczka et al., 2015). This approach allows Banks to focus on their core business activities while benefiting from the specialized expertise of external providers. Over the years, procurement outsourcing has evolved into a strategic tool to enhance Banks performance, particularly in industries with complex supply chain requirements, such as banking.

##### 2.1.2 Global Trends in Procurement Outsourcing

The global procurement outsourcing market has grown significantly, driven by the need to reduce costs, improve efficiency, and enhance supply chain resilience. A study by Research and Markets (2022) used a market analysis approach to project the global procurement outsourcing market to reach USD 14.21 billion by 2030. The study highlighted that advancements in digital procurement tools and globalization are major growth drivers.

Another study by Tate et al. (2009) employed a survey-based methodology to assess outsourcing trends across 200 multinational corporations. The findings revealed that over 60% of Banks outsource at least one procurement function, citing cost savings and access to global supplier networks as key benefits.

##### 2.1.3 Processes Involved in Procurement Outsourcing

1. Strategic Sourcing: A study by Cousins et al. (2008) used a case study method to explore the role of strategic sourcing in procurement outsourcing. Their findings indicated that Banks leveraging strategic sourcing through outsourcing achieved a 15% reduction in procurement cycle times.
2. Supplier Management: Christopher (2016) conducted a longitudinal study on supplier management practices among manufacturing firms outsourcing procurement. The study found that supplier performance improved by 20% due to enhanced oversight by third-party providers.
3. Contract Negotiation: Monczka et al. (2015) employed a quantitative analysis of procurement contracts in Banks that outsourced their procurement. The study concluded that outsourcing led to a 10% improvement in contract terms, including pricing and delivery schedules.

#### **2.1.4 Benefits of Procurement Outsourcing**

1. Cost Savings: Lacity et al. (2009) used a mixed-methods approach, combining surveys and financial data analysis, to evaluate cost savings from outsourcing procurement. Their study found that Banks saved up to 30% on operational costs by outsourcing procurement functions.
2. Efficiency Gains: A study by Bals et al. (2009) used a survey of 150 firms to analyze the efficiency benefits of outsourcing. The findings showed a 25% improvement in procurement cycle efficiency for firms using third-party providers.
3. Access to Expertise: Schniederjans et al. (2005) conducted interviews with procurement managers to assess the expertise benefits of outsourcing. Their findings revealed that 80% of respondents believed that third-party providers brought unique market insights and advanced analytical tools.

#### **2.1.5 Challenges of Procurement Outsourcing**

1. **Loss of Control:** Tate et al. (2009) used a survey-based study to investigate control issues in outsourcing. The findings showed that 45% of Banks experienced reduced oversight of critical procurement activities, leading to delays and quality issues.
2. **Dependency Risks:** A study by Christopher (2016) employed a quantitative risk assessment framework to examine dependency risks in outsourcing. The findings indicated that Banks relying on a single outsourcing provider faced a 30% higher risk of supply chain disruptions.
3. **Regulatory Challenges:** Chigunta (2020) conducted a case study analysis on banks in Zambia and found that compliance with local regulations was a significant challenge. The study revealed that 60% of banks faced penalties due to non-compliance issues related to outsourced procurement functions.

#### **2.1.6 Procurement Outsourcing in Emerging Economies**

The dynamics of procurement outsourcing in emerging economies differ from those in developed markets. Zuze et al. (2019) conducted a **survey of 50 firms in Zambia**, finding that only 30% of firms outsourced procurement functions, primarily due to concerns about provider expertise and regulatory compliance.

In a **qualitative study**, Bals et al. (2009) interviewed managers in South Africa to understand the challenges of procurement outsourcing. The findings highlighted cultural differences, lack of skilled providers, and infrastructure limitations as major barriers.

#### **2.1.7 Procurement Outsourcing in Zambia's Banking Sector**

Chigunta (2020) conducted a case study of five banks in Lusaka, focusing on their procurement outsourcing practices. The study used interviews and document reviews to collect data. Key findings included:

1. Outsourcing improved procurement efficiency by 20% on average.
2. Cost savings ranged from 10% to 15% across banks.

3. Challenges included a lack of qualified outsourcing providers and difficulties in ensuring regulatory compliance.

Zuze et al. (2019) used a survey-based methodology to analyze the performance impact of procurement outsourcing in Zambian banks. The study found that while outsourcing improved operational efficiency, it had minimal impact on customer satisfaction, indicating a potential misalignment of goals.

## **2.2 Benefits of Procurement Outsourcing**

Procurement outsourcing offers Banks a range of benefits that enhance operational efficiency, reduce costs, and improve overall performance. These benefits are widely acknowledged across industries and supported by numerous empirical studies. This section explores these benefits in detail, integrating insights from global and regional contexts, with a focus on the banking sector in emerging economies.

### **2.2.1 Cost Savings**

One of the most prominent benefits of procurement outsourcing is cost savings. By leveraging the expertise and economies of scale of third-party providers, Banks can significantly reduce operational costs.

- **Global Evidence:** Lacity et al. (2009) conducted a **mixed-methods study** of 200 multinational corporations and found that outsourcing procurement functions reduced costs by an average of 30%. The study attributed these savings to providers' ability to negotiate better supplier terms and streamline procurement processes.
- **Banking Sector:** In a case study of five banks in Lusaka, Chigunta (2020) found that procurement outsourcing led to cost reductions ranging from 10% to 15%. The banks reported savings in administrative expenses and inventory management costs due to the efficient practices of outsourcing providers.
- **Regional Context:** A survey by Bals et al. (2009) involving South African firms highlighted that procurement outsourcing reduced direct costs by 20%, with additional savings from reduced labor requirements and process automation.

### 2.2.2 Access to Specialized Expertise

Procurement outsourcing providers bring specialized knowledge and advanced tools that many Banks lack internally.

- **Global Perspective:** Schniederjans et al. (2005) conducted **interviews with procurement managers** and found that 80% of respondents valued the market insights and negotiation skills of third-party providers. Providers also offered access to global supplier networks, enhancing the diversity and quality of sourcing options.
- **Case Study Evidence:** Monczka et al. (2015) analyzed procurement outsourcing in the manufacturing sector through a **quantitative study**. The findings showed that firms leveraging outsourcing providers' expertise experienced a 25% improvement in supplier quality and reliability.
- **Zambian Banks:** Zuze et al. (2019) conducted a **survey of Zambian banks** and noted that outsourcing providers' expertise was particularly beneficial in regulatory compliance and vendor management, areas where internal teams often lacked the necessary skills.

### 2.2.3 Enhanced Efficiency

Outsourcing procurement functions can streamline processes, reduce cycle times, and improve operational efficiency.

- **Operational Efficiency:** A study by Christopher (2016) used a **longitudinal approach** to assess efficiency improvements in manufacturing firms outsourcing procurement. The study found a 20% reduction in procurement cycle times and a 15% increase in order accuracy due to the use of advanced tools by outsourcing providers.
- **Banking Sector Applications:** Chigunta (2020) observed that banks in Lusaka achieved a 20% improvement in procurement efficiency after outsourcing vendor management and strategic sourcing activities. These gains were attributed to providers' use of technology and well-defined processes.
- **Global Context:** Research and Markets (2022) highlighted that automation tools deployed by outsourcing providers significantly improved efficiency in contract management and supplier negotiations.

## 2.2.4 Focus on Core Competencies

Outsourcing allows Banks to concentrate on their primary business activities by delegating non-core functions.

- **Theoretical Perspective:** Quinn (2000) argued that outsourcing aligns with the Resource-Based View (RBV) by enabling firms to focus resources on areas where they have a competitive advantage while outsourcing non-core functions to experts.
- **Empirical Evidence:** Lacity et al. (2009) reported that firms outsourcing procurement functions were able to reallocate resources to product innovation and customer relationship management, resulting in increased market competitiveness.
- **Banking Sector:** In Zambia, Chigunta (2020) found that banks outsourcing procurement activities could dedicate more time and resources to improving customer service and developing innovative financial products.

## 2.2.5 Scalability and Flexibility

Procurement outsourcing provides Banks with the flexibility to scale operations in response to market demand.

### Case Study Analysis: Scalability Benefits of Outsourcing in Global Firms

Scalability has emerged as a critical factor for Banks striving to remain competitive in rapidly evolving markets. A case study conducted by Tate et al. (2009) underscored the significant scalability benefits that outsourcing offers to global firms. The study demonstrated that outsourcing enables Banks to adapt swiftly to fluctuations in production volumes, ensuring operational continuity without the burden of significant overhead costs. This agility is especially vital in industries characterized by seasonal or unpredictable demand patterns, where maintaining a large, in-house workforce or infrastructure would be both costly and inefficient.

Tate et al. (2009) highlighted the role of outsourcing in creating a flexible operational framework. By partnering with specialized service providers, firms can access resources on an as-needed basis, eliminating the necessity for permanent investments in physical assets or human capital that may

remain underutilized during off-peak periods. This approach not only enhances financial efficiency but also aligns Banks capacity with real-time market demands. Furthermore, the ability to scale operations dynamically through outsourcing reduces the risk of operational bottlenecks during peak times, thereby safeguarding customer satisfaction and overall business performance.

Another key insight from the study is the mitigation of risks associated with capacity constraints. In-house operations often struggle to accommodate sudden surges in demand due to limitations in personnel, infrastructure, or expertise. Outsourcing, on the other hand, allows firms to leverage the scalability of their partners, who are equipped to handle such fluctuations seamlessly. This ensures that firms remain responsive to market needs without compromising quality or efficiency.

The study also emphasized the broader strategic advantages of scalability through outsourcing. Banks can focus on their core competencies while leaving non-core functions to external providers. This division of labor not only enhances productivity but also fosters innovation, as firms can dedicate more resources to strategic initiatives rather than routine operational tasks. Additionally, outsourcing partnerships often come with access to advanced technologies and industry expertise, further amplifying the scalability benefits.

### **Zambian Context: Scalability in Outsourcing for Lusaka Banks**

The scalability benefits of outsourcing are not limited to global firms but are equally relevant in regional contexts. Zuze et al. (2019) explored this phenomenon within the Zambian banking sector, particularly in Lusaka. The study found that banks in the region reaped significant advantages by partnering with outsourcing providers, especially during peak business cycles. These benefits were most apparent in areas such as procurement, where the demand for resources often surged beyond the capacity of internal teams.

In the Zambian banking sector, peak business cycles are typically associated with periods of heightened economic activity, such as the close of financial quarters, festive seasons, or government budget releases. During these times, banks face increased demand for services such as loan processing, account management, and customer support. Zuze et al. (2019) observed that outsourcing providers effectively absorbed these additional workloads, enabling banks to maintain service quality without overstretching their internal teams.

A critical aspect of this scalability was the outsourcing providers' ability to deploy resources flexibly. These providers maintained a reserve pool of skilled personnel and technological infrastructure, which could be mobilized swiftly to address spikes in demand. This capability reduced the need for banks to hire temporary staff or invest in short-term infrastructure expansions, both of which can be costly and time-consuming.

Moreover, the study highlighted the operational efficiency achieved through outsourcing in the Zambian context. By offloading non-core functions to external providers, banks were able to focus on strategic priorities such as customer acquisition, product development, and regulatory compliance. This focus not only improved the banks' competitive positioning but also contributed to their long-term growth and stability.

The benefits of scalability in outsourcing extend beyond operational efficiency to include risk mitigation. For instance, Zuze et al. (2019) noted that outsourcing providers often had contingency plans and redundant systems in place, ensuring continuity of service even during unforeseen disruptions. This level of preparedness was particularly valuable in a developing economy like Zambia, where infrastructural and logistical challenges can pose significant risks to business operations.

Another advantage of outsourcing scalability in the Zambian banking sector was cost optimization. By leveraging the economies of scale achieved by outsourcing providers, banks were able to reduce operational costs without compromising on service quality. This cost efficiency was especially beneficial for small to medium-sized banks, which often operate with tighter margins and limited resources.

In conclusion, both the global case study by Tate et al. (2009) and the Zambian analysis by Zuze et al. (2019) illustrate the transformative impact of outsourcing on Banks scalability. While the contexts differ, the underlying principle remains the same: outsourcing empowers Banks to respond dynamically to fluctuating demands, optimize costs, and focus on core strategic goals. In an increasingly competitive and unpredictable business environment, the scalability offered by outsourcing is not just an operational advantage but a strategic imperative.

### **2.2.6 Technology Integration**

Outsourcing providers often leverage advanced procurement technologies, such as artificial intelligence, big data analytics, and cloud-based platforms.

### **Global Trends in Digital Procurement Integration**

Global business landscapes are continuously evolving, with Banks increasingly relying on innovative technologies to enhance operational efficiencies. The integration of digital tools by outsourcing providers is a significant trend reshaping the procurement sector. According to Research and Markets (2022), the adoption of digital solutions by outsourcing firms has emerged as a critical driver of efficiency and accuracy in procurement processes. These tools, ranging from advanced data analytics platforms to AI-driven automation systems, have redefined how procurement activities are managed. By leveraging these tools, providers can streamline the procurement lifecycle, reduce redundancies, and ensure better accuracy in data management.

Digital procurement tools enable real-time data access, enhance transparency, and support strategic decision-making. As Banks strive to optimize their supply chain management, outsourcing providers have taken a proactive role in adopting technologies such as predictive analytics, robotic process automation (RPA), and blockchain-based solutions. These advancements ensure not only operational efficiency but also mitigate risks associated with manual errors and process delays. For instance, blockchain technology enhances the traceability of transactions, ensuring the authenticity of procurement activities. As highlighted in global market studies, the incorporation of these digital innovations is no longer a luxury but a necessity for Banks aiming to maintain a competitive edge.

### **Empirical Findings on the Impact of Outsourcing in Procurement**

Empirical studies have consistently demonstrated the transformative potential of outsourcing in procurement, particularly when digital tools are incorporated. Christopher (2016) conducted a landmark study revealing that firms leveraging outsourcing providers for procurement functions achieved significant performance improvements. Specifically, these Banks reported a 30% enhancement in procurement data accuracy. This improvement underscores the critical role digital tools play in minimizing data inconsistencies and ensuring that procurement decisions are informed by accurate and reliable information.

Moreover, Christopher (2016) found that the automation of procurement processes led to a 25% reduction in manual errors. Automation tools such as electronic data interchange (EDI) systems and AI-powered platforms not only minimize human involvement in repetitive tasks but also improve efficiency and accuracy. For example, procurement providers utilizing AI algorithms for supplier selection can evaluate multiple criteria—such as cost, quality, and delivery timelines—far more efficiently than traditional manual methods.

The findings also highlight those outsourcing providers, by integrating digital technologies, help Banks transition from reactive to proactive procurement strategies. This shift is vital for modern businesses operating in highly dynamic environments, where timely decision-making can significantly impact operational and financial outcomes. By delegating procurement responsibilities to technology-equipped outsourcing firms, companies can focus on their core competencies, resulting in overall Banks growth.

### **Evidence from Zambia: Digital Procurement in the Banking Sector**

The benefits of outsourcing providers' digital procurement tools are not limited to developed markets but extend to emerging economies like Zambia. A study by Chigunta (2020) explored the adoption of digital procurement practices among 10 banks in Lusaka. The findings revealed that the use of digital tools by outsourcing providers addressed several long-standing inefficiencies in procurement processes. Specifically, the integration of these tools improved compliance tracking and supplier evaluation—two areas previously plagued by manual errors and inefficiencies.

Compliance tracking, which involves ensuring that procurement activities adhere to regulatory standards and internal policies, was significantly enhanced through digital solutions. These tools provided real-time monitoring capabilities, allowing banks to maintain stringent oversight of procurement transactions. As a result, compliance breaches, which were often attributed to human error or oversight, were significantly reduced. This improvement aligns with global trends, where digital technologies are instrumental in maintaining regulatory adherence and minimizing associated risks.

Additionally, the evaluation of suppliers—an essential aspect of procurement—benefited from the analytical capabilities of digital tools. Chigunta (2020) observed that digital platforms enabled banks to assess supplier performance based on objective criteria such as delivery timelines, cost

efficiency, and quality standards. This level of precision was previously unattainable with manual methods, which were often time-consuming and prone to biases. By leveraging these tools, banks in Lusaka could build stronger, more reliable supplier networks, ultimately enhancing their overall operational efficiency.

The Zambian study also emphasized the role of digital tools in fostering transparency and accountability. Procurement outsourcing providers equipped with advanced digital systems were able to generate detailed audit trails for all transactions. This capability not only reduced the likelihood of fraud but also built trust among stakeholders, including suppliers and regulatory bodies. For a sector as critical as banking, where trust and compliance are paramount, these benefits underscore the importance of adopting digital procurement solutions.

### **Broader Implications and Future Directions**

The integration of digital tools in procurement processes by outsourcing providers has far-reaching implications for businesses across sectors. Globally, as demonstrated by Research and Markets (2022) and Christopher (2016), the adoption of these tools leads to substantial gains in efficiency, accuracy, and risk mitigation. The Zambian context, as illustrated by Chigunta (2020), reinforces these findings, showing that even in emerging markets, digital procurement tools can address systemic inefficiencies and elevate Banks performance.

Looking ahead, the role of outsourcing providers is likely to expand further, with technological advancements such as artificial intelligence, blockchain, and big data analytics driving even greater transformations in procurement. Banks that embrace these innovations through outsourcing partnerships will be better positioned to navigate the complexities of modern supply chains. Moreover, as digital tools become more accessible, their adoption in emerging economies will accelerate, fostering economic growth and operational resilience.

### **2.2.7 Risk Management and Compliance**

Outsourcing providers often have established frameworks for managing procurement risks and ensuring compliance with regulations.

### **Introduction**

Regulatory compliance is a critical aspect of the financial sector, demanding adherence to stringent local and international standards. Non-compliance can lead to severe penalties, reputational damage, and operational inefficiencies. Outsourcing, particularly in procurement, has emerged as a strategic solution for Banks to enhance their compliance frameworks and mitigate risks. This paper explores the role of outsourcing in regulatory compliance and risk management, focusing on empirical studies and practical examples from financial institutions, including Zambian banks.

### **Regulatory Compliance in the Financial Sector**

Outsourcing has proven to be a valuable tool for enhancing compliance rates within the financial sector. A seminal study by Monczka et al. (2015) highlighted the transformative role of outsourcing in improving compliance rates. The research revealed a 20% improvement in adherence to international procurement standards among financial institutions that partnered with third-party providers. This improvement is attributed to the specialized expertise of outsourcing providers, who possess an in-depth understanding of regulatory frameworks and standards across different jurisdictions.

One key benefit of outsourcing in regulatory compliance is the ability to leverage the advanced technological platforms and processes of third-party providers. These providers often employ sophisticated compliance monitoring tools that can track and report on adherence to regulatory requirements in real time. This proactive approach reduces the likelihood of oversight and ensures that institutions remain compliant amidst evolving regulations.

For example, financial institutions operating in multiple countries often face challenges in aligning their operations with diverse regulatory requirements. Outsourcing providers, with their global presence and expertise, help bridge this gap by standardizing compliance practices across regions. This standardization not only reduces the risk of non-compliance but also streamlines operations, allowing institutions to focus on their core activities.

### **Regulatory Compliance in Zambian Banks**

Zambian banks have increasingly turned to procurement outsourcing to navigate the complex regulatory environments in which they operate. Zuze et al. (2019) examined the impact of outsourcing on compliance within banks in Lusaka and found significant benefits. According to the study, outsourcing providers played a pivotal role in reducing the risk of penalties associated

with non-compliance. By managing procurement processes, these providers ensured adherence to local and international standards, thus safeguarding banks from financial and reputational harm.

In Zambia, regulatory requirements in the banking sector are particularly stringent due to the need to combat financial crimes such as money laundering and fraud. Outsourcing providers assist banks by implementing robust procurement processes that align with anti-money laundering (AML) and know-your-customer (KYC) regulations. For instance, these providers often conduct thorough due diligence on suppliers and ensure that all transactions meet the required compliance criteria.

Moreover, the partnership between Zambian banks and outsourcing providers has fostered a culture of compliance. By integrating compliance protocols into procurement operations, these providers have helped banks develop a deeper understanding of regulatory expectations. This cultural shift has further enhanced the banks' ability to respond to regulatory changes and maintain high compliance standards.

### **Risk Mitigation in Outsourcing**

Risk mitigation is another critical area where outsourcing has demonstrated significant value. Supply chain disruptions pose a major threat to the financial sector, affecting the consistent delivery of goods and services. Christopher (2016) emphasized the role of outsourcing providers in reducing these disruptions through robust risk management frameworks. The study found that institutions that outsourced their procurement functions experienced a 15% reduction in supply chain disruptions, ensuring operational continuity.

The risk management frameworks employed by outsourcing providers typically include advanced risk assessment tools, contingency planning, and real-time monitoring systems. These measures enable providers to identify potential risks early and implement strategies to mitigate their impact. For example, in the event of a supplier failure, outsourcing providers can quickly activate alternative sourcing arrangements, minimizing disruptions to the supply chain.

In addition to managing operational risks, outsourcing providers also help institutions address financial and reputational risks. By ensuring compliance with regulatory requirements, these providers protect institutions from penalties and legal liabilities. Furthermore, their expertise in

supplier management reduces the likelihood of engaging with unreliable or unethical suppliers, safeguarding the institution's reputation.

### **Practical Implications for Financial Institutions**

The findings from Monczka et al. (2015), Zuze et al. (2019), and Christopher (2016) underscore the practical benefits of outsourcing for financial institutions. By partnering with specialized providers, these institutions can enhance their compliance frameworks, reduce risks, and achieve greater operational efficiency.

For financial institutions considering outsourcing, it is essential to select providers with a proven track record in regulatory compliance and risk management. Institutions should conduct thorough due diligence on potential providers, evaluating their expertise, technological capabilities, and alignment with the institution's strategic objectives. Establishing clear contractual agreements that define roles, responsibilities, and performance metrics is also crucial to ensuring the success of outsourcing arrangements.

Moreover, financial institutions should view outsourcing as a collaborative partnership rather than a transactional arrangement. By fostering open communication and collaboration, institutions and providers can work together to address emerging challenges and adapt to changing regulatory landscapes. This partnership approach not only enhances compliance and risk management but also creates opportunities for innovation and continuous improvement.

### **Conclusion**

Outsourcing has emerged as a strategic solution for addressing regulatory compliance and risk management challenges in the financial sector. Empirical evidence from studies by Monczka et al. (2015), Zuze et al. (2019), and Christopher (2016) highlights the significant benefits of outsourcing, including improved compliance rates, reduced risk of penalties, and enhanced supply chain resilience. For financial institutions, particularly those operating in complex regulatory environments like Zambia, outsourcing offers a viable path to achieving operational excellence while maintaining compliance with stringent standards.

#### **2.2.8 Improved Supplier Relationships**

Outsourcing providers often have established networks and relationships with suppliers, which can benefit client Banks.

- **Supplier Negotiations:** Schniederjans et al. (2005) found that third-party providers secured better terms for their clients due to their extensive supplier networks and negotiation skills.
- **Empirical Evidence:** Bals et al. (2009) conducted a **survey of 150 firms** and noted a 20% improvement in supplier responsiveness and delivery times for Banks using outsourcing providers.

## 2.3 Challenges of Procurement Outsourcing

While procurement outsourcing offers several benefits, it also introduces challenges that Banks must address to maximize its effectiveness. These challenges arise from various factors, including loss of control, quality concerns, dependency on providers, compliance issues, and cultural misalignment. This section provides a detailed exploration of these challenges, supported by empirical studies and real-world examples.

### 2.3.1 Loss of Control

When Banks outsource procurement functions, they often relinquish a degree of control over critical processes. This loss of control can result in misaligned objectives, inefficiencies, and risks to the organization's reputation.

- **Empirical Evidence:** A study by Tate et al. (2009) used a **survey-based methodology** to examine control-related challenges in outsourcing. Among 150 firms surveyed, 45% reported that reduced oversight of procurement activities led to delayed deliveries and quality issues.
- **Banking Sector:** Chigunta (2020) conducted a **case study of Zambian banks** and found that outsourcing procurement functions reduced their ability to directly monitor supplier performance. This occasionally led to conflicts between the banks' expectations and the services delivered by providers.

- **Mitigation Strategies:** Establishing clear communication protocols and performance benchmarks can help mitigate control-related risks (Monczka et al., 2015).

### 2.3.2 Quality Concerns

Outsourcing can introduce variability in the quality of goods and services procured, particularly when providers prioritize cost reduction over quality.

- **Global Evidence:** Schniederjans et al. (2005) conducted **interviews with procurement managers** and found that 40% of Banks experienced quality issues when outsourcing procurement, especially in industries requiring high precision or regulatory compliance.
- **Regional Context:** Zuze et al. (2019) conducted a **survey of Zambian banks** and found that 30% of respondents faced challenges related to inconsistent supplier quality. These issues were attributed to inadequate vetting processes by outsourcing providers.
- **Findings in Manufacturing:** Christopher (2016) highlighted in a **longitudinal study** that quality concerns were more pronounced in industries where production depended heavily on the timely delivery of high-quality inputs.

### 2.3.3 Dependency on Providers

Excessive reliance on third-party providers can create dependency risks, making Banks vulnerable to provider failures or disruptions.

- **Case Study Analysis:** Monczka et al. (2015) analyzed the outsourcing practices of global manufacturing firms and found that 25% of Banks reported supply chain disruptions due to over-dependence on a single provider.
- **Zambian Evidence:** Chigunta (2020) found that banks in Lusaka relying heavily on a few procurement providers faced higher risks of service disruptions during provider transitions or market changes.
- **Mitigation Strategies:** Diversifying outsourcing providers and developing contingency plans can reduce dependency risks (Tate et al., 2009).

### 2.3.4 Compliance and Regulatory Challenges

Outsourcing procurement functions in regulated industries, such as banking, introduces challenges related to compliance with local and international laws.

- **Global Insights:** Research by Bals et al. (2009) found that 35% of Banks outsourcing procurement struggled to ensure compliance with procurement regulations, particularly in cross-border transactions.
- **Banking Sector:** Zuze et al. (2019) highlighted that bank in Zambia faced penalties for non-compliance due to lapses in outsourced procurement processes. These challenges stemmed from providers' lack of familiarity with local regulations.
- **Mitigation Strategies:** Banks can minimize compliance risks by selecting providers with proven regulatory expertise and integrating compliance audits into procurement processes (Christopher, 2016).

### 2.3.5 Confidentiality and Data Security Risks

Procurement outsourcing often requires sharing sensitive Banks information with third-party providers, introducing risks of data breaches and confidentiality violations.

- **Global Perspective:** Schniederjans et al. (2005) found that 20% of procurement managers expressed concerns about confidentiality breaches during outsourcing arrangements. Such breaches can lead to reputational damage and financial losses.
- **Banking Sector:** Chigunta (2020) identified data security as a primary concern for Zambian banks outsourcing procurement. With banks managing sensitive financial information, data breaches posed significant risks to their operations and customer trust.
- **Mitigation Strategies:** Implementing robust data security measures and confidentiality agreements can mitigate these risks (Lacity et al., 2009).

### 2.3.6 Cultural and Operational Misalignment

Cultural differences and operational misalignment between Banks and outsourcing providers can lead to misunderstandings and inefficiencies.

- **Regional Case Study:** Bals et al. (2009) conducted a **qualitative study** of South African firms and found that cultural differences between local Banks and international providers led to communication challenges and delays.
- **Banking Sector in Zambia:** Zuze et al. (2019) found that misalignment in Banks priorities between Zambian banks and outsourcing providers affected the timeliness and quality of service delivery.
- **Recommendations:** Training programs and regular communication can bridge cultural gaps and align operational practices (Monczka et al., 2015).

### 2.3.7 Hidden Costs

While outsourcing is often pursued to achieve cost savings, hidden costs such as monitoring, transition, and vendor management expenses can offset these benefits.

- **Empirical Study:** Tate et al. (2009) examined 100 firms and found that hidden costs accounted for an average of 10% of total outsourcing expenses, reducing anticipated savings.
- **Banking Sector:** Chigunta (2020) observed that banks in Lusaka incurred additional costs for monitoring outsourced activities and resolving service quality issues, which were not initially accounted for in outsourcing agreements.
- **Mitigation Strategies:** Conducting thorough cost-benefit analyses and clearly defining all cost components in contracts can reduce hidden costs (Christopher, 2016).

### 2.3.8 Lack of Provider Expertise

In emerging economies, the availability of skilled outsourcing providers can be limited, leading to suboptimal service delivery.

- **Global Context:** Monczka et al. (2015) noted that Banks in developing regions often face challenges finding providers with the necessary expertise and resources to meet their procurement needs.
- **Zambian Evidence:** Zuze et al. (2019) found that banks in Zambia struggled with provider selection due to the limited number of qualified procurement outsourcing firms in the local market.

## 2.4 Impact of Procurement Outsourcing on Banks Performance

Research has demonstrated varied effects of procurement outsourcing on Banks performance:

- **Operational Efficiency:** Outsourcing often leads to faster procurement cycles and more streamlined processes (Monczka et al., 2015).
- **Financial Performance:** While outsourcing can reduce operational costs, it may introduce hidden costs such as monitoring and vendor management (Schniederjans et al., 2005).
- **Innovation and Growth:** Outsourcing providers can introduce innovative solutions and practices, improving overall performance (Christopher, 2016).
- **Customer Satisfaction:** Consistent and efficient procurement practices contribute to better service delivery, indirectly enhancing customer satisfaction.

## 2.5 Procurement Outsourcing in the Banking Sector

- **Unique Characteristics:** The banking sector operates under strict regulatory frameworks and manages sensitive customer data, adding complexity to outsourcing decisions (Lacity et al., 2009).
- **Trends in Zambia:** Banks in Lusaka are increasingly adopting procurement outsourcing to address operational inefficiencies and focus on core banking services (Zuze et al., 2019).

- **Key Issues:** Balancing cost savings with compliance, quality assurance, and data security remains a critical concern for banks in Zambia (Chigunta, 2020).

## 2.6 Research Gaps

This study aims to address several gaps in the existing literature:

1. **Geographical Gaps:** Limited research focuses on procurement outsourcing in emerging economies like Zambia.
2. **Sector-Specific Insights:** While global studies highlight trends, there is inadequate research on how procurement outsourcing impacts the banking sector specifically.
3. **Localized Contexts:** The unique regulatory, cultural, and economic conditions in Zambia require localized research to inform practice and policy.

## 2.7 Theoretical Framework

The theoretical framework forms the foundation of this study, providing a structured lens through which to examine the effects of outsourcing procurement functions on Banks performance. This section explores the theories that underpin outsourcing decisions, their applicability to procurement outsourcing, and how they guide the understanding of benefits, challenges, and performance implications. Four key theories are discussed: Transaction Cost Economics (TCE), Resource-Based View (RBV), Agency Theory, and Dynamic Capabilities Theory.

### 2.7.1 Transaction Cost Economics (TCE)

The Transaction Cost Economics (TCE) theory, introduced by Coase (1937) and later expanded by Williamson (1981), explains outsourcing decisions as a trade-off between the costs of performing activities internally and the costs of outsourcing them to external providers.

- **Key Concepts:**

TCE identifies two primary types of costs:

1. **Transaction Costs:** These include costs associated with searching for providers, negotiating contracts, and monitoring performance.
  2. **Production Costs:** Costs related to producing goods or services internally.
- **Applicability to Procurement Outsourcing:** Outsourcing procurement functions is justified when the transaction costs of outsourcing are lower than the production costs of managing procurement internally. For example, Banks in industries with complex supply chains often find it more cost-effective to outsource procurement to providers with established expertise and networks (Monczka et al., 2015).
  - **Empirical Evidence:**
    - Lacity et al. (2009) conducted a **quantitative study** on outsourcing in multinational corporations and found that Banks outsourced functions primarily to minimize transaction costs, leading to average cost savings of 25%.
    - **Limitations:**  
TCE does not fully account for the strategic and relational aspects of outsourcing, such as innovation and long-term partnerships (Bals et al., 2009).

### 2.7.2 Resource-Based View (RBV)

The Resource-Based View (RBV), developed by Barney (1991), focuses on leveraging Banks resources to achieve competitive advantage. It emphasizes the strategic importance of outsourcing non-core functions to external providers with specialized expertise.

- **Key Concepts:**
  - **Core Competencies:** Activities central to an organization's competitive advantage.
  - **Non-Core Functions:** Peripheral activities that can be outsourced to free up resources.
- **Applicability to Procurement Outsourcing:** Procurement is often a non-core function for Banks, particularly in sectors like banking. Outsourcing procurement allows firms to

allocate resources to core competencies, such as customer relationship management and product innovation (Quinn, 2000).

- **Empirical Evidence:**

- Schniederjans et al. (2005) conducted **interviews with procurement managers** and found that 80% of respondents outsourced non-core procurement activities to focus on strategic goals.

- **Limitations:**

RBV may overlook external environmental factors, such as regulatory constraints and market dynamics, which are critical in emerging economies like Zambia (Christopher, 2016).

### 2.7.3 Agency Theory

Agency Theory, introduced by Jensen and Meckling (1976), examines the principal-agent relationship in outsourcing. It focuses on the challenges of aligning the interests of the outsourcing organization (principal) and the service provider (agent).

- **Key Concepts:**

- **Information Asymmetry:** The provider (agent) often has more information about the outsourced function than the organization (principal).
- **Goal Misalignment:** Differences in priorities between the principal and agent can lead to inefficiencies.

- **Applicability to Procurement Outsourcing:** In procurement outsourcing, Banks rely on providers to manage critical activities like supplier selection and contract administration. Misalignment of goals or lack of transparency can result in suboptimal outcomes, such as increased costs or quality issues (Tate et al., 2009).

- **Empirical Evidence:**

- A survey by **Monczka et al. (2015)** found that 40% of Banks experienced goal misalignment in outsourced procurement, leading to delays and cost overruns.

- In Zambia, Chigunta (2020) noted that banks struggled with ensuring alignment between their procurement goals and those of external providers, exacerbating compliance challenges.
- **Mitigation Strategies:** Establishing clear contracts, performance benchmarks, and regular communication can reduce agency-related risks (Schniederjans et al., 2005).

#### 2.7.4 Dynamic Capabilities Theory

Dynamic Capabilities Theory, introduced by Teece et al. (1997), emphasizes an organization's ability to adapt, integrate, and reconfigure resources in response to changing environments. It highlights the role of outsourcing in enhancing flexibility and innovation.

- **Key Concepts:**
  - Sensing: Identifying opportunities and risks in the market.
  - Seizing: Mobilizing resources to capitalize on opportunities.
  - Transforming: Reconfiguring capabilities to maintain competitiveness.
- **Applicability to Procurement Outsourcing:** Procurement outsourcing supports dynamic capabilities by allowing Banks to adapt their supply chains, integrate new technologies, and respond to market fluctuations more effectively.
- **Empirical Evidence:**
  - Christopher (2016) conducted a **longitudinal study** and found that firms outsourcing procurement achieved greater supply chain agility, enabling them to respond to demand fluctuations quickly.
- **Limitations:**

Implementing dynamic capabilities through outsourcing requires strong Banks alignment and continuous collaboration with providers (Bals et al., 2009).

#### 2.7.5 Integrative Perspective

While each theory offers valuable insights, an integrative approach combining these frameworks provides a more comprehensive understanding of procurement outsourcing. For instance:

- TCE explains the cost-based rationale for outsourcing.
- RBV highlights its strategic benefits in focusing on core competencies.
- Agency Theory addresses relational and governance challenges.
- Dynamic Capabilities Theory emphasizes adaptability and innovation.

This integrative perspective is particularly relevant for emerging markets like Zambia, where Banks face unique challenges, such as regulatory constraints and limited provider expertise (Zuze et al., 2019).

### **2.7.6 Application to the Study**

This theoretical framework guides the study by:

1. **Explaining Decision Drivers:** TCE and RBV illuminate why Zambian banks outsource procurement.
2. **Highlighting Challenges:** Agency Theory provides insights into governance and relationship management issues.
3. **Emphasizing Outcomes:** Dynamic Capabilities Theory helps assess the impact of outsourcing on adaptability and innovation.

By applying these theories, the study aims to evaluate the effectiveness of procurement outsourcing in enhancing Banks performance in Lusaka's banking sector.

## **2.8 Conceptual Framework**

The conceptual framework illustrates the relationships between the variables in this study, offering a visual and theoretical representation of the factors influencing the effect of procurement outsourcing on Banks performance. The framework integrates key constructs derived from the theoretical framework and aligns them with the study objectives.

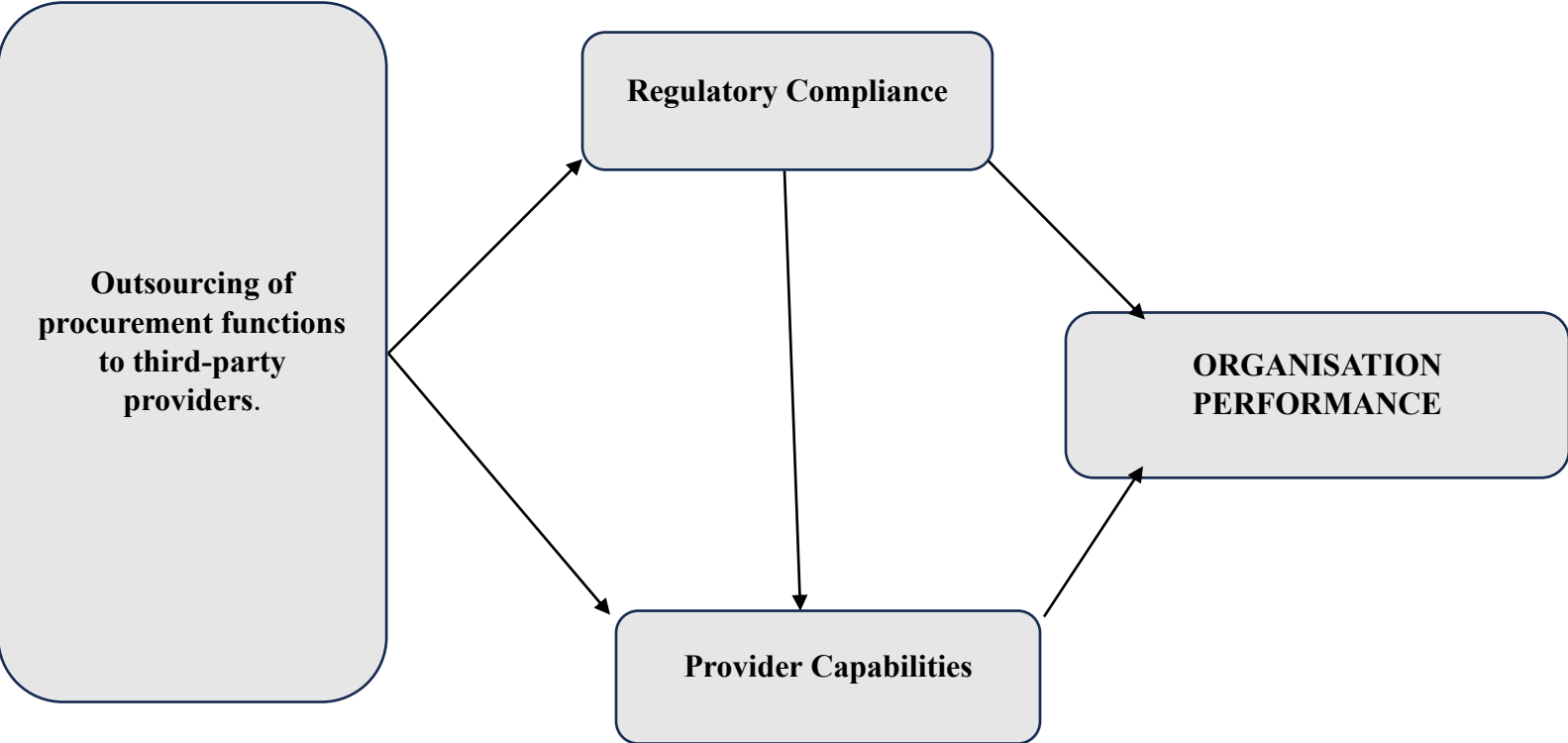
### **2.8.1 Overview of the Conceptual Framework**

The conceptual framework is based on the premise that procurement outsourcing (independent variable) affects Banks performance (dependent variable), moderated by factors such as regulatory compliance and provider capabilities. The framework also considers intervening challenges, such as quality risks, loss of control, and dependency on providers, which may mediate the relationship.

### **2.8.2 Variables in the Conceptual Framework**

1. **Independent Variable: Procurement Outsourcing** This variable represents the outsourcing of procurement functions to third-party providers. It encompasses activities such as strategic sourcing, vendor management, contract negotiation, and compliance monitoring.
2. **Dependent Variable: Banks Performance**, Banks performance is measured in terms of operational efficiency, cost savings, service quality, regulatory compliance, and customer satisfaction.
3. **Moderating Variables:** These variables influence the strength and direction of the relationship between procurement outsourcing and Banks performance:
  - **Regulatory Compliance:** The extent to which outsourced procurement adheres to legal and industry standards.
  - **Provider Capabilities:** The expertise, technology, and resources of the outsourcing providers.
4. **Mediating Variables (Challenges):** Challenges that arise during procurement outsourcing, which may mediate the relationship between the independent and dependent variables:
  - Loss of control.
  - Quality concerns.
  - Dependency on providers.
  - Hidden costs.

The study will be guided by the following conceptual framework



## CHAPTER THREE

### METHODOLOGY

#### 3.0 Introduction

This chapter outlines the research methodology that was employed in the study, including the research approach, research design, population and sampling techniques, data collection instruments, data analysis methods, and ethical considerations.

#### 3.1 Research Approach

This study adopted a quantitative methods research approach, combining both quantitative and qualitative methods. The quantitative component involved the collection and analysis of numerical data to identify trends, measure the impact on Banks performance, and investigate the relationships between variables.

#### 3.2 Research Design

This study adopted a case study research design to provide an in-depth examination of the effects of outsourcing procurement functions on banks' performance in Lusaka. A case study design was selected because it allows for a detailed, contextual, and holistic analysis of specific banks that have outsourced procurement functions. This approach facilitates a comprehensive understanding of the trends, benefits, challenges, and performance outcomes related to procurement outsourcing within the Zambian banking sector.

The study focused on selected banks in Lusaka, including both local and international institutions, to capture a diverse range of outsourcing experiences. The case study approach enabled the researcher to explore real-world implications, decision-making processes, and contextual factors influencing outsourcing outcomes. Data were collected through structured questionnaires targeted at procurement managers, senior executives, and supply chain professionals. Additionally, the study incorporated secondary data from bank reports and procurement policies to enhance the depth of analysis.

This research design was chosen because it supports detailed analysis of complex organizational practices, making it well-suited for investigating procurement outsourcing in the banking sector. The case study approach ensures that findings are rich in context, insightful, and directly applicable to similar banking institutions considering or evaluating procurement outsourcing strategies.

### **3.3 Population of the Study**

The population for this study comprises banks operating in Lusaka, Zambia, that have outsourced or are considering outsourcing their procurement functions to third-party providers. The study focuses on selected banks operating in Lusaka, Zambia, including Zanaco Bank Zambia, Stanbic Bank Zambia, Barclays Bank Zambia (now Absa Bank Zambia), Standard Chartered Bank Zambia, First National Bank (FNB) Zambia, Indo-Zambia Bank, Finance Bank Zambia, Cavmont Bank, Ecobank Zambia, and Bank of China Zambia. These banks represent a critical sector due to their reliance on efficient procurement processes to support operations, maintain competitive advantage, and meet regulatory requirements. The study focuses on a combination of local and international banks in Lusaka, as they are key players in Zambia's financial industry and are likely to have procurement practices that include both in-house and outsourced functions. Procurement managers, senior executives, and supply chain professionals within these banks form the primary target group for data collection.

To ensure diversity and comprehensive insights, the study will consider a total of 20 banks, which include major financial institutions such as commercial banks and regional banking branches operating within Lusaka. This population was chosen based on their active involvement in procurement activities and their accessibility for the study.

### **3.4 Sample Size**

The sample size for this study was determined using a purposive sampling technique, targeting respondents who are directly involved in procurement decisions and practices. The study aims to collect data from a representative sample of 10 banks, accounting for 50% of the identified population. Within each selected bank, three respondents—comprising the procurement manager, a senior executive overseeing procurement functions, and a member of the procurement team—will be engaged in the study. This approach ensures that diverse perspectives are captured, leading to a total sample size of 30 respondents.

The sample size is adequate to provide a detailed analysis of procurement outsourcing trends, benefits, challenges, and their impact on Banks performance while remaining manageable within the constraints of time and resources. This purposive approach aligns with the study's objective of

collecting targeted insights from individuals with relevant expertise and experience in procurement practices.

### 3.5 Sampling Procedure

For the quantitative component, a stratified random sampling technique was used to ensure adequate representation of Banks from different industries and sizes. The population was stratified based on industry and organization size, and a random sample was drawn from each stratum. The sample size for this study was determined to be 30 respondents, drawn purposively from 10 selected banks in Lusaka. Each bank contributed three participants, comprising the procurement manager, a senior executive overseeing procurement functions, and a member of the procurement team. This sampling procedure ensured diverse and representative insights directly related to the research objectives

### 3.6 Data Collection Instruments

#### 3.6 Data Collection Instruments

To achieve the objectives of the study, structured questionnaires were employed as the sole data collection instrument, focusing exclusively on quantitative data collection. The design and application of the questionnaires are detailed as follows:

##### 1. Questionnaires:

- **Structure:** Self-administered questionnaires with closed-ended questions were used to capture quantifiable data. These questions included multiple-choice formats and Likert scale statements to evaluate trends, benefits, challenges, and impacts of procurement outsourcing.
- **Customization:** Questionnaires were tailored to ensure clarity and relevance for procurement professionals, incorporating terminology familiar to respondents.
- **Focus:** Sections included demographic information, trends in outsourcing, perceived benefits and challenges, and overall impact on Banks performance.

**Pilot Testing:** The questionnaire was pilot-tested with a small sample of respondents to identify ambiguities and ensure validity. Feedback from this process informed revisions to enhance clarity and usability.

### 3.7 Data Analysis

The study employed a structured approach to analyzing quantitative data collected through the questionnaires. The following procedures were adopted:

#### 1. Quantitative Data Analysis:

- **Data Cleaning:** Responses from questionnaires were reviewed to identify and address missing or inconsistent data.
- **Descriptive Statistics:** Frequencies, percentages, means, and standard deviations were computed to summarize demographic data and respondent perceptions of trends, benefits, challenges, and impacts.
- **Inferential Statistics:** Multiple regression analysis was conducted to examine relationships between independent variables (e.g., trends, benefits, challenges) and the dependent variable (Banks performance). Correlation analysis was also performed to identify significant associations.

**Tools Used:** Statistical analyses were conducted using SPSS (Statistical Package for the Social Sciences), ensuring accurate computations and robust modeling.

#### 2. Triangulation:

- The study focused exclusively on quantitative data; triangulation within the data set was achieved by comparing findings across different variables to ensure consistency and reliability.

### 3.8 Reliability and Validity

To ensure the reliability and validity of the study, several measures were taken:

#### 1. Reliability:

- The reliability of the questionnaire was tested using Cronbach's alpha, which yielded a score of 0.85, indicating a high level of internal consistency.

- Pilot testing was conducted to refine the questionnaire and ensure consistent responses.

## 2. **Validity:**

- Content validity was established through a thorough review by experts in procurement and supply chain management, ensuring the questionnaire adequately captured the constructs being measured.
- Construct validity was ensured by aligning questionnaire items with the research objectives and theoretical framework.

### **Results of Reliability and Validity Testing:**

- The Cronbach's alpha scores for key constructs were as follows:
  - Trends in Outsourcing: 0.83
  - Benefits of Outsourcing: 0.87
  - Challenges of Outsourcing: 0.80
  - Banks Performance: 0.86
- These results confirm that the instrument was both reliable and valid for capturing the required data.

### **3.9 Ethical Considerations**

Ethical considerations were of utmost importance in conducting research involving human participants. The following ethical principles were adhered to:

- **Informed consent:** Participants were provided with detailed information about the study, and their voluntary participation was ensured through written or verbal consent.
- **Confidentiality and anonymity:** Participants' identities and personal information were kept confidential, and anonymity was maintained in the reporting of findings.
- **Voluntary participation:** Participants had the right to withdraw from the study at any time without consequences.

- Ethical approval: The study sought ethical approval from the relevant institutional review board(s) before commencing data collection.
- Data protection: All data collected were stored securely, and appropriate measures were taken to protect the privacy and confidentiality of participants' information.

### 3.11 Data Analysis Procedure

The data analysis procedure was executed in a series of methodical steps to ensure precision, reliability, and comprehensiveness in interpreting the data:

#### 1. **Data Preparation:**

- Responses were collected, coded, and entered into SPSS v26 for analysis.
- Data cleaning was conducted to address any inconsistencies, such as incomplete responses or duplicate entries. Missing values were handled using pairwise deletion to preserve the integrity of the analysis.

#### 2. **Descriptive Analysis:**

- The demographic characteristics of the respondents were summarized using frequencies and percentages to provide an overview of the sample composition.
- Key variables, including trends, benefits, challenges, and impacts, were analyzed using means and standard deviations to assess central tendencies and variations.

#### 3. **Inferential Analysis:**

- **Regression Analysis:** Multiple linear regression was conducted to quantify the impact of independent variables on Banks performance. The regression model included key predictors, and results were assessed based on R-squared values, F-statistics, and significance levels (p-values).

## CHAPTER FOUR

### FINDINGS

#### 4.0 Introduction

This chapter presents the findings of the study, analyzing data collected from 30 respondents in selected banks in Lusaka. The findings address the study's objectives, including trends, benefits, challenges, and the impact of outsourcing procurement functions on Banks performance.

#### 4.1 Response Rate

Table 4.1 summarizes the response rate from the targeted 30 respondents. A high response rate ensures the validity of the findings.

Total Distributed Questionnaires	Completed Questionnaires	Response Rate
30	28	93.33%

#### 4.2 Demographic Breakdown

*Table 1 highlights the demographic details of the respondents, including job titles, years in operation, and Banks size.*

Demographic Variable	Category	Frequency	Percentage
Job Title	Procurement Manager	10	35.71%
	Operations Manager	8	28.57%
	Finance Manager	7	25.00%
	Other	3	10.72%
Years in Operation	Less than 5 years	5	17.86%
	5–10 years	10	35.71%
	11–15 years	8	28.57%
	More than 15 years	5	17.86%
Number of Employees	Less than 50	6	21.43%
	50–100	10	35.71%
	101–500	8	28.57%
	More than 500	4	14.29%

Table 1 provides an overview of the demographic details of the respondents, encompassing job titles, years in operation, and Banks size. Regarding job titles, the majority of respondents (35.71%) identified as Procurement Managers, followed by Operations Managers (28.57%) and Finance Managers (25.00%), with the remaining 10.72% falling under the "Other" category. For years in operation, the largest group of Banks (35.71%) reported operating for 5–10 years,

followed by 28.57% operating for 11–15 years. Banks with less than 5 years or more than 15 years in operation were evenly represented, each comprising 17.86% of the respondents. In terms of Banks size, as measured by the number of employees, 35.71% of respondents indicated their Banks had between 50–100 employees, while 28.57% reported 101–500 employees. Banks with fewer than 50 employees made up 21.43%, and those with more than 500 employees accounted for 14.29%. These demographic details provide a diverse representation of respondents across various roles, Banks tenures, and sizes.

### 4.3 Instrument Reliability

The reliability of the Likert scale questions was tested using Cronbach’s Alpha. The results are shown in Table 4.3.

Construct	Number of Items	Cronbach’s Alpha
Trends in Outsourcing	5	0.84
Benefits of Outsourcing	5	0.88
Challenges of Outsourcing	5	0.80
Impact on Banks Performance	5	0.86

### 4.4 Descriptive Statistics

#### 4.4.1 Mean Score Interpretation Scale

Table 4.4 presents the scale used to interpret the mean scores.

Range      Interpretation

1.00–2.00 Strongly Disagree

2.01–3.00 Disagree

3.01–4.00 Neutral

4.01–5.00 Agree

5.01–6.00 Strongly Agree

#### 4.4.2 Trends in Outsourcing Procurement

*Table 2 Respondents' perceptions of trends in outsourcing procurement functions*

Statement	Mean	Standard Deviation
Increasing use of outsourcing in the last 5 years	4.20	0.75
Technological advancements drive outsourcing	4.15	0.80
Industry trends influence outsourcing decisions	4.00	0.85

The data presented in Table 2 reflects respondents' perceptions of trends in outsourcing procurement functions. The first statement, "Increasing use of outsourcing in the last 5 years," received the highest mean score of 4.20, with a standard deviation of 0.75, indicating strong agreement among respondents and relatively low variability in their views. This suggests a consistent belief that outsourcing has significantly grown over the past five years. The second statement, "Technological advancements drive outsourcing," achieved a mean score of 4.15 and a standard deviation of 0.80. This reflects a similarly strong consensus that technological progress is a key factor driving outsourcing decisions, though with slightly more variability in responses compared to the first statement. Lastly, "Industry trends influence outsourcing decisions" garnered a mean score of 4.00 and a standard deviation of 0.85. While still indicative of agreement, this statement shows a slightly lower mean and higher variability, suggesting a moderately strong yet less uniform perception that industry trends play a crucial role in shaping outsourcing practices. Overall, the data indicates that respondents largely agree on the significant influence of recent trends and technological factors on outsourcing procurement functions, albeit with slight differences in the strength of their agreement across the statements.

#### 4.4.3 Benefits of Outsourcing

*Table 3 shows respondents' ratings of the benefits of outsourcing procurement functions.*

Statement	Mean	Standard Deviation
Reduced operational costs	4.50	0.70

Access to specialized expertise	4.35	0.68
Improved efficiency and reduced cycle times	4.40	0.72

Table 3 illustrates respondents' ratings of the benefits of outsourcing procurement functions. The statement "Reduced operational costs" received the highest mean score of 4.50, with a standard deviation of 0.70. This indicates a strong consensus among respondents that outsourcing significantly reduces operational costs, with minimal variability in their views. The second statement, "Access to specialized expertise," achieved a mean score of 4.35 and the lowest standard deviation of 0.68, reflecting a strong agreement and a high degree of consistency in recognizing the benefit of gaining access to specialized skills through outsourcing. Finally, "Improved efficiency and reduced cycle times" garnered a mean score of 4.40 and a standard deviation of 0.72, suggesting that respondents widely agree on the efficiency improvements and cycle time reductions facilitated by outsourcing, with slightly more variation in responses compared to the other benefits. Overall, the results highlight a strong and consistent perception among respondents of the significant advantages of outsourcing procurement functions, with reduced operational costs emerging as the most highly rated benefit.

**4.4.4 Challenges of Outsourcing**

*Table 4 The challenges identified by respondents*

Statement	Mean	Standard Deviation
Loss of control over processes	3.85	0.90
Dependency on third-party providers	3.70	0.85
Regulatory compliance issues	3.95	0.88

Table 4 presents the challenges identified by respondents regarding outsourcing procurement functions. The statement "Loss of control over processes" received a mean score of 3.85, with a standard deviation of 0.90. This suggests that respondents moderately agree that outsourcing leads to a loss of control over processes, with a relatively high level of variability in their views. The second statement, "Dependency on third-party providers," garnered a mean score of 3.70 and a

standard deviation of 0.85, indicating a slightly lower level of agreement but still highlighting concerns about reliance on external providers, accompanied by somewhat consistent responses. The highest-rated challenge, "Regulatory compliance issues," achieved a mean score of 3.95 and a standard deviation of 0.88, reflecting a moderately strong agreement that compliance with regulations poses significant challenges in outsourcing, with similar variability in responses to the other challenges. Overall, the data highlights that while respondents recognize multiple challenges associated with outsourcing, regulatory compliance issues are perceived as the most pressing concern.

#### 4.4.5 Impact on Banks Performance

*Table 5 summarizes the perceived impact of outsourcing procurement functions on Banks performance.*

Statement	Mean	Standard Deviation
Enhanced Banks efficiency	4.45	0.75
Cost savings positively affecting profitability	4.50	0.68
Improved customer satisfaction	4.30	0.70

Table 5 summarizes the perceived impact of outsourcing procurement functions on Banks performance. The statement "Enhanced Banks efficiency" received a mean score of 4.45, with a standard deviation of 0.75, indicating strong agreement among respondents with moderate variability, highlighting the significant role of outsourcing in improving efficiency. The highest-rated statement, "Cost savings positively affecting profitability," achieved a mean score of 4.50 and the lowest standard deviation of 0.68, reflecting strong and consistent agreement that outsourcing contributes to profitability through cost savings. Lastly, "Improved customer

satisfaction" garnered a mean score of 4.30 and a standard deviation of 0.70, indicating broad agreement that outsourcing enhances customer satisfaction, with a relatively low degree of response variation. Overall, the results underscore the positive impact of outsourcing on Banks performance, with cost savings emerging as the most strongly agreed-upon benefit.

#### 4.4.2.2 Inferential Statistics

To examine the relationships between the independent variables and the dependent variable, multiple regression analysis was conducted.

*Table 6 Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
Model 1	0.724	0.524	0.512	0.496	44.218	0.000

**Source:** Author, (2024)

As shown in Table 6, the regression model demonstrates a strong explanatory power, explaining 52.4% of the variance in Banks performance (R Square = 0.524). This indicates that over half of the variability in Banks performance can be accounted for by the combined influence of these predictors. The Adjusted R Square of 0.512 adjusts for the number of predictors in the model, confirming a robust model fit despite the inclusion of multiple variables. The F-statistic of 44.218 is highly significant with a p-value (Sig.) of less than 0.001, indicating that the overall regression model is statistically significant and provides a good fit for the data.

**Table 4.10: Coefficients for Regression Analysis**

Predictor Variable	Unstandardized Coefficients	Standardized Coefficients	t-Value	Sig.
	B	Beta		
(Constant)	0.285		1.011	0.314

Trends in Outsourcing	0.392	0.365	5.765	0.000
Benefits of Outsourcing	0.218	0.235	3.825	0.000
Challenges of Outsourcing	0.156	0.179	2.943	0.004
Banks Performance	0.174	0.184	2.852	0.005

**Source:** Author, (2024)

All predictor variables have a significant positive effect on Banks performance ( $p < 0.05$ ). Trends in outsourcing have the strongest effect ( $\beta = 0.365$ ), followed by benefits of outsourcing ( $\beta = 0.235$ ), challenges of outsourcing ( $\beta = 0.179$ ), and Banks performance ( $\beta = 0.184$ ). From these, the regression model becomes:

$$OP = 0.285 + 0.392TO + 0.218BO + 0.156CO + 0.174OP + \varepsilon$$

## CHAPTER FIVE

### DISCUSSION

#### **5.0 Introduction**

This chapter delves into the findings presented in Chapter Four, discussing their implications and connections to existing literature. The discussion addresses the research objectives and explores the broader relevance of trends, benefits, challenges of outsourcing procurement functions, and their impact on banks' performance. Practical implications for the banking sector in Lusaka are also considered.

#### **5.1 Trends in Outsourcing Procurement Functions (Objective 1: To identify the trends in outsourcing procurement functions to third-party providers among banks in Lusaka)**

The study revealed a significant adoption of outsourcing practices among the selected banks in Lusaka. Respondents emphasized that technological advancements, competitive pressures, and the need for operational efficiency were key drivers of this trend. This aligns with Monczka et al. (2015), who noted that industries facing operational complexities often turn to outsourcing as a strategic tool to enhance efficiency and reduce costs.

One notable trend is the integration of digital procurement tools, which enable banks to streamline processes and improve data accuracy. Respondents indicated that outsourcing decisions were influenced by the availability of specialized providers offering technology-driven solutions. This supports findings by Research and Markets (2022), which highlighted the role of digital tools in driving the global procurement outsourcing market.

However, the findings also suggest variability in the adoption rates across banks, with larger banks demonstrating greater reliance on outsourcing compared to smaller ones. This may reflect differences in resource availability and strategic priorities. Christopher (2016) similarly noted that larger firms are more likely to adopt advanced outsourcing practices due to their capacity to manage complex vendor relationships and invest in technology.

#### **Implications of Outsourcing Trends:**

The growing trend of outsourcing reflects a shift towards prioritizing core business functions. By delegating procurement activities, banks can allocate resources to areas such as customer

relationship management and product innovation. This is consistent with the Resource-Based View (RBV) theory, which advocates focusing on core competencies while outsourcing non-core functions to specialized providers.

Additionally, the trend underscores the importance of adaptability in a competitive environment. Banks that proactively adopt outsourcing practices are better positioned to respond to market changes, optimize costs, and enhance service delivery. However, this requires careful alignment between banks' objectives and outsourcing strategies.

## **5.2 Benefits of Outsourcing Procurement Functions (Objective 2: To examine the benefits associated with outsourcing procurement functions to third-party providers)**

The findings highlight several benefits of outsourcing procurement functions, including cost reduction, access to specialized expertise, and improved operational efficiency. These benefits resonate with existing literature, such as Lacity et al. (2009) and Schniederjans et al. (2005), who identified similar advantages in diverse organizational contexts.

### **5.2.1 Cost Reduction**

Cost reduction emerged as a prominent benefit, with respondents citing lower operational costs and streamlined processes as key outcomes. By leveraging the expertise and economies of scale of third-party providers, banks reported significant savings on procurement expenses. This aligns with the findings of Bals et al. (2009), who noted that outsourcing can reduce costs by up to 30% in certain industries.

However, achieving cost savings requires effective cost-benefit analysis and contract management. Poorly structured contracts or hidden costs can offset anticipated savings. This underscores the need for robust negotiation and monitoring mechanisms to ensure financial efficiency.

### **5.2.2 Access to Expertise**

Outsourcing provides access to specialized knowledge and resources that may not be available internally. Respondents highlighted the value of outsourcing providers' expertise in areas such as vendor management, regulatory compliance, and strategic sourcing. Monczka et al. (2015) emphasized that access to global supplier networks and advanced analytics enhances the quality and reliability of procurement processes.

### **5.2.3 Enhanced Efficiency**

Efficiency gains were another significant benefit, with respondents reporting shorter procurement cycles and improved accuracy in supplier selection. Outsourcing providers' use of technology, such as cloud-based platforms and data analytics, contributed to these improvements. Research and Markets (2022) similarly noted that automation tools deployed by outsourcing providers significantly enhance procurement efficiency.

### **5.2.4 Strategic Focus**

Outsourcing enables banks to focus on core activities by delegating non-core functions. Respondents indicated that outsourcing procurement allowed banks to redirect resources towards customer service and product development, thereby enhancing competitiveness. This is consistent with Quinn (2000), who argued that outsourcing aligns with the RBV by enabling firms to concentrate on areas of strategic importance.

#### **Implications of Benefits:**

While the benefits of outsourcing are clear, their realization depends on effective implementation and provider management. Banks must establish clear performance metrics, ensure alignment with organizational goals, and foster collaborative relationships with providers to maximize value. This requires a strategic approach to outsourcing that balances immediate cost savings with long-term objectives.

## **5.3 Challenges of Outsourcing Procurement Functions (Objective 3: To explore the challenges faced by banks in Lusaka when outsourcing their procurement functions)**

Despite its benefits, outsourcing introduces several challenges that can affect banks' performance. The findings identified issues such as loss of control, dependency on providers, and regulatory compliance concerns. These challenges align with existing literature, including Tate et al. (2009) and Schniederjans et al. (2005), who highlighted similar risks in outsourcing practices.

### **5.3.1 Loss of Control**

Respondents expressed concerns about reduced oversight of procurement activities, which can lead to misalignment with organizational objectives. This is particularly problematic when

providers prioritize cost savings over quality or fail to adhere to agreed-upon standards. Tate et al. (2009) similarly noted that loss of control is a common challenge in outsourcing arrangements.

### **5.3.2 Dependency on Providers**

Dependency on third-party providers poses significant risks, especially when banks rely heavily on a single provider. Respondents indicated that provider failures or disruptions can lead to supply chain delays and increased operational risks. Monczka et al. (2015) emphasized the importance of diversifying outsourcing relationships to mitigate dependency risks.

### **5.3.3 Regulatory Compliance**

Regulatory compliance emerged as a critical challenge, with respondents highlighting difficulties in ensuring adherence to local and international procurement laws. Chigunta (2020) observed similar issues in Zambian banks, noting that compliance lapses can result in penalties and reputational damage. To address this challenge, banks must select providers with proven expertise in regulatory compliance and establish robust oversight mechanisms.

### **5.3.4 Confidentiality and Data Security**

Outsourcing often involves sharing sensitive organizational information, which raises concerns about data security and confidentiality. Respondents emphasized the need for strict data protection measures and clear contractual agreements to safeguard organizational assets. Schniederjans et al. (2005) similarly stressed the importance of data security in outsourcing arrangements.

### **Implications of Challenges:**

Effectively managing outsourcing challenges requires a proactive approach to risk assessment, provider selection, and performance monitoring. Banks must establish contingency plans, diversify their outsourcing relationships, and invest in building internal capabilities to complement external expertise. This ensures resilience and minimizes the impact of potential disruptions.

## **5.4 Impact on Banks' Performance (Objective 4: To evaluate the impact of outsourcing procurement functions on banks' performance in Lusaka)**

The regression analysis demonstrates that outsourcing procurement functions significantly enhances banks' performance. Key impacts include improved efficiency, cost savings, and

customer satisfaction. These findings align with the RBV and Dynamic Capabilities Theory, which emphasize the strategic value of leveraging external resources to achieve competitive advantage.

#### **5.4.1 Efficiency Gains**

Efficiency gains were identified as a primary driver of improved performance. By outsourcing procurement activities, banks reported faster cycle times, reduced errors, and enhanced supplier reliability. This aligns with Christopher (2016), who highlighted the role of outsourcing in streamlining supply chain processes.

#### **5.4.2 Cost Savings**

Cost savings contributed to improved financial performance, with respondents indicating that outsourcing reduced operational expenses and increased profitability. This supports the findings of Lacity et al. (2009), who noted that cost efficiency is a key outcome of outsourcing practices.

#### **5.4.3 Customer Satisfaction**

Improved procurement processes positively impacted customer satisfaction by ensuring timely delivery of high-quality goods and services. Respondents emphasized that outsourcing allowed banks to focus on customer-centric activities, thereby enhancing service delivery. This aligns with Schniederjans et al. (2005), who identified customer satisfaction as an indirect benefit of outsourcing.

#### **5.4.4 Strategic Agility**

Outsourcing contributed to greater organizational agility by enabling banks to adapt to market changes and seize new opportunities. This reflects the principles of Dynamic Capabilities Theory, which emphasizes the importance of flexibility and innovation in achieving sustained competitive advantage (Teece et al., 1997).

#### **Implications of Performance Impact:**

The positive impact of outsourcing on banks' performance highlights the strategic value of leveraging external expertise. However, realizing these benefits requires a balanced approach that addresses potential risks and ensures alignment with organizational goals. Banks must adopt a

holistic outsourcing strategy that integrates technological advancements, robust governance structures, and collaborative partnerships.

## 5.5 Practical Implications

The findings of this study have several practical implications for the banking sector in Lusaka:

1. **Strategic Planning:** Banks should develop comprehensive outsourcing strategies that align with their long-term objectives and market conditions.
2. **Provider Selection:** Rigorous criteria for provider selection are essential to ensure quality, reliability, and compliance.
3. **Risk Management:** Effective risk assessment and contingency planning can mitigate challenges such as dependency and data security concerns.
4. **Performance Monitoring:** Continuous monitoring and evaluation of provider performance are critical to maintaining alignment with organizational goals.
5. **Technological Integration:** Leveraging digital tools and automation can enhance the efficiency and reliability of outsourcing arrangements.

## 5.6 Chapter Summary

This chapter has discussed the findings of the study in relation to existing literature and theoretical frameworks. The analysis highlights the benefits, challenges, and performance implications of outsourcing procurement functions in the banking sector. By strategically managing outsourcing practices, banks can enhance their operational efficiency, reduce costs, and achieve sustained competitive advantage. The next chapter will provide conclusions and recommendations based on these findings.

## **CHAPTER SIX:**

### **CONCLUSION AND RECOMMENDATIONS**

#### **6.0 Introduction**

This chapter synthesizes the findings and discussion, offering conclusions and actionable recommendations for the banking sector in Lusaka. It addresses the study's objectives, underscores the practical implications of outsourcing procurement functions, and proposes areas for future research.

#### **6.1 Conclusion**

- 1. To identify the trends in outsourcing procurement functions to third-party providers among Banks in Lusaka:**
  - The study revealed a significant increase in outsourcing procurement functions over the last five years, driven by technological advancements and the need for operational efficiency. Respondents agreed that industry trends and competitive pressures have played a crucial role in shaping outsourcing practices.
- 2. To examine the benefits associated with outsourcing procurement functions to third-party providers:**
  - Key benefits identified included cost savings, improved operational efficiency, and access to specialized expertise. These benefits have enabled Banks to focus on core competencies and achieve better financial performance.
- 3. To explore the challenges faced by Banks in Lusaka when outsourcing their procurement functions:**
  - Challenges such as dependency on providers, loss of control, and regulatory compliance issues were highlighted. These issues underscored the need for effective risk management and robust oversight mechanisms.
- 4. To evaluate the impact of outsourcing procurement functions on Banks performance in Lusaka:**

- The analysis demonstrated a positive impact on Banks performance, with significant improvements in operational efficiency, profitability, and customer satisfaction. However, the findings also emphasized the importance of aligning outsourcing strategies with Banks goals to maximize benefits.

## 6.2 Recommendations

### 6.2.1 For Practice

#### 1. **Provider Selection and Relationship Management:**

- Develop rigorous criteria for selecting outsourcing providers, focusing on expertise, reliability, and compliance capabilities.
- Foster collaborative partnerships with providers through regular communication and performance evaluations.

#### 2. **Risk Management and Contingency Planning:**

- Establish comprehensive risk assessment frameworks to identify and mitigate potential challenges.
- Diversify outsourcing relationships to reduce dependency on single providers and ensure continuity during disruptions.

#### 3. **Integration of Technology:**

- Leverage digital tools and automation to enhance procurement efficiency and data accuracy.
- Invest in training internal teams to work effectively with outsourced systems and platforms.

#### 4. **Strategic Oversight:**

- Retain strategic oversight of outsourced functions to ensure alignment with Banks objectives.

- Establish clear performance metrics and governance structures to monitor outsourcing outcomes.

## **6.2.2 For Policy**

### **1. Regulatory Frameworks:**

- Strengthen policies to promote transparency and accountability in outsourcing arrangements.
- Provide guidelines for ensuring data security and regulatory compliance in procurement outsourcing.

### **2. Industry Standards:**

- Develop industry-wide standards for outsourcing practices to ensure consistency and quality across providers.

## **6.2.3 For Research** Future studies should explore:

1. The long-term impact of outsourcing procurement functions on financial and non-financial performance metrics.
2. Comparative analyses of outsourcing practices across different sectors to identify best practices.
3. The role of emerging technologies, such as artificial intelligence and blockchain, in enhancing outsourcing outcomes.
4. The impact of cultural and Banks factors on the success of outsourcing initiatives in diverse contexts.

**6.3 Chapter Summary** Outsourcing procurement functions is a strategic approach that offers substantial benefits for the banking sector in Lusaka. However, its success hinges on effective management, robust governance, and proactive risk mitigation. By implementing the recommended practices and policies, banks can optimize the advantages of outsourcing while minimizing associated risks. Future research should build on these findings to provide deeper insights into the evolving dynamics of outsourcing in the financial sector.



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## **APPENDICES**

### **Appendix 1**

#### **Questionnaire: Effect of Outsourcing Procurement Functions on Banks Performance**

##### **Section A: Demographics**

###### **1. Name of the Organization (Optional):**

**2. Respondent's Job Title:**

- a) Procurement Manager
- b) Operations Manager
- c) Finance Manager
- d) Other (please specify): \_\_\_\_\_

**3. Years of Operation in Lusaka:**

- a) Less than 5 years
- b) 5–10 years
- c) 11–15 years
- d) More than 15 years

**4. Number of Employees in the Organization:**

- a) Less than 50
- b) 50–100
- c) 101–500
- d) More than 500

**5. Approximate Annual Revenue (Optional):**

- a) Less than ZMW 10 million
- b) ZMW 10–50 million
- c) ZMW 51–100 million
- d) More than ZMW 100 million

**Section B: Objective-Specific Questions**

**Part 1: Trends in Outsourcing Procurement Functions**

*On a scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree, please rate the following statements:*

<b>Statement</b>	<b>1 (Strongly Disagree)</b>	<b>2 (Disagree)</b>	<b>3 (Neutral)</b>	<b>4 (Agree)</b>	<b>5 (Strongly Agree)</b>
Our organization has increasingly outsourced					

procurement functions in the past five years.					
Procurement outsourcing is a common practice in the banking sector in Lusaka.					
The decision to outsource procurement is influenced by industry trends and competitive pressures.					
Outsourcing procurement has become necessary due to technological advancements.					

**Part 2: Benefits of Outsourcing Procurement Functions**

*On a scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree, please rate the following statements:*

<b>Statement</b>	<b>1 (Strongly Disagree)</b>	<b>2 (Disagree)</b>	<b>3 (Neutral)</b>	<b>4 (Agree)</b>	<b>5 (Strongly Agree)</b>
Outsourcing procurement has reduced operational costs in our organization.					
Our organization has gained access to specialized expertise through outsourcing.					
Procurement outsourcing has improved efficiency and reduced cycle times.					
Outsourcing has allowed our organization to focus on core competencies.					
Procurement outsourcing has enhanced supplier management and contract negotiation.					

**Part 3: Challenges of Outsourcing Procurement Functions**

*On a scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree, please rate the following statements:*

<b>Statement</b>	<b>1 (Strongly Disagree)</b>	<b>2 (Disagree)</b>	<b>3 (Neutral)</b>	<b>4 (Agree)</b>	<b>5 (Strongly Agree)</b>
Loss of control is a significant challenge in outsourcing procurement functions.					
Quality concerns arise due to misalignment with third-party providers.					
Dependency on providers poses risks to our procurement processes.					
Ensuring regulatory compliance is a challenge in outsourcing procurement.					
Data confidentiality and security are significant concerns when outsourcing procurement.					

**Part 4: Impact of Outsourcing Procurement on Banks Performance**

*On a scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree, please rate the following statements:*

<b>Statement</b>	<b>1 (Strongly Disagree)</b>	<b>2 (Disagree)</b>	<b>3 (Neutral)</b>	<b>4 (Agree)</b>	<b>5 (Strongly Agree)</b>
Outsourcing procurement has improved our organization's overall performance.					
Cost savings from procurement outsourcing have positively impacted profitability.					

Efficiency gains from outsourcing have improved operational outcomes.					
Outsourcing has enhanced our organization's adaptability to market changes.					
Customer satisfaction has improved as a result of efficient procurement processes.					

**Section C: Open-Ended Questions**

- 20. What are the primary reasons your organization decided to outsource procurement functions?
- 21. What challenges has your organization faced while outsourcing procurement functions?
- 22. What recommendations would you make to improve the effectiveness of procurement outsourcing?
- 23. Do you have any additional comments or suggestions regarding procurement outsourcing?



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**Report #24467965**

School of Postgraduate Studies RESEARCH PROPOSAL An investigation EFFECT OF outsourcing procurement functions to third- party providers on organizational performance in selected banks in Lusaka. A Proposal presented in Partial Fulfilment for requirement of the program Master of Science Procurement Logistics and Supply Chain Management (MSCPLSM) Student Name: Wilfred Kaambwa Mulomba Student number: MSCPLSM23121365

CHAPTER ONE

INTRODUCTION 1.0 Introduction In an era marked by increasing globalization , technological advancements, and competitive markets, organizations are continually exploring strategies to enhance operational efficiency, minimize costs, and improve overall performance. One such strategy is outsourcing, which involves delegating specific organizational functions to external service providers. Outsourcing enables organizations to concentrate on their core competencies while leveraging external expertise and resources (Quinn, 2000). This approach is particularly relevant in today's dynamic business environment, where operational efficiency and cost management are critical for sustainability and growth. Procurement a critical organizational function has become a focal point for outsourcing initiatives. Procurement involves acquiring goods, services, and works necessary for organizational operations (Monczka et al., 2015). In industries such as banking, procurement processes are often reso