Offshore/nearshore outsourcing as a strategic competitive posturing: insights from Ghana

Abstract

Although offshore/nearshore outsourcing has attracted increasing scholarly work, relevant questions remain unexplored leading to calls for further studies on the issue to help deepen our understanding of this evolving and important strategic phenomenon. Based on interviews of 19 banks in Ghana, this study explores the nature and drivers of offshore/nearshore outsourcing in this under-researched context. The findings reveal that institutional requirements, ethical considerations, innovation potential, and security issues are critical drivers that underpin offshore/nearshore outsourcing decisions. This enables us to advance and enrich research on offshore/nearshore outsourcing. Based on this, the paper outlines the contributions to theory and practice.

Key Words: Outsourcing; offshore; nearshore; banking industry; motivations; Ghana

Introduction

Offshore/nearshore outsourcing has witnessed a tremendous surge as a business or international business strategy in recent times (Boehe, 2010; Musteen, 2016; Lahiri, 2016). The phenomenon is considered as one of the most sustained trends of concurrent business undertaken both domestically and internationally by firms (Hätönen & Eriksson, 2009; Thakur-Wernz & Bruyaka, 2017). Although not new, outsourcing has gain momentum in magnitude and importance in the overall performance of firms to the extent that the current economic system is sometimes referred to as an outsourcing economy (Hätönen and

Eriksson, 2009). This momentum of outsourcing is facilitated by a mix of factors including the relentless forces of competition and globalisation (Contractor et al., 2010; Pisani & Ricart, 2016); trade liberalisation, advances in communication technology, digitization and 'tradability' of services among others (Jensen, 2009), and falling interaction cost (Lahiri, 2016). Firms are therefore using outsourcing/offshoring in the prevailing complex, dynamic, and competitive globalised business era, to manage cost pressures and sustain viability (Mukherjee et al., 2013; Nieto & Rodrıguez, 2011; Rilla & Squicciarini, 2011). As firms strive for competitive advantage, outsourcing/offshoring has become a typical competitive strategic device to survive in both the domestic and international marketplaces (Javalgi et al., 2009; Mukherjee et al., 2013).

The phenomenon has equally attracted increased and sustained research traction in the last two decades (Lahiri, 2016) across different streams and disciplines such as strategic management, international business, and supply chain management (Musteen, 2016; Maskell et al., 2007). Much of the scholarship have focused on examining where, how and why firms outsource, and the nature of outsourcing activities within the value chain, and the impact of outsourcing on firm performance (Varadarajan 2009; Lahiri, 2016). While these streams of scholarship have contributed significantly to the body of knowledge in outsourcing, the state of academic enquiry lags behind the development of the phenomenon because of the entirely new dynamics and possibilities created by intense competition within the complex business environment (Hätönen & Eriksson, 2009).

Important questions such as why outsource, what is outsourced, how to outsource, and the impact of outsourcing on performance remain elusive and underexplored (Lahiri, 2016). Moreover, existing studies covering these issues sometimes provide contradictory results leading to calls for further studies surrounding these relevant questions to help deepen our understanding of this evolving and important strategic phenomenon (Musteen, 2016; Hätönen

& Eriksson, 2009). Besides, the voluminous body of offshore/nearshore outsourcing scholarship has focused on outsourcing predominantly undertaken by firms from developed countries in their economies or in developing economies (Javalgi et al., 2009). This leaves the phenomenon under-explored in the context of developing regions and countries such as the sub-Saharan context. This study therefore seeks to contribute towards enriching the literature by examining the nature and motivations of outsourcing, as well as the impact of outsourcing by firms within a sensitive industry (banking), in the under-explored context of a sub-Saharan African country, Ghana.

The study finds that in addition to the traditional transaction economics thinking, other theoretical perspectives such as the resource based view, the institutional perspective and the ethical/normative perspectives are essential in outsourcing research. Moreover, the two dominant categories of functional activities outsourced by banks are non-core activities and technical activities. The non-core functions include human resources, marketing, transportation and catering services, security and bullion van services, printing services, and legal services. The technical functional activities mostly outsourced involve information technology (IT) which consist of E-banking and M-banking platforms, as well as software applications. Finally, the study uncovered positive impact of outsourcing on banks performance, but measured in a variety of ways involving both financial and non-financial measures. These findings are significant and the implications for theory and practice are discussed below.

Following this introduction, the rest of the paper is structured as follows. The literature is reviewed in the next section capturing the theoretical underpinnings in this body of scholarship and unpacking the various streams of research in the topical subject area. The methodology is next outlined followed by presentation of the study findings.

Literature review

There has been sustained academic enquiry on outsourcing/offshoring particularly in the last two decades resulting in a voluminous body of literature (Musteen, 2016; Lahiri, 2016). This body of literature has captured the evolving definition of outsourcing over the years (Hätönen & Eriksson, 2009). However, outsourcing as a strategy is generally referred to as the conscious transfer of previously conducted internal organisational value chain activities, decision responsibilities and process to an external party domestically or internationally (Contractor et al., 2010; Hätönen & Eriksson, 2009). The outsourcing strategy, although traditionally focused more on streamlining internal operations and controlling operational cost of organisations, has now evolved to encompass cooperative value adding activities (Zimmermann & Ravishankar, 2016). It is a dominant strategic tool adopted by numerous firms across the globe to better position themselves and shape the way they compete within and across industries as well as countries (Lahiri, 2016). The relentless competition has contributed to companies of all sizes from diverse industries capitalising on external sources of knowledge and capabilities through outsourcing (Musteen, 2016).

The evolution of outsourcing has attracted different research streams and led to a variety of labels such as offshore outsourcing, captive offshoring, reshoring, putting out, and contracting out (Musteen, 2016; Gray et al., 2013; Paju, 2007; Jahns et al., 2006). Moreover, scholars have mapped out distinct phases of outsourcing/offshoring including the era of big bang, bandwagon, and barrierless organisations (Hätönen & Eriksson, 2009). The big bang era marks the first wave of outsourcing up until the end of the 1980s during which the focus was on outsourcing non-core business activities with the overriding motive of reducing operational costs or achieving cost efficiency (Hätönen & Eriksson, 2009). The successes of the first movers in the traditional outsourcing, triggered a widespread implementation of the strategy by the 1990s, the ‘era of the bandwagon’ (Hätönen & Eriksson, 2009). Finally, the current state of outsourcing is known as the era of barrierless organisations and is characterised by the outsourcing of knowledge –intensive and critical business components that are developed in close cooperation with other organisations across different countries (Hätönen & Eriksson, 2009).

The tremendous transformation and globalisation of the business environment has resulted in the popularity of outsourcing as a strategic norm rather than an exception or differentiator (Musteen, 2016; Larsen, 2016). Cooperation, collaboration and co-development are crucial in the current era of transformational outsourcing whereby firms are concerned about developing core competencies in managing portfolio of loosely coupled firms and their relationships to create value (Lahiri, 2016; Hätönen & Eriksson, 2009). Accordingly, the current practice of outsourcing known as the 'transformational outsourcing' is more complex and focus on flexible organisational structures that are loosely coupled and networked in order to facilitate rapid adaptation to dynamics in the global business environment (Linder, 2004; Schilling & Steensma, 2001). Successful outsourcing thus requires firms to focus on developing their dynamic capabilities and be flexible enough to acquire and synthesise internal and external competencies needed to remain viable (Musteen, 2016; Doh, 2005).

Similarly, different theoretical underpinnings have been used in the evolving outsourcing research (Hätönen & Eriksson, 2009; Kedia & Lahiri 2007; Maskell et al. 2007; Lahiri, 2016). According to the transaction cost economics thinking, outsourcing certain organisational activities to external providers is preferred when the cost is much lower than performing the same activity internally (Coase, 1937; Williamson, 1975; Ang & Straub, 1998). The transaction cost theory has thus become one of the dominant paradigms in outsourcing scholarship. The resource based view (RBV) of the firm has also been employed as a relevant theoretical underpinning in the outsourcing scholarship (Doh, 2005). The theory suggests that outsourcing enables firms that lack certain specialised resources and capabilities to access them in the provider firms. In this regards, the theory encourages keeping core competencies (Prahalad & Hamel, 1990) in-house while outsourcing activities where the firm lacked expertise (Porter, 1996).

Moreover, network theory or relationship management theory are also used as relevant lenses in the enquiry of outsourcing/offshoring research particularly in the international business stream (Musteen et al., 2014). Additionally, studies examining the role of national laws, policies, culture, trade or professional associations as well as pressure groups in outsourcing strategy tend to employ the institutional theory. Accordingly, these institutional factors provide the mechanisms and restrictions within which outsourcing takes place (Kshetri 2007). Finally, agency theory is one of the relevant lenses in outsourcing research. In this perspective, focal firms are considered as the principals who engage with the agents (other firms) through outsourcing to undertake certain specific functions. According to this theory, the expected returns in this arrangement may reduce because of the potential risks of moral hazard and opportunism in this governance mechanism (Lahiri, 2016). Scholars have therefore suggested that outsourcing is an important strategic governance mechanism that require the use of multiple theoretical lenses to enhance understanding (Leiblein & Miller 2003).

These theoretical lenses have been employed in different streams of outsourcing research. One important stream the impact of outsourcing on firm performance (Nieto & Rodrıguez, 2011; Bertrand, 2011; Lahiri, 2016). The central tenet in this body of research is that, outsourcing enhances firm performance. Empirical studies have employed different measures of performance in this research stream such as sales, return on investment (Bertrand, 2011; Kroes & Ghosh, 2010); innovation (Nieto & Rodrıguez, 2011; Li et al., 2008), market share (Singh, 2009); learning, human and organisational capital (Musteen & Ahsan, 2013), labour productivity (Görg & Hanley, 2005). Other benefits of outsourcing include lowering cost, access to scarce resources and capabilities, developing core competencies and dynamic capabilities, being flexible enough to remain viable in fast-changing business environments, and enhanced international competitiveness (Di Gregorio et al., 2009; Doh, 2005).

Notwithstanding, others in this research stream found negative or no impact of outsourcing as a strategy on firm performance (Lahiri, 2016; Pentina & Hasty 2009; Weigelt, 2009). For instance, studies have found that outsourcing/offshoring can lead to lack of expected cost savings (Larsen et al., 2013), poor quality issues (Kinkel & Maloca, 2009), and loss or deterioration of capabilities (Grimpe & Kaiser, 2010). These studies however, use different theoretical underpinnings, performance measures, data sources and types and analytical techniques which may have contributed to the different findings and views on the benefits associated with outsourcing (Jensen, 2012). Recent studies have also focused on examining the hidden cost of outsourcing (Larsen, 2016). According to this body of research, outsourcing firms tend to incur significant hidden cost after the implementation of outsourcing/offshoring decisions which eventually undercuts the anticipated benefits of the strategy (Manning et al., 2015; Larsen et al., 2013; Stringfellow et al., 2008).

Related to the above is another stream of outsourcing research examining the motives of outsourcing (Zimmermann & Ravishankar, 2016). This body of scholarship generally underpinned by the transaction cost economics thinking and the resource-based view evidence that for a variety of reasons for outsourcing including the control or reduction of operational cost (Jensen & Petersen, 2013), or acquisition of capabilities in the provider (Clampit et al., 2015). The strategy is also identified as a mechanism of freeing up organisational resources for effective deployment for more profitable business units or activities (Zimmermann & Ravishankar, 2016). Moreover, others have identified the need to focus on core competencies and process improvement as drivers of outsourcing in some organisations (Musteen, 2016). Yet, others have found that some firms pursue outsourcing as a strategy to sharpen the business focus and enhance flexibility, reduce time to market by accelerating projects, and gain access to the talent and flexible workforce in the market (Larsen, 2016).

Using the behavioural and bounded rationality perspectives, another emerging stream of outsourcing research have started examining the role of managers' attitudes and emotions, personal experiences, and cognitive limitations in outsourcing decision-making (Musteen, 2016). This body of research suggest that executives psychological and demographic characteristics influence firms' strategies and performance (Li & Tang, 2010; Hambrick, 2007). By extension, these perspectives imply that personal characteristics of the outsourcing decision maker influence the nature of outsourcing activities. Besides, with outsourcing attracting significant public interest in contemporary times, ethical implications are also suggested to be evaluated by managers in the outsourcing decisions (Musteen, 2016). Finally, institutional theory has also been found relevant in examining outsourcing/offshoring decisions. Accordingly, decisions and implementation of outsourcing are deeply embedded in a diverse set of institutions, such as regulatory controls, formal systems, policies and agreements (Kshetri, 2007; Das & Teng, 2001). In this study, we adopt a combination of these theoretical perspectives in exploring the nature, motives and impact of outsourcing by banks.

Methodology

Research context

We provide a brief background information on Ghana, the research context, to help in positioning the findings. Ghana as an economy has enjoyed robust growth due to sound governance and abundance of commodity resources including gold, diamond, bauxite and cocoa, among others. The discovery and resumption of oil production have meant that the banking industry has become an increasingly important source of capital for both local and multinational oil and gas companies. Banks, as a result, have re-focused their efforts on mobilising capital for investments, which is the core mandate of a bank.

The Ghanaian financial system has seen significant reforms since the 1980s. The sector is regulated by the Bank of Ghana (BOG) which is also responsible for ensuring the free functioning of the market actors, and has several sub-committees supervising various units. The Ghana stock exchange (GSE) established in 1989 also provides platforms for banks to raise capital. Currently, the banking sector is the third dominant force in terms of listing, initial public offerings and market capitalisation on the GSE. The financial sector currently has a strategic plan (FINSSP) aimed at to broadening, deepening and improving the governance structures in the banking industry. Further, the introduction of the new Banking ACT 738 in 2007 has supported the establishment of the international financial services centre (IFSC) which has strengthened the role of regulators in overseeing outsourcing activities in the banking industry (GIPC, 2016). To enrich our understanding of the strategic nature of outsourcing decisions of firms in Africa, we therefore focused on banks with different ownership structure operating in Ghana.

Method

Given that outsourcing is a new phenomenon in Africa, increasingly practiced by both local and foreign multinationals but largely underexplored, a qualitative approach is adopted in this study to provide a richer understanding (Birkinshaw et al., 2011; Eisenhardt, 1989). Several previous studies have utilised quantitative methodologies and data sources to examine outsourcing and provided interesting insights but also with significant limitations (Musteen, 2016). Moreover, quantitative-based studies on outsourcing have been recently criticised for failing to effectively capture the strategic nature of outsourcing decision-making processes by top management (Gerbl et al. 2015; Musteen, 2016; Manning, 2014). In addition, given the paucity of research on the nature of outsourcing activities in Africa, and our intention to enrich literature, qualitative methodology was deemed more appropriate for this study. Accordingly, the dynamic nature of outsourcing and the degree of complexities surrounding its development require an interpretative methodological approach to unearth the real reasons why managers take this strategic path (Hätönen & Eriksson, 2009; Trautman et al., 2009). Furthermore, it is in response to calls by scholars for more studies using qualitative methodology to investigate the nature of outsourcing, particularly in developing countries (Mudambi & Venzin, 2010; Birkinshaw et al., 2011, Bunyaratevej et al., 2010). Moreover, in such weak institutional and regulatory regimes, which characterise most emerging markets, the depth and richness of data on outsourcing is difficult to attain in quantitative research design. In this study, we sought to capture the multidimensional nature of the emerging outsourcing phenomenon in Africa and offer a clear and holistic view of the context (Sinkovicset al., 2008).

More concretely, we analyse, compare and interrelate findings across several banks currently operating in Ghana. Semi-structures interviews (supported by archival data) with top managers of 19 local and foreign banks in Ghana were carried out for a period of six months. A total of 22 semi-structured interviews with senior managers directly involved in outsourcing activities (see Table 1) were conducted. Although most of the banks were financial multinationals in Ghana, a significant number of them were publicly owned and headquartered in Ghana, Nigeria, South Africa and Togo, representing a good mixture of banks with different managerial practices across Africa. Interview participants were identified through various approaches including networking, direct approach and snowballing (Birkinshaw et al., 2011).

Data collection and analysis

In July 2016, we contacted the central Bank of Ghana to obtain the full and current list of licensed banks operating in Ghana. There are currently 32 formal banks in Ghana. Of these, 20 have foreign ownership while the rest are domestically owned and their total market capitalisation relatively small compared with the foreign banks. The first stage of the data collection focused on the acquisition of background information on the corporate-level strategy of these banks. This process confirmed that 24 out of the 32 banks were engaged in some form of outsourcing. Furthermore, all the banks with foreign ownership were relatively more engaged in outsourcing. On the other hand, only 4 out of the 12 local banks outsourced certain functions of their non-core banking activities. The remaining 8 local banks were not involved in outsourcing, either because they had just begun operations, or are ambivalent about the potential benefits and implications of outsourcing. These banks, therefore, were excluded from the sample. Consequently, this initial investigation served as the basis for the selection of the informants.

We developed semi-structured interview questions to elicit the views of the 26 informants from 17 different banks representing 70 percent of the total banks (foreign and local) in Ghana currently involved in outsourcing. The interviews covered a wide range of issues, particularly the onshore, offshore, near-sourced and reverse-sourcing activities of African banks. Halfway through the data collection, it became apparent that most banks believe the regulators haven't protected the interest of the sector against foreign IT multinationals that tend to take advantage of the sector in terms of poor response to service request. Thus, the Head of the Banking Supervision Department and the Head of Procurement Services who shared the responsibility of monitoring the banking industry were also invited to share their opinions, from the regulatory perspective. This data collection strategy enabled us to understand the legislation governing all outsourcing activities within the banking industry in Ghana as well as the firm-level responses. For further insights about the regulatory and institutional framework in the banking industry, a Director of the Ghana Investment Promotion Centre (GIPC) was contacted and agreed to share his view on outsourcing in the banking sector. The GIPC is the main government agency responsible for creating a transparent, predictable and facilitating environment for investments in Ghana. The Director interviewed had worked with most of the banks, and could provide detailed responses to our questions.

Insert Table 1 about here

Table 1 provides the list of banks, their background information, and the informants interviewed at each firm. In addition, important documents and archival records obtained from Bank of Ghana, GIPC, Ghana Association of Bankers, Ghana Stock Exchange, and PWC Ghana, provided additional relevant information on the nature of outsourcing within the banking industry. The interviews lasted between 45-60 minutes on average. The questions discussed during the interviews centred on the themes relating to (1) the strategic nature of outsourcing in Africa's banking industry (nature and architecture of service areas outsourced, the department responsible and value creation, (2) factors influencing decisions outsourcing in the industry, and (3) the impact or benefits of outsourcing on banks. The field notes taken during the interviews were transcribed verbatim while fresh in the mind of the interviewers (Gioia and Thomas, 1996). The written field notes formed the basis of our analysis in this study.

In the analysis, we replicated the inductive grounded theory development process (Sutton, 1991) and therefore constantly compared and contrasted the data with the theory throughout process (Isabella, 1990). Additionally, we focused on organising the emerging patterns and similarities to allow meanings to be generated (Eisenhardt, 1989). This process yielded the classification of responses into sections including the nature of outsourcing, motivations for outsourcing/offshoring, and the impact of outsourcing on banks performance. As provided in Table 1, we used letter B to denote banks and letter R to denote informants in presenting the findings. Moreover, because of multiple informants from some banks, we differentiated the banks and informants from the same banks with different numbers. We further used REG to denote respondents from the regulators.

4. Findings

Our data analysis reveals that outsourcing/offshoring is a recent phenomenon within the banking industry in Ghana but has quickly become an established and popular strategic activity undertaken by almost all firms in the industry. The increased number of both local and multinationals financial institutions have further raised the high competitive temperature within the industry and most banks have realised the need to refocus on the core business of banking to be able to effectively compete. Accordingly, the critical role of outsourcing to the strategic objectives of banks takes priority and serves as a key benchmark for the executive committee in deciding whether or not outsourcing is desirable. Outsourcing/offshoring has therefore become a good cost-saving strategy and a key strategic part of banks' vision for the future. Moreover, the data has uncovered a number of insightful aspects of outsourcing/offshoring among both local and foreign financial institutions in Ghana. Some of these include the activities most outsourced, motivations for outsourcing/offshoring certain activities, and the impact of outsourcing/offshoring on performance. Before teasing out these issues, we first provide an overview of the persons responsible for making the outsourcing/offshoring decisions within these firms in this industry.

Most of the outsourcing decisions making are departmentalised with the heads of departments usually making these decisions as depicted in Table 2. Notwithstanding, such decisions made at the departmental levels often have to be presented, justified, and defended at the executive committee or board of directors' level for approval and implementation. In some cases, the outsourcing/offshoring decisions are taken at the corporate level based on the organisations overall needs by the top management teams. Moreover, through its regulatory requirements, the Bank of Ghana as the regulator also has an influential role in the decisions of which functions can and should be outsourced/offshored. Meeting the regulators requirement and shareholders' interests also influence the involvement of executive committees in the outsourcing decisions. An informant revealed that:

> *"…. Outsourcing decisions in this bank is department-based, it's also based on the strategic nature of the bank. The executive committee of the bank always oversees the process." (B12R1).*

Another remarked:

> "…. *A case is made by the requesting department which includes the financial cost and the justification to outsource. All these factors would have to be considered in view of BOG regulations before presenting it to the executive committee for approval and subsequent adoption and implementation, all things being equal." (B9R1).*

In the case of some subsidiaries of foreign firms operating in the research context, the decision is usually taken at the headquarters outside the country by top management teams for the subsidiary to implement. One informant (B2R1) recounted that most of their outsourcing activities are also managed at the Headquarters and the subsidiary in the research context does not get to see the data surrounding most of the outsourcing/offshoring decisions. The involvement of top management teams in the approval and implementation of outsourcing/offshoring decisions reveals the strategic nature of this phenomenon within the industry as well as the importance of regulatory compliance. Arguably, it has become an essential item in the agenda of corporate boards within the industry because of its implication in the competitive positions and of firms within the industry.

Insert Table 2 about here

4.1 *Nature of outsourcing/offshoring by banks*

Our study provides evidence that companies in the financial industry outsource/offshore predominantly non-core functions and technical activities. The most outsourced non-core activities include the human resource (HR) and marketing functions, printing services, transportation and catering services, security and bullion van services, branding, marketing, risk and auditing, and legal services. The most outsourced technical functional area is information technology (IT) which consists of E-banking and M-banking platforms, the software applications used for the day-to-day running of the bank. For instance, an informant elaborated:

> "*"Most of the non-core banking activities of this bank are outsourced…the Human Resource Management functions are heavily outsourced, ... from recruitment through to induction and integration, most of these activities are provided by outside companies,.…our printing services, transport catering, transport, bullion van services and security, …and our entire IT functions are outsourced…".* (B8R1).

Another informant noted:

> *"We seem to outsource the low-skilled jobs in this bank. Most of these services are provided by local businesses and as you know most of these businesses don't have the capacity to add value. In fact, we don't expect them to ..." (B19R2).*

A third respondent further revealed that

> *"…basically, we take out cash from bank of Ghana, and we send it to our branches… so even though we deal with cash, transporting to our locations is not our core business and should not be our focus… so what we did was to identify some CIT cash*

in transit companies specialised in transporting cash… they have their own police, their own bulletproof vehicles, and they send the cash to our branches". (B7R1).

Most of the non-core and non-technical functions tend to be outsourced to domestic suppliers. Accordingly, factors such as low cost, proximity, risks elements tend to place an important role in the choice domestic suppliers in the outsourcing than foreign firms. Arguably, most of these companies prefer arm-length relationship that can effectively be managed and monitored in order to reduce the risk of losing trade secrets. Besides, these domestic suppliers understand the business context better and are able to promptly respond to the needs of the focal company at a lower cost which help minimise the risk of delays and loss of business. Notwithstanding the adoption of this domestication strategy of outsourcing, these financial institutions tend to rely on foreign companies with expertise when there is a problem that cannot be competently resolved by local firms. One informant for instance revealed that:

"…first of all, we have a partnership with the Ghana Inter-Bank Payment and Settlement Systems (GHIPSS). We also have partnerships for our mobile banking platforms.…we have worked with Agate Mabot, Skones, and West Point Security services. These are all Ghanaian businesses…" (B14R2).

Further emphasising the reasons for domestic outsourcing, another respondent remarked that:

"…. Nearness of the service providers to the market is one reason for using domestic companies – this has recently become an important factor …We cannot have NCR, IBM who holds a key portion of our activities base in a different continent … Most banks invite experts to come when there is a problem and these people charge very high fees for emergency calls." (B8R1).

Notwithstanding, some technical activities are offshored to international suppliers outside the country. Particularly, most of the IT services are outsourced/offshored to overseas firms, usually well-known multinationals such as IBM, Microsoft, Infosys, etc. This happens when consistency in the quality of service delivery is a priority for the offshoring firm as foreign firms are found to normally be consistent in the quality, cost and reliability of service delivery. For some functions, local suppliers are unable to provide them due to lack of knowledge and expertise, or due to global standardisation of certain financial services which are provided by few dominant players in the global financial industry. In such case, these financial institutions have no options than to follow the industry standard practice by engaging with multinational companies to provide those technical services. For instance, a manager remarked that:

> *"…most of our cheque book printing is done in Cameroun and Senegal… they are all outsourced. Our IT is based in France and run by a French multinational. Visa Cards are produced in Italy Even the PIN codes for the cards are also produced in a different country." (B16R1)*

On the issue of consistency in service delivery, one informant noted:

> *"….as for Ghanaian outsourced service providers, when they come for the first time, they always give us an excellent service at a cost cheaper than we thought but as time goes on, either the quality of service declines or they begin to increase their prices… On most occasions, the overseas-based outsourcing providers are more consistent with their delivery and those are the activities that give us an edge in the industry." (B12R1).*

Furthermore, in support of the lack of competent providers for some services in the research context, another manager revealed that:

> *"To be honest, we don't have many competent organisations in Ghana that provides quality services to the banking industry …The main challenge we have is that there is only one vendor or supplier managing all of the ATM machines ... So whether you choose to employ the services of NCR or Wanco, there is little you can do in terms of choice... There is no competition in this regard… under these circumstances, we cannot even benchmark because you either move to an unknown brand or end up remaining with the sole supplier…" (B1R2).*

Finally, another manager remarked that.

> "…*We have partnerships with Visa and MasterCard… in the banking industry in Ghana, these partnerships are normal platforms that are alike in all banks. The banking software is quite similar and so you will find that most banks in Ghana use the same platforms provided by the same multinational company…" (B7R1).*

Overall, almost all financial institutions in Ghana increasingly outsource most of their non-core business activities to providers in Ghana, and the more technical or globally standardised services to foreign firms. This is in line with recent suggestions that companies are moving advanced, complex and non-routine tasks to offshore units (Zimmermann & Ravishankar, 2016). We further observed that the least outsourced activities relate to core banking such as treasury, auditing, monitoring and control, corporate banking, core business of credit administration, and processing, business development and relationship management. In addition to protecting their business, restrictions by the sector regulator (Bank of Ghana) also has an influence on the minimal outsourcing of these core activities. Although these core banking functions are heavily reliant on technology, banks are unable to outsource them to other outside organisations because of the regulator's rules and stringent risk management criteria set out in their banking licenses.

> "…*We cannot outsource or have any outsourced staff in Treasury, auditing, clearing and trade services…these are the core business areas of the bank and BOG rules are very strict on these areas…" (B18R1).*

Another informant reported that

> *"…nowadays technology has an impact on Auditing Treasury, Monitoring and control, core business of credit administration, processing…these core functions of banking are heavily reliant on technology but we cannot give control of these to any outside organisation because of BOG rules…" (B12R1).*

In addition to the regulatory requirements restricting the outsourcing of functions such as auditing, treasury, and other operational functions, the issue of institutional memory is also considered as another critical reason for not outsourcing core activities. According to one of the respondents (B14R2) the organisations core competence and capabilities are based on accumulated experience of several years which the firm better positioned to perform than outsource. In some instances, there is no service provider that can meet our needs because they are so specialised to the bank.

4.2 *Motivations for outsourcing/offshoring.*

A number of reasons for outsourcing/offshoring activities were uncovered ranging from the traditional issues such as cost reduction and profitability improvement, quality, market requirement, proximity to service providers and ease of implementation (Musteen, 2016). Other more strategic motivations for outsourcing activities include strategic flexibility, capacity, ethical issues, reputation and expertise of the service providers, as well as market requirement. In line with the transaction economics thinking (Williamson, 1975; Ang & Straub 1998), keeping cost under control in order to improve profitability serves as one key driver of outsourcing decisions particularly for the non-noncore activities. For many informants, cost-saving or reduction and profit improvement are important considerations in the outsourcing decisions of firms in the industry. Although, some scholars have suggested that some firms ignore cost implications and offshore services to countries with higher wages (Bunyaratavej et al., 2009), the use of outsourcing in this case as a tool for cost reduction is in line with other findings that firms tend to outsource/offshore less when transaction costs are high (Martinez-Noya et al., 2012). Moreover, outsourcing is considered as a strategic tool in saving precious time from basic and peripheral activities which then help reduce cost and improve productivity. As one manager noted:

> *"…we always consider cost to be the most important factor… as I am speaking with you now, all our sales representatives are outsourced staff…the cost of training them, salary, medicals, pensions and family incentives is no longer the burden of the bank" (B8R1)*

Another informant concurred:

> *"…In this bank, outsourcing is a way to reduce cost and improve productivity...the argument is that it is always easy to reduce cost by changing the way we do things and use outside service providers" (B10R1).*

In support of this point and time saving, one other informant further articulated that:

> *"Cost-saving has been the most significant opportunity to this bank. Whilst we reduce cost as a result, we also save time and it also allows us to focus on the core business of banking" (B12R1).*

Another respondent also revealed:

> *"… I wouldn't attribute all our success to outsourcing, but we have seen significant reduction in operation costs in areas such as HR, admin, Canteen, Tellers" (B18R1).*

For some of the informants, security ranks highly in all outsourcing decisions. The security and reputation of the banks, their customers and the industry are paramount in deciding whether to outsource and which provider to engage. The established wisdom in this respect is that security and reputation are essential in retaining existing customers as well as in attracting new customers. Accordingly, security particularly in the financial industry is always a concern and emphasised by the regulators as well as the customers. Moreover, technical activities such as technology that support the core activities are the areas security is scrutinised more in the outsourcing decision. Technology has become essential to great banking service and banks tend to outsource their e-banking platforms to a Robust Technology service provider ensure security of their services. Three different informants' informant noted:

"…Security ranks first in all our outsourcing decisions. The security of the bank, our customers and the industry is paramount. Our reputation ranks very high when deciding which company to outsourced to." (B8R1).

"… Security in the industry is always a concern…because we place high emphasis on service delivery, we make sure that any service providers that we work with has an unscathed reputation in their own industry." (B12R1).

"…Security is critical to the regulators and also to our customers. So if we want to be in business, we should be able to combine these two main competing demands: the regulations, customer needs and safety along with our long-term profitability objectives…" (B9R1).

Related to security is the role of regulatory requirements. Accordingly, regulatory requirements tend to attract further scrutiny in certain aspects of operations (Kshetri, 2007). Besides, certain outsourcing decisions or the background of service providers may be checked, sometimes by the National Security services. But in order to protect the interest of the group, and reduce the risks posed by extreme security checks, these banks outsource certain functions to be able to devote their full attention to the core business of banking. For instance, a manager revealed in his own words that if the bank cannot meet the strict regulatory requirements, it will outsource to a third-party company in order to ensure security of the bank, the customers and the industry.

Another important reason that emerged from the data is the importance of capturing and using valuable resources and capabilities that reside in other external organisations. These resources and capabilities range from human capital, marketing, customer services, innovation to technological capabilities that are better tapped from external organisations via outsourcing strategy (Zimmermann & Ravishankar, 2016). In some cases, the lack of enough capabilities or resource to meet specific business serve as the impetus for outsourcing decisions. Moreover, with technology becoming an essential part of banking, the speed of technological change within the banking industry make it highly difficult for banks to develop timely and effective technology solutions to assist their core business. E-banking for instance has seen massive transformation because of technology.

As such, outsourcing technology services to quality providers have become a norm within the industry than an exception. For instance, a manager (SB1) emphasised that outsourcing has engendered both quick and effective technology transfer and the capabilities to develop banking tools which the bank could not hitherto develop in-house. Additionally, technology facilitates research, process analytics and speed of decision making for some banks. Such business process technology enhances banks research on customer background, companies, particular transactions, and in approving or rejecting project financing. Notwithstanding, local firms are unable to offer these quality resources or capabilities as compared to foreign firms especially in the area of information technology solutions that assist the core banking activities. Foreign companies are usually contracted to provide such services to help enhance the competitive position of the firms. An informant stated:

> *"Banking without technology is a thing of the past. The spate of technological change means that we cannot develop them in-house but rather outsource these services. It is good for us" (B7R1)*

Another informant noted:

> *"outsourcing has engendered both quick and effective technology transfer and the capabilities to develop banking tools which we could not hitherto develop in-house" (B10R1)*

Another mentioned that:

> *"…IT service providers who are specialised in business process analytics have help us improve our research significantly and enabled us to develop high speed for decision making" (B3R2).*

Likewise, a manager stated:

> *"Foreign firms bring cutting edge innovation and it is their contribution* over the *years that brought this bank to its current market position…" (B16R1).*

> *"Currently we don't have the capabilities to run a large data warehouse and also our E-banking platforms are managed by an external service provider…" (B9R1).*

> *"To be honest, we don't have many competent organizations in Ghana that provides quality services to the banking industry. There are few in Africa. When it comes to ATM, we have NCR and another company that provides ATM cash machines to Ghanaian banks..." (B1R3).*

Related to the above is the issue of organisational flexibility. Due to the intense competitive banking landscape and evolving nature of the industry, outsourcing is used as a tool to ensure that banks remain flexible enough to respond to the fast-changing market conditions, emerging industry dynamics, and other competitive events (Larsen, 2016; Musteen, 2016). It helps some firms develop unique innovative solutions that enhance their competitive positions in the industry. Moreover, the very competitive native of the industry suggests that banks can no longer afford to spend much time be dealing with non-core banking services which could easily be better performed by external providers. Outsourcing as a strategic tool frees up time and space for banks to be more agile in dealing with change and also focusing on the core activities. Two Informants revealed:

> *"Competition itself puts pressure on outsourcing decision because as you know industry pressures has been influencing us a lot in the past regarding outsourcing decisions. There seems to be a wide industry expectations and standards and that seems to drive most banks to pursue outsourcing, not just as a fanciful business strategy but a means of survival and continuity…" (B12R1).*

"…Since we started outsourcing some of our services, we have witnessed an increased speed in product marketing and we have been able to spend more time dealing with our customers in a much better way…"

Interestingly, ethical issues also influence the outsourcing/offshoring decisions within this industry. These include the governance mechanism of the outsourced service providers, their reputational and potential to damage the bank and its customers. According to one respondent, the bank approaches all outsourcing decisions with a conscience and considers the ethical aspect of such outsourcing decision significantly.

4.3 *Measuring impact of outsourcing/offshoring*

Our fieldwork further indicates that banks employ a wide array of performance metrics in assessing the impact of outsourcing/offshoring activities to the. These include quality and speed of service delivery, enhanced customer experience, better procedures, transformation and innovation, reduced operations cost, time savings, reduces work, profitability, access to modern systems for credit analysis, and knowledge transfer (Lahiri, 2016). Most banks have witnessed significant reduction in operation costs and improvements in profitability due to outsourcing. A manager acknowledged that the outsourcing led to the transformation of ordinary projects into concepts that appeals to customers. Outsource often resulted in the emergence or development of better procedures and systems. Accordingly, the sharing of best practice with some of the outsourced service providers is excellent and improves the business significantly. One notable area of significant and consistent improvement due to outsourcing is the e-banking systems and platforms. The statements made by one informant succinctly capture the variety of financial and nonfinancial metrics used in assessing the positive impact of outsourcing/offshoring on banks performance.

…We have seen huge and consistent improvements in our e-banking systems and platforms… We get very good customer feedback and it is pretty much because we

outsourced that function. We have seen improved profits as well as reduced costs…we have access to modern systems for credit analysis provided by an outsourced service provider. This saves us time. It also means that we don't give loans based on feelings but on quantitative measurements. In most cases the credit analysis software is right. This system makes us more competitive in the industry. It helps us to meet regulatory requirements, provide credit to the right businesses and appropriate sectors, reducing our non-performing assets, etc. …Currently, we are able to research and obtain accurate data in a timely manner and give instant decisions to our corporate and private clients. The speed and quality of service have significantly improved due to outsourcing... (B4R1).

Discussion and conclusion

Outsourcing/offshoring has become an important strategic tool for many organisations in various industries with wide array of implications. The study sought to examine the nature, motivations and effects of outsourcing activities within the banking industry. Drawing on insights from banks operating in an emerging economy of Africa, Ghana, the data uncovered a number of significant issues. First, we uncovered that the dominant functional activities mostly outsourced in the banking industry can be categorised into non-core activities and technical activities. The non-core activities mostly outsourced include printing services, human resources, transportation and catering services, security and bullion van services, marketing, risk, and legal services. However, information technology (IT) consisting of E-banking and M-banking platforms, as well as software applications emerged as the most outsourced technical functional area.

Secondly the main motivations for outsourcing the non-core activities include cost reduction, freeing up time and space to refocus on core banking activities, enhancing efficiency and meeting regulatory requirements. The data further evidenced that these non-core activities are predominantly outsourced to domestic firms. On the other hand, a number of reasons including the increasing adoption of technology in backing, the speed of technological change and the need of innovation, and the lack of these capabilities by banks stimulate the widespread outsourcing/offshoring of technical functions. Other equally relevant reasons for outsourcing technical activities include security, intense competition and the need to meet regulatory requirement. These technical activities are usually outsourced to multinational subsidiaries in the country or offshored to foreign firms because of their superior capabilities and quality than local firms. Finally, it emerged that ethical issues are beginning to play an important role in the outsourcing/offshoring decisions of banks.

Finally, the study uncovered that outsourcing of both non-core and technical activities immensely impact firms positively in a number of ways. This include cost reduction, time savings, improved profitability, speed of service delivery, knowledge transfer, enhanced customer experience, transformation and innovation among others. Taken together, these findings suggest that outsourcing is evolving within the banking industry and there are myriad of factors influencing and driving the phenomenon.

Contributions to theory and practice

Our study makes three main contributions to the existing literature. First, despite the increasing number of studies on the nature, motives and impact of outsourcing of outsourcing/offshoring (Musteen, 2016; Larsen, 2016 Contractor et al., 2010), they have yielded conflicting and at times inconclusive results (Lahiri, 2016). By exploring these issues, our work enriches our understanding of the nature, motives and impact of outsourcing activities. In doing so, we respond to calls for further research on these issues (Musteen, 2016; Hätönen & Eriksson 2009) to deepen our understanding of the subject.

Second, by adding institutional and ethical theoretical underpinnings to the traditional transaction economics and resource based theoretical views in exploring the phenomenon, this research extends the outsourcing/offshoring literature and builds bridges between these theoretical perspectives. Additionally, the applicability and relevance of all these theoretical perspectives add value to the literature and provides a basis for scholars to further evolve and develop an even more integrative perspective in exploring outsourcing/offshoring issues.

Third, the identification that technical function such as information technology are the dominant outsourcing/offshoring activities among banks is unexpected and presents a contrary view to the transaction cost economies theoretical argument. The role of technology in outsourcing decisions has further strengthened the resource-based view in offshoring research. Furthermore, the emerging role of ethical issues and institutional variables such as regulations in outsourcing/offshoring decisions are novel as existing scholarship has so far failed to capture ethical and institutional aspects of outsourcing.

Besides, the theoretical implications, our findings suggest a number of important implications for practice and policy makers. First, our findings highlight the need for banking institutions to be aware of the increasing importance and role of informational technology in their competitive landscape. Technology can enhance security, innovation, customer experience and quality of service among many. There is therefore the need for banking institutions to embrace technology solutions that will complement their core banking activities. Second, security and regulatory issues are very important for firms to consider in outsourcing decisions.

Limitations and directions for future research

Although the study has provided insights on outsourcing/offshoring, it suffers some limitations. First, the data in this study is qualitative. This coupled with the nature of the sample limits the generalisability of the findings. Future studies could adopt quantitative approach across different industries with a larger sample size to further explore and enrich our understanding of this issue. Moreover, this study has examined outsourcing/offshoring from the perspective of the outsourcing banks' top management teams. To deepen our knowledge of the topic, it may be necessary for future studies to explore the phenomenon from provider/supplier companies' perspectives. Finally, the data was obtained from a single emerging sub-Sahara African country (Ghana). Differences in the business environments of countries, may mean different outsourcing/offshoring practices and drivers, therefore limiting the generalisability of the findings in this study. Data of future studies could be obtained from different emerging countries to enhance the generalizability of findings. Finally, the study could be replicated in other industries and or countries and the findings compared with the findings in this study. Moreover, the findings suggest that ethical and institutional aspects to outsourcing/offshoring are fertile grounds for future research.

References

Ang, S., & Straub, D.W. (1998). Production and transaction economies and IS outsourcing: a study of the US banking industry. *MIS quarterly*, 22(4), 535-552.

Bertrand, O. (2011). What goes around, comes around: Effects of offshore outsourcing on the export performance of firms. *Journal of International Business Studies*, 42(2), 334-344.

Birkinshaw, J., Brannen, M.Y., & Tung, R.L. (2011). Introduction to the special issue: from a distance and generalizable to up-close and grounded: reclaiming a place for qualitative methods in international business research. *Journal of International Business Studies*, 42 (5), 573–581.

Boehe, D. M. (2010). Captive offshoring of new product development in Brazil. *Management International Review*, 50(6), 747-773.

Bunyaratavej, K., Doh, J., Hahn, E.D., Lewin, A.Y., & Massini, S. (2010) Conceptual issues in services Offshoring research: A Multidisciplinary review. *Group & Organization Management*, 36(1), 70–102.

Clampit, J., Kedia, B., Fabian, F., & Gaffney, N. (2015). Offshoring satisfaction: The role of partnership credibility and cultural complementarity. *Journal of World Business*, 50(1), 79-93.

Coase, R.H. (1937). The nature of the firm. *Economica*, 4(16), 386-405.

Contractor, F.J., Kumar, V., Kundu, S.K., & Pedersen, T. (2010). Reconceptualizing the firm in a world of outsourcing and offshoring: The organizational and geographical relocation of high-value company functions. *Journal of Management Studies,* 47(8), 1417-1433.

Das, T.K., & Teng, B.S. (2001). A risk perception model of alliance structuring. *Journal of International Management,* 7(1), 1-29.

Di Gregorio, D., Musteen, M., & Thomas, D.E. (2009). Offshore outsourcing as a source of international competitiveness for SMEs. *Journal of International Business Studies*, 40(6), 969-988.

Doh, J.P. (2005). Offshore outsourcing: Implications for international business and strategic management theory and practice. *Journal of Management Studies,* 42(3), 695-704.

Gerbl, M., McIvor, R., Loane, S., & Humphreys, P. (2014). A multi-theory approach to understanding the business process outsourcing decision. *Journal of World Business,* 50, 505–518.

Gioia, D.A., & Thomas, J.B. (1996). Identity, image, and issue interpretation: sense-making during strategic change in academia. *Adm. Sci. Q.*, 41, 370–403.

Ghana Investment Promotion Centre. (2016). Investing in Ghana’s financial service sector. http://gipcghana.com/about/leadership/gipc-ceo/19-investment-projects/financial-services/296-investing-in-ghana-s-financial-service-sector.html (accessed 14 .01. 17).

Görg, H., & Hanley, A. (2005). Labour demand effects of international outsourcing: Evidence from plant-level data. *International Review of Economics & Finance*, 14(3), 365-376.

Gray, J.V., Skowronski, K., Esenduran, G., & Rungtusanatham, M. (2013). The reshoring phenomenon: what supply chain academics ought to know and should do. *Journal of Supply Chain Management*, 49(2), 27-33.

Grimpe, C., & Kaiser, U. (2010). Balancing internal and external knowledge acquisition: the gains and pains from R&D outsourcing. *Journal of management studies,* 47(8), 1483-1509.

Hambrick, D.C. (2007). Upper echelons theory: An update. *Academy of management review*, 32(2), 334-343.

Hätönen, J., & Eriksson, T. (2009). 30+ years of research and practice of outsourcing – exploring the past and anticipating the future. *Journal of International Management*, 15(2), 142–155.

Isabella, L. A. (1990). Evolving interpretations as a change unfolds: how managers interpret key organisational events. *Academy Management Journal,* 33(1), 7–41.

Jahns, C., Hartmann, E., & Bals, L. (2006). Offshoring: Dimensions and diffusion of a new business concept. *Journal of Purchasing and Supply Management*, 12(4), 218-231.

Javalgi, R.R.G., Dixit, A., & Scherer, R.F. (2009). Outsourcing to emerging markets: Theoretical perspectives and policy implications. *Journal of International Management*, 15(2), 156-168.

Jensen, P.D.Ø. (2009). A learning perspective on the offshoring of advanced services. *Journal of international Management*, 15(2), 181-193.

Jensen, P.D.Ø. (2012). A passage to India: A dual case study of activities, processes and resources in offshore outsourcing of advanced services. *Journal of World Business*, 47(2), 311-326.

Jensen, P.D.Ø., & Petersen, B. (2013). Global sourcing of services: risk, process, and collaborative architecture. *Global Strategy Journal,* 3(1), 67-87.

Kedia, B.L., & Lahiri, S. (2007). International outsourcing of services: A partnership model. *Journal of International Management,* 13(1), 22-37.

Kinkel, S., & Maloca, S. (2009). Drivers and antecedents of manufacturing offshoring and backshoring—A German perspective. *Journal of Purchasing and Supply Management*, 15(3), 154-165.

Kroes, J.R., & Ghosh, S. (2010). Outsourcing congruence with competitive priorities: Impact on supply chain and firm performance. *Journal of operations management,* 28(2), 124-143.

Kshetri, N. (2007). Institutional factors affecting offshore business process and information technology outsourcing. *Journal of International Management,* 13(1), 38-56.

Lahiri, S. (2016). Does Outsourcing really improve firm performance? Empirical evidence and research agenda. *International Journal of Management Reviews*, 18(4), 464–497.

Lampel, J., & Bhalla, A. (2011). Living with offshoring: The impact of offshoring on the evolution of organisational configurations. *Journal of World Business,* 46(3), 346–358.

Larsen, M.M. (2016). Failing to estimate the costs of offshoring: A study on process performance. *International Business Review,* 25(1), 307-318.

Larsen, M.M., Manning, S., & Pedersen, T. (2013). Uncovering the hidden costs of offshoring: The interplay of complexity, organizational design, and experience. *Strategic Management Journal*, 34(5), 533-552.

Leiblein, M.J., & Miller, D.J. (2003). An empirical examination of transaction-and firm-level influences on the vertical boundaries of the firm. *Strategic Management Journal*, 24(9), 839-859.

Li, J., & Tang, Y.I. (2010). CEO hubris and firm risk taking in China: The moderating role of managerial discretion. *Academy of Management Journal*, 53(1), 45-68.

Li, Y., Liu, Y., Li, M., & Wu, H. (2008). Transformational offshore outsourcing: empirical evidence from alliances in China. *Journal of Operations Management*, 26(2), 257-274.

Linder, J.C. (2004). Transformational outsourcing. *MIT Sloan management review*, 45(2), 52-58.

Manning, S. (2014). Mitigate, tolerate or relocate? Offshoring challenges, strategic imperatives and resource constraints. *Journal of World Business*, 49(4), 522–535.

Manning, S., Larsen, M.M., & Bharati, P. (2015). Global delivery models: The role of talent, speed and time zones in the global outsourcing industry. Journal of International Business Studies 46(7), 850-877.

Martinez-Noya, A., Garcia-Canal, E., & Guillen, M. F. (2012). International R&D service outsourcing by technology-intensive firms: whether and where?. *Journal of International Management*, 18(1), 18-37.

Maskell, P., Pedersen, T., Petersen, B., & Dick-Nielsen, J. (2007). Learning paths to offshore outsourcing: from cost reduction to knowledge seeking. *Industry and Innovation*, 14(3), 239-257.

Miles, M.B., & Huberman, A.M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook*. Second ed. Sage, Thousand Oak, CA.

Mudambi, R., & Venzin, M. (2010). The strategic nexus of Offshoring and Outsourcing decisions. *Journal of Management Studies*, 47(8), 1510–1533.

Mukherjee, D., Gaur, A.S., & Datta, A. (2013). Creating value through offshore outsourcing: An integrative framework. *Journal of International Management*, 19(4), 377-389.

Musteen, M. (2016). Behavioural factors in offshoring decisions: A qualitative analysis. *Journal of Business Research*, 69(9), 3439–3446.

Musteen, M., & Ahsan, M. (2013). Beyond cost: the role of intellectual capital in offshoring and innovation in young firms. *Entrepreneurship Theory and Practice*, 37(2), 421-434.

Musteen, M., Datta, D. K., & Butts, M. M. (2014). Do international networks and foreign market knowledge facilitate SME internationalization? Evidence from the Czech Republic. *Entrepreneurship Theory and Practice*, 38(4), 749-774.

Nieto, M.J., & Rodríguez, A. (2011). Offshoring of R&D: Looking abroad to improve innovation performance. *Journal of International Business Studies*, 42(3), 345-361.

Paju, T. (2007). Conceptual model of R&D offshore outsourcing. *Journal of Global Business and Technology*, 3(1), 49-61.

Pentina, I., & Hasty, R.W. (2009). Effects of multichannel coordination and e-commerce outsourcing on online retail performance. *Journal of marketing channels*, 16(4), 359-374.

Pisani, N., & Ricart, J. E. (2016). Offshoring of services: a review of the literature and organizing framework. *Management International Review*, 56(3), 385-424.

Porter, M. E. (1996). Competitive advantage, agglomeration economies, and regional policy. *International regional science review*, 19(1-2), 85-90.

Prahalad, C. K., & Hamel, G. (1990). The Core competencies of the corporation. *The Harvard Business Review*, 68(3), 79-91.

Rilla, N., & Squicciarini, M. (2011). R&D (re) location and offshore outsourcing: a management perspective. *International Journal of Management Reviews* 13(4), 393-413.

Schilling, M.A., & Steensma, H.K. (2001). The use of modular organizational forms: An industry-level analysis. *Academy of Management Journal*, 44(6), 1149-1168.

Singh, S. (2009). How market orientation and outsourcing create capability and impact business performance. *Thunderbird International Business review*, 51(5), 457-471.

Sinkovics, R.R., Penz, E., & Ghauri, P. N. (2008). Enhancing the trustworthiness of qualitative research in international business. *Management International Review*, 48(6), 689-714.

Stake, R.E. (1994). Case studies, in: Denizen, N., Lincoln, Y.S. (Eds.), *Handbook of Qualitative Research*. Sage, Thousand Oaks, CA, pp. 236–247.

Stringfellow, A., Teagarden, M.B., & Nie, W. (2008). Invisible costs in offshoring services work. *Journal of Operations Management*, *26*(2), 164-179.

Thakur-Wernz, P., & Bruyaka, O. (2017). Co-evolutionary Perspective on Sourcing Portfolios: Examining Sourcing Choices for Clinical Trials of Bio-pharmaceutical Firms. *Management International Review*, 57(6), 909-946.

Trautmann, G., Bals, L., & Hartmann, E. (2009). Global sourcing in integrated network structures: The case of hybrid purchasing organisations. *Journal of International Management*, 15(2), 194–208.

Varadarajan, R. (2009). Outsourcing: Think more expansively. *Journal of business research*, 62(11), 1165-1172.

Weigelt, C. (2009). The impact of outsourcing new technologies on integrative capabilities and performance. *Strategic Management Journal*, 30(6), 595-616.

Williamson, O.E. (1975). *Markets and hierarchies*. New York, pp.26-30.

Yin, R.K. (1994). *Case Study Research: Design and Methods*, second ed. Sage, Thousand Oaks, CA.

Zimmermann, A., & Ravishankar, M.N. (2016). A systems perspective on offshoring strategy and motivational drivers amongst onshore and offshore employees. *Journal of World Business*, 51(4), 548-567.

Table 1: Overview of data collection and sample

Features	**Profile and description of respondents**
Job positions of respondents	• Executives/directors, deputy managing directors, branch managers, • Heads of departments (HR, IT, marketing, administration, strategy, research, procurement, banking supervision, energy markets, and international transactions)
Organisations (banks and regulators	• Indigenous banks (Ghanaian) • Foreign banks (UK, Nigeria, Togo, Libya, France, South Africa) • Regulators (GIPC, BOG)
Data collection timeline	From July 2016 to December 2016.
Total	**Bank (B=20); Informant from banks (R=26); informant from regulators (REG = 3).**

Table 2: An overview of emerged themes and further details

Theme	Further details
Who makes outsourcing decisions	• Branch managers or Heads of departments (HR, IT, marketing, administration, strategy, research, procurement, banking supervision, energy markets, and international transactions) – Approval by Executive committee. • Centralised - Executive committee, administration, corporate services, headquarters, board of directors.
Activities outsourced to companies in Ghana	*Noncore banking activities* • Security, Tellers, collection services, canteen, marketing, human resources, drivers, cash collection and delivery services, M-banking platform, bullion van services, printing services, telephone system and directory, data centres.
Activities offshored to companies outside Ghana	*Technical banking activities* • IT infrastructure, card services, E-banking platform and supporting services, M-banking applications and card services, printing of cheque books, visa cards, MasterCard and PIN code production services.
Motives of outsourcing/ offshoring	• Security, reputation, cost, strategic flexibility, capacity, ethical issues, nearness of the service providers, the ease of implementation, expertise of the service providers, quality, market requirement.
Performance measurement strategy	*Financial metrics* • Cost reduction, improvement in profits, cost-benefit analysis, regulatory costs • Service Level agreements (SLAs), long-term future, customer feedback, level commitment to provide quality service, protecting confidentiality, overall efficiency, market position and strategic flexibility, efficiency of service delivery.