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Outsourcing Performance and Overall Firm Performance in the Banking Sector: The Moderating Role of Monitoring

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Abstract

The study examined the impact of outsourcing performance on overall firm performance, and the moderating role of monitoring. Seventy-seven (77) operations or branch managers of banks in the Ashanti region were sampled for the study. A hierarchical regression model was employed after the validity and reliability of the measurement items were checked using Confirmatory factor analysis. The results indicate that outsourcing performance significantly influences overall bank performance. Monitoring had a positive effect on overall bank performance. Furthermore, monitoring was also found to moderate the effect of outsourcing performance on overall bank performance. Since outsourcing is concluded to enhance overall performance with effective monitoring, banks must therefore ensure that they don't just engage the services of outsourcing agents to perform their non-core business activities or functions for them, without putting in place the right monitoring mechanisms. The banks must therefore ensure that they put in place the right monitoring mechanisms in

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place to deter workers from engaging in activities that are not related to their main task in order to benefits from the outsourcing program. The study is novel as not much has been done in the banking industry regarding the performance of outsourcing activities of banks in Ghana. Theoretically, empirical studies to test the moderating effect of monitoring on the relationship between outsourcing activities performance and overall bank performance is limited.

Keywords: Outsourcing; Monitoring; Performance; Banking.

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Introduction

In the face of an intense competition, organizations have to constantly find better ways of sustaining their business performance by adopting strategies that enhance their competitive advantages. Outsourcing has thus been seen as a strategic tool or initiative to restructure organizations' operations in order to improve their business activities (McIvor, Humphreys, McKittrick, & Wall, 2009). Outsourcing according to Sharpe (1997), "is fundamentally, a business strategy in which an organization hires the services of an external organization or entity to perform specific jobs and duties on its behalf" (p.31). The concept when effectively utilized translates into better performance leading to sustained competitive advantage (Espino-Rodríguez & Gil-Padilla, 2005; Hiamey & Amenumey, 2013).

Previous studies conducted in other sectors are clear about the performance effect of outsourcing. Outsourcing has been seen as a way to improve efficiency, cut down costs, or enhance innovation by gaining access to cutting-edge technologies, specialized resources, and learning opportunities (Awe, Kulangara, & Henderson, 2018; Bolat & Yılmaz, 2009; Juma'h & Wood, 2000; Lilly, Gray, & Virick, 2005; Nyameboame & Haddud, 2017; Tenkorang, 2016). Other researchers also contended that outsourcing can result into weakening of firm's capabilities, uncoordinated activities of the firms across firms and departments (Chesbrough & Teece, 1996; Leonard-Barton, 1995) without effective monitoring (Marvel & Marvel, 2007). Hence, Kuada and Hinson (2015) cautioned that, decisions regarding outsourcing must be adequately and appropriately evaluated to ensure that it is strategically aligned with the management needs and goals of the organization.

Monitoring is widely regarded as an essential component of every successful project. Monitoring outsourced activities is therefore significant for the survival of the program (outsourcing). Though several variables such as firm strategy and environment dynamism (Gilley & Rasheed, 2000), supply chain complexity (Hsiao, Kemp, Van der Vorst, & Omta, 2010), environmental uncertainty and asset specificity (Lilly et al., 2005), firm size (Gilley, Greer, & Rasheed, 2004), trust competence and in-house knowledge (Kang, Wu, Hong, & Park, 2012), level of management capability (Lahiri, Kedia, & Mukherjee, 2012) etc. were used in assessing their moderating effect on the success of outsourcing activities, little attention has been paid to the influence of monitoring on the relationship between outsourcing performance and overall firm performance. The current study opine that the combine implementation of outsourcing and monitoring is possible and when properly handled can result in better performance.

The stiff competition in the Ghanaian banking industry over the decades, have made most banks introduced products such as international funds transfer, internet banking and personal computer banking, consumer/hire purchase loan and travelers' cheque, telephone banking, branchless banking, SMS banking, relationship marketing have all been developed and widely adopted (Abor, 2005) just to remain competitive. Some banks being aware of their rising operational cost, adopted measures like outsourcing in an attempt to cut cost and concentrate on their core business activities to achieve competitive advantage. The banking industry as at August, 2018, had 31 banks in operation and additional four (4) being representative offices. However, due to Bank of Ghana's recapitalization policy, a number of banks were merged and some lost their licenses leaving 23 commercial and 4 representative banks, as at February 2019 (Bank of Ghana, 2019).

Despite the increasing practice of outsourcing in the Ghanaian banking sector, little empirical research has been conducted on the phenomenon to ascertain the overall bank performance of those banks that are engaged in outsourcing and the moderating role of monitoring in enhancing the outsourcing performance and overall bank performance relationship. Studies concerning outsourcing in Ghana were mainly focused in areas such as organizational performance in the oil and gas industry (Nyameboame & Haddud, 2017), overall value creation activities of organizations (Kuada & Hinson, 2015), call centre outsourcing and Ghana's readiness as a provider (Oppong, 2014), implications of HR outsourcing (Quartey, 2013), service outsourcing in the hospitality industry (Hiamey & Amenumey, 2013), challenges of hotel outsourcing (Hiamey, 2012). Judging from the studies, it is therefore clear that much has not been done concerning outsourcing in Ghana and more especially the banking sector. Hence, the need for the current study to assess the significant relationship between outsourcing and organizational performance, and the moderating role of monitoring in the Ghanaian banking industry. Basically, this study is to provide insight into the use of outsourcing by banks and inform managers of its relevance to their cost benefit analysis.

Literature Review and Theoretical Framework

Theories Underpinning Outsourcing

Outsourcing is rooted in several theories. Key among them are theoretical view point grounded in transactional costs economics (TCE), core competence theory, the agency theory, resource based view (RBV), and contract theory. Some of these theories are elaborated and their relationships with outsourcing decisions have been debated. Though all these aforementioned theories are rooted in outsourcing, the study focused on only two of them due to their relevance to the current study. These theories are; transactional costs economics (TCE) because of its exposure of the weaknesses of micro economic exchange theory assumptions and the insightful contributions it provides into firm's decisions either to rely on market for inputs, components and resources or internal procedures to attain them. This when carefully looked at incorporate other theories such as the resource based view and contract theory. The agency theory tends to emphasized on delegation of business activities that organizations or individuals who do not have the expertise to handle (core competence) are entrusted into the hands of other individuals and organizations with the relevant expertise in the hope for their sincerity and effective usage of the resources (Kuada & Hinson, 2015).

Transaction Cost Economics (TCE)

Firms' outsourcing theoretical roots could be traced to TCE and this theory has become very prominent in the outsourcing literature (Espino-Rodríguez & Gil-Padilla, 2005; Espino-Rodríguez & Padrón-Robaina, 2005; Hiamey & Amenumey, 2013). The theory adopts both management theory and economic theory (Dekkers, 2011; McIvor, 2009) to decide on the type of relationship that a firm should develop in the market place. Per transaction cost economics theory, scholars asserted that actors within the market behave intentionally in transactional situations which outcomes may be constrained by their inability to get all the available information necessary for a specific transaction. TCE theorist contended that before an organization determines whether an economic transaction or exchange occurs internally or not, it is important for the firm to consider the kind of transaction specific investment in that economic exchange (McIvor, 2009). Decisions on how to deliver a service or produce a product therefore becomes very costly and difficult in the industry and environment as a result of the players' characteristics within the firm (Donada & Nogatchewsky, 2009). The difficulties according to Williamson (1975), are uncertainty, frequency of transactions and asset specificity that are associated with most economic transactions (Dekkers, 2011; Donada & Nogatchewsky, 2009; McIvor, 2009). Outsourcing therefore comes in when most firms decide to externalize rather than internalize some of their non-core business components activities realizing that conducting those aspects of their business components outside of the firm is cheaper (Donada & Nogatchewsky, 2009; McIvor, 2009). So banks that realized that fully internalizing all their business activities (including the non-core) does not make economic sense, would prefer to externalize through outsourcing.

Agency Theory

Agency theory is said to be used when there is a separation of ownership and control (Fama & Jensen, 1983). Fama and Jensen (1983) contended that principal-agent relationship occurs when there is the benefit of specialization and the ability to control agency by separating risk bearing and decision making parties. Banks having their deficiencies in some of their non-core business and other financial implication deem it appropriate to hand over some of those services to top recruitment agencies who specializes in those activities. This agency theory is employed when two parties have different goals and divided labor (Eisenhardt, 1989; Logan, 2000). It is also the situation where the principal delegates work to the agent to perform. Contract metaphor helps understand the principal-agent relationship better in the agency theory. In the case of this study, a typical outsourcing scenario is where the banks (principal) determine work which the recruitment agency (Agent) undertakes. Costs associated with monitoring, structuring are some of the agency cost that bond the agent and the principal with conflicting interest. Scholars identified *adverse selection and moral hazard* as two problems that may be associated with agency theory when business activities under the theory are characterized by incomplete information and uncertainty. The adverse selection is the situation where the principal could not clearly determine whether the agent accurately represented his ability to do the work for which the agent is being paid. Moral hazard on the other hand is the situation where the principal is not sure whether the agent has put forth its maximum best regarding the task assigned it (Eisenhardt, 1989; Fama & Jensen, 1983; Kuada & Hinson, 2015). Relating this to the current study, agents (external firm) and principal (bank) have the tendencies to act in their parochial interest in order to maximize their own well-being in an attempt to reduce cost. These costs include; cost of motivation, monitoring and the cost of ensuring the commitment of agents.

Outsourcing

Hamzah, Aman, Maelah, Auzair, and Amiruddin (2010) defined outsourcing as the process of "contracting out" facilities management services to an external provider for a fee over a given period of time as a means of increasing organizational efficiency and effectiveness. Also, Sharpe (1997) defined "outsourcing as a business strategy in which an organization hires the services of an external organization or entity to perform specific jobs and duties on its behalf" (p. 31). To Sharpe, outsourcing provides an opportunity for firm to have access to certain skills and technologies without directly investing in them. The objective of every outsourcing decision is looked at from both tactical and strategic perspectives (Kakouris, Polychronopoulos, & Binioris, 2006). The tactical decisions are concerned with the ability of the organization to reduce production cost, improve operational flexibility, improve efficiency and support for high quality of products and services. On the other hand, the strategic objective of outsourcing also tends to focus on the development of core competencies that tightens barriers of entry for new entrants to survive (Kakouris et al., 2006). Outsourcing has different types depending on the firm's needs. These include; business process outsourcing (BPO), account process outsourcing (APO) recruitment process outsourcing (RPO) Knowledge process outsourcing (KPO) (Tenkorang, 2016). Outsourcing could also be classified as on-shore and off-shore (Whitaker, Mithas, & Krishnan, 2010). The on-shore outsourcing is the situation where the business activities are outsourced to companies in the same country while the offshore outsourcing is where the business activities of the organizations are outsourced to companies from a foreign country. Most of the outsourcing activities that takes place in the Ghanaian banking industry can be identified with the onshore outsourcing. Hence, the study's focus on onshore outsourcing.

Monitoring

The definition of the term monitoring has become a challenge for scholars. Scholars posited that definitions of monitoring are varied and sometimes not defined and even if defined presented as a list of techniques. DeTienne (1993) in attempt to define monitoring listed telephone calls, key stroke or computer time accounting, cards and beepers to monitor locations, computer files monitoring, screen sharing capabilities, telephone call observation and video camera observation. Based on DeTienne's definition, Stanton (2000) concluded that monitoring involves tracking, surveillance, observation and recording functions. Monitoring is said to be classified into two; one being traditional monitoring which requires human presence to observe the activities of employees and processes within the organization and the second being electronic performance monitoring which is a continuous observation and recording of data regarding the multiple dimensions of work performance (Stanton, 2000). Interest in performance monitoring is said to be increased as a result of technological advancement. This has increased supervisors' and managers' ability to track employees' behavior and performance (Congress, 1987). The focus of the current study is using monitoring as a unit, thus combination of both traditional monitoring and electronic performance monitoring. Different organizations use different approaches in performance monitoring. Four performance monitoring approaches for outsourced services such as performance indicators; Inspections; contractors' reports; and client complaints and survey were suggested by (Domberger & Rimmer, 1994). However, in the study of Dean and Kiu (2002), the performance monitoring approach that respondents confirmed they use and adopted by the current study are; inspections by purchasing organization, contractor certification (of completion) or checklists, customer feedbacks/ surveys, inspection by third party, on-site surveillance/regular contact, effectiveness of the service, two-way feedback/consultation and random monitoring/spot checks.

Organizational Performance

Walker, Damanpour, and Devece (2010) describe organizational performance as the process whereby organizations set goals and consistently monitor its progress towards the achievement of the goals. This allows firms to make the necessary corrections to ensure that divergences are corrected on time, so that activities being carried out to achieve goals are being undertaken efficiently and effectively. Performance therefore needs to be measured to ascertain how well a particular system or process (outsourcing) is progressing towards its targets. Sonnentag and Frese (2002) defined organizational performance as the judgement and evaluation of processes. In order to measure performance, organizations must devise indicators with which they would use as a yardstick in comparing actuals against plans. Indicators used in measuring performance varies amongst organizations and is most often determine by organizational objectives. These indicators are broadly divided into two forms: economic and non-economic indicators. The economic indicators concern itself with financial measures such as return on asset, return on investment etc. while the non-economic indicators measure the market share, service quality, sales growth etc. The current study therefore adopts both economic and non-economic indicators in determining the overall bank performance.

Hypotheses Development

Outsourcing and Performance

Performance improvement in terms of cost reduction is one of the main reasons governing the influence of outsourcing activities on organizational performance (Hiamey & Amenumey, 2013). Firms tend to focus on specialization when they decide to subcontract certain activities to external service providers. Subcontracting certain aspect of the business activities helps lower their production cost and also achieve economies of scale. Awe et al. (2018) assert that outsourcing enhances the firm performance however, among other dimensions of outsourcing functions, only IT outsourcing had significant effects on firm performance when studied individually, as against other form of outsourcing. Nyameboame and Haddud (2017) also revealed outsourcing can significantly enhance the performance of an oil and gas company; however, outsourcing could also result in the conflict of firm culture with outsourced vendors, inefficient management and loss of innovative capacity are possible negative effects of outsourcing. Juma'h and Wood (2000) in their study 'outsourcing implications on firm's profitability' concluded that outsourcing has a positive impact on performance. They found out that cost efficiency can be improved by outsourcings to achieve improved productivity. Kenyon, Meixell, and Westfall (2016) in their study on the effect of production outsourcing on factory cost performance observed a different outcome. They reported that no significant relationship exists between outsourcing and cost of goods sold and also has negative influence on customer loyalty. In the work of Tenkorang (2016), there is a positive relationship between outsourcing and firm's performance. Tenkorang concluded that if firms in the telecom industry outsource non-core functions, they are likely to experience an improvement in operational costs by over 32 percent. Tenkorang however cautioned that quality should not be compromised in an attempt to cut down costs. Based on the discussions, we hypothesize that;

H1: Outsourcing performance has a positive effect on overall bank performance.

Outsourcing, Monitoring and Organizational Performance

Studies regarding monitoring outsourcing activities and organizational performance look scanty. Studies that attempted to establish the relationship argued that effective supervision, optimal organizational structure, and good team work are recognized as the result of monitoring (Eisenhardt, 1989; Stanton, 2000). Other studies have also alluded to the fact that performance monitoring leads to job satisfaction, worker stress and smooth organizational functioning (Ostroff, 1992). Employee satisfaction has also been documented to relate with organizational performance as a result of monitoring (Ostroff, 1992). Respondents according to the work of Dean and Kiu (2002) agreed that performance monitoring has a huge influence on quality outcomes of contracted or outsourcing services. Performance monitoring are also employed to assess the cost effectiveness of projects in order to ensure that efficiency and innovations are derived from outsourcing activities (Dean & Kiu, 2002; Domberger & Hall, 1991). Based on the discussions, the study states the following hypotheses;

H2: Monitoring has a positive effect on overall bank performance.

H3: Monitoring strengthens the positive effect of outsourcing performance on overall bank performance.

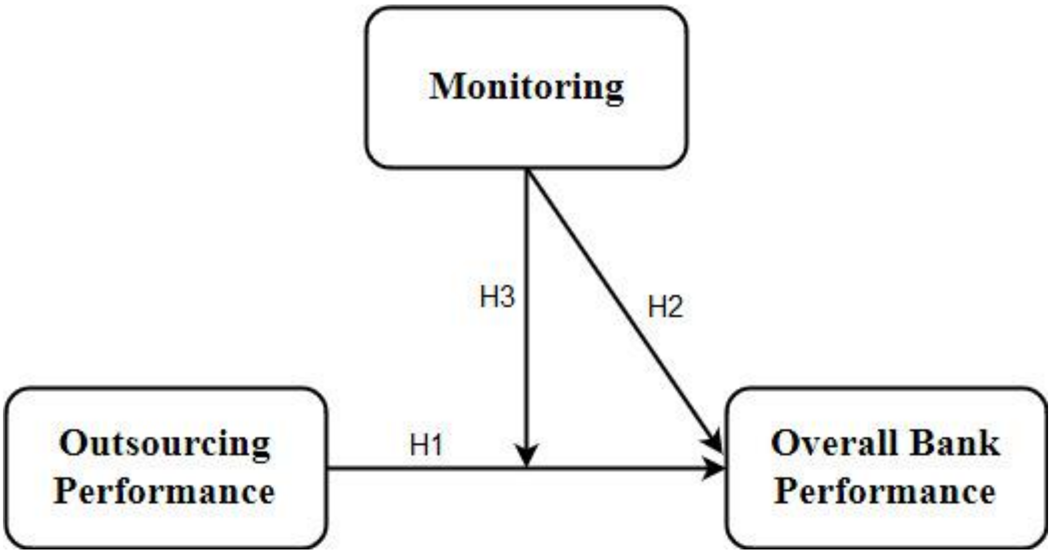

Figure 1: Conceptual Framework

Methods

Data Collection

A structured questionnaire was employed to solicit data from 85 bank branches within the Ashanti region of Ghana that engaged outsourced staff. Each bank branch was represented by one respondent - operation or branch manager to respond to a structured questionnaire. Operation or branch manager was selected for this study using a purposive sampling (Saunders, Lewis, & Thornhill, 2009). This is due to their involvement in the day to day running of the bank branches on behalf management at the head office. These managers, the researchers believe would provide better response as they are better positioned in terms of their oversight responsibility of outsourced staff and their involvement in the implementation and strategy formulation of their various branches (McIvor, 2009; Mensah, 2009).

Structured questionnaires were administered by well-trained field assistants. These field assistants were level 400 students of Kwame Nkrumah University of Science and Technology (KNUST) who were trained purposely for this study. Due to the large nature of the Ashanti region, the region was divided into four (4) zones; south, west, east, and north. Each zone was assigned a minimum of 10 field assistants. In order to ensure that the field assistants have actually gone to the various banks to solicit responses from the right respondents, the researchers randomly called and personally visited some of the banks to confirm their participation in the survey. Feedbacks from the follow ups were positive, indicating questionnaires were completed by the intended respondents. Out of the 85 bank branches sampled for the study, only 77 bank branches responded to the study. This amounted to a response rate of 90.59%, which the researchers considered appropriate and reliable for the study.

The constructs used in the research instrument comprised of outsourcing performance, monitoring and overall bank performance. The observed items that were used to measure these constructs were developed based on extensive review of literature and adaptation of these previous studies' instruments such as Bolat and Yılmaz (2009), Dean and Kiu (2002) and Elmuti (2003). The research instrument with observed items measuring the constructs were responded to on a Likert scale of 1-Strongly Agree to 5-Strongly Disagree. The bank branches that have been selected, operated for more than five (5) years. This is to allow the banks evaluate the true nature of their outsourcing programs. This, the researchers believed would make the respondents understand and reliably respond to the structured questionnaires.

Controls

The study controlled for variables that have the potential to influence the outcome of the study. These control variables are age of bank branch, number of branch employees and type of bank. Age of branch was controlled for because older bank branches may have the experience and the properly laid down procedures to govern the outsourced staff better than the new branches. Also, number of branch employees was also controlled for since more employees are likely to render the program ineffective as outsourcing is said to be a reduction strategy. Finally, type of bank (local/ foreign) was also control for because foreign banks are likely to have more resources and sophisticated systems in place to handle the outsourcing activities better than the local bank branches. The coding for type of bank (local or foreign) was 0 = local and 1 = foreign.

Measurement Model

To ensure our measures are properly refined, confirmatory factor analysis (CFA) was employed using STATA (v.15) in order to assess the reliability and the validity of the variables in Table 1. After running the CFA, some items were deleted whiles others were retained. Based on the CFA results, variables like Outsourcing performance retained 5 items with its least factor loading being 0.7800137, monitoring retained 4 items with a least factor loading of 0.6733311 and overall bank performance also retaining 5 items with its least factor loading being 0.7440758. Brown (2014) asserted that for variable to fit for model estimation, their factor loading must be at least 0.5. A minimum of 0.7 is the expected minimum score for Cronbach's alpha (CA). From Table 1, Cronbach's alpha for outsourcing performance, monitoring and overall bank performance were 0.930, 0.831 and 0.913 respectively which were greater than the 0.7 expected threshold. The composite reliability is also expected to be more than 0.7 minimum expected value. The Composite Reliability (CR) for the variables: outsourcing performance, monitoring and overall bank performance were 0.932, 0.871, and 0.918 respectively which also met the minimum expected value of 0.7. Also, the variables; outsourcing performance, monitoring and overall bank performance had Average Variance Extracted (AVE) values of 0.733, 0.631 and 0.691 respectively and were greater than the minimum threshold of 0.5 (Fornell & Larcker, 1981). The Coefficient of Determination (CD) for Outsourcing performance implies that the observed items could reliably explain 92.4% of the variations in outsourcing performance. The CD for Monitoring also implies that the observed items could reliably explain 93.1% of variations in monitoring. Lastly, the CD for overall performance means that the observed items could reliably explain 87.3% of variations overall performance

Table 1. Confirmatory Factor Analysis

Variables	Factor Loading
Outsourcing Performance: Alpha=0.93 AVE= 0.733, CR= 0.932 CD =0.924	
Outsourcing helps us improved in our core business activities.	.7958571
Responsiveness and flexibility towards customers has improved in our branch	.8839755
Our facility management has now improved	.8830133
Our IT platform are working now better	.9275249
We have seen a reduction in customer turn over in our branch	.7800137
Monitoring: Alpha= 0.831 AVE = 0.631 CR= 0.871; CD = 0.931	
We weekly assess the performance of our outsourced staff	.8716121
We adopt effective on-site surveillance to check on our staff	.829627
Customer feedback and surveys are used to evaluate our outsourced staff	.6733311
We perform random monitoring or spot checks on outsourced staff	.788978
Overall Performance: Alpha= 0.913 AVE =0.691 CR= 0.918 CD =0.873	
The overall sales growth of the bank has increased over the past five years.	.7440758
Our customers' satisfaction towards our products have increased	.8136526
Our market shares have seen an improvement	.860325
The bank overall profitability is satisfactory	.8369107
Our operational cost has seen great reduction	.8932258

Variables	**Outsourcing Perf.**	**Monitoring**	**Overall Bank Performance**
χ^2	4.6521	3.431	4.213
df	3	2	3
p-value	0.246	0.346	0.258
χ^2/df	1.551	1.716	1.31
RMSEA	0.056	0.047	0.054
SRMR	0.005	0.010	0.007
CFI	0.997	1.000	0.992
TLI	0.995	1.000	0.993

With respect to the goodness of fit indices, the assumption is that the Chi-squared (χ^2) should not be statistically significant at 5%. The Chi-squared (χ^2) divided by the degree of freedom (χ^2/df) was expected to be less than 2 (Brown, 2014; Kline, 2005). The RMSEA which is the Root Mean Square Error of Approximation and the SRMR which is Standardized Root Mean Square Residual were also expected to be less than 0.08. The TLC which is the Tucker - Lewis Index and CFI which is Comparative Fit Index are also expected to be greater than 0.95. Based on the criterion for goodness of fit indices for model estimation, the study can conclude that all the three variables such as outsourcing performance, monitoring, and overall performance in Table 1 have all met the assumptions.

Discriminant validity is regarded as one of the most important measures of estimating multiple regression. This is achieved by first taking the square root of the AVE (√AVE) of all the constructs and compare them with their inter-correlation scores. In order to ensure that the model is valid, the (√AVE) is expected to be more than the inter-correlation scores of the latent variables, an approach (Acosta, Crespo, & Agudo, 2018; Bamfo, Dogbe, & Mingle, 2018; Li, Pomegbe, Dogbe, & Novixoxo, 2019) employed in their studies. In Table 2, it was revealed that all the variables were not highly correlated with each other thus not more than 0.7. Discriminant validity is therefore achieved because the √AVE of the individual variables were also higher than their inter-correlation coefficients. The results of Variance Inflation Factor (VIF) in Table 3 also supported the discriminant validity achieved. The assumption of VIF is that there should not be any cofounding effect between the independent variables and it's estimated to be less than 5. The study revealed that there was no VIF problem in the model as the independent variables were not similar to each other.

Table 2: Discriminant Validity

Variables	Mean	Std. Dev.	Outsourcing Perf.	Monitoring	Overall Performance
Outsourcing Performance	3.20	1.12054	**0.8561**		
Monitoring	3.5912	1.07918	0.318*	**0.7944**	
Overall Performance	3.9208	0.71590	0.391**	0.435*	**0.8313**

Model Estimation

Based on the retained items from the CFA analysis, the study using SPSS (v.20) adopted the hierarchical regression model in the model estimation. In all, three models were estimated. Model 1 shows the effect of age of branch (AB), number of branch employees (NBE), type of bank (local/foreign_TB) (control variables) on Overall Performance (dependent variable). The regression equation of Model 1 was thus;

$$Overall\ Performance = \alpha + \beta_1 AB + \beta_2 NBE + \beta_3 TB + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 1$$

Model 2 depicted the addition of Outsourcing Performance (Out_P) which is the independent variable and monitoring (MON) being the moderating variable to model 1. The regression equation for model 2 is therefore stated as;

$$Overall\ Performance = \alpha + \beta_1 AB + \beta_2 NBE + \beta_3 TB + \beta_4 Out_P + \beta_5 MON + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots 2$$

In the regression equation for model 3, the interactive term (RES_ Out_PxMon.) was added to model 2. The interactive term was achieved using the residual centering approach. The interactive term was calculated by first determining the residual of the independent variable (Out_P) and the moderating variable (MON). The product of the two residuals (RES_OUT_PxMon) was added in model 3 estimation. The regression equation for model 3 is therefore stated as;

$$Overall\ Performance = \alpha + \beta_1 AB + \beta_2 NBE + \beta_3 TB + \beta_4 Out_P + \beta_5 MON + \beta_6 RES\_OUT\_P \times \text{Mon} + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3$$

Results

In model 1 as presented in Table 3, age of branch was positive and had statistically significant effect on overall bank performance. Also, number of branch employees though positive, had statistically insignificant effect on overall bank performance. Lastly, type of bank (local or foreign) had positive and statistically significant effect on overall bank performance.

With regards to model 2, age of banks and type of banks still had positive and statistically significant effect on overall bank performance. Number of branch employees had positive but statistically insignificant effect on overall bank performance. When the independent and the moderator variables were added, there was no significant change in the control variables. Outsourcing performance in model 2 had positive and statistically significant effect on overall bank performance. This therefore implies that banks that engage in outsourcing activities in an attempt to save cost and also concentrate on their core business activities enjoys better overall bank performance. Monitoring also had positive and statistically significant effect on the overall bank performance.

The result in model 3 revealed that age of branch and type of bank still had positive and statistically significant effect on overall bank performance. Number of branch employees still remains statistically insignificant at effecting change in overall bank performance though their relationship was positive. Outsourcing performance and monitoring had positive and statistically significant effect on overall bank performance as they were in model 2.

The interactive term which is outsourcing performance and monitoring (RES_ Out_PxMon.) had positive and statistically significant effect on overall bank performance. Figure 2 also support the finding and reveals that monitoring strengthens the positive relationship between outsourcing performance and overall bank performance.

The model summary attached to Table 3 revealed that control variables (model 1) had a week correlation with overall performance of banks (r = 0.295). Nonetheless, a moderate correlation was found between the independent and dependent variables (r = 0.488; r = 0.619 respectively) in model 2 and model 3. 0.087 was also recorded as R-squared (R^2) in model 1 implying that the model could reliably explain 8.7% of the changes in overall performance of banks. The R^2 for model 2 also implies that the model could explain about 23.8% of the changes in overall performance of banks. Furthermore, model 3 shows that the model could reliably explain 38.3% changes in overall performance of banks. The values 0.151 and 0.145 were recorded as the R-Squared changes ($R^2\Delta$) for model 2 and 3 respectively and were also statistically significant at (F = 6.731) and (F = 9.107) respectively. This therefore mean that the contribution of the interactive term was meaningful.

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Table 3. Regression Output for the Hypotheses

Variables	Model 1	Model 2	Model 3	VIF
(Constant)	4.504 (10.985**)	3.421 (7.636**)	5.238 (9.558**)	
Age of Branch	0.171 (3.016**)	0.223 (2.833**)	0.176 (2.107*)	2.053
Number of Branch Employees	0.037 (0.420)	0.10 (1.220)	0.027 (0.310)	1.540
Type of Bank (Local/ Foreign)	0.12 (2.115*)	0.195 (1.994*)	0.105 (2.114*)	1.316
Outsourcing Perf.		0.289 (4.188**)	0.301 (4.778**)	2.011
Monitoring		0.255 (3.269**)	0.278 (3.915**)	1.920
RES_ Out_PxMon.			0.423 (3.555**)	1.413

Model	R	R^2	F	$R^2\Delta$	FΔ
1	0.295	0.087	3.211**	0.087	3.211**
2	0.488	0.238	7.614**	0.151	6.731**
3	0.619	0.383	12.102**	0.145	9.107**

** P-value significant at 1% (0.01)
* P-value significant at 5% (0.05)
T-values are in parentheses

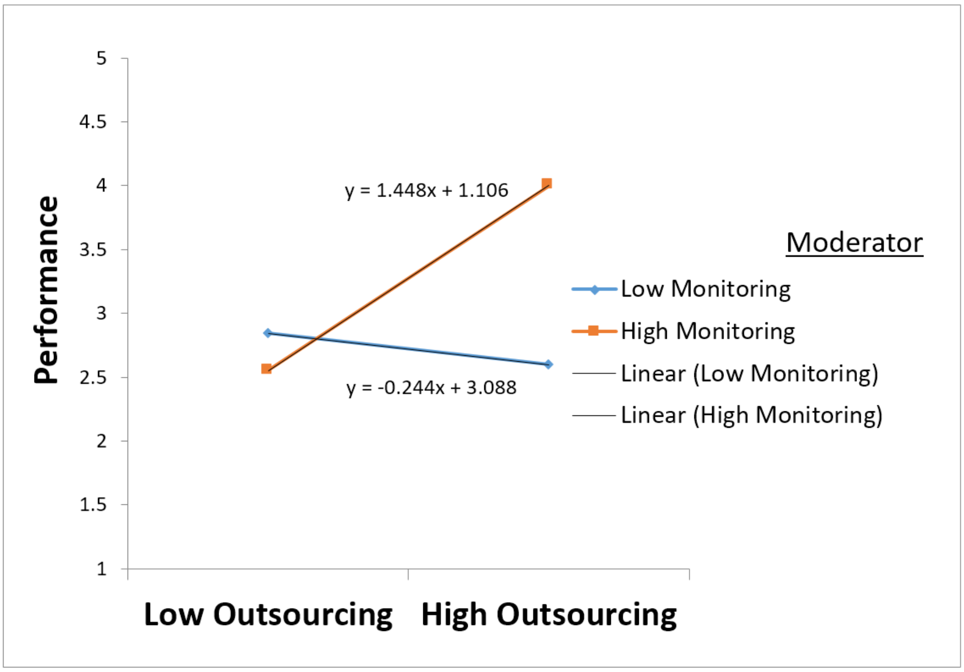

Figure 1. Interactive term between Outsourcing and Monitoring

Discussion of Results

The study controls for some variables because of their potential effect on the study. In this study, it was revealed that age of branch was positive and had statistically significant effect on overall performance of the bank. This, therefore means that older bank branches make significant contribution to the overall bank performance as compared to the new branches as they may be confronted with the challenges of adaptation. It is therefore necessary for the younger branches to learn from the older branches the steps they took during their developmental stages to still remain relevant to their overall bank performance. Number of branch employees though positive, had statistically insignificant effect on overall bank performance. This indicates that small and large number of employees have a similar impact on overall bank performance. This is also because no significant difference exists in the number of staffs per branch. Type of bank (local or foreign) had positive and statistically significant effect on overall bank performance. This therefore implies that foreign banks in Ghana are doing better than the local banks. This on the face of it makes sense due to the strict measures some of these foreign banks put in place to ensure their customers are better served and their loans are recovered on time to make the bank sustainable. Also, foreign companies tend to perform better than their local competitors due to their tried and tested management expertise over the years in other countries. These findings relate with other studies that alluded to the fact that foreign banks in Ghana performs better than the local banks (Alnaa, Adongo, & Juabin, 2016; Matthew & Laryea, 2012). It is therefore prudent for local banks to emulate their foreign counterparts in terms of measures they put in place to ensure that they do better compared to the foreign banks.

Though outsourcing has become a phenomenon in the Ghanaian banking sector, its effect on the overall bank performance has not been fully known as there are limited empirical studies to confirm the full extent of its effect on overall bank performance in Ghana. In the current study, outsourcing performance was found to have positive and statistically significant effect on overall bank performance. The hypothesis (H1) is therefore supported. This goes to support the assertions that banks in Ghana will do well if they concentrate on their core business activities whilst assigning other non-core business activities to agencies and organizations that have the technical know-how and the specialty in those fields to handle them. This study tends to relate with other studies (Awe et al., 2018; Bolat & Yılmaz, 2009; Juma'h & Wood, 2000; Lilly et al., 2005; Nyameboame & Haddud, 2017; Tenkorang, 2016) that support the positive effect of outsourcing on performance. Also, other studies that have attempted to study the effect of outsourcing on individual dimensions such as cost, productivity, profitability and quality have also found results that confirmed that outsourcing increased productivity and profitability, reduced cost and enhanced quality (Elmuti, 2003; Espino-Rodríguez & Padrón-Robaina, 2005; Jiang, Frazier, & Prater, 2006). However, some studies also suggested that the outsourcing and performance relationship is inconclusive and have a minimal effect together (Jiang & Qureshi, 2006; Kenyon et al., 2016).

Monitoring was also found to have positive and statistically significant effect on overall bank performance. The hypothesis (H2) is also supported. This means that higher monitoring be it traditional or electronic monitoring will result in better overall performance of the banks. This assertion though sounds like a cliché that monitoring enhances performance, it is incumbents on the banks to take monitoring seriously in ensuring that the necessary infrastructures and measures are put in place in every aspect of the banks' operations so as to enhance performance. This current study is supported by studies (such as Barth, Lin, Ma, Seade, & Song, 2013; Epure & Lafuente, 2015) which stated that incurring monitoring costs may enhance performance and efficiency.

Regarding the moderating effect of monitoring on outsourcing performance and overall bank performance relationship, the study revealed that higher level of monitoring will result in an improvement in the overall bank performance when banks are engaged in outsourcing activities. The hypothesis (H3) is supported. This study also goes to confirm the fact that a more carefully crafted monitoring programs either traditional or electronic performance monitoring will enhance the effect of outsourcing performance on the overall bank performance. Studies (such as Dean & Kiu, 2002; Domberger & Hall, 1991) have also alluded to the assertion that performance monitoring enhances employees' effectiveness. Hence, the effectiveness of the outsourced employees will translate into better overall bank performance.

Conclusions

The current study was set out to assess the influence of outsourcing performance on overall bank performance and the moderating role of monitoring. From the findings, the study concludes that outsourcing performance significantly influences overall bank performance. Monitoring was also positive and had statistically significant effect on overall bank performance. Monitoring was also found to moderate the effect of outsourcing performance and overall bank performance.

Managerial Implications

The effect of outsourcing performance on overall bank performance outweigh the shortcomings and should be utilized to optimize bank operations and minimized costs. Outsourcing of non-core business activities or functions has been found to improve performance of banks and it is therefore recommended that banks should have an outsourcing strategy so that costs and challenges associated with it can be minimized.

With the high competition in the banking industry, it is imperative for banks to consider engaging in the outsourcing of activities that they deemed to be non-core business activities or functions to enable them concentrate on the core business that they know how to do best. However, since every decision comes with its costs, it is important the banks engage in an internal assessment of their current position to determine whether outsourcing is the best option. This assessment must also be followed by cost benefit-analysis to know the cost implications before deciding whether to outsource.

Banks should also manage the costs associated with monitoring and put in place appropriate measures to mitigate the challenges associated with the practice. Some of the shortcomings identified include increase in outsourcing costs, reduction in quality level of the external supplier, exposure to the breach of confidentiality, loss of reputation of the external supplier and program failure. It is therefore important for the banks to employ best measures and technologies to detect the individual workers who assess particular accounts and their activities on that account. Punitive sanctions must be applied to workers that are found to engage in acts that may compromised the integrity and image of the banks.

Bank must also ensure that they don't just engage the services of outsourcing agents to perform their non-core business activities or functions for them, without putting in place the right monitoring mechanism. The banks must therefore ensure that they put in place the right monitoring mechanism to deter workers from engaging in activities that are not related to their main task in order to benefits from the outsourcing program.

Theoretically, much research has not been done when it comes to the effect of monitoring on the outsourcing performance and overall bank performance relationship. Previous studies have focused on outsourcing and firm performance and some also assessing it on different individual dimensions without paying much attention to the moderating effect of monitoring on outsourcing and firm performance. Hence, this current study revealed that monitoring has a significant effect on the outsourcing performance and overall bank performance relationship and must therefore be taken seriously in the outsourcing literature.

Limitations and Suggestion for Future Research

The study concentrated on examining the extent of outsourcing performance and its effects on overall bank performance. The study further examined role of monitoring on the impact of the performance of the external supplier. However, the study did not analyze the quantitative change in profits among banks as a result of the outsourcing of non-core activities. The study therefore recommends further studies examining the impact of outsourcing performance on other individual dimensions such as quality, cost and productivity and profitability compared to other banks will be appropriate.

The assessment of outsourcing performance, monitoring and overall bank performance was focused on bank branch managers' perspectives without considering the perspectives of top management at the head offices. Hence, further studies may assess these constructs from top management perspectives.

Declaration of Interest

We wish to declare that this project had no direct funding, and there was no conflicting interest which could have affected the outcome of this study.

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