

THE FACTORS THAT AFFECT BUSINESS PROCESS OUTSOURCING IN A SRI LANKAN FINANCE COMPANY

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Abstract

In this research the factors that affect the Business Process Outsourcing (hereinafter called and referred to as the BPO) decision in a Sri Lankan finance company is examined. A leading finance company in Sri Lanka was selected to carry out in-depth case study analysis by employing the resource-based view (RBV) as a theoretical basis. It does so by describing some basic assumptions of the resource-based view. From the resource-based view of the firm two factors are proposed, core competence and capability, and it can be claimed that both of these play an important part in the decision-making process when deciding on using an external provider for organization activities. It does so by describing some basic assumptions of the resource-based view. From the resource-based view of the firm two factors are proposed, core competence and capability, and it can be claimed that both of these play an important part in the decision-making process when deciding on using an external provider for organization activities. A literature review was carried out to identify factors that affect BPO decision. Unstructured interviews was used in order to identify factors and it will be analyze using data triangulation. Finally, it is concluded that the factors: core competence and capability have a significant impact on the BPO decision of the selected finance company.

Key Words: Business process outsourcing, Resource based view, Capability, Core competence

Introduction

Business Process Outsourcing (BPO) can be defined as contracting of activities and functions within organization to a third party service provider. Since most of the organizations looking beyond the traditional boundaries of the firm there is a tendency towards the businesses are moving to BPO. This trend has generated considerable debate amongst economists and policy makers, focusing on issues such as job losses, tax incentives, and location advantages (McIvor, 2010). Several scholars and authors define BPO concept in their own point of view. Generally this means a process by which a company contracted out of a particular business function/s to a third party service provider. As per the literature regarding Business Process Outsourcing, it involves outsourcing processes that are not core to a company, however, are essential for smooth operation of the company. The Companies who are in practice of BPO found that those service providing companies are more efficient than what they are doing for. Thus business process outsourcing continues to gain momentum we can hear more about this trend in the near future. These facts reveals that BPO is a major emerging trend in Sri Lankan business world.

In Sri Lanka, most of the companies are using BPO within their companies in order to achieve their business goals and objectives. But they have a poor knowledge regarding the what factors lead those decision to outsource .If they have such knowledge, they are in a position to change their decision to BPO in an effective manner within the company and getting the maximum advantage from the BPO. So within our case study research we are try to identify the factors that affects BPO decisions in a Sri Lankan finance company by employing the Resource based view.

Research Questions and Research Objectives

There are several research studies conducted on factors that affect BPO decisions in global context employing different theories. However, the current literature does not fully consider the factors which drive BPO decision pertaining to Sri Lankan context especially on finance companies. By considering characteristics such as economic, religious, social and cultural, it is difficult to replicate global research findings which causes for BPO decisions as it is.

Motivated by the lack of research on BPO decisions in Sri Lankan finance companies, this study addresses the research question; what are the factors that affect BPO decisions in a Sri Lankan Finance Company.

Based on the research question this study addresses the following research objectives.

1. Identify the processes and functions that have been outsourced by the company.
2. Identify factors that affect BPO in the selected company
3. Analyze the factors that have identified using the Resource Based View.

Significance of the Study

Nowadays many business organizations are operating in a highly competitive business environment while maintaining balance between their day to day operations and achieving corporate strategy. Hence they are required to find new ways to survive and face this competition. To answer this difficulty, BPO which is known as form of corporate restructuring is commonly used by most of the companies all over the world. Therefore decision making regarding BPO is very important to companies who think towards in order to gain more competitive advantages like productivity improvement, maximization of resource utilization, cost reduction, focusing on core business activities etc. (Deng et al., 2013). The decision to outsource is backed up by several factors which will be discussed in latter part of the article.

Unfortunately there has been less empirical attention to this aspect of BPO research in Sri Lankan context. Therefore this study enables to identify activities /processes that have been outsourced by the selected finance company and the factors which affect to outsource decisions to make their business remarkable in the finance industry.

This research study is focused on the factors that affect BPO decision in a selected finance company in Sri Lanka. These factors are identified as a result of undertaking in-depth case study analysis of reputed finance company in Sri Lanka by employing the resource-based view (RBV) as a theoretical basis.

This study differs from previous studies based on the business sector and theory that is used to identify and evaluate the factors. The consideration of BPO decision driven factors are novel, since there has not been any study along this line in Sri Lanka.

Having discussed the research problem and objectives the theories relevant to corporate governance and next the literature review with the findings of prior studies on BPO decision influencing factors are discussed. This will be followed by a discussion on the research design used to investigate the relationship between board diversity and corporate performance. Next the methodology will be discussed. Thereafter, the findings will be discussed. Finally the conclusions, limitations and areas for future research will be discussed.

Literature Review

Under the literature of Business Process Outsourcing (BPO), factors influencing BPO decision in global context, extent of BPO adoption, theories relevant to BPO decision factors and the findings of prior research studies are discussed. In view of the findings, several recommendations were made under concepts such as transaction cost economics (TCE) and the resource-based view (RBV) which may be useful as theoretical basis for key decision makers in the BPO sector.

Business Process Outsourcing

Business Process Outsourcing which is commonly understood to be a subset of outsourcing that involves the contracting of the operations and responsibilities of a specific business process to a third-party service provider. This concept has received a high degree of research attention as BPO processes are fast becoming an integral part of business world. Generally, support functions like finance and accounting, purchasing and disbursement, human resource management, pay roll, cash and investment management, billing and collection, order entry etc are outsourced to BPO organizations.

Resource-Based View (RBV)

The factors affect BPO decisions can be influenced principally by Resource-Based View (RBV). The RBV is an economic tool used to determine the strategic resources available to a

firm. These resources can be exploited by the firm in order to achieve sustainable competitive advantage. RBV is an approach to achieving competitive advantage that emerged in 1980s and 1990s, after the major works published by Wernerfelt, B. ("The Resource-Based View of the Firm"), Prahalad and Hamel ("The Core Competence of The Corporation"), Barney, J. ("Firm resources and sustained competitive advantage") and others.

According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance.

Empirical findings

Theoretically, there are a number of findings which describes and explores how the resource-based view of the firm explains the decision of using Business Process Outsourcing in organizations. This has been done by describing some basic assumptions of the resource-based view. RBV proposed core competence and capability as two factors which play an important part in the decision-making process when deciding on using an external provider for organization activities. This gives an idea that the greater focus on core competencies and the capabilities will be achieved by determining the strategic resources available to a firm using the Resource-Based View. Therefore, with the support of RBV, a company can determine whether to outsource their process or not.

The RBV of the firm views organizations as a collection of productive resources. The central assumption in this view is that organizations gain competitive advantage by their internal resources. Resource-based theory can, according to Barney (1991), be seen as a substitute in analyzing sources of competitive advantage.

The contribution that the resource-based view supports one with when studying the decision-making process in an outsourcing decision can be explained in the following way. By using the resource-based view of the firm a more strategic point of view on the decision is suggested. This means that a deep understanding of the decision-making is possible to get. It emphasize the relation between capability and core competence.

Common factors influenced to the BPO decision

The market for BPO has gained increasing importance in today's global economy as a serious industry, with serious money involved as many industries outsource part of their processes such as human resources, logistics, customer contact, and information technology (IT) services. Much of the research conducted in the field of BPO has focused on cost considerations and macroeconomic impacts such as potential job losses and national competitiveness (Hutzschenreuter et al., 2011). These research show that companies which are outsourced their processes, are doing the work at a much higher efficiency rate than could have been achieved by the internal process of the company itself. Training, standardization of processes and a highly automated way of working all contribute to this gain in efficiency. In addition to that, some researchers emphasize that, besides cost savings, BPO increases the flexibility of companies and those outsourced business activities add a flexible layer around companies that can absorb fluctuations in demand, both up and (with the current economic downfall) down as well. It also allows companies to better focus on their core activities. Whilst the first wave of BPO involved outsourcing labor-intensive manufacturing processes, the current wave of outsourcing has expanded to include knowledge intensive professional services such as accounting and legal support (Jensen and Pedersen, 2011; Sako, 2009; Youngdahl and Ramaswamy, 2008).

BPO often happens as a result of organizations reengineering and improving business processes (Davenport, 2005). For example, financial services companies have been applying Six Sigma tools to ensure the quality of business processes when outsourcing to offshore locations (Tas and Sunder, 2004). As administrative functions such as HR and procurement, and professional services are impacted by outsourcing, administrative personnel and managers in these areas increasingly require an understanding of OM concepts such as business process redesign, project management, and performance management (Jayaraman et al., 2013).

There are a number of key elements of the BPO decision including making the decision to outsource; selecting vendor and the location distance option, and selecting a governance model to manage the BPO arrangement (Stringfellow et al., 2008). Making the BPO decision involves considering issues such as the capability in the process relative to competitors, the capability of vendors to provide the process, the level of risk in the supply market and potential workforce resistance (McIvor, 2009; Handley and Benton, 2009; Ellram et al., 2008; Metters, 2008)

Specific factors for BPO under Recourse Based view

Under the RBV, followings can identify as the factors specifically influence to the BPO decision of an organization.

Access to capabilities

While improved cost metrics continue to be important motivation for outsourcing, in a survey covering over 700 organizations of the UK, USA and continental Europe spanning diverse sectors like Financial services, Telecom, Pharmaceuticals etc. It was found that cost was losing out to the other prominent motivation, which is the desire to access new technologies, capabilities and best practices (Kakabadse and Kakabadse, 2005). A study set in the Indian banking industry shows that banks value factors like customer service improvement, access to new skills, etc. more than pure cost savings (Jain and Natarajan, 2011). Firms are now increasingly realizing that the next big idea, the next big innovation might not come from within (Quinn, 2000). While earlier, many of the cutting edge activities were the sole domain of large firms with resources, new age tools and modern technologies are making it increasingly possible for small firms to participate in the race for innovation. (Quinn, 2000). The greater the cognitive distance (Nooteboom, 2009) and heterogeneity of knowledge inputs, the greater is the consequence for innovation (Bertrand and Mol, 2013). For in this new era, an organization's in-house innovation capabilities are not going to match up to that of multiple niche vendors engaged in feverish continued experimentation utilizing the best of talent in that particular domain. Quinn (2000) explains how some organizations now have specific executives who specialize in scanning the environment for best-in-class capabilities, which ensures partnering with external vendors at the right stage in the innovation cycle. In a dramatically contrasting view on the subject of outsourcing innovation, Chesbrough and Teece (2002) call for an arrest to the idea that an organization can rely on partners and suppliers for all kinds of innovation. For systemic innovations, which require coordination and information sharing through the entire product system, the authors argue that the cause of innovation will be served well by keeping activities within the organizational boundaries. In addition to that, Hoetker (2005) investigates when the extent of technical innovation required was small, manufacturers outsourced the component based on relative capability of suppliers. As the technical complexity and related uncertainty of innovation increased, the costs of communication and coordination increased and focus shifted towards the strength of past relationships as opposed to selecting suppliers based on capability alone. Finally, for highly complex innovations, in-house

development was preferred. Both Hoetker (2005) and Chesbrough and Teece (2002), appear to assert that when uncertainty increases, organizations (should) respond by relying more on hierarchy than the market.

Greater focus on core competencies

Apart from cost-and innovation-related outcomes, scholars have frequently referred to outsourcing as a key mechanism to transfer out non-core activities and utilize the freed resources to advance the core competencies of the organization (Boguslauskas and Kvedaraviciene, 2009; Dess et al., 1995; Gilley and Rasheed, 2000; Quinn and Hilmer, 1994). When a firm outsources its non-core functions to external suppliers, lower cost and access to best-in-class innovations in those functions are obvious benefits; more importantly though, key resources like financial and managerial band width can then be more gainfully used in to those activities where the firms cores over its competitors(Dess et al.,1995). A notable example quoted in support of this argument is the experience of Nike and Reebok, which focus on design and marketing of footwear, their core-competence, while outsourcing manufacturing activities. For Dess et al.(1995),the key is to correctly identify the core competencies and are as that will be important in the future. Quinn and Hilmer (1994) admit that confusion abounds around what “core” really is.Firms are known to generate new knowledge by novel combinations of existing bases of knowledge in various functions(Kogut and Zander,1992).Outsourcing also carries the risk of losing cross-functional skills, thus inhibiting the combinative capacity of knowledge bases unless the firm finds ways of communicating and coordinating with the suppliers to create new knowledge mirroring the process which was possible within the confines of the firm(Quinn and Hilmer,1994).

In summary, even though current literature addresses the factors effecting to take BPO decision, it does not fully address what the factors are effecting to take BPO decision in Finance sector in Sri Lankan context. This paper seeks to address this gap in the literature by addressing the factors that affect BPO using The Resource based view.

3. Methodology

This research study investigates the factors that affect Business process outsourcing in a Sri Lankan finance company. For that purpose a listed company in the Colombo stock exchange categorize under the finance sector was selected.

Softlogic Finance PLC remains as a one of the top Finance company in Sri Lanka. They currently remain at the Second Board in Colombo Stock Exchange. Turnover of the Softlogic Finance Company 32 Mn within the first quarter of 2017. Due to the Higher Market capitalization and turnover we selected the Softlogic Finance PLC for our Study.

Financial and non-financial data was collected from unstructured interviews which are guided by a question guide and annual report in relation to the research problem.

Research Approach

In this study qualitative school of thought was used in order to identify the factors affecting to BPO. Based on the inductive approach data will be collected and analyzed and finally decides whether data are validly established or not.

Population and sample

Since we base qualitative approach, we were following in depth analysis. Therefore we used case study approach. Accordingly data for the study was obtained from unstructured interviews and annual reports. This was obtained from the CSE website during the period 2015, 2016 and 2017.

We interviewed 03 levels of management in the selected finance company. From top level we have conducted two unstructured interviews with Chief Executive Officer and Chief Finance Officer and from middle level management we have interviewed three managers with related to Human Resources management, Information Technology and Facility Management and from lower level we have interviewed Two employees that works in the Softlogic Finance PLC.

Data Collection

This data collection was based on primary data, unstructured interviews which ultimately best suited for the qualitative approach of methodology. Also as secondary data documentary reviews of Annual Reports used. The data was collected from the annual reports downloaded from the CSE website and use to emphasize the validity based on the each interviewees responds.

Strategy for analysis

In order to arrive at a conclusion prescriptive analysis was adopted by means of methodology per triangulation. Since we have conducted unstructured interviewed on 03 managerial levels,

we have examined those data with each responds in the same level and with each level (Cross level).

4. Data Collection

We have obtained the details regarding the BPO in three levels of management of the relevant finance company. These three levels of management including employees are as follows.

- a) Top level management (CEO and CFO: Telephone Conversation)
- b) Middle level management (HR manager, Facility manager ,IT manager)
- c) Low level employees

First we had the interview with the Human Resource Manager of the company in order to get a general idea regarding the human resource outsourcing activities of the company due to HRM function is a major outsourcing activity in lot of companies. Then we conducted an interview with the Facility Manager of the finance company to get the information related to the BPO and we gathered information regarding the IT functions and systems outsourced by the company through the meeting that is held with the IT manager. Finally we conducted an interview with the CFO and CEO of the company in order to get information of the major functions which are outsource by the company. Annual report details are also used to collect data.

5. Analysis and Discussion

Under this section overall research objectives will be discussed and analyze based on the research findings. However this aims to identify functions that Company has outsourced and factors which drives the BPO decisions. Moving towards data triangulation technique is use to analyze the factors which provides a conclusion about what factors affected to the BPO decisions. Thereafter using resource based view the factors which identify will be analyzed in the latter part of the discussion.

Key findings of the low level management

The employees who belongs to lower managerial level are mainly involve in key operation and having past experiences they revealed below factors which affects to move to the BPO.

In early periods they use to have own employees for cleaning purpose. However over the time they become more close to other employees of the company. Hence those employees become reluctant to ask cleaning requirements from them directly. This led to multiple cleaning problems within the company. By examining the situation top management decided to stop recruiting employees for cleaning purpose and use to have third party cleaning service. Also these third party providers use to have employee rotation between their customers the same cleaning personnel may not retain longer period in same company. Therefore company able to get a continuous cleaning service which appeared to be more appealing for the customers using BPO cleaning service.

Moving towards the cashier of company highlighted that all the cash and cheque banking process is handled by 3rd party called “Kay – Jay Agencies Ltd.” which is an indication for using of BPO. Questioning further they aimed to transfer risk associated with cash/cheque theft and thereby reduce insurance expense which need to be incur if it is done by this finance company. Also involvement of 3rd party reduce the work load of cashier, save the time and reduce the delays in cash/cheque banking process of the company.

Another main discussion point was usage of courier service when handling customer documents. Instances like loan approvals, activations the head office collects the documents from branches due to having centralization process. Mainly because of mimetic pressure the company use to have BPO in courier facility. Also they point out that it helps to speed the loan/lease granting process because the courier is available in island wide.

Since the company having large customer base due to different facilities company requires to have a proper mechanism for customer document handling. Having different transactions over different branches the operation staff unable to concentrate properly on customer document handling process. By identifying the complexity of business process the HR department has outsourced customer documents handling while maintaining smooth operation of the company. Thereby Company aims to reduce operational delays and inefficiencies.

In addition to that those lower level employees heavily use promotional materials like hand bills to communicate with customers. They indicated that due to quality and innovative aspects as well as to ensure continuous supply of those promotional materials the company use BPO with the perspective of seamless execution of operations. For this purpose company have an approved vendor.

Key findings of Middle level management

Key findings of the interview with HR Manager

In generally, the company has mainly focused on labour category in outsourcing decision in order to obtain cost benefits through limiting the commitments of the company towards the staff and to enhance the productivity of the operations. For this purpose, agreements with the BPO providers are initiated by the HR Department based on the decision of CEO and COO and required job roles are created and sent to BPO service provides to obtain the suitable people. To initiate the outsource process, a requirement should be come from department heads for additional staff. That means the department heads are the people who are identifying the need of additional employees for their departments and the final decision taken to outsource, after performing the cost benefit analysis by the HR department. Further the company has taken a decision to reduce the staff in back office operations by adjusting the periodic requirements of staff through BPO services. This is done by enhancing the employee productivity through developing Key Performance Indicators and limiting the staff requirement by giving intensives and trainings to the existing staff.

Company has outsourced some function of the recovery division that plays a vital roles as a core activity of the company. There are four main operations conducted under the recovery division such as Consumer Finance Recovery, Legal Recovery, Yard operations and Business finance recovery.

In the consumer Finance recovery section mainly focus on collecting the six months arrears loans given to the customers. For that function organization need more staff at the initial stages of the loan collection periods as they have to put more effort on getting the customer to the track to repay the loan. Currently there are 28 permanent staff and apart from them another 10 people are worked on outsourced basis. The company recruits outsourced employees for the six months period through the manpower companies such as Central management system, Future waves and Unique BPS. Reason for the use of outsourced staff for this section is to minimize the cost. As the company's recovery portfolio is varies periodically, it is rigid to pre-determine the exact number of staff need for the recovery division. Therefore it will create an unnecessary cost on staff if the organization uses fixed number of permanent staff for the recovery division. Hence the company engages in cost cutting on payroll and reducing the company's commitment by adjusting the staff using outsourced people, considering the

periodic necessity. Company reduces Risk of using outsourced staff for company's main operations by allocating them to groups in which the outsource people should report to permanent heads of groups.

Under the Legal Recovery section involve in handling more than 6 months debt arrears and Non- performing loans. The job roles are complex, risky and take more time because sometimes the staff need to involve in court cases which have been filed for collecting arrears and claims. Therefore mainly the permanent staff has recruited for this division and some outsourced people have allocated for support for the main operations.

For yard operations only one person has recruited for the maintenance purpose.

In Business Finance Recovery section involves in handling business loans, lease and hire purchase facilities and group personal loans which need more commitment and efforts. Therefore mainly the permanent staff has recruited for this division and some outsourced people have allocated for support for the main operations.

Under the Operation Department Customer filing of FD, Lease, Payments and cash operations are mainly handled through the temporary employees recruited through BPO providers such as Future waves and Unique BPS. Reason is to minimize the back office operation cost by adjusting the No of staff using outsourced people, considering the periodic necessity and the work load.

In Finance department for the purpose of document filing, the company has recruited a one temporary employee from the BPO provider.

Payroll function of the HR department has outsourced to MSL (A BPO service provider).But this function may be not continued to be outsourced after the establishment of their HRIS system.

Under the IT department currently they have internal software systems for their operations which need more time and effort to functionalize the operations. As example, the existing system requires at least to run three systems together to process one function at a time. Therefore the company has taken a step forward to go for the Oracle system (An Integrated banking system).Thus in the near future the company will outsource their IT related services.(Please refer the discussion with the IT manager).

BPO in non-core activities

Through the interview with HR manager we identified the non-core activities that outsourced within the Company. Company has outsourced Cleaning services to Safe care Environmental Services, Nawala. (Please refer the discussion with facility Manager) For the Courier Handling purpose one of person has recruited through Unique BPS (a BPO service provider.) CCTV activity has outsourced to Certis Lanka (Pvt) Ltd under the supervision of facility Manager. Reason is to maintain the independence and unbiasedness within the company as the company engages in high risk areas such as chief money related powerhouse occupied with the allowing of SME working capital loans, business loans, lease and hire purchase facilities, group personal loans, consumer loans, gold loans, other credit facilities. Security function is outsourced to Lakpura Security Agency. In the Credit division one employee has recruited through BPO providers to support the main operations.

We have obtained the above information in order to get a general idea of the BPO of the company. We identified that the company has outsourced non-core activities rather than their core activities. Even though they have outsourced some Core activities of the company, the importance of the activity of the outsourced process is less important. Then we had an interview with the Facility manager.

Key findings of the interview with Maintenance manager

A facilities manager is the ultimate organizer, making sure that a working environment of the workplace meets the needs of employees by managing all of the required services. Therefore we interviewed the Facility manager of the finance company to get the information related to the Business Process outsourced Process. Facility manager of the company mainly involved in Building Management, Building Cleaning and Maintenance, Health and safety, security, and catering and vending services.

Company outsourced the Cleaning, Security and Catering and Vending functions under the facility management. They outsourced security function for the Lakpura Security Agency, Cleaning services outsourced to Safe care Environmental Services, Nawala.

We identified main reasons that affect to get outsourced decisions in certain function under the facility management. Security services outsourced to 3rd party due to the mainly maintain the independence and Biasness. If the security services also delegated to the internal employee there is high probability to override the controls of the company. Other main reasons for

outsourced the security services was Company has not internal employees that have required skill and experience to perform the security services and also they don't like to allocate more time to recruit the employees that perform non-core activities.

Company has outsourced the Cleaning services and Catering functions mainly due to the reduced the cost and increased the quality of the services. Through the outsourcing decisions they can reduced the cost rather than they recruit employees for non-core activities and pay more salary and other increment for them. And also Outsourced Company can provide high quality services due to they have the employees with required skill and experiences for perform services. Same time, he emphasized that they can be focused on their core competences by allocating the existing workforce to core activities by BPO. Then we had the interview with Information Technology (IT) manager of the company.

Key findings of the interview with IT manager

During the interview we gathered information regarding the IT functions and systems outsourced by the company. Web site of the company is maintained by Lanka Company which is BPO provider. The company tries to get the maximum benefits from the BPO providers through their valuable and innovative products and services.

The Oracle's engineered systems provide enterprise IT organizations with platform solutions that deliver faster time to value, better performance, higher quality, groundbreaking simplicity and extraordinary affordability. It is pre integrated to reduce the cost and complexity of IT infrastructures and it is enable to simplify the company's data center infrastructure, minimize risk and increase performance while maintaining the security of the information. The IT manager in an organization plays a significant role which highly impact to the organization's sensitive information and ultimately impact to the overall decision making process. Therefore we interviewed the IT manager to identify the significances related to the organizational IT system, which have direct impact to the overall organizational performance.

From the interview we discovered that there are some important processes outsource which relate with the oracle system. The entire group of company installed with oracle and from the interview we identifies that the oracle system will look after the IT requirement of the company for another several years. During the interview we discovered that Oracle was selected through a comprehensive evaluation process and the competitive advantage demonstrated by Oracle was in the areas of software that could handle large volumes of data transactions, product roadmap supporting the future growth of the organization as well as the industry. The company

is known to provide its customers with innovative banking solutions, and the introduction of “SkyBank” software shows the company’s efforts to provide banking services to its customers on a user-friendly electronic platform that can be accessed from any point. The software will provide all its virtual customers with vital services provided by the company, such as Savings Account transactions and monitoring, a mobile payment gateway and an SMS Alert engine which notifies its customers regarding any transactions which takes place through their account. Organization hope that through this venture, their customers will be provided ease in terms of contact with organization.

In charge of Oracle also stated that the “SkyBank”, the browser based banking software solution, is a N-tier architected application taking the banking and finance institutions to new heights with user-friendly features and enabling mobile banking with “Banking from Anywhere” using the Internet browsers. SkyBank offers modules such as Savings, Fixed Deposit, Loans, Margin Trading, Pawning, Leasing, Hire Purchase, and General Ledger among many other features such as mobile payment gateway and SMS alert engine and many other services for their customers. He further added that it was high time for a local software company to develop and implement a total core banking software solution in the country and Oracle has the long-term commitment to fulfill this need and thereby save large amount of foreign exchange flowing out of the country.

The company is old financial institution whose principle lines of businesses includes Leasing, Hire Purchase and Operating Lease facilities which manned by a team of professional staff with vast experience in the Marketing, Finance and Legal sector and it is geared to provide the highest quality service to its clientele by using the advance technological improvements such as system of Oracle in the organization.

Key Findings of Top level management

Further, we had telephone conversations with the Top level management including Chief Financial Officer (CFO) and with the Chief Executive Officer (CEO).

Key findings of the Telephone conversation with CFO

The areas outsourced by the organization, from which time started to outsourced, from which companies selected to outsource were in detail discussed with lower and middle level managers. With the upper level management we have mainly focused on the strategic decision

involvement in BPO decision within the organization. We have conducted telephone conversations with Chief Financial Officer (CFO) to understand the strategic decision making in BPO decision.

This finance company outsourced only their non-core business activities. Management decides not to outsource their core business. As per CFO explanation they tend to outsource their some parts of non-core activities due to many reasons.

a. HR outsource

- For temporary jobs company do not recruit permanent staff. Because that would increase additional salary, bonus expenses and other staff related costs more than the job value addition to the operation. Instead they outsource those jobs to lower the cost.
- Company decided to outsource payroll mainly to maintain confidentiality. Otherwise each employee will know the salaries of them and that may cause problems such as dissatisfaction, demotivation within employees.

b. Subject Specialization

- Some activities within the company can be better perform by those subject specialize firms. As an examples audit firms, Advertising firm. Otherwise it will be costly to the company and would not give the quality output as it expects.

c. Lack of expertise knowledge

- For some non-core activities, company requires expertise knowledge. If the company hires permanently an expertise, it will costs largely. But by outsourcing that cost can be minimize.

d. Non Value Adding Activities

- It is less costs and less time usage, if the non-value adding activities outsourced to third parties. As an example sending Annual General Meeting letters to shareholders, stamping them are outsourced to third parties. Thereby internal resource can be used more effectively.

e. Focus on Core Activities

- Top management can continue focusing on their core business processes and mitigate risk while delegating mundane time consuming processes to external parties.

By and large above details clearly guide to reach the aim of this research after analyzed against Resource Base View (RBV) as theoretical base.

6. Data Triangulation

As per the explanation given in the Methodology section, the technique used for analysis will be Data Triangulation. This method will be used to explore the factors that affect Business process outsourcing in a Sri Lankan finance company. As above, we have obtained the details regarding BPO in three levels of management. These three levels of management including employees are as follows.

- a) Top level management(CEO and CFO: Telephone Conversation)
- b) Middle level management (HR manager, Facility manager ,IT manager)
- c) Low level employees

So using the information provided by these three parties, we used data triangulation to analyze and give a conclusion about what are the factors affected the BPO decisions in the selected company employing the Resource Base View (RBV) as theoretical base.

Source 01: Low level management and employees

Here we identified different factors which affect the BPO decisions from the interview of three persons in the low level of managerial hierarchy. It reveals that it try to achieve maintaining smooth operation of the company to reduce operational delays and inefficiencies through BPO. And also it tries to give a quality service to the customers using the high capacity of the BPO providers in their certain areas.

So it can be concluded that Access to capability is a main factor which has been affected to the BPO decisions of the company.

Source 02: Middle level management

As per the information gathered from the HR manager, the company has mainly focused on labor category in outsourcing decision and also more focused on outsourcing of non-core

activities such as Cleaning, Courier Handling, CCTV, and Security. Hence, the company has more focused on core competencies of the company as per the RBV.

When consider the interview with facility manager it seems that the some activities can be performed effectively and efficiently when they are outsourced such as Cleaning and Maintenance, Health and safety, security, and catering and vending services. Because the BPO providers have the capability than the entity in smooth functioning of the activities. Then the company can also get an competitive advantage by the BPO.

Finally, the interview with the IT manger also revealed some interesting facts regarding BPO. Using BPO they try to strengthen the company process by gaining access to new capabilities using new systems like Oracle. The company is trying to adapt to the changing in the environment through the innovations which provides through BPO.

Accordingly facts collected through the interviews with middle level management, it seems that the company's outsourcing decisions are highly align with the RBV.

Source 02: Top level management

Telephone conversation with the CFO revealed certain factors which affect the BPO decisions. She explained that some activities are outsourced due to subject specialization .Because those companies have the capability to do those activities. Lack of knowledgeable persons and focus on core activities are also the reasons for the BPO accordingly. She also explained that the quality maintenance of the BPO services are also consider as performance measures of the BPO providers. Hence, the maintenance of quality by service providers is also a factor which affect the decision of the BPO.

Further it was explained by the CEO regarding additional factors when consider the BPO decisions. He explained that the company had clearly identified the less value addition duties and then those duties has been outsourced. And also he has emphasized that the attractive service can be obtained through BPO.

So when considering the information provided by the Top management personnel ,It indicates that Capability of the BPO providers in certain areas and focus on core activities are major factors which affects the decisions of BPO in this finance company which is highly complied with RBV.

We can developed summary for factors that influenced BPO decision through the interviews undertaken with different managerial level personal involved in the BPO decision.

Table 1: Data Triangulation

Factors Influence to BPO Decisions	Lower Level Employees	Middle Level Management			Top Level Management
		HR Manager	Facility Manager	IT Manager	
Enhance the Efficiency of the functions	Maintain the smooth operation of the company	Enhance the Efficiency of the functions	Enhance the Efficiency of the functions	Enhance the Efficiency of the functions	Enhance the Efficiency of the functions
Knowledge Intensity	High Knowledge Intensity	High Knowledge Intensity	High Knowledge Intensity	High Knowledge Intensity	High Knowledge Intensity
Pressure of Labour cost saving	Not Consider	Significant Pressure for labour cost savings	Significant Pressure for labour cost savings	Significant Pressure for labour cost savings	Significant Pressure for labour cost savings
To maintain the required level of independency and Unbiaseness	Not Consider	To maintain the required level of independency and Unbiaseness	To maintain the required level of independency and Unbiaseness	To maintain the required level of independency and Unbiaseness	Not Consider
Strategic for enhance the value of organization	Not Consider	Give more attention for core activities Outsourced the Non-core Activities	Give more attention for core activities Outsourced the Non-core Activities	Give more attention for core activities Outsourced the Non-core Activities	Give more attention for core activities Outsourced the Non-core Activities
Specialization	Highly focus on Specialization	Highly focus on Specialization	Highly focus on Specialization	Highly focus on Specialization	Highly focus on Specialization

Resource based view findings and analysis

Third objective of the research is to analyze the factors that have identify using resource based view. The actions of the case company followed some of the logic of the RBV, to gain competitive advantages as organization once they had developed the necessary capabilities and experience.

The Resource-Based View (RBV) is an economic tool used to determine the strategic resources available to a firm. These resources can be exploited by the firm in order to achieve sustainable competitive advantage. To use company resources efficiently and effectively firm can use BPO.

Table 1: RBV Analysis

Factor	Evidence	RBV using as a tool
Human resource (Labour)	<ul style="list-style-type: none">-BPO providers are initiated with HR department-Reduce the staff in back office operations by adjusting periodic requirement of staff through BPO decision	<ul style="list-style-type: none">-To obtain cost benefits-Enhance productivity of the operations-To maintain confidentiality through firm level
Recovery Division	<ul style="list-style-type: none">-Outsourced part of following areas<ul style="list-style-type: none">i. Consumer finance recovery (collection area of loans given)ii. Legal recovery (supportive service)iii.Yard operations (recruit one person for maintenance purpose)iv.Business finance recovery (supportive service)	<ul style="list-style-type: none">-To minimize cost-To gain operational efficiency-For more focusing on competitive factors and use company non-monetary assets more efficiently
Other non-core activities	<ul style="list-style-type: none">- CCTV, Security service	<ul style="list-style-type: none">-To maintain independence and un biasness as the company engages in high risk areas and

		<p>high probability to override the controls of the company</p> <p>-Enhance Performance monitoring capability and knowledge intensity</p> <p>-To focus on value adding, more core activities and mitigate risk</p>
	Cleaning	-To reduce cost and increase quality
	- IT (Using Oracle's engineered system)	<p>-To get maximum benefits through valuable and innovative products and service (Deliver faster time to value, better performance, high quality, groundbreaking simplicity and extraordinary affordability)</p> <p>-To reduce the cost and complexity of IT infrastructures and to minimize risk</p> <p>-Subject specialization</p>

As per Table 2 indicates company uses RBV as to gain competitive advantages through reducing cost, increasing efficiency via innovation, increasing quality. The research finding is that via outsourcing non-core activities, the top level management can more focus on strategic direction of the company.

Conclusion

Finally, it can be concluded that core competence and capability have a significant impact on the BPO decision of the selected finance company. As the HRM manager of the selected finance company expresses it, they are dependent on BPO for non-core activities in order to get access to capabilities. For this purpose, agreements with the BPO providers are initiated by

the HR Department based on the decision of CEO and COO and required job roles are created and sent to BPO service providers to obtain the suitable people. Accordingly they can get the access to capabilities that the company needed. And also Maintenance manager states that the company hasn't internal employees that have required skill and experience to perform the maintaining and security services and also they don't like to allocate more time to recruit the employees that perform non-core activities. It also emphasizes the access to capacity as main factor for BPO decisions within the company.

Core competence is also play a major role in BPO decisions of the company. As IT manager explained they need to use the latest technologies to be at the forefront and to stay competitive. Hence they collaborated with BPO providers such as Oracle, SkyBank, (browser based banking software solution) in order to achieve the core competences in their industry. CFO emphasizes that the subject specialization as a main factor affecting their BPO as it leads to get a core competence for the entity.

Hence, by using the resource-based view of the firm a more strategic point of view of BPO decisions can be explained. There are some limitations which related to this study and basically it can be mention as, that there is a lack of prior research studies on the selected topic in the Sri Lankan context. Here the study based on the selected Finance Company in Sri Lanka and there is lack of availability of prior period researches for the selected topic in this Industry. Also this is emphasized on a one large company in the Financial Industry for an in-depth analysis regarding the selected topic. But in practically, considering only a limited number of case studies or a one case study like this, it is difficult to emphasize the significance of the research in relation to a wider organizational population. As well as here the study mainly based on the self-reported data which collected from interviews. In sometimes, the participants may not responded truthfully, either because they cannot remember or because the participants wish to present themselves in a socially acceptable manner or due to some other reasons. There can be some biases in the respondents' opinion regarding the matter. Since those reasons, self-reported data cannot be verified independently and there may be question regarding the validity of those data. Therefore final conclusion will be biased towards the respondents and in order to avoid this problem, data has to be analyzed separately.

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Appendixes

Interview

Dear Sir/ madam,

Who are we?

We are students attached to the Department of Accounting, University of Sri Jayewardenepura, Sri Lanka.

Objective of the research

The objectives of the research is to identify “Factors that affects Business Process Outsourcing Decisions in a Sri Lankan Finance Company”.

With much respect, we invite you to participate to this interview carried out for this purpose. Your participation in this survey is completely voluntary and anonymous and confidentiality will be ensured. It is much appreciated if you allocate few minutes of your precious time to complete the questionnaire attached herewith.

Name of the organization

Name of the Interviewee

Designation

Department

Question Guide

General

(to answer Q1-Q4 please use the table A)

- 1 What are the areas has been outsourced by your organization?
- 2 From which date onwards above functions has been outsourced?
- 3 Which companies provide these services? (ask about Softlogic BPO as well and confirm whether they have shared services)

1.1	<u>Main (please Specify)</u>	Outsource d or Not?	Start date	Service provider
1.2	<u>Supportive</u>			
	• HR Management			
	• Operations			
	• Marketing			
	• IT Support			
	• Collections & Legal Recoveries			
	• Finance			
	• Treasury Management			
	• Compliance Management			
	• Facilities Management			
	• Operational Risk			
	• Internal Audit			
	• Credit & Credit Risk			
	• Legal			
	Others (please specify)	<input type="checkbox"/>		
		<input type="checkbox"/>		
		<input type="checkbox"/>		

BPO decision

- 4 Who involved in taking BPO decision making and describe the procedure?
 - * Main
 - * Supportive
- 5 What were you expecting to gain by outsourcing business activities?
- 6 What causes that you can not internally perform these areas? (ask each specific reasons for all outsourced areas?)
- 7 How you identified that you are unable to perform above activities internally?
- 8 Did you performed analysis (internally vs 3rd party analysis?) prior to outsource? If so what are the areas you have considered for that analysis? (how did your performance in the process compare with that of your competitors/suppliers? Why?)
- 9 To what extent did resource constraints within your organization impact upon BPO choice for the process? (for example, reductions in capital expenditure prevented you from improving this process internally)
- 10 To what extent did pressures for labour cost savings in the process influence BPO choice?
- 11 Assess the difficulties of predicting current and future demand levels associated with the process. Why?
(As example employee preference)
- 12 To what extent did managing the process in the chosen service providers rely upon collaborative mechanisms such as joint problem solving, trust, information sharing and frequent communication? (How you deal with service provider)

selecting service Providers

- 13 Why you selected above mentioned service providers? (Gap between your company and service provider?)
- 14 What are the capabilities that above service providers have when compared to your org.?

Evaluating results of BPO

- 15 Do you satisfied with the service you received so far through BPO?
- 16 Do you evaluate results of BPO? If yes who evaluates and how you evaluate the results?
Please specify if you have assessment policies, criteria please mention. How often?
- 17 Whether customers are satisfied with the service given through BPO?
- 18 To what extent was it possible to establish clear performance measurement for the process, for example, in terms of quantity, quality, and timeliness of service? Why? (eg:- six sigma tools)

If not outsource?

- 19 To what extent is it necessary to acquire highly specific knowledge of the operating procedures of the process and your organization? Why?
- 20 To what extent was it possible to establish clear written rules and procedures to undertake the process internally? Why?

BPO history of the company

- 21 Do you have any experience of failure in BPO decision in your organization? In the event of failure, to what extent would there have been considerable costs incurred in switching back to resourcing (Outsource back to another service provider) or bringing the process back in-house?

Future Aspects

- 22 Do you have any identified areas to be outsourced in future?
- 23 If yes what drives your org. for such decisions?