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**Business functions outsourcing - Advantages and disadvantages for Barclays bank**

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# Introduction

The concept of outsourcing is not a new one in the business world. This concept has been around for about two decades now and has been adopted by a number of institutions. The primary motive of undertaking outsourcing of business functions is to minimize the expenditure and operating costs of the organization (Bank, 2012). In order to stay ahead of their peers in this world of cut-throat competition, organizations outsource their nonessential functions to the outsourcing agencies. This allows them to focus on the activities that are actually important for the growth of the organization and are necessary to take it forward. Technology has brought us closer than ever and has enabled easy communication and exchange of information (BT, 2003). It has also given a boost to outsourcing and is in fact the biggest contributing factor for the growing adoption of outsourcing. Banking as an industry has also evolved with changing times and has grown from its earlier personalized service to a very professional and mass service facility. Barclays is an organization that was originally British and provides financial and banking services now to more than 50 countries all over the world. Its services are classified into Personal and Corporate banking, Barclaycard, Investment banking and Barclays Africa. Presently Barclay has outsourced a number of their services and this has proved to be both advantageous and disadvantageous for them (Otieno, 2013). What began with simply the outsourcing of non-voice services of, their commercial and retail back offices have now expanded into technology related services, financial services, accounting, human resource management and to the even more complicated functions like fraud management, payment processing, underwriting, etc. This report is an attempt at understanding how outsourcing the operations has impacted Barclays financially and otherwise. We also intend to study the functions that are presently outsourced for Barclays and the advantages and drawbacks of the same. We plan to analyze the outsourcing set up generally and specifically with respect to Barclay’s and give recommendations to bring about changes for the improvement of the same.

# Objectives

The objectives of this study include:

* To study the concept of outsourcing and the reason for the organizations to outsource the operations
* To analyze the operations that are outsourced by Barclays bank and the reasons for the same
* To find out the advantages and disadvantages of outsourcing the operations for Barclays bank (Ali, 2012).
* To recommend ways to make outsourcing more effective.

# Scope of the research

This project will comprise of a thorough study of the concept of outsourcing in general and the outsourcing of operations done by Barclays specifically. Barclays bank and its history go back to more than 350 years. With its rich history stories and timeline, the bank has seen the transformation from entire manual operations to the technological advancements and the centralized in-house operations to the currently outsourced (Ayienda & Muturi, 2014). This project aims at studying how the outsourcing has impacted the work in the Barclays bank financially, by the quality of work and on various other parameters. This study will comprise of both qualitative and quantitative analysis of the difference that outsourcing of operations has brought about in Barclays bank and according to the findings, recommend them the ways to further improve the work structure and operations (Gachuhi, 2015).

# Literature review

Outsourcing has majorly influenced and transformed the way things work today. It has made the operations and work for all major organizations easier and more effective. The biggest benefits that the organizations have of outsourcing the operations are that they are able to get work at a much lower price that is more detailed and effective. This way the organization does not fritter away its resources on mundane and minor work practices and can focus on the operations that can actually help in further growth and development of the organization. Outsourcing has been gaining popularity over the last decade and more and more companies are opting for outsourcing as its benefits become evident. This paper aims at studying the concept of outsourcing along with its advantages and disadvantages taking the particular case of Barclays bank (KPMG, 2016).

The idea of outsourcing is that an organization contract’s a third party supplier for carrying out one or more processes. The process of outsourcing can be done for IT support, customer service support, payroll, bookkeeping, logistics, etc. Most of the organizations agree that the availability of skilled labor at a lower cost is the biggest reason for outsourcing the operations. When the activities that were earlier being performed by in-house employees of the company are contacted to some other organization, the process is defined as outsourcing. The most commonly outsourced processes of organizations are payroll, customer support and payroll (Deloitte, 2015). These operations are outsourced to the organizations that are specialists in these functions and provide these services at lower cost. It is an act of mutual benefit wherein both the organizations have a win-win situation. The organization outsourcing the operations saves on the cost and gets specialized services and can now focus on the more productive jobs and the company in which the work is outsourced have to specialize in just one function and they are thus able to deliver the services at a better rate and of a higher quality.

The studies have established that outsourcing the operations leads to a more focused and effective work and also saves the cost for the organization. The recent researches highlighted that the organizations on an average save 9% of the cost and 15% more work done by outsourcing the operations. This also results in keeping the head count of the organization on a check and saves the trouble of specialized recruitment for the organization. Outsourcing distributed the benefit and the risk involved in the process evenly among the two organizations involved. The advantages of outsourcing are therefore plenty (Schildbach, 2012). The organizations also outsource the mundane activities to help the employees and allows the organization to focus on their key proficiencies and to remove their unnecessary burden. It also helps the organization in getting skilled workforce that is specialized and pre-trained at a cost much lower than training and employing the in-house employees. The political decision of the organizations also leads to outsourcing of operations (Hiranaka, 2016). The reasons could range from prevention from the division of departments, strategic partnership, competitor analysis etc.

Although there are numerous advantages of outsourcing the operations of the organization, there are a few disadvantages that the organizations also have to keep in mind while they appoint an organization to perform the operations for them. The biggest disadvantage of outsourcing is quality management. It becomes very difficult to continuously monitor the quality of work for the organization. Outsourcing also reduces the trust of the customers and clients and sometimes lead to loss of business. There is extensive paperwork and formalities that are involved with outsourcing and this sometimes makes the process lengthy and complicated. Inefficiency and erratic work quality and quantity is also an outcome of outsourcing. Thus, it is important that the organization thinks this through before choosing to outsource the operations and does so keeping all the pros and cons in mind (Abramovsky, Griffith, & Sako, 2004).

# Research hypothesis

The primary motive of this study is to establish the advantages and disadvantages of outsourcing the business operations for an organization. Here outsourcing is being taken as the independent variable for the research and profitability, sales and customer satisfaction are the three performance variables taken on which the impact of outsourcing is to be analyzed. Therefore the hypotheses for this study will be:

H0: There is no significant effect of outsourcing on the profitability of Barclays bank.

H0: There is no significant effect of outsourcing on the sales turnover of Barclays bank.

H0: There is no significant effect of outsourcing on the satisfaction level of customers of Barclays bank (Kremic, 2006).

# Research methodology

The research methodology provides the entire structure of the research. It tells us the path that was followed to conduct the research and the operational techniques that were undertaken to conduct the study. In this study, we have undertaken both qualitative and quantitative research design. We have collected and analyzed the qualitative data collected from the secondary sources like the various published and unpublished reports, articles, researches etc. and the primary data from the customers and employees of Barclays bank. For the quantitative research, we have collected the data using a structured questionnaire with both close ended and open ended questions that was self administered. It is a descriptive research as it is statistical and the characteristics, traits or phenomenon related to the participating population is being described in this study (Deloitte Team, 2014).

The primary data for the research was collected with the help of a structured questionnaire and direct or telephonic interviews with the employees and customers of Barclays bank. The secondary data was collected from sources like the various published and unpublished reports, articles, researches etc.

# Limitations and implications for future research

As detailed as this study is, there are certain limitations that might have crept in while the compilation of this report. This study has been performed for academic purposes only and is thus was conducted within the limited time period, schedule and resources available at our disposal. The employees and the customers are hesitant and unwilling to share the confidential data and information and were sometimes reluctant to participate in the study (Kavcic, 2014). The research questionnaires have been submitted through the managers and the employees might have given biased replies and this might have impacted the results of the survey. This study and its implications and recommendations are limited to Barclays bank only and cannot be generalized and applied to any other bank, financial institution or organization. Future research is suggested to study how these findings can be replicated and analyzed for other organizations and industries. We hope that this study will stimulate further research in this subject and the subject of outsourcing will be further explored (Lee, Huynh, & Chi-wai, 2000).

# Research plan

It is very important for the successful completion of a report that a timed schedule is prepared and followed. The table below gives the time horizon for the preparation of this research report and for all the activities involved with the compilation of the research (Thyssen, 2011).

# Conclusion

Outsourcing is an effective practice to save costs and get specialized service for tasks like customer support, payroll, logistics, bookkeeping, etc. this report is an attempt at gaining a better understanding of outsourcing and analyzing its advantages and disadvantages. We have tried to understand the implications of outsourcing the business functions and understanding the impact it lays on the sales turnover, profitability and customer satisfaction of Barclays bank. We aim to fill the gap that we found in the literature study of the outsourcing process of Barclays bank. Barclays bank uses outsourcing extensively and we have attempted to gauge how beneficial or ineffectual this practice is for them. This report also aims to study the gaps in their current outsourcing practices and recommend ways to improve the process further. This research report will provide a guideline to anyone performing research on similar topics for any other organization. It covers all the major factors related to outsourcing of business operations by Barclays.

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# Appendix

**Gantt chart**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Activity | Months | | | | | | |
| **April** | **May** | **June** | **July** | **August** | **September** | **October** |
| **Finalizing the research topic** |  |  |  |  |  |  |  |
| **Collecting data from the secondary sources** |  |  |  |  |  |  |  |
| **Designing the layout of the research** |  |  |  |  |  |  |  |
| **Literature review study** |  |  |  |  |  |  |  |
| **Research plan formation** |  |  |  |  |  |  |  |
| **Selection of research methodologies** |  |  |  |  |  |  |  |
| **Data collection from the secondary resources** |  |  |  |  |  |  |  |
| **Analysis of data** |  |  |  |  |  |  |  |
| **Interpretation of the collected data** |  |  |  |  |  |  |  |
| **Concluding the research Study** |  |  |  |  |  |  |  |
| **Designing a draft** |  |  |  |  |  |  |  |
| **Submitting the Final Research Work** |  |  |  |  |  |  |  |