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Marketing Outsourcing and Performance of Commercial Banks in Kenya

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Abstract

Marketing of banking product offerings is an emerging phenomenon that has potential effect on performance of commercial banks especially in the prevailing situation where globally, the banking sector is struggling to bounce bank to positive performance since the 2007-2008 global financial crunch. In Kenya, commercial banks are facing performance challenges as evidenced by recent assumption of cost rationalization measures such as staff lay-offs and closure of redundant branches; acquisition, liquidation and statutory management of some due to liquidity problems. Despite appropriation of different strategies to mitigate the performance challenges, commercial banks continue to struggle to have sustainable performance. This study sought to establish the effect of marketing outsourcing (MO) on performance of commercial banks in Kenya. The study employed cross-sectional explanatory and descriptive research designs. The target population was thirty two commercial banks. Primary data were collected using self-administered questionnaires. Descriptive statistics were computed to describe the characteristics of the study variables while linear regression analysis was used to establish the nature and magnitude of the relationship between the independent and dependent variables. Statistical tests were subjected to 95 per cent level of significance ($p=\leq 0.05$). The study established that outsourcing marketing processes had a statistically significant positive effect on performance of commercial banks in Kenya ($\beta=0.122$; $p=0.000$). Owing to the findings, the study recommends that commercial banks should develop policies that embed marketing outsourcing

strategy in their operations with greater focus on corporate branding which was found to contribute greatly to their performance.
Keywords: *Marketing Outsourcing, Bank Performance and Commercial Banks*

Introduction

Outsourcing marketing has become ubiquitous in many corporate organizations and commercial banks are no exception. The adoption of this strategy by commercial banks is largely motivated by numerous performance goals which include but not limited to achieving effectiveness and efficiency, flexibility to respond to the changing demands of a dynamic consumer base, speed, and customer satisfaction as well as improving an organization's bottom-line (Shimamoto & Redden, 2009; Park, Lee & Morgan, 2011).

Globally, commercial banks are facing performance sustainability challenges. European Union (EU) banks' profitability remains far lower than in the pre-crisis period (2007-2008) with returns on equity (ROE) falling to 5.4% in 2016 from 5.7% in 2015 and non-performing loans (NPLs) rising from 2% of total loans in 2006 to a peak of 8% in the Euro area in 2016; net profits in the top three Japanese banks decreased by 8.2% in 2016 (Bank of China International Institute of Finance, 2017; Ernest & Young, 2017; KPMG, 2017). Regionally, African commercial banks have continued to register rising levels of NPLs, declining returns on assets (ROA) and returns on equity (ROE) over the past several years (IMF, 2016; BOC IIF, 2017).

In Kenya, commercial banking sector's asset quality (proportion of NPLs to gross loans) deteriorated from 5.6% in 2014 to 9.2% in 2016; annualised net interest margins (NIM) fell to 7.1% in 2017 from 8.9% in 2016. Tier 1 (large) commercial banks interest income declined by 9.7%, Tier 2 (medium) declined by 18% and Tier 3 (small) also declined by 18%. In 2017, listed commercial banks in the Nairobi Securities Exchange recorded a 13.8% decline in core earnings per share (EPS) compared to a growth of 15.5% in 2016. Local public commercial banks contribution to the sector's total assets declined to 3.9% in 2016 from 4.5% in 2015 with that of foreign-owned commercial banks remaining unchanged from 2015 at 30.9% (Central Bank of Kenya, 2017; AIB Capital Ltd, 2017; Cytonn Investment Ltd., 2017).

The Concept of Marketing Outsourcing

Marketing outsourcing describe the strategic decision taken by organizations to transfer part of their marketing processes to external vendors with the requisite marketing infrastructure, resources and capabilities in a bid to satisfy customer needs and wants most cost-effectively. Service-based literature places a strong emphasis on the importance of service quality perceptions and the relationship between service quality and customer satisfaction (Taylor & Baker, 1994). To ensure customer satisfaction, commercial banks need improved customer knowledge, obtained through market research, to develop products and deliver services targeted at specific market segments which result in more directed marketing, sales and service tactics (Datamonitor, 2004). Such market intelligence can be obtained either through in-house market- and marketing research or through the use of the services of experienced marketing vendors. Review of literature shows that commercial banks outsource marketing processes such as corporate branding, promotion, public relations, marketing research, and customer service (Taylor & Baker, 1994; Alexander, 2012).

However, despite the attendant benefits of outsourcing marketing processes, MO is associated with some negative effects which include but not limited to extra costs attributable to vendor selection costs and legal contract costs (Barthélemy & Geyer, 2005). Researchers also point out that MO can result to loss of management control, loss of intelligent assets, loss of in-house marketing capability, loss of marketing innovative ability, loss of key marketing employees, theft of crucial customer data from banks or sharing of confidential customer information in case of unethical behavior on the part of the vendor, which can adversely affect the credibility of the bank, and loss of the learning curve effect, among others (Park, Lee & Morgan, 2011; Klien, 1999; Quinn & Hilmer, 1994). Owing to this ambivalence, this paper sought to establish the effect of marketing outsourcing on the performance of commercial banks in Kenya by testing the following null hypothesis:
H_0: Marketing outsourcing has no effect on performance of commercial banks in Kenya.

Organizational Performance
The overarching objective of any organization that is a going-concern is sustainable organizational performance. To achieve this desired objective, organizations invest huge amount of resources in marketing their offerings in a bid to create awareness as well as educate the potential customers on their value proposition. Organizations can use either in-house marketers or outsource select marketing processes to competent marketing vendors in order to leverage on their expertise and experience. However, measuring organization performance is challenging owing to the fact that it is a complex multi-dimensional construct (Kaplan & Norton, 1996) and more so compounded by the absence of agreement on its measurement indicators among strategic management researchers and scholars (Santos & Brito, 2012). Most researchers tend to use financial metrics to measure corporate performance (Combs, Crook & Shook, 2005). However, financial measures only give historical data on organisational performance which may not accurately reflect the future performance of the organisation.

Zuriekat, Salameh and Alrawashdeh (2011) opine that performance can be measured using financial and non-financial indicators; a proposition supported by Kaplan and Norton (1996) in their balanced scorecard model; and Waiganjo, Mukulu and Kahiri (2012) who also argue for wider performance constructs that incorporate aspects of non-financial measures such as effectiveness, efficiency, quality, and company image in addition to financial measures such as profits. From the foregoing arguments, this research adopted the use of the two measures in an attempt to establish the effect of marketing outsourcing on performance of commercial banks in Kenya.

Statement of the Problem
Despite the efforts being made by commercial banks globally to regain their performance posture since the onset of the 2007-2008 financial crunch, many continue to struggle to attain sustainable performance. In Kenya, the sector's asset quality deteriorated from 5.6% in 2014 to 9.2% in 2016 while annualised net interest margins (NIM) fell to 7.1% in 2017 from 8.9% in 2016. In 2017, Tier1 (large) commercial banks' interest income declined by 9.7%, Tier 2 (medium) declined by 18% and Tier 3 (small) also declined by 18%. In 2017, listed commercial banks in the Nairobi Securities

Exchange recorded a 13.8% decline in core earnings per share (EPS) compared to a growth of 15.5% in 2016. Local public commercial banks contribution to the sector's total assets declined to 3.9% in 2016 from 4.5% in 2015 with that of foreign-owned commercial banks remaining unchanged from 2015 at 30.9%. Moreover, rising operational costs have led to staff lay-offs and closure of redundant branches while some commercial banks have been put under receivership, acquisitions or liquidation due to liquidity problems.

Commercial banks in different countries globally have appropriated marketing outsourcing strategy in a bid to manage costs, take advantage of the rich pool of specialised vendors' skills and experience and also to enable them focus on their core business (Park, Lee & Morgan, 2011; Datamonitor, 2004; Kliem, 1999; Quinn & Hilmer, 1994). However, most of these banks are found in developed countries like the the US, UK, and emerging economies like China, India, Malaysia and the Philippines, among others (Yang & Huang, 2010; Kumar, 2005). Literature review showed almost non-existent studies that have focused on outsourcing marketing in the banking sector in Africa and more specifically Kenya. This finding formed the basis of this research; to establish the effect of marketing outsourcing on performance of commercial banks in Kenya; which is a developing country in Africa.

Literature Review

Theoretical Literature Review

Marketing outsourcing is supported by a number of theories such as the Core Competence Theory, Resource Based View (RBV) and the Dynamic Capabilities Theory. The Core Competence theory; developed by Prahalad and Hamel (1990), view core competences as capabilities that are central to a firm's value generating activities; assets and skills that are knowledge-based, distinctive, firm-specific and difficult to imitate as they can be formed by using the tangible and intangible value generating resources of the firm. Through outsourcing of selected marketing processes, the management teams and workers of organisations are able to concentrate on their core competencies and hand over non-core functions to outside specialist vendors. By focusing on their core competencies, organisations generate competitive advantage since they perform functions that they are best at (Ljungquist, 2007). Core competence theory suggests that activities should be performed either in-house or by suppliers. Prahalad and Hamel (1990) opine that activities which are not core business of an organisation or/and institution should be considered for outsourcing with best-in-the-world suppliers.

The Resource Based View considers the resources and capabilities of the firm as the source of sustainable competitive advantage which is gained through resources that are valuable, rare, imperfectly imitable, and without strategically equivalent substitutes (Gilley, McGee & Rasheed, 2004; Mata, Fuerst & Barney, 1995; Barney, 1991). Moreover, RBV is concerned with the connection between internal resources, strategy and the performance of the organisation (Kiiru, 2015). It focuses on the promotion of sustainable competitive advantage through owning or acquiring strategic resources (human, physical, technological and organisational) and dynamic capabilities. Sustainable performance of an organisation is therefore dependent on its access to strategic resources. Where an organisation lacks key strategic resources, it can acquire them through outsourcing concerned processes to specialist vendors (Ljungquist, 2007).

The Dynamic Capabilities Theory postulates that sustainable performance of organisations is based on their ability to respond effectively and efficiently to the highly dynamic and hypercompetitive business environment (Teece & Pisano, 1990, 1994). Teece, Pisano and Shuen (1997) argue that dynamic capabilities are efficient in overcoming the limitations of the RBV by integrating, building, and reconfiguring internal and external competences to address rapidly changing business environments. Researchers have established that improved changes in the abilities of an organisation to cope with the ever changing business environment may reflect positive effects on its performance (Judge, Naoumova & Douglas, 2009). Consequently, commercial banks are resorting to business process outsourcing strategy to give them the necessary flexibility in areas like marketing, among others.

Owing to the postulations of the foregoing theories, outsourcing select marketing processes is certainly a viable option for any organisation looking to save costs associated with marketing functions. Marketing outsourcing enables management teams to better leverage resources, contain costs, and focus on strategic and value-adding activities. Moreover, close collaboration with specialist marketing vendors reduces the risk of falling behind competitors as the competition landscape changes. The resultant effect for the company that has outsourced marketing processes are benefits from the marketing vendor’s specialised expertise, capabilities and resources, thus improving its bottom-line (Glassman, 2000).

Empirical Literature Review: Marketing Processes Outsourcing and Performance

Results of an empirical study by Chumba, Chepkwony and Tum (2015) on the effect of outsourcing marketing services on performance of manufacturing companies gave a Pearson’s Correlation Coefficient value of 0.581of outsourced marketing activities which was significant at $\alpha = 0.01$. These results showed that outsourced marketing activities accounted for 58.1% of the change in performance thus affirming that outsourced marketing activities have a positive effect on firm performance.

Alexander (2012) examined outsourcing marketing functions in Cluj-Napoca. From a practical point of view, the study’s aim was to highlight the way the public relations (PR) services were perceived and used by the economic operators in the city of Cluj-Napoca and their perceptions regarding the outsourcing of PR services. The study was based on mixed research methods in which data were collected and analysed by using quantitative and qualitative tools. The study findings revealed that local operators were involved heavily in public relations activities such as communication with business partners, marketing and brand communication, and media communication. It established that companies still choose to outsource PR services with the main reason being lack of specialists at the expense of financial reasons. The study concluded that the process of outsourcing PR services is seen only as a possible solution for companies to improve their public relations activities and to obtain certain benefits and hence a positive relationship exists between outsourcing of public relations services and performance. The research findings notwithstanding, contextualisation of the study is important in order to compare the results from different study contexts.

Gannon's (2010) study focused on outsourcing of marketing functions for Small and Medium Enterprises (SMEs). The study's objectives included examining the tools that companies use when making a decision to outsource key areas of their business; the motivating factors to outsource and the implications for companies who outsource marketing functions. The research was a case study and relied on qualitative approach using interview schedules. The study established that the effect of strategic evaluation on an outsourcing operation was found to be indirect rather than direct and concluded that outsourcing of marketing services for SMEs and Medium Enterprises did not have a positive direct effect on their performance. The study was conducted in a different sector. Therefore it would be interesting to examine how results from a different sector such as banking would compare with results from the SME sector and hence the basis of investigating this variable in the Kenyan context and in the commercial banking sector.

Burden & Li (2005) have also observed that marketing outsourcing has evolved into a viable business solution for any organisation serious about improving its market position, reducing costs, and improving overall quality. This is because it allows such organisations to gain new knowledge, access new markets, establish traction in the industry, reduce the threats and barriers of competition, enhance resource efficiency, and acquire new skills. Outsourcing can also free up valuable resources that, in turn, allow for crucial resource reallocation toward core business activities to better serve organisational goals while providing greater access to leading-edge technology and limiting the focus to core competencies. This strategic management process is informed by the core competencies theory which suggests that certain business activities should be performed either internally or by suppliers (Prahalad & Hamel, 1990).

From the review of empirical literature, it was difficult to find studies that singularly focused on marketing outsourcing in the banking industry, and more specifically in the commercial banking sector, both in the developed and the developing countries. Most studies that touched on marketing in the outsourcing context only focused on it as sub-variable/indicator of outsourcing in organizations. The absence of compelling studies on the effect of marketing outsourcing on performance in the commercial banking sector provided a gap that this research sought to bridge.

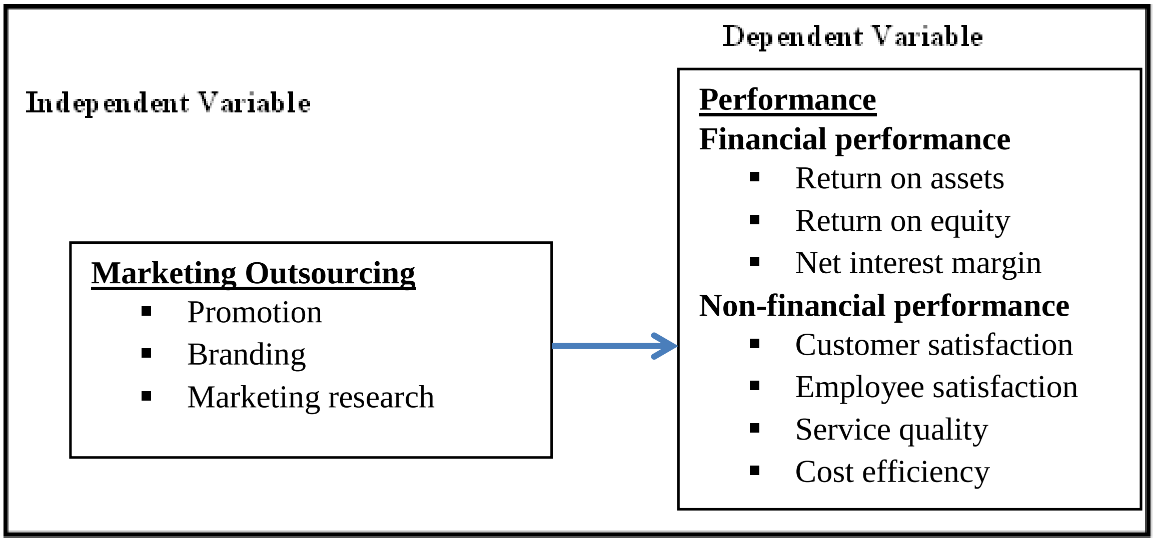

Figure 1: Conceptual Framework

Research Methodology

Saunders, Lewis and Thornhill (2009) argue that no single research design exists in isolation and that a combination of different designs in one study enables triangulation and increase the validity of the findings. Consequently, this study used a combination of cross-sectional explanatory and descriptive research designs. Explanatory research design is employed when a hypothesis as to why something is happening already exists (Mugenda & Mugenda, 2003). Moreover, explanatory research establishes causal relationships between or among variables (Saunders, 2009; 2014). In this study, the researcher sought to establish the causal relationship between marketing outsourcing and performance of commercial banks in Kenya. Descriptive research design on the other hand enables the researcher to capture a population's attributes and test hypotheses, and describe the current relationship of the variables under study in their context without manipulating them (Cooper & Schindler, 2003).

In statistical analysis, different models can be used to analyse quantitative data depending on the nature of variables. In this study, regression analysis was used since the dependent variable (performance) was continuous (Field, 2009). The regression coefficient of determination (R^2) was used to determine the significant factors at 95 per cent confidence level ($p < 0.05$). To determine the strength of the relationship between marketing outsourcing and performance of commercial banks, linear regression equation for predicting $\boldsymbol{P_i}$ (performance of commercial banks) was expressed as follows:

$$P_i = \beta_0 + \beta_1 MO + \epsilon_i$$

Where;

P_i = Performance of commercial banks in Kenya
β_0 = Constant (Y- intercept)
β_1 = Beta coefficient
MO = Marketing Outsourcing
ε_i= error term

The coefficient path β_1 and ε measured the effect of MO on P_i. The significance of the beta values (β) was used to test the hypothesis.

Target Population

The target population for this study was thirty two (32) commercial banks at their headquarters in Nairobi Capital City following qualifying criteria that required banks to be engaged in marketing outsourcing and should not be either under statutory management or receivership for them to be included in the final study. A pilot study led to the exclusion of 11 from the 43 commercial banks in Kenya; one had been liquidated, three were under statutory management while seven failed to participate in the pilot study to help determine whether they were engaged in marketing outsourcing or not. Respondents were purposely selected from four departments: Marketing, Information Technology, Human Resource Management and Operations, thus constituting a total respondent base of 128. Kothari (2004) and Mugenda & Mugenda (2003) observe that when the universe/population is small, it is of no use resorting to sampling, hence a survey of all the 128 managers. Table 1 gives detailed information on the target population.

Table 1: Summary of the Distribution of Target Population

Category	**Frequency**	**Number of Departments**	**Number of Respondents**	**Percentage**
Large	7	4	28	21.9
Medium	12	4	48	37.5
Small	13	4	52	40.6
Total	**32**		**128**	**100**

Source: Researcher (2018)

Data Collection Instruments, Validity and Reliability

The study used both primary and secondary data collection tools. Primary data were obtained from the respective banks using questionnaires that contained closed-ended items to enable collection of quantitative data. Secondary data were obtained from banks' annual reports, Central Bank of Kenya annual reports and from the Nairobi Securities Exchange.

The study ensured that instruments of data collection accurately measured the constructs of study variables by carrying out a pilot study. Field (2009) and Huang, Lee, Kim & Judge (2013) contend that pilot testing is necessary for establishing whether data collection instruments possess face and content validity. Mugenda and Mugenda (2003) argue that content validity can be reinforced by seeking opinions of experts or professionals. Content and construct validities were also ascertained by ensuring that the study objective was backed up by theoretical frameworks.

Internal consistency (reliability) of the instrument items was ensured by use of Cronbach Alpha Coefficient (Gay & Airasian, 2000). Cronbach Alpha coefficients range from zero to one and a good measure of reliability is considered to be where the alpha coefficient of predictor variables ranges from 0.7 and above (Ehlers, 2000). In this research, marketing outsourcing had a Cronbach Alpha Coefficient of 0.96 which was quite reliable.

Data Analysis

Quantitative data were analysed using descriptive statistics such as frequencies, means, percentages and standard deviations; and inferential statistics such as linear regression and correlation analysis in Stata version 12.1 Software (statistical package). The coefficient of determination was used to measure the amount of variation in the dependent variable (bank performance) explained by the independent variable. To make reliable inferences from the data, all the statistical tests were subjected to tests of significance at alpha level of $\alpha=0.05$.

Research Findings and Discussion

Analysis of the Response Rate

The researcher sought to establish the response rate of the study and Table 2 shows the results.

Table 2: Response Rate

Response Rate	Frequency	Per cent
Filled and returned	76	59.4
Non-returned	52	40.6
Total	**128**	**100**

Source: Survey Data (2017)

The researcher distributed 128 questionnaires out of which 76 were filled and returned by the respondents representing an overall successful response rate of 59.4 per cent. Fifty two (52) questionnaires (40.6 per cent) were never returned. With regard to the suitability of the above response rate in making generalisations and inferences, Wimmer and Dominick (2006) observe that a response rate of 21–70 per cent is acceptable for self-administered questionnaires as it guarantees accuracy and minimises bias while Rogelberg and Stanton (2007) posit that cross-sectional studies of survey design conducted at the individual level are expected to yield a response rate of 50 per cent. Therefore, the response rate of 59.4 per cent was deemed appropriate for achieving the objective of the study and making generalisations on the entire commercial banking sector.

Quantitative Data Analysis

Descriptive Statistics for Marketing Outsourcing

Marketing outsourcing was measured using three indicators namely; promotion, branding and marketing research. Respondents were asked to rate marketing outsourcing indicators on the Likert scale of 1 to 5, where 5 represents; "To a very great extent" and 1 "Not at all". Means and standard deviations were then computed for the variable as given in Table 3.

Table 3: Descriptive Statistics for Marketing Outsourcing

Marketing Outsourcing	N	Min	Max	Mean	Std. Dev.
Promotion					
The bank uses a marketing agency for its advertisements	76	1	5	3.8	1.346
External vendors are used by the bank for sales promotion	76	1	5	3.6	1.337
The Relationship Manager works in liaison with marketing agencies	76	1	5	3.7	1.167
There is a budget for engaging the services of marketing agencies	76	1	5	4.2	1.154
The bank benefits from the resources and experience of the promotion agency	76	1	5	4.0	1.161
Aggregate Score				**3.9**	**1.233**
Branding					
Specialist vendors are used in corporate branding	76	1	5	4.0	1.168
Specialist vendors are engaged in product branding	76	1	5	4.0	1.202
Strong branding by specialist companies improves product's visibility	76	1	5	4.2	0.995
Use of branding specialists improves customer impression on the bank as well as its products	76	1	5	4.0	1.060
Strong branding attracts more customers	76	1	5	4.4	0.936
Strong branding enhances customer loyalty	76	1	5	4.2	1.027
There is a budget for engaging the services of branding specialists	76	1	5	4.1	1.251
Aggregate Score				**4.1**	**1.091**
Marketing Research					
The bank uses specialist marketing vendors to conduct marketing research	76	1	5	3.8	1.181
The bank benefits from the resources of the specialist marketing agencies	76	1	5	3.9	1.182
Marketing research is time-consuming for in-house staff	76	1	5	3.6	1.132
Cost-efficiency is a major factor in engaging the services of specialist marketing agencies	76	1	5	4.2	1.023
Marketing agencies are more flexible in responding to the environmental changes	76	1	5	3.8	0.805
The experience of marketing agencies is quite beneficial to the bank in responding to emerging issues in banking	76	1	5	3.8	1.070
There is a budget for engaging the services of specialist marketing agencies	76	1	5	4	1.130
Aggregate				**3.9**	**1.075**
Average aggregated Score				**4.0**	**1.133**

Source: Survey Data (2017)

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Table 3 shows that the overall aggregated mean score for marketing processes outsourcing was 4.0 on the five-point Likert scale with a standard deviation of 1.133. This result shows that respondents were in concurrence that outsourcing marketing processes affects performance of commercial banks. Among the studied outsourced marketing processes, branding was the most outsourced with an aggregate mean score of 4.1 and a standard deviation of 1.091. Respondents strongly agreed with the statements that; Strong branding by specialist marketing agencies improves product's visibility (Mean= 4.2; SD=0.995); improves customer impression on the bank as well as its products (Mean=4.0; SD=1.060); attracts more customers (Mean=4.4; SD=0.936); and enhances customer loyalty (Mean=4.2; SD=1.027). Respondents also supported the statements that outsourcing marketing leads to cost efficiency (Mean=4.2; 1.023); and access to resources and experience of marketing agencies (Mean=4.0; 1.161).

These findings support the findings of Chumba, Chepkwony and Tum (2015) whose study on the effect of outsourcing marketing services on performance of manufacturing companies established a positive and significant effect on firm performance. These findings are also corroborated by the observations of Burden and Li (2005) that marketing outsourcing improves an organisation's performance by improving its market positioning, reducing costs, and improving overall quality.

Descriptive Statistics for Bank Performance

This domain comprised of non-financial performance and financial performance. However, both domains were Likert type with five points which easily allowed for comparability.

Non-financial Performance

This performance measure had four domains: customer satisfaction, employee satisfaction, service quality, and cost efficiency. Respondents were required to indicate the extent to which they agreed or disagreed with the statements regarding the influence of marketing outsourcing on non-financial performance of commercial banks; where 5 represented "Strongly agree" while 1 represented "Strongly disagree". The descriptive statistics for each of these items are reported in Table 4.

Table 4: Descriptive Statistics: Non-financial Performance

Non-financial Performance	N	Min	Max	Mean	Std. Dev.
Customer Satisfaction					
Faster resolution of customer issues	76	1	5	3.9	0.925
Enhances customer loyalty/retention	76	2	5	3.9	0.896
High conversion rate of potential customers	76	2	5	3.9	0.975
Increased sales volumes	76	1	5	4.0	1.013
Increased market share	76	2	5	4.1	0.928
More referrals from existing customers	76	2	5	4.1	0.950
Aggregate Score				**4.0**	**0.947**
Employee Satisfaction					
Efficiency in performance of duties	76	2	5	4.0	1.052
Heightened level of innovativeness and creativity	76	2	5	4.0	0.923
Effectiveness in achieving individual as well as organisational objectives/goals	76	2	5	3.9	0.903
Low staff turn-over rates	76	1	5	3.9	0.997
Consumption of bank's products and services by employees	76	1	5	3.6	1.172
Aggregate Score				**3.9**	**1.009**
Service Quality					
Reliability (dependability and accuracy) of service provision	76	1	5	4.1	1.037
Quality assurance through competence, credibility and courtesy of staff	76	1	5	4.1	0.991
Provision of requisite physical facilities	76	1	5	3.8	1.004
Responsiveness to customer needs	76	2	5	4.0	1.102
Security of data and products	76	2	5	3.8	1.060
Aggregate Score				**4.0**	**1.039**
Cost Efficiency					
Reduction in operational costs	76	1	5	3.4	1.298
Elimination of costs associated with installation of infrastructure such as security equipment	76	1	5	3.5	1.397
Allows management and staff to concentrate on their core business	76	1	5	4.4	0.913
Time saving thus allowing internal staff to focus on their primary responsibilities	76	1	5	4.2	0.863
Aggregate Score				**3.9**	**1.118**
Overall aggregate Score				**3.95**	**1.028**

Source: Survey Data (2017)

Results of Table 4 show that the aggregate mean score for non-financial performance was 3.95 with a standard deviation of 1.028. This implies that the respondents were in agreement that marketing outsourcing influences the soft performance of commercial banks. From the descriptive statistics, it is apparent that customer satisfaction (Mean=4.0; SD=0.947) and service quality (Mean=4.0; SD=1.039) are the major benefits of marketing outsourcing in commercial banks. It is also evident from the descriptive statistics that marketing outsourcing in commercial banks improves the efficiency and effectiveness of the management by allowing them to concentrate on their core business (Mean=4.4; SD=0.913), contributes to increased market share (Mean=4.1; 0.928) arising from customer satisfaction; improves quality assurance (Mean=4.1; SD=0.991), and enhances effectiveness of employees in achieving individual as well as organisational goals (Mean=3.9; SD=0.903).

This finding supports the assertions of various proponents of business processes outsourcing, among which is marketing, who link it with numerous performance outcomes to organisations such as enabling them to shift focus to their core business and strategic issues thus handing off non-core processes to vendors (Hamel & Prahalad, 1994; Handfield, 2006; McIvor, 2008; Barako & Gatere, 2008; Ghikas, 2012; Awino & Mutua, 2014). Additionally, Yang, Kim, Nam and Min (2007); McIvor (2008); Lee & Kim (2010) observe that business processes outsourcing provides organisations with many benefits that include but not limited to: minimising workload of employees thus improving their productivity, attaining financial economies through cost management, access to new technologies and specialised expertise; achieve competitive advantage, productivity, flexibility, speed, and innovation in developing business applications.

Financial Performance

This section had three indicators: return on assets (ROA), return on equity (ROE) and net interest margin (NIM). Respondents were required to rate on the Likert scale of 1 to 5 the perceived financial performance of their banks relative to marketing outsourcing on the basis of the criteria below:

(i) Return on Assets

On a scale of 1-5, rate the performance of your bank on return on assets (ROA) for the indicated periods (2013-2015) (where: 1= Very unsatisfactory (ROA less than 1%); 2= Unsatisfactory (ROA 1.1 - 2.0%); 3= Average (ROA 2.1 - 3.0%); 4= Satisfactory (ROA 3.1 - 4.0%); 5= Very satisfactory (ROA above 4%).

(ii) Return on Equity

On a scale of 1-5, rate the performance of your bank on return on equity (ROE) for the indicated periods (2013-2015) (where: 1= Very unsatisfactory (ROE less than 10%); 2= Unsatisfactory (ROE 11 - 15%); 3= Average (ROE 16 - 20%); 4= Satisfactory (ROE 21 - 25%); 5= Very satisfactory (ROE above 25%).

(iii) Net Interest Margin

On a scale of 1-5, rate the performance of your bank on net interest margin (NIM) for the indicated periods (2013-2015) (where: 1= Very unsatisfactory (NIM less than 5%); 2= Unsatisfactory (NIM 5.1 -

7.0%); 3= Average (NIM 7.1 - 9.0%); 4= Satisfactory (NIM 9.1 - 11%); 5= Very satisfactory (NIM above 11%).

The descriptive statistics for each of the items are reported in Table 5.

Table 5: Descriptive Statistics: Financial Performance

Financial Performance	N	Min	Max	Mean	Std. Dev.
Return on Assets					
2016	76	1	5	3.6	1.073
2015	76	2	5	3.5	0.796
2014	76	2	5	3.5	0.812
2013	76	2	5	3.5	0.854
Aggregate Score				**3.5**	**0.884**
Return on Equity					
2016	76	1	5	3.6	1.100
2015	76	1	5	3.6	1.000
2014	76	1	5	3.6	0.889
2013	76	1	5	3.6	0.931
Aggregate Score				**3.6**	**0.98**
Net Interest Margin					
2016	76	1	5	3.3	1.231
2015	76	1	5	3.3	1.066
2014	76	2	5	3.6	0.988
2013	76	2	5	3.6	1.045
Aggregate Score				**3.5**	**1.083**
Overall Aggregate Score				**3.53**	**0.982**

Source: Survey Data (2017)

The overall aggregate mean score for financial performance was 3.53 with a standard deviation of 0.982. The mean score of 3.53 on the Likert scale indicates that the respondents attributed marketing outsourcing to financial performance of commercial banks in Kenya. From the three measures of financial performance used in the study, marketing outsourcing appeared to contribute slightly more to return on equity (Mean=3.6; SD=0.980) compared to return on assets (Mean=3.5; SD=0.884) and net interest margin (Mean=3.5; SD=1.083).

In conclusion, it can be deduced that following the balanced scorecard approach to the measurement of organisational performance, findings from both non-financial as well as financial measures show that marketing outsourcing is linked to performance of commercial banks in Kenya with greater effect being on non-financial performance. These findings support those of a study by Fritsch and Wullenweber (2005) which analysed 137 business process outsourcing ventures at 254 German banks and found that the outsourcer's financial performance in terms of profitability and cost efficiency was increased significantly compared to industry peers without business process outsourcing.

Inferential Statistics: Regression Analysis and Hypothesis Testing

The study tested the following hypothesis with regard to the research objective;

H_{01}: Marketing Outsourcing has no effect on performance of commercial banks in Kenya.

Table 6 Results of Hypothesis Testing

Dependent Variable=Bank Performance	Regression results		
	Coefficients	t-statistic	P-value
Marketing Outsourcing	0.122***	15.84	0.000
Constant	1.572***	46.48	0.000
Key	** significant at 5 per cent *** significant at 1 per cent		

$$P_i = \beta_0 + \beta_1 MO$$
$$P_i = 1.572 + 0.122$$

The results in Table 6 show that the coefficient of outsourcing marketing is 0.122 with a t statistic of 15.84 and a corresponding p-value of 0.000 as shown in Table 6. Since the p-value is less than 0.05, the calculated t is greater than the critical value at five per cent level of significance. Therefore, the null hypothesis is rejected implying that outsourcing marketing has statistically significant positive effect on performance of commercial banks in Kenya. The magnitude of the coefficient of outsourcing marketing processes is 0.122 implying that one unit change in the score of outsourcing marketing processes leads to 0.122 units change in the score of bank performance.

The positive relationship between marketing outsourcing and bank performance is supported by the findings of Chumba, Chepkwony, Tum (2015) and Alexander (2012) who established a significant relationship between outsourcing of marketing and performance. The finding also agrees with the observations of Burden and Li (2005) that marketing outsourcing affects organisational performance by improving its market position, reducing costs, and improving overall quality. They observe that marketing outsourcing allow organisations to gain new knowledge, access new markets, establish traction in the industry, reduce the threats and barriers of competition, enhance resource efficiency, and acquire new skills. Ibid (2005) also observe that outsourcing of marketing frees up resources for re-allocation toward core business activities to better serve organisational goals.

Conclusion and Recommendations

Regarding the effect of outsourcing marketing on performance of commercial banks in Kenya, the descriptive statistics showed that marketing outsourcing had an overall aggregate mean of 4.0 on the five-point Likert scale and a standard deviation of 1.133 meaning that respondents were of the view that it was positively linked to performance of commercial banks in Kenya. Results of the regression analyses revealed that marketing outsourcing had a beta value of 0.122 and a p-value of 0.000 implying that outsourcing of marketing had a statistically significant positive effect on performance of commercial banks in Kenya.

In view of the above findings, the study therefore recommends that commercial banks' top management should develop policies that support mainstreaming marketing outsourcing strategy especially in corporate branding which was deemed instrumental in attracting more customers, enhancing customer loyalty, and improving customer's impression on the bank generally as well as its products; aspects that translate into increased market share thus enhancing financial performance of commercial banks. To avoid the threats associated with marketing outsourcing, rigor should be put when selecting vendors by ensuring thorough vetting process. In addition, commercial banks, through the marketing department, should ensure proper and healthy management of the outsourcee-outsourcer relationship.

Contribution of the Study

The findings of this study make theoretical contribution to strategic management field by establishing positive linkage between marketing outsourcing and performance of commercial banks. In addition, the study validates the propositions of the core competence theory, resource based view and dynamic capabilities view with regard to the import of outsourcing in influencing organizational performance. Furthermore, investigation of the effect of marketing outsourcing on performance of commercial banks contributed to the extant literature broadly on the relationship between outsourcing and organizational performance and specifically on the nexus between marketing outsourcing and performance of commercial banks; a contribution that is lacking in previous studies. Contextualisation of the study showed business processes outsourcing, among which is marketing outsourcing, as a management strategy is gaining currency in developing countries like Kenya. This study also led to the development of a conceptual framework that can be adopted or adapted by other researchers in different contexts and industries.

Suggestions for further Research

Future research can follow the following research streams; Comparative study on marketing outsourcing in public and private commercial banks; since this study was cross-sectional in nature, a longitudinal study would be instrumental in tracking real-time effects of marketing outsourcing on performance over a period of time to determine its stability and sustainability as a strategic management tool in the long-run. Different conceptualization of marketing outsourcing can be adopted to establish its effect on organizational performance in the same or different industries.

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