

Factors Influencing Outsourcing Of Valuation Services By Financial Institutions In Lagos State

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Abstract

This paper examines the factors that influence outsourcing of valuation by Financial Institutions (FI) in Lagos State, this with a view to enhance valuation services delivery. Primary data used for the study were obtained from the questionnaires administered on 101 financial institutions found within the scope of well-structured financial institutions and accessed through their head offices. A total of 78 questionnaires were retrieved and found useable for this study. The data were analyzed with the aid of inferential statistics such as mean rating using 5 points Likert scale. The study showed that "Reduce Management burden", "Allow Management to concentrate on core business", and "Improve Accountability" are the top three related factors influencing outsourcing of Valuation services while "to improve quality of work", "to improve speed of work" and "to improve productivity" are the three least factors influencing valuation outsourcing and are even insignificant as the least three have mean rating less than 2.5. The study concluded that Estate Valuers are not known for quality work, in other word Estate Surveyors and Valuers are engaged by FI not really to improve quality of work, improve speed of work or to improve productivity but for FI to be able to concentrate on the core business. It is therefore essential for Estate Valuer to improve on their quality and speed of their work so as to enhance desired productivity for them to be able to compete favourably with their counterpart in the developed nations. The efficient service delivery will add value to financial institutions operations, better the lot of stakeholders and subsequently improve national economy.

Keywords: *Valuation, Outsourcing, Financial Institutions (FI), Lagos State.*

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I. Introduction

Organizations outsourced their non-core activities to external service providers for number of reasons; and with main objectives of enhancing efficiency, value creation, drive for achievement and increasing the fortune of their stakeholders. The crave for greater expertise has also propelled organization to retain in-house activities it has comparative advantages and outsourced others with less comparative advantages provided it is not confidential and are of acceptable risk (Alexander,1997)

Valuation does not form the core business of Financial Institutions, it is occasionally carried out by CRE manager engaged In-house by FI and mostly outsourced to Estate Surveyors and Valuers (Farncombe and Waller, 2005). Kimbler and Rutherford (1993); Bocain and Fortune (2010) assert valuation as the most frequently outsourced Real Estate (RE) functions by FI. This would therefore require a study to evaluate those factors that would influence outsourcing of Valuation by FI.

Outsourcing is one of the most researched areas in management studies all over the world. Evaluation of outsourced property valuation services in the Nigerian financial institutions fall within the purview of Corporate Real Estate Management and outsourcing practices. There is dearth of research on Corporate real estate outsourcing in the Nigerian financial institutions, the few that are recorded such as Bocain and Fortune (2010), Matsham and Heywood (2012), Lallo (2013), and most recent is Fayomi, Oladokun and Adewolu (2019) are studies on general real estate outsourcing by FI but with no direct focus on valuation services and factors influencing its outsourcing. Consequently, this study attempts to investigate factors influencing valuation outsourcing by FI in Lagos State. The rest of the paper has four sections. Section two reviewed literature on concept of outsourcing and outsourcing decisions, section three provides a methodology adopted for the study, while section four provides the results and discussion and section five is Conclusion and Recommendations.

II. The Concept Of Outsourcing

Outsourcing has been variously defined by researchers; with all definitions tending towards contracting out work to external service providers for organizations to be able to focus on its core business for its effectiveness

and efficiency; and for gaining and maintaining competitive advantages. Outsourcing is contracting out services previously carried out in-house to an external supplier or a third party with a view to increasing the organization efficiency and efficacy and enhancing competitive advantages in its area of operation (Sharpe, 1997; Steane and Walker,2000; Monezka et al, 2005; Sharma and Loh, 2009; Gewald and Dibbern,2009)

Outsourcing is currently most embraced business management concept worldwide (Shy and Stenbak,2003); wherein organization specialize or focus on what it can produce best and outsource what other can do better, faster, cheaper and qualitatively. This is made possible with the advent of economic globalization (Somjai, 2017) and its influence on the business environment has enable organization to search for service provider in the global market (Smadi, and Al-Jawazneh,2016). As a result, each party gain and maintain competitive advantage in its area. It is arguably the most potent manpower management (Tracy and Wierseman, 1995; Sharpe, 1997). Outsourcing is aimed at leveraging organization production to achieving economy of scale and reduce cost (Shy and Stenbak;2005).

Organizations are persistently engaging expertise services providers for it to focus on core activities (Pralhad and Hamel, 1990; Grant, 1995; Kakabadse and Kakabadse,2005). Outsourcing enables organization to focus on core competencies and achieve competitive advantage, in addition to skill and resources at its disposal enhances customer's satisfaction (Harland et al,2005; Cox et al,2011 and Lacity et al, 2017).The process usually involves two options: First, outsourcing all personnel of non-core service provider, second, it involves engagement of Corporate Real Estate (CRE) management in house to coordinate activities of external service providers (Lei and Hitt, 1995; Krunmm, 2001; Gibler and Black, 2004).

Outsourcing Decision

Organization decision to embark outsourcing is premised on the motivating factors of outsourcing which are centered around benefits derived from outsourcing as found in the literature (Sanusi and Akintola (2019). These benefits ranges from cost/financial and strategic factors namely: time, quality services innovation amongst others. Various benefits have been reported for outsourcing some of these services.

Cost advantage has been a dominant reason by earlier researchers (Kakumanu and Portanova, 2006; Kazmierczyk and Madrolak, 2014; Leavitt 2007; Johnson 2008). According to Quinn et al, (2000) and Roberts, (2001), outsourced service providers are able to deliver services at much lower price due to its specialization and economies of scale. Jiang and Qureshi (2006) posit that outsourcing tends to lower operating cost of an organization and subsequently help to gain and maintain competitive advantage through re-investment of the cost saved.

Despite the widely acclaimed cost saving benefit of outsourcing; some organization have opted for outsourcing outside the cost benefit reason, their reasons are to be able to focus on core competencies (Kremic et al,2006; Brown and Wilson 2005); and as a result of its greater flexibility (Johnson, 2008), improve speed or quality of services (Johnson 2008; Krizmer, 2000), access to outside talent, innovation and new technology, strategic alliances with outsourcing partners (Johnson,2008 and Leavitt,2007), flexibility, improved service quality, increased flexibility (Hayes et al 2000).

Others benefits are access to latest technology and focus on core competencies (Roberts, 2001, Baldwin et al, 2001), improved service quality, increased flexibility and increased focus on core competencies (Cox et al 2011), improved service quality, access to latest technology and increased focus on core competency (Smadi and Al-Jawazneh, 2016), increased speed, increased flexibility, and increased focus on core competencies (Lacity et al,2007) and quality improvement (Lacity et al,2009). Kakadbase and Kakadbase (2000) classifies these as strategic reasons for outsourcing. This study aims at analyse these reasons for outsourcing with a view to determining the most and least motives, discuss them and make appropriate recommendations.

III. Methodology

Survey reveals there are Two Hundred and Fifteen (215) financial institutions (FI directory, 2022), but this study is focused on Commercial Banks; Mortgage Banks, Merchant Banks, Microfinance Banks and Special Purpose and Development Banks in the financial industry, this is as a result of their large size of portfolio to grant loans. Their entire population of 101 is observed and questionnaires are administered on them at their head office level; out of which 78 was retrieved and used for this study. Data requirements for this study are benefits of outsourcing as elucidate in the literature and was analyzed using descriptive statistics tools: mean, relative importance index, standard deviation and percentages.

IV. Data Analysis And Discussion

Factors influencing Outsourcing of Valuation to Estate surveyors and Valuers are outsourcing decision factors aided by the benefits of outsourcing such task. Reasons for outsourcing discussed in the literature under Outsourcing decisions are as contained in the table 1 and coded INFLU 1 to 14 where:

INFLU1 = Access to expertise

- INFLU2 = Improve quality of work
- INFLU3 = Improve speed of work
- INFLU4 = Improved productivity
- INFLU5 = Improved Accountability
- INFLU6 = Latest Technology for least capital outlay
- INFLU7 = No operation headache
- INFLU8 = Improve Management control
- INFLU9 = Overcome skill shortage
- INFLU10 = Reduce space of operation
- INFLU11 = Reduce cost/ economy of scale
- INFLU12 = Assist FI to obtain competitive advantages in market place
- INFLU13 = Allow management to concentrate on core business
- INFLU14 = Reduce Management burden

Table 1: Factors influencing (INFLU) Outsourcing of Valuation to Estate Surveyors and Valuers .

Descriptive statistics
Likert Scale Ratings and Summary Statistics for Items in INFLU

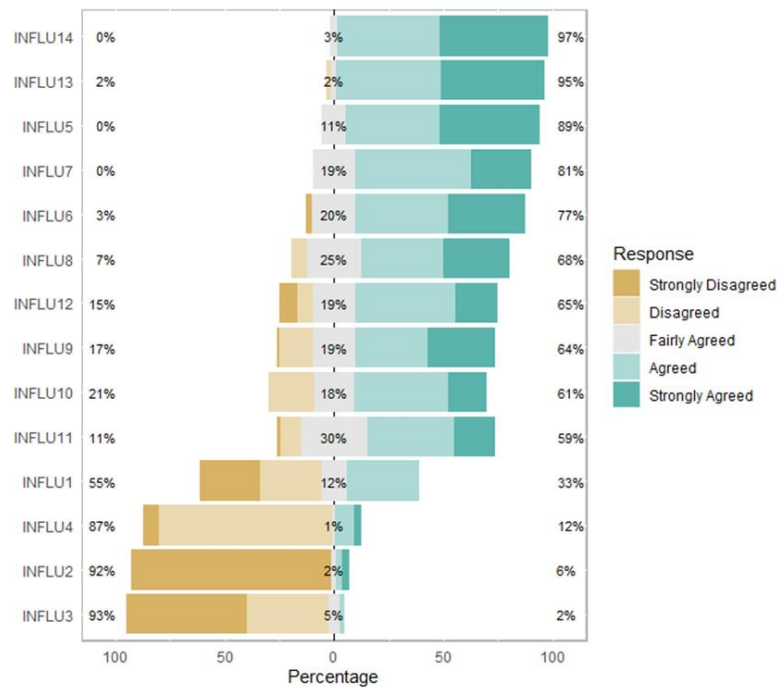
	Item	low	neutral	high	mean	sd
14	INFLU14	0.000	3.488	96.512	4.465	0.568
13	INFLU13	2.326	2.326	95.349	4.407	0.658
5	INFLU5	0.000	11.111	88.889	4.347	0.675
7	INFLU7	0.000	19.444	80.556	4.083	0.687
6	INFLU6	2.817	19.718	77.465	4.070	0.900
8	INFLU8	6.944	25.000	68.056	3.917	0.915
12	INFLU12	15.278	19.444	65.278	3.611	1.133
9	INFLU9	16.667	19.444	63.889	3.764	1.094
10	INFLU10	20.833	18.056	61.111	3.583	1.017
11	INFLU11	10.959	30.137	58.904	3.658	0.946
1	INFLU1	55.294	11.765	32.941	2.506	1.211
4	INFLU4	86.905	1.190	11.905	2.214	0.837
2	INFLU2	91.667	2.381	5.952	1.262	0.907
3	INFLU3	92.941	4.706	2.353	1.541	0.700

The statistics contains in Table 1 are 14 critical factors influencing outsourcing decision. The 14 critical factors that influence outsourcing decision are presented in Table 1. The variables INFU 1- INFFLU 14 with its meaning are provided above. The responses were analysed using descriptive statistics and principal component analyses. Respondents were asked to rate the factors using a scale of 5- strongly agreed, 4- agreed, 3- Fairly agreed, 2- Disagreed and 1- strongly disagreed. The 5 points scale were further compressed to 3 for easy data analyses; namely: Scale 1 and 2 represent low mean, 3 represent neutral while scale 4 and 5 represent high mean

The Likert scale ratings and summary statistics for items in the "INFLU" construct reveal the respondents' perceptions and attitudes towards various factors related to outsourcing property valuation services. The items are rated on a scale ranging from low to high, with corresponding mean values indicating the average level of agreement or importance attributed to each factor. Among the items, INFLU14 received the highest agreement level (96.512% in the high category), indicating strong consensus among respondents regarding its significance. This was followed closely by INFLU13, with 95.349% in the high category. Both items seem to be highly valued and essential according to the respondents. On the other hand, items like INFLU1, INFLU4, INFLU2, and INFLU3 received lower agreement levels, suggesting varying degrees of importance or satisfaction among respondents regarding these factors. Items such as INFLU10 and INFLU11, related to reducing space of operation and reducing cost/economy of scale, garnered moderate agreement levels, indicating a mixed perception among respondents regarding these aspects. Similarly, INFLU5, INFLU7, and INFLU6, which pertain to improved accountability, no operation headaches, and latest technology for least capital outlay, respectively, received moderate to high agreement levels, reflecting the respondents' diverse views on these factors.

Overall, the summary statistics show a range of agreement levels across different items within the INFLU construct, highlighting the complexity and varied opinions regarding the benefits and challenges associated with outsourcing property valuation services. The mean values provide a clear indication of the average stance taken by respondents, with some factors being highly valued and others showing more nuanced or mixed perceptions among the respondents.

The 14 factors influencing general outsourcing decision as extracted from literature (Krizmer 2000, Kakadbase and Kakadbase, 2000; Hayes et al, 2000; Robert, 2001; Kazmierczyk and Madrolak, 2004; Brown and Wilson, 2005; Kakumann and Portanova, 2006; Smadi and Al –Jawaznah, 2006; Kremic et al, 2006; Oladokun, Adetokunboh and Agbato, 2007; Leavit 2007; Johnson 2008; ; Lacity et al, 2009; Cox et al 2011; Fayomi et al, 2022) and are as shown in Table 1; and this study has related these factors with valuation outsourcing. Findings revealed that ‘‘ Reduce Management burden’’, ‘‘ Allow Management to concentrate on core business’’, and ‘‘Improve Accountability’’ are the top three related factors while ‘‘to improve quality of work’’, ‘to improve speed of work’’ and ‘‘ to improve productivity’’ are the three least factors influencing valuation outsourcing and are even insignificant as the least three have mean rating less than 2.5.



Source: Author’s Field survey, 2023
 Fig.1 Likert scale plot for INFLU

V. Conclusion And Recommendations

The study examined factors influencing outsourcing of Valuation by Financial Institutions in Lagos State. This is a view to providing information that would enhance quality valuation service delivery to FI. The findings of the study which revealed that ‘‘ Reduce Management burden’’, ‘‘ Allow Management to concentrate on core business’’, and ‘‘Improve Accountability’’ as the top three related factors are inconsistent with dominant reasons for outsourcing in previous studies. It is indeed a direct opposite, as the common rhetoric among researchers and organizations is that outsourcing professionals to handle non-core functions of an organization is usually for the age-long benefit of cost saving (Fayomi et al 2022; Kazmierczyk and Modrolak, 2014; Robert 2001; Quinn et al,2000 and Jiang and Qureshi, 2006); which has now shifted to improve quality of work, speed of work and productivity (Johnson 2008, Cox et al,2006; Lau and Zhang 2206; Assaf et al 2011). To confirm this assertion, ‘‘to improve quality of work’’, ‘to improve speed of work’’ and ‘‘ to improve productivity’’ are the three least factors influencing valuation outsourcing and are even insignificant as the least three have mean rating less than 2.5.

However, this study in relation to the top three rated factors agrees with Kremic et al 20006; Brown and Wilson, 2005 and Co et al, 2011 who confirmed ‘‘ Reduction of Management burden’’ and ‘‘ Allow Management to concentrate on core business’’ as reasons for outsourcing. What this implies is that Estate Valuers are not known for quality work, in other word Estate Surveyors and Valuers are engaged by FI not really to improve quality of work, improve speed of work or to improve productivity but for FI to be able to concentrate on the core business. It is therefore essential for Estate Valuers to improve on their quality and speed of their work so as to enhance desired productivity for them to be able to compete favourably with their counterpart in the developed nations. The efficient service delivery will add value to financial institutions operations, better the lot of stakeholders and subsequently improve national economy.

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