

A study of different types of business risks and their effects on banks' outsourcing process (Case Study: Tejarat bank in Iran)

Dr. Mehrdad Alipour (Corresponding Author)

Management Department, Zanjan Branch, Islamic Azad University, Zanjan, Iran
Moalem St. Etemadiyeh, Islamic Azad University, Zanjan, Iran Postal Code: 45156-58145
E-mail: Mehrdadalipour@yahoo.com

Dr. Baqer Kord

Management Department
Sistan and Bluchestan University, Zahedan, Iran

Elnaz Tofghi

Management Department
Islamic Azad University, Zanjan Branch
Zanjan, Iran

Abstract

Nowadays, issues such as increasing competitive pressures, technological complexity and specializing of tasks, high level of costs make organizations to review their management frameworks and turn to new strategies to achieve a competitive advantage in the current business world. One of these strategies is to focus on the main competences and consign most activities to internal sources of organization (out sourcing). To chive this, banks world outsource in order to offer better services to customers, reduce costs level, improve the quality of services and enhance their performance, have more flexibility against market's inconsistency and to achieve new skills and technologies and also to focus on key potentials. Despite the fact that outsourcing of main activities conduce to various benefits for an organization, but it includes different risks that needs effective and crucial management. This article intends to detect those risks and study their effects on banks outsourcing process, in which the dependent variable is business process outsourcing and independent variable is the risk. To study the effects of these risks on outsourcing, the researcher applies correlation coefficient and regression analysis.

Key Words: risk- business process outsourcing (BPO)¹-Tejarat bank - Iran

Introduction

Business process outsourcing refers to the process of consigning duties and accomplishing determined duties by an enterprise to other that usually accomplishes by a third provider. The nature of these duties usually are non strategic and subordinate though they can have dangerous effects on the enterprise business (Williamson, 1967). Outsourcing, as a crucial tool, is used increasingly in most organizations to execute business strategy. Increasing the level of competition makes organizations to look forward new ways to develop their business performance and achieve competitive advantages. Increasingly, in spite of traditional borders of company, organizations try to develop their performance. The high level of generalizing suppliers outsourcing services can develop competitive strategies. Business process outsourcing and consigning an organization responsibilities and duties to a third supplier such as managing human resources, financial resources and informational services to service providers are increasing every day (Hagel & singer, 1999).

According to Nelson Hall (2006). Companies try to outsource their business process and the world business process outsourcing's market level is estimated to 48/4 billion dollars during the first 3 (three) months of 2006, that shows 34 percent increase to the similar period of time in 2005 (Nelson Hall, 2006). The special growth area for outsourcing are information technology and human resources. Outsourcing is improving to react against the organizations needs, which offer more flexibility and meet customer's needs. The consequences of increased outsourcing, is to rehabilitate the organizations. By hierarchical performance, most of the business processes consign most of the network related structures to specialist providers (McIvor, 2005). Terra (2005) claims that 37 percent of business process outsourcing customers believe that it can improve outsourced processes and the findings of researches show that business process outsourcing is more effective and beneficial. Business process outsourcing widely consign management task which is formed of one or several business processes such as demand management and enterprise services, and consigning management at supply to a foreign provider who has responsibility to provide and manage a process according to the determined standards. (Loh & Venkatraman, 1992; Mehta et.al, 2006; & sen and shiel, 2006)

¹ . Business process outsourcing

Therefore, business process outsourcing includes the responsibility of managing the whole process or business activity (Michell & Fitzgerald, 1997). Business process outsourcing leads to an increased level of control on the business performance by decreasing costs level and increasing the quality of process clearly. Business process outsourcing (BPO) is divided into two categories .Back office BPO, which includes internal duties of business such as regulating and sending liability and Purchas bills (accounting), human and financial sources; and Front office BPO, which includes customers relations services such as technical support or marketing and contact center services (www.searchCIO.com) , (www.Businessprocess-outsourcing.htm). One of the industries that executes business process and change increasingly is banking industry .A report that is taken from 31 European banks in 2003 shows that banks have more tendency to outsourcing specially to business process outsourcing (R.Lancellotti et.al, 2003). Although reports show the least outsourcing in the initial of the tasks, evidences represent its fast growth during the last decades. Debitte¹ institute estimated that during last 5 years, since 2004, 356 billion dollars of financial industry services have outsourced overseas that shows 15 percent of current costs of industry .Although different types of outsourcing have much benefits for companies (Barthelemy, 2003), it's defects and related risks should not be ignored. The present article intends to detect risks and their effects on banks outsourcing process.

Research Problem

The growth of competition makes organization to find ways to improve business performance and achieve competitive advantages. Also, increasing the numbers of outsourcing services providers develop competitive strategies (Hagel & singer 1999). So banks can outsource their activities in order to provide favorite services for customers, decrease the costs level, improve the quality of services, performance development and focus on key potentials of organization. In spite of the fact that outsourcing of important activities world have various benefits for an organization, but it includes different risks that needs an effective and crucial management. During the last two decades, companies found threats and dangers of central and strategic activities which tends to form competitive advantages for companies and tried to outsource their unimportant activities. The careful and thoughtful management of outsourcing contracts is considered as an important challenge and is emphasized on its supervising and controlling its relations. (Amaral, Billington & Tsay, 2004). So this article tries to study these risks and their effect level on banks outsourcing.

The history of Tejarat bank in Iran

Before the victory of Islamic revolution, among 36 active banks in the country just 8 banks were public, 16 Iranian banks were private and 12 of them were Iranian foreign. After the victory of Islamic revolution an 17th of khordad, 1385, revolution council announced all banks as national "in order to keep national investment, activate country's productive wheels and guarantee People's deposits in the banks" and then in order to control and more careful supervision on bank system and correct execution of financial politics, they merge some banks into each other .Tejarat bank has established on 29th of Azar, 1358 by the capital of 39 billion rial according to the banks legal bill which was issued on Mehr, 1358 is established after emerging 11 Iranian and Iranian- foreign bank and then Iran- Russia bank was combined to it in 1360. Tejarat bank has used best systems and methods by applying two relative benefits of "professional human force" and "developed banking systems" which shows included banks experiences. Some factors keep this bank at high level such as a high amounts of national and international banking operations such as using some software and hardware systems which is continuing now (such as SGB), having powerful international communication because of vast agency network and rich substructures in the field of international banking (It is the first bank in using swift in Iran). Nowadays, Tejarat bank is considered as the third biggest bank in the countries stock market by 26 years banking activities, and also by having 2009 branches inside and outside of the country (2nd public- shares bank) and by having capital near 1356 billion Toman. Tejarat bank is accepted in the main chamber of stoke market on 23 of Farvardin, 1388. The output level of Tejarat bank's stocks composed of cash output, capital increase, and price output since it's acceptance in stock market is over 110 percent.

Review of Literature

Outsourcing

Nowadays, outsourcing is matured more than past and it is changed to a service which vindicates flexibility and dynamics of institutes in the competitive content (Ang & Selaughter, 2001), Managers of companies turn to outsourcing in order to keep their competitive advantage that prevents the pressures that competitive forces act on the companies. (Kahraman and et.al, 2008) .Bolter (2003) defines outsourcing as management of outside from inside.

¹- Debitte institute report to reservation federal director committee ,so called overseas' outsourcing by banks , March ,2004.

Outsourcing is the process of a non-strategic process to the out of an organization and focusing on key process of inner-organizational. It is an important working process which develop the competitive advantages.

Because of products and services of foreign providers are more effective. In fact outsourcing is part of the international activities of a company which consigns to other company by a contract to do their tasks (Mccorthy & Anogrouston. 2004). The recent improvements in technology and management has changes our attitude related to the way of organizing world business and one can say that these change occur by two factors: The first factor is cost structure which changes by applying new technologies and the second factor is complexity of production and business processes which are created by applying new technologies by the organization. Organizations can decrease their cost structures by reorganizing the processes and outsourcing some of their activities to the external providers (Bandyopadhyay & pathak, 2007). In fact one can say that the purpose of outsourcing is to create values from outside of the organization. Outsourcing is an activity in the chain of business value of a company by which a company consign their products and services effectively and they can acquire competitive advantages (Kotabe, et.al, 2003 a, b; Mccarthy & Anagostou, 2004). During the recent decades, outsourcing is used by companies as a key business strategy in different industries.

Why to outsource

Lots of studies have conducted on outsourcing. Most of the private and public companies and public and academic organizations turn to outsourcing because of the excessive advantages of it (Schinederjans, 2007). Some elements are considered as provocative factor for outsourcing activities such as new technologies, delivery models, globalization, and different demands of final users (Yang, kim, Nam & min, 2007). Outsourcing proponents suggest some reasons for outsourcing which are divided in to 5 areas: (clott, 2004) Focusing on the main business, Controlling costs, achieving high skill in Technology, regulating the market by creating high transparency, and increasing the flexibility for meeting changing demands of customers

.Klepper & Wendell (1999) divided outsourcing reasons into two main categories as tactical reasons and strategic outsourcing.

Tactical reasons for outsourcing:

- decreasing or controlling operational costs: one of the important tactical reasons for outsourcing is to decrease or control operational costs.
- Increasing availability level to the capital amounts: outsourcing would decrease the need to investment of capital amount in subordinate duties of business.
- Cash injection: outsourcing makes source free for other purposes by transferring assets from customers to providers.
- Lack of internal sources: companies outsource their duties because of the lake of necessary source.
- Complexity of duties: Definitely outsourcing is a best choice for solving the problems that are hard to control.

Strategic reasons for outsourcing:

- Increased level of concentration on main business: Outsourcing causes company to focus on main business while a foreign specialist do their subordinate duties.
- Achieving international abilities: Outsourcing provides world wild sources to meet customer needs.
- Accelerated reengineering process: Outsourcing is often considered as the subordinate reengineering product of business.
- Joint risks: There are a lot of risks related to the investment on internal products of organization.
- Orientation of source: Outsourcing makes possible for organizations to guide their source in the correct destination. In fact, by outsourcing organizations lead their subordinate activities through the beneficial ones to offer best services to the customers.

Reasons for business process outsourcing (BPO)

Business process outsourcing is defined as the process of using other company's services for accomplishing business activities of the main company. At first BPO was concerned about outsourcing of processes such as salaries, but then companies found its advantages for clerks and managers. Nowadays according to the strategies of the main business most of the duties are considered as subordinate duties. Most of these organizations outsource duties as human resources (HR), financial sources, management of processes, accounting, salaries and ways of customer- related activities .Kapoor (2011) states some reasons for business process outsourcing (BPO) as follows:

1- Improving the organizations utilization

By outsourcing most of services such as salaries and wages and human sources duties makes possible to focus on basic and important duties. At first, managers spent 80 percent of their working hours on different tasks and just 20 percent spent their time on strategic tasks.

By increasing the level of outsourcing, managers find ability to spend enough time on strategic and main tasks, earn more income on new areas by searching and focusing on their customers. All of which are beneficial for organizations utilization.

2- Economy for companies

The most important advantage of outsourcing is to economize for organization, those companies that outsource special jobs. They could achieve the great talents in various areas. And because of offering such services by specialists with the least wages, this leads to economy for companies.

3- Improving the human resources performance

One other advantage of business process outsourcing is improving the performance of HR. Human resources of BPO had an increased growth over last years and they are improving now. The reason that most companies outsource their transactions and processes is to create strategic performance for human resources. And for this reason all general costs related to human resources management decrease.

4- Focusing on skills and central abilities

BPO helps companies to focus on central activities and this is considered as the main factor for improving in world wide BPO market. Because it will motivate them to focus more on the main activities . By BPO most of these companies would check their internal tasks and understand their skills and abilities.

5- Outsourcing increase their capabilities

Outsourcing increases employees and company's capabilities. Employee can spend more time and energy to do effective tasks and develop skills and abilities. Also they can offer innovative services and products to customers.

6- World wide talents

As companies outsource their services, they can utilize their specialist employee skills throughout the world.

Business process outsourcing risks

Despite the fact that outsourcing leads to important benefits for an organization, but it includes some risks that need an effective and serious management .During the last two decades, companies reported some dangers and threats that are resulted from outsourcing of central and important activities in companies which causes competitive advantages for company, and they try to outsource their subordinate activities. Today, a true and thoughtful management of outsourcing contracts are considered as an important challenge and it is more emphasized to do an exact control on outsourcing relations. (Amaral, Billington & Tsay, 2004).Here, we proceed risk concept and then we will discuss different type of BPO risks.

- measuring possibility and severity of damages. (Lowrance, 1976)
- The consequences of an event that affect the project (Kliem and Loudin, 1997)
- The possibility of a negative event with bad consequences (Haimes, Y.Y, 1998)
- The potential failure point (Trepper, 1998).

One can say that the effect of risk on project is not always negative "maybe it can be an obstacle or a contributive factor for project." (Kleim & Loudin, 1997).According to percin (2008) there are 6 types of risks for business process outsourcing :Security of information (ISP), Hidden costs (HC), Lack of management control (LMC), employees' moral problems (EMD), business environment (BE), vender issue (VI).

Another categorization for the risks of BPO is proposed by Carlson (2007) which is of 3 types:

Operational risks, strategic risks and composite risks .Now, we discuss some BPO risks that organization are facing with them;

- **Strategic risk:**

Most of outsourcing activities result in strategic risks for banks because most banks definitely need strategy development, customers' satisfaction, and effective services transference (Adeloy, 2002).So, strategic risk could be created by the lack of proper programming, and technology implementation such as internet, or because of failure in assessing outsourcing decisions. (Mann & et.al, 2001)If there are some outsourcing causes, there will be various strategic risk that should be assessed; 1- organizations provide particular beneficial information for external organization (Kogut & Zander, 1992). Therefore company should check issues related to Intellectual property at the time of selecting external sourcing structure (Gottfredson & et.al, 2005); which is called "Diffusion risk" by Walker group (1988). However, it is named "poaching" by (Aron & et.al, 2005). One other type of strategic risks is seller's shirk or moral dangers (Eisenhardt, 1989) which is created by the changes in paying salaries and seller's shirk .Banks lose most of their important source and facilities for competition in strategic risk. Possibly outsourcing decreases banks flexibility and affect internal and external forces velocity and maybe slacken the velocity of their guidance control and creates highest level of independence to service providers (M.J. Earl, 1996).

Main concerns that result from strategic:

- 1- Third person may do some activities that are not compatible with general strategic goals of institute.
- 2-failure to do proper checking of outsourcing services providers.
- 3- Lack of specialty for supervising services providers (Publications for supervising the committee of Ball Banking).Bandyopadhyaye suggest that organizations should understand these risks to control strategic risk.

He recognized that in order to understand strategic risk, organizations should determine their abilities, and in this case they create long- term advantages by the use of new systems.(Bandyopadhyaye & et. al,1999)

Psycho-social risks

As companies may hurt their employees' spirit because of outsourcing, so they should consider their employees. Since the low level of spirit of employees have reverse effect on organizations utilization. It is remarkable that most of IT employees were fired because of outsourcing, and this can make most of companies sad who asked for outsourcing (Yang & et.al, 2007).The outsourcing decrease the level of demands for unskilled workers and also it tends the law wages and high unemployment.

Based on OECD report (2007) the average rate of unemployment among people who had not intermediate education in 2005 were over 12.4 percent, while this amount among people who had intermediate education were 6.4 percent. The income of unskilled workers were obviously at high risk level than professional workers. (Keuschnigg & Ribl, 2009)So, outsourcing would (1) decreases wages amount and increase the level of unemployment among unskilled workers, (2) increase quality among high and low income groups, (3) increases social insurance costs. (Keuschnigg & Ribl, 2009). Decreasing the level of motivation at the result of lack of working security lessen the interest level to control the environment and this makes employees lazy (Axelord & Haldor, 2009).

- Contractor company's Bankruptcy risk and lack of financial constancy

As a duty outsourcing, it includes lots of cost and difficult to return it to internal part in this case there exists contractor company's risk and lack of financial constancy. Financial failure risk is defined as a risk that results from financial ruin of contractor company, and the only choice for the company is to employ the employees of contractor company which may face with its internal strike (Barthelemy, 2003). When decreasing the costs is the objective of outsourcing, there may exist some cases such as on time deadline of receiving interest and long-term economy. However, there are two reasons which are related to each other: 1- companies sum production costs at low level which includes costs transference, replacing costs, and parallel running costs, 2- possibly, companies may estimate management costs at lower level (Adeley, 2002). According to Willcoks (1995), the most effective factor for BPO decisions is to decrease and control hidden costs (Willcoks & et.al, 1995). The expansion of contracts and frequency of outsourced activities includes high amounts of hidden costs; There are 3 factors which are related to it's consequence: complexity of outsources activities, measurement problems and uncertainty at initial parts of the activity include frequent hidden costs (Aubert & et.al, 1997). Internal employees and others as well as applicants an outsourced organizations many face with some financial problems which lead to spoofing and extortion. So, it is necessary for organizations to supervise and detect, control the management and execute compulsion and threat inside the organization (Axelord & Haldar,2009).

- Weak performance risk of internal company and measurement problems of contractor of the company

Some businesses as banking do not outsource all of their business processes, and this is because of performance risk. For this reason, there are potential bankruptcy cases in banking industry which threats banks' fame. So, managers should analyze services providers abilities. The lack of potential sources show providers' inability. (Quelin & Duhamel, 2003). The most important issue about outsourcing is organizational commitment .When a company outsources part of its activities, possibly it would decrease the level of employees' commitment and loyalty and retrograde their performance (Metters, 2007). Also, in order to measure contractor performance, it is necessary to have exact supervision on contractor company's activities and control its performance which needs lots of costs. outsourcing possibly decrease its operation because of costs decrease and cut their supports. To have a good management and developing orders, it is necessary to decrease costs and stay competitive (Axelord & Haldor, 2009).

Hypotheses

- 1- Strategic risk is one of the business process outsourcing risks in bank.
- 2- psycho- social risk is one of the business process outsourcing (BPO) risks in bank.
- 3- Bankruptcy risk of contractor and lack of its financial affairs consistency is one of business process outsourcing risks in bank.

4- Weak performance risk of internal company and measurement problems of contractor is one of business process outsourcing (BPO) risks in bank.

5- The four mentioned risks are not of the same importance in business process outsourcing in bank.

Research Approach

The of the present research is to study the effects of business process outsourcing risks in bank, which survey method has been used. To study the research question, the researcher collected necessary data distributing questionnaire among banks employees, managers and experts.

The questionnaire designed in 5 points 'Likert' scale as very good to very bad. For assessing the validity of questionnaire Cronbach alfa coefficient was used. The calculated value of Cronbach alfa for the whole of the questionnaire was 0/859 and it shows that it was valid questionnaire. After gathering data, a t-test was applied to test hypotheses and then correlation coefficient of each variables were tested by correlation coefficient test. Finally multivariate regression was administered for detecting the dependent and independent variables relations. It is obvious that regression analysis is correlated with correlations coefficient which are used with together in studies and make possible for researcher to predict dependent variable's changes throught independent one the more closer the variables correlation is, the more exact their prediction is. The difference between them is that key regression tends to prediction but correlation coefficient just investigate the variables dependency level. However, they are wed as complimentary factors in data analyzing.

Data gathering

Like most of other studies, the required data were gathered by studying different sources ,then risks and items of questionnaire were extracted by this method. To conduct this study, the researcher referred to different reliable sites and scientific websites on the internet.

Data analyzing

- One sample T-test for testing hypotheses related to independent variables.

Table 1- one sample t-test for independent variables

| Result of T-test indp.v | Number of sample n | Sample average x | Standard deviation of samples | Statistical measure of test t | Degree of freedom d.f | p- value |
|----------------------------|--------------------|------------------|-------------------------------|-------------------------------|-----------------------|----------|
| Strategic risk | 145 | 3.0497 | 0.8180 | 0.731 | 144 | 0.466 |
| Psycho-social risk | 145 | 3.4460 | 0.6552 | 8.196 | 144 | 0.000 |
| Financial risk | 145 | 3.4414 | 0.7421 | 8.196 | 144 | 0.000 |
| Performance risk | 145 | 3.5614 | 0.6093 | 11.094 | 144 | 0.000 |

- Analyzing of the first research hypothesis:

Strategic risk is one of the business process outsourcing risks in banks.

Hypotheses related to the comparison of practical and theoretical average could be written as:

H₀: Average value equals to 3. (Strategic risks is not one of the business process outsourcing risks in bank)

H₁: Average value is greater than 3. (Strategic risk is one of the business process outsourcing in bank)

As indicated in the table, in particular P-value= 0.466, the null hypothesis is not rejected (SE=5%) standard Error (error level)

- Analyzing of the second research hypothesis:

Psycho- social risk is one of the business process outsourcing risks in bank.

Hypothesis related to the comparison of practical and theoretical average could be written as:

H₀: Average value equals to 3 (psycho- social risks is not one of the business process outsourcing in bank).

H₁: Average value is greater than 3 (psycho- social risks is one of the business process outsourcing in bank).

As indicated in the table, in particular P-value= 000/0, the null hypothesis is rejected (SE=5%).

- Analyzing of the third research hypothesis:

Bankruptcy risk of contractors companies and lack of its financial consistency is one of the business process outsourcing in bank.

The hypothesis related to the comparison of practical and theoretical average are as fallows;

H_0 : Average value equals to 3 (Bankruptcy risk of contractor company and lack of its financial consistency is not of the business process outsourcing in bank).

H_1 : Average value is greater than 3.

(Bankruptcy risk of contractors and its financial consistency is one of the business process outsourcing in bank).

As mentioned in the table and based on the P-value=000/0, the null hypothesis is rejected. (SE: 5%) (standard Error)/ (error level)

- Analyzing of the forth research hypothesis:

Weak performance risk of internal company and measurement problems of contractor company is one of the business process outsourcing.

Hypothesis related to the comparison of practical and theoretical average are as fallows:

H_0 : Average value equals to 3. (Weak performance risk of internal company and measurement problems of Contractor Company is not one of the business process outsourcing risks in bank.)

H_1 : average value is greater than 3. (Weak performance risk of internal company and measurement problems of Contractor Company is one of the business process outsourcing risks in bank.)

As mentioned in the table and according to the P-value=000/0, the null hypothesis is rejected(SE= 5%) .

Table 2: integration coefficient between variables

| | Strategic risk | Psycho-social risk | Financial risk | Performance risk |
|--|----------------|--------------------|----------------|------------------|
| Coefficient of correlation with dependent variable | -0.202 | -0.502 | -0.589 | -0.347 |
| P-value | 0.015 | 0.000 | 0.000 | 0.000 |

As show before, all independent variable have indirect linear relationship with the dependent variable (it means that by increasing the level of independent variable, the level of dependent variable decrease). Also all variables have meaningful relationship at significant level of 5% and financial independent variable has the most and strategic independent variable has the least effect on dependent variable.

At last we propose the best regression model for these variables by applying multiple linear regression. Multivariate regression is one of the basis of data analysis and shows the relation of statistical data. To propose a best regression model STEPWISE method is used by which variable are entered to the model according to their effect level on dependent variable, and this will continue until there will be a significant independent variable. As the variables appearance has not a significant effect on dependent variable, then entrance of variable to the model will be stopped.

Table 3-descriptive indexes are suggested for dependent and independent variable

| Independent Variables | | Descriptive indexes | | |
|---------------------------------|---------------|---------------------|---------|--------------------|
| | | Sample size | average | Standard deviation |
| Dependent variable(outsourcing) | | 145 | 3.1625 | 0.4816 |
| Independent variables | Strategic | 145 | 3.0497 | 0.8180 |
| | Psycho-social | 145 | 3.4460 | 0.6552 |
| | Financial | 145 | 3.4414 | 0.7421 |
| | Performance | 145 | 3.5614 | 0.6093 |

By applying this method, the inserted variable to the model were x3 variable (financial) , x2 variable (psycho-social) and x4 variable (performance, respectively . As it is indicated before as independent variable x1 (strategic variable) had not significant effect on dependent variable, so its appearance in the model was impossible.

Table 4- F-value analysis that comprising independent variable is beneficial on depend variable

| Change source | Squar sums | Degree of freedom | Squares average | F | P-value |
|---------------|------------|-------------------|-----------------|--------|---------|
| Regression | 21.707 | 3 | 7.236 | 87.279 | 0.000 |
| residues | 11.689 | 141 | 0.083 | | |
| Total | 33.397 | 144 | | | |

As it is indicated in Table 4 and according to P-value measures, one can say that the resulted F-value is significant. That means the appearance of one independent variable is beneficial to predict the dependent variable. So, it is necessary asses independent variable by applying T-test .As it is represented in Tables 5.

Table 5- independent variables coefficient .this table show standardized coefficient and non standardized coefficient

| | Non standardized coefficient | | Standardized coefficient | t | P-value |
|-----------------------|------------------------------|------------|--------------------------|---------|---------|
| | B | Std. Error | Beta | | |
| Constant measure | 6.191 | 0.205 | -- | 30.268 | 0.000 |
| (financial) x_3 | -0.367 | 0.036 | -0.565 | -10.193 | 0.000 |
| (psycho-social) x_2 | -0.399 | 0.037 | -0.543 | -10.874 | 0.000 |
| x_4 (performance) | -0.101 | 0.044 | -0.128 | -2.314 | 0.022 |

According to the significant of P-value column, all coefficients appearance in the model was significant at significant level of 10 percent. It is notable that B coefficients are used for predicting changes while Beta coefficients were applied for determining an independent variables effect level on dependent variable.

So the chosen regression formula is as fallow;

$$Y = 6.191 - 0.367x_3 - 0.399x_2 - 0.101x_4$$

And the following equation

$$Y = 6.191 - 0.367(\text{financial}) - 0.399(\text{psycho-social}) - 0.101(\text{performance})$$

Is a regression multivariate liner equation for showing the relations of dependent and independent variables.

Fridman test for ranking research hypotheses:

To rank research hypotheses, Fridman test was applied. This test is used when we have at least ordinal statistical data or we can rank them by the concept of ordinal as two- way. Fridman test shows the important factor among all factors or weather they have the same importance. This test was used for two group separately.

The ranking of research hypotheses are as follows;

H_0 : All 4 hypotheses have the same importance.

H_1 : All 4 hypotheses have not the same importance.

Table 6- indicates the summary of ranked hypotheses by applying Fridman test:

| Sample size | Statistical measure of test | Degree of freedom (df) | P-value | Test result |
|-------------|-----------------------------|------------------------|---------|------------------------------|
| 145 | 46.197 | 3 | 0.000 | Rejection of null hypothesis |

As showed in table 6 those hypotheses that are ranked similarly they are rejected at significant level of 5%.so one can say that not all variables have the same importance.

Table7- variable ranking

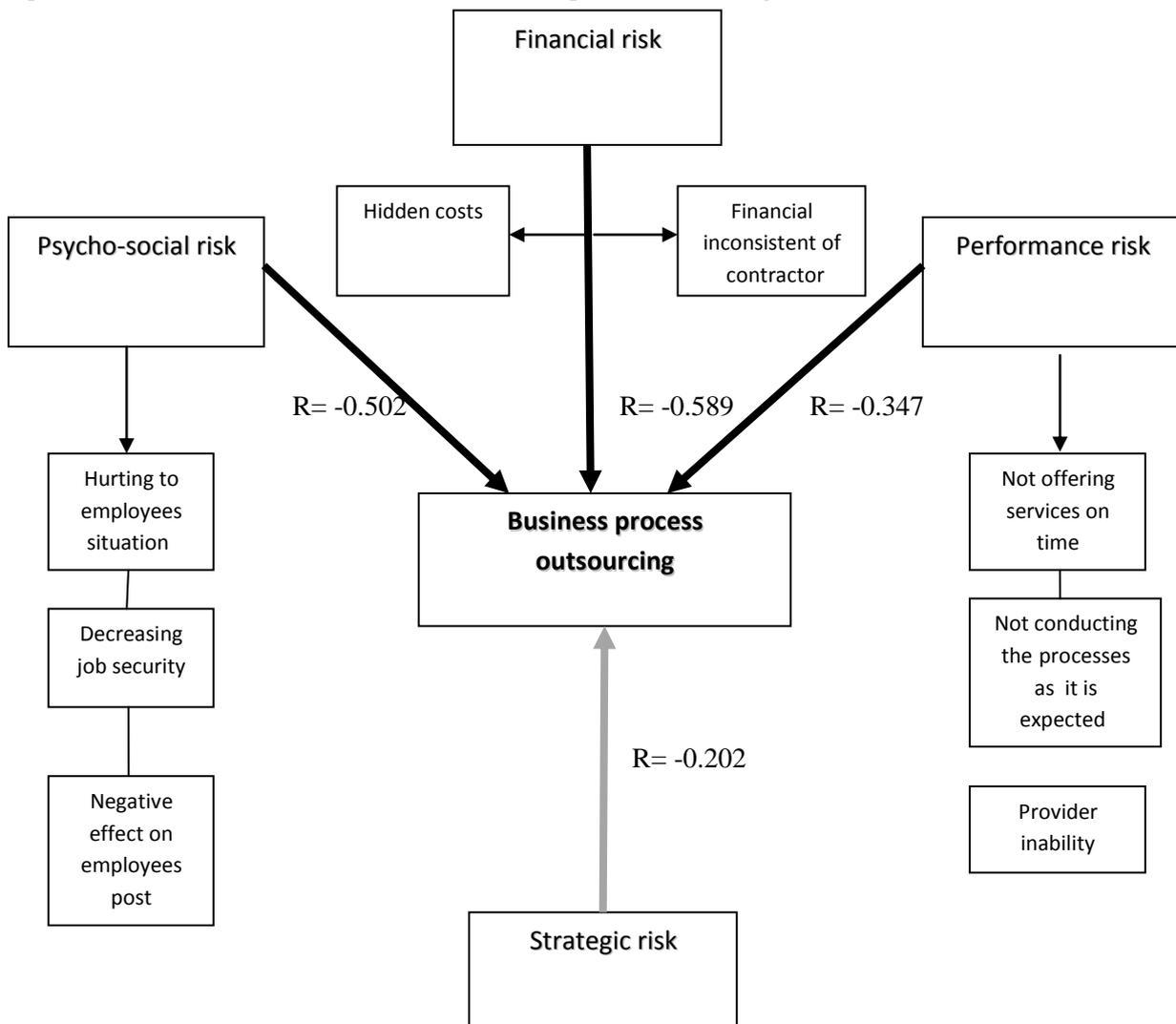
| Ranking averages | Independent variable title |
|------------------|----------------------------|
| 1.91 | Strategic |
| 2.6 | Psycho-social |
| 2.61 | Financial |
| 2.88 | Performance |

According to the respondents view, ranking of independent variables can be written as fallows.

- 1-performance
- 2-finacial
- 3-psycho-social
- 4-strategic

Conclusion

In the present article different types of business risks and their effects on banks outsourcing process and on their ranking here investigated. To do this research, tejarat banks were selected as our subjects .four different risks were studied in business process outsourcing .the findings show that there significant difference among risks which represent that its necessary to pay attention to types of risks and planning to face with them .these findings show the application and importance of this study. According to respondents views ,strategic risk can not be applied in business process outsourcing in bank .In the study , risks are ranked and based on this ranking , performance risk ranked at high level and then financial risk, psycho-social risk and strategic risk are ranked respectively . Based on performance risk , some businesses as banks do not outsource all of their business processes(Quelin & Duhamel,2003). So, because of the importance of the risk , it is suggested that banks(organizations) chose providers that know their high commitment and could have enough supervision on services that they offer. Financial bankruptcy risk is created at the result of financial ruin(Barthelemy,2003) and outsourced activities complexity, measurement problems and lack of confidence at initial part of task include high hidden costs (Aubert & et.al,1997) ,so because of outsourcing high level of costs and contract or financial consistency , it is suggested that outsourcer organization outsource by total costs and pay more attention to all created costs which is good for preventing hidden costs of outsourcing projects to not go beyond obvious costs and as (Yang & et al,2007) proposed outsourcing activities possibly hurt employees spirit and according to the findings of the present study , and existence of psycho-social risk it is better to propose that banks can Prevent from problems such as offering services and more facilities to employees and to tighten their working situation. It is suggested that for further researches to do more studies on exact management of risks and increasing utilization banking activities. as organization tries to be successful on outsourcing projects and managers of organization who interests in experience and more knowledge in this field so ,researchers can help organizations by conducting more studies on this field and offering views and careful ideas. In the present article, a model is designed for grouping different types of the risks which includes 4 groups of risks and it shows risks level in banks business process outsourcing.



References

- 1- Adeley.B,(2002),”Risk Management Practices in Information system outsourcing :an investigation into commercial banks in Nigeria”, The university of Sheffield.
- 2-Ang, S., and Slaughter, S. A. (2001) “Work Outcomes and Job Design for Contract versus Permanent Information Systems Professionals on Software Development Teams,” *MIS Quarterly*, 25(3), pp. 321-350.
- 3- Amaral, J., Billington, C., & Tsay, A. (2004). Outsourcing production without losing control. *Supply Chain Management* , 44-52.
- 4- Aron, R., Clemons, E.K., Reddi, S., 2005. Just right outsourcing: understanding and managing risk. *Journal of Management Information Systems* 22 (2), 37–55.
- 5- Axelrod,C.,Haldor,S.,(2009),”Combined Impact of outsourcing and Hard Times on BPO Risk and Security.
- 6- Aubert, B.A., Patry, M., Rivard, S., "A Tale of Two Outsourcing Contracts", *Cahier du GRESI* 97-05, 1997.
- 7- Bandyopadhyay, S., & Pathak, P. (2007). Knowledge sharing and coopertaion in outsourcing projects- A game theoretic analysis. *Decision Support Systems*, 43 , 349-358.
- 8- Bandyopadyhay et al,(1999),”AFramework For Integrated Risk Management” For Information System “, *Management decision* 35(5)437-444.
- 9- Barthelemy,J.(2003) . The seven deadly sins of outsourcing. *Academy of Management Executive*, 17(2),87-100.
- 10- Buttler Michael.J.R(2003).Brutish Journal of Management ,Supplement,Vol,14.Issue4’Dec p 47.
- 11- Carlson,A,(2009),”The Risks In BPO Services”.Article Niche Directory
- 12- Clott, C. (2004). Perspectives on global outsourcing and the changing nature of work. *Business and Society Review*, 109(2) , 153-170.
- 13- Eisenhardt, K.M., 1989. Agency theory: an assessment and review. *Academy of Management Review* 14 (1), 57–74.
- 14- Gottfredson, M., Puryear, R., Phillips, S., 2005. Strategic sourcing from periphery to the core. *Harvard Business Review* 83 (2), 132–139
- 15- Haimes, J. H. (1998). *Risk Modelling, Assessment, and Management*. USA: John Wiley & Sons, Inc.
- 16- Kahraman.C, Engin.O, Kabak.O, Kaya.I , October(2008): “ Information systems outsourcing decisions using a group decision-making approach” , *Engineering Application of Artificial Intelligence*.
- 17- keuschnigg.Ch.,Ribi.E.,(2009),” Outsourcing ,unemployment and wefare policy” ,*Journal of International Economics* 78(2009),168-176.
- 18-Kapoor.C.,(2011),www.benefits of BPO.com
- 19- Kliem, L. R. and Ludin, S. I. (1997) *Reducing Project Risks*. Hampshire, England: Gower
- 20- Klepper, R., & Wendell, J. (1999). *Outsourcing information technology systems and services*. Retrieved from Business orum: WWW.businessforum.com
- 21- Kotabe, M., Mol, M., Ketkar, S.,2008a.An evolutionary stage theory of outsourcing and competence destruction: a triad comparison of the consumer electronics industry.*Management International Review* 48,65-93.
- 22-Kotabe, M., Mol, M., Murray, J.Y., 2008b. Outsourcing, performance, and the role of e-Commerce: a dynamic perspective. *Industrial Marketing Management* 37,37–45.
- 23- Kogut, B., Zander, U., 1992. Knowledge of the firm, combinative capabilities,and the replication of technology. *Organization Science* 3 (3),383–397.
- 24- Lowrance, W. W. (1976). *Of Acceptable risk*. California: William Kaufman.
- 25-Loh,L.,and Venkatraman,N.,(1992),” Determinants of Information Technology Outsourcing : across – sectional analysis” , *Journal of Management Information System*,Vol ,9 No.1,PP.7-24.
- 26- M.J.Earl,(1996).The risks of outsourcing IT ,*sloan Management Review* 37(3), pp.26-32.
- 27- Mann et al,(2001)”Internat Banking : ARisk Management Primer for Directors”.(www.nubank.com/storie/internet-banking-for-directors_12-5-01/index.asp)
- 28-Mehta,A.,Armenakis,A.,Mehta,N,and Irani,F.,(2006),”Challenges and opportunities of business process outsourcing in India”,*Jornal of labor Research* ,Vol.XXVII.NO.3,PP 323-338.
- 29- Mccarthy,I.,& Anagrouston,A.(2004).The Impact of Outsourcing on The Transaction Cost and Boundaries of Manufacturing ,*Internal Journal of Production Economics*,88(1),61-71.

- 30- Metters.R, 2007, A typology of offshoring and outsourcing in electronically transmitted services ,Operations and Management, Vol.26, 198-211.
- 31- McIvor, R.(2005) “The influence of transaction cost economics and the resource based view on the outsourcing process”, paper presented at the 16th Annual Conference of POMS, Chicago 2005.
- 32- Michell,V.,and Fitzgerald,G.,(1997),”The IT Outsourcing Market Place:Vendors and their Selection”,Journal of Information Technology,Vol,12 NO.3,PP.223-237
- 33- Percin,S.(2008),”Fuzzy multi-criteria risk –benefit analysis of business process outsourcing(BPO),Department of Business Administration ,Karadeniz Technical University,Trabzon,Turkey. 34- Quelin.B, F. Duhamel.(2003), Bringing together strategic outsourcing and corporate strategy: outsourcing motives and risks, European Management Journal 21 (5), pp. 647–661.
- 35- R. Lancellotti, O. Schein, S. Spang, V. Stadler, ICT and operations outsourcing:insights from an Interview-based Pan-European Survey, WIRTSCHAFTSINFORMATIK 45 (2), 2003, pp. 131–141.
- 36- Schniederjans, M. (2007). Preface focused issue on operations research and outsourcing. *Computer & Operations Research*, 34 .
- 37- Sen,F.and Shiel,M.,(2006),” From business Process Outsourcing (BPO) to Knowledge Process Outsourcing(KPO): Some Issue”, Human System Management,Vol,25 NO.2,pp.145-155.
- 38- Terra Equa. 2005. Study on BPO satisfaction conducted by EquaTerra, managing offshore and information week.
- 39- Trepper, C. (1998). *ERP Project Management Is Key to Successful Implementation*. [Online] http://itmanagement.earthweb.com/entdev/article/0,,11979_614681,00.html
- 40-Williamson, O.E, 1967, Hierarchical Control and Optimum Firm Size, Journal of Political Economy, 75,Pp.123-38.1
- 41- Walker, G., 1988. Strategic sourcing, vertical integration, and transaction costs. *Interfaces* 18 (3), 62–73.
- 42- Willcocks, L., Lacity, M. and Fitzgerald, G. (1995), “Information technology outsourcing in Europe and the USA: assessment issues”, *International Journal of Information Management*, Vol. 15 No. 5, pp. 333-51.
- 43- Yang,D.H., Kim,S., Nam,N., Min,Ja.w ,(2007), “Developing a decision model for business process outsourcing”, *Computers & Operations Research* 34 (2007) 3769 – 3778.