A STUDY TO DETERMINE HOW THE CO-OPERATIVE PRINCIPLES AND VALUES HAVE SHAPED THE ORGANIZATIONAL CULTURE OF UFUNDI CO-OPERATIVE SOCIETY

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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I dedicate this project to my students of the Bachelor of Co-operative Management at the Jomo Kenyatta University of Agriculture and Technology, the Bachelor students of the Catholic University of East Africa and the Co-operative College of Kenya. As you benefited from those long lecture hours, I did benefit from your contribution. Learning is a continuous process; it has no end, a life time experience for those who purpose in their hearts.
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Source: KNFC (Kenya National Federation of Co-operatives)(1966)
ABSTRACT

The purpose of this study was to evaluate the co-operative principles and values and how they influence co-operative organizational culture at the Ufundi Co-operative Society. The study is based on the theory that, there are many factors that determine the culture of an organization and in the case of co-operatives, the co-operative principles and values play a key role in shaping the organizational culture.

A wide coverage of literature in relation to culture, the co-operative culture and Ufundi co-operative has been reviewed. The literature shows that the co-operative culture has been influenced by the co-operative principles to a great extent. Previous studies on culture, principles and values have made it clear and helped in the evaluation of the extent to which co-operative principles facilitate or shape the co-operative organizational culture.

The study applied a qualitative research methodology. This facilitated the use of two methods namely; questionnaire and document analysis. The corresponding instruments included; a questionnaire and a document analysis. Preparation for the study began in April, 2009 and the research project was finally approved in August, 2009. The researcher began with the preliminary study, visits at the Ufundi Sacco, data collection, analyzed the data and compiled the report by mid October, 2009.

Based on the values; the results are as stated in chapter five which revealed that honesty was the most agreed upon value by the respondents as it comprised a mean of 4.2564, followed by equity which comprised a mean of 3.8957. Openness and equality were moderately agreed upon values and consisted of a mean of 3.5475 and 3.5154 respectively. Solidarity was the least agreed upon value and comprised of a mean of 2.0865.

On the co-operative principles, the research disclosed that majority of the respondents rated co-operative principles as very good, co-operative understanding of the principles and values as more than 50 percent (42 percent) while 34 percent rate the level of cooperative understanding of the principles and values as less than 90 percent. The assessment of the relationship between
members and the management revealed that most of the respondents cited the relationship between them and the management as being good and in addition the study revealed that a majority of 79 percent of the respondents declared that the principles and values ought to be reinforced while 21 percent affirmed that the principles and values ought to be reinforced.

From the summary and conclusions, the study recommends that Ufundi cooperative society should put emphasis on cooperative principles in order to fulfill the basic legal requirements and be effective marketers its products. According to the rule of law, questions relating to cooperative principles must be regulated by law, whereas decrees or other administrative acts are only to operationalize the law, especially in matters that are of a temporary nature or which are subject to frequent changes.

In conclusion, the research recommends that, Ufundi cooperative society should put emphasis on cooperative principles in order to fulfill the basic legal requirements and be an effective marketer of its products. Also that Ufundi needs to portray equity and self responsibility as cooperative values.
CHAPTER ONE: INTRODUCTION

1.1. Background

1.1.1 Co-operative Functions, Principles and Values

Co-operative functions include, marketing activities (storage, processing, promotion, pricing, standardization, labeling, packaging and selling), savings mobilization, credit facility, education and training, housing, insurance, transport, negotiate for collective (bulk) purchasing of their members’ requirements and marketing of their produce, promote the establishment of new co-operatives in their areas. Among other functions co-operatives are seen as vehicles for progress as they get involved in different ways such as education and training, technical aid and financial aid, key awareness programs such as HIV/AIDS and key economic projects. Agricultural co-operatives perform the following functions: (i) transport, (ii) markets for products, (iii) new farm technology, (iv) availability of purchasable inputs and (v) incentives (Dubel 1980).

The seven cooperative principles include the following: voluntary and open membership (refers to entry and exit at will), democratic member control (refers to decision making participation at the Annual General Meeting (AGM) and the voting rights for determining the leadership), member economic participation (refers to patronage and surplus sharing), autonomy and independence (refers to freedom of operations and non interference in decision making process ), education, training and information (refers to acquisition of knowledge, skills, and right to and access to information) cooperation among cooperatives (refers to networking and maintenance of healthy relationship among co-operatives) and concern for community (refers to contribution towards the community-social responsibilities ). Based on the International Cooperative Alliance (I.C.A 1980) statement on the co-operative identity; co-operative principles and values coin the co-operative governance, management, structure and dictates the decision making process. Hence giving a unique organizational culture which distinguishes co-operative from other forms of enterprises.

1.1.2 Principles, Values and Culture

Co-operative principles determine how a cooperative is formed through the principle of voluntary and open membership, over time each co-operative member values the practice and as a result has become the culture of cooperatives. The principle of democratic member control
enables members to make decisions pertaining to the cooperative, members vote on the basis of “one man one vote” in determining who becomes a member of the management committee. This is a practice that has turned to be part of a cooperative culture. The principle of member economic participation enables each member to have a right to participate in economic activities and has also become the practice of all cooperatives. Cooperatives are prescribed as autonomous and independent organizations, this means that they run or are expected to manage the affairs of their enterprises without interference. It is a common practice for co-operatives to offer education, training and the relevant information to members. Co-operatives are expected to cooperate among themselves, and to participate in activities that affect the community in general. These being the expected practices, once they are implemented they become common practices for all meaning that a cooperative that does not practice the principle is not regarded as a co-operative.

Co-operative values are based on self-help, self-responsibility, democracy, equality and solidarity. Besides these values are the ethical values of honesty, openness, social responsibility, solidarity and caring for others (Kibanga 2004). It is from such values that members of a co-operative develop the right attitude towards the formation and sustainability of a co-operative. Members aim at helping one another, they are responsible for their own activities, they exercise democracy, they are treated equally, fairly, in unity of purpose and are expected to behave in an ethical manner of honesty, openness and caring for each other. If this has been in practice it becomes the expected and eventually forms the culture of how things are done in a co-operative organization. The question is whether or not UFUNDI co-operative practices these values what can only be determined by carrying out this research.

1.1.3 Organizational Culture and Management

Culture (in Latin culture means stemming from Colere, meaning “to cultivate”) it generally refers to patterns of human activity and the symbolic structures that give such activities significance and importance (Brown 1998). In co-operatives these distinguishing characteristics are constituted or coined in the Co-operative principles and values which have been in existence since the inception of the co-operative movement.
Culture dimension includes people’s relationship to nature; individualism verses collective, time orientation, activity orientation, language, informality and religion. Organization culture includes being sensitive to customer and employee needs, value on people, openness and available communication channels, friendliness towards employees and willingness to take risk. These are the variables to be reflected on in terms of co-operative culture; to assess how the principle facilitates these outcomes. Good culture can be evaluated on the basis of the policies developed by the directors for the organization, the procedures of how activities are to be carried out, effective and efficient systems and processes which leads to harmony within the organization, reduce cost, increase quality of goods and services and increased growth and sustainability.

Values lead to joint ownership, in terms of responsibility, team spirit, democracy, unity, solidarity and create synergy among interested parties. On the overall, culture and value lead to good governance and each organization should endeavor to attain this.

Cullen and Parboteeah, (2005) define culture as a concept borrowed from anthropology. Anthropologists believe that cultures provide solutions to problems of adaptation to the environment. They further state that culture is the pervasive and shared beliefs, norms and values that guide everyday life. Cultural value is what is good, beautiful, and holy and what legitimate goals for life are. Culture includes other aspects such as cultural norms (prescribed and proscribed behaviors, telling us what we can and cannot do); cultural beliefs (our understandings about what is true); cultural symbols (these may be physical, such as national flags or holy artifacts, in the workplace, office size and location can serve as cultural symbols); cultural stories (these includes such things as nursery rhymes and traditional legends); cultural ritual (ceremonies such as baptism, graduation, or tricks played on a new worker or pledge to a sorority or fraternity); and shared cultural values (the idea that people in different culture groups have similar world views) among others. In order to overcome cultural barriers, we must go beyond simple observations and view the world through the eye of the members of a particular culture.

The culture of any society or organization comprises the shared values, understanding, assumptions and goals that are learned from earlier generations, imposed by present members of a society or an organization, and passed on to succeeding generations.
Each organization is faced by the main cultures and subcultures which give the clear map of the decision making process and the business operations. Cultures vary from organization to organization and need to be observed for successful business performance. Organizational culture: refers to norms the values and beliefs concerning the organization shared by members of the organization (Cullen and Parboteeah 2005). Culture helps one to understand how organizations are affected by more than their formally designed systems such as organizational structures. Organizations have the main organizational cultures and subcultures as brought about by the functional departments within the organization. Culture distinguishes an organization from others; this can clearly be seen in the way things are done, how issues are handled, the structures, their artifacts, stories and ceremonies done. Co-operative organizational culture is shaped by the co-operative principles and values; this can clearly be seen through the leadership styles, operations and power sharing.

1.2 The Co-operative Societies

A co-operative is an enterprise of a business, voluntarily owned and controlled by its member patrons and by them on a nonprofit or cost basis (Dubell. 1989). Historically, the source of cooperation is to be found among the poor people and being unique organizations, they are, governed by predetermined principles and values namely: open and voluntary membership, democratic member control, economic member participation, autonomy and independence, education and training information and, co-operation among co-operatives and concern for the community. Cooperatives are based on values of self help (ownership), responsibilities (character), democracy (involvement), equality (coequality, balance, and uniformity), equity (fairness, honesty) and solidarity (unity) (Kibanga 2004). This paper will bring out an understanding of the co-operative principles and values at inception to the present day application using Ufundis SACCO as the case study to bring out some of the truth of the Co-operative principles and values in shaping the co-operatives organizational culture.
1.2.1 Historical Development of Co-operatives

Co-operatives are known as social economic entities that have survived continuous changes both economically and politically. Co-operatives should never be confused for welfare organization; they are social economic enterprises that seek to satisfy their members through activities that are both social and economic. The very first Co-operative “Rochdale Society of Equitable Pioneers” was formed in 1844 in Rockdale, an industrial town located near Manchester, England. It was founded by twenty eight (28) weavers whose aim was to empower themselves economically. The co-operative movement has spread all over the world with the third world countries having the greatest benefit of co-operation among individuals for economical gain. “The deed of the Rochdale Equitable Pioneers is called the hour of birth of the modern co-operative movement because this co-operative was based on principles which have been valid for more than a century in the co-operative movement and also applicable today—with a few necessary modifications which were decided upon by the 23rd Congress of the International Co-operative Alliance in 1966” (Werner 1967).

1.2.2 Co-operatives Societies in Kenya

The history of cooperatives in Kenya can be traced way back to 1908 when the European farmers introduced the Co-operative organization established in Lumbwa (present day Kipkelion) (Ouma, 1990). Those organized by Africans were not founded until in the 1930s and their development was nevertheless very slow due to lack of confidence and support by the colonial Government on African capabilities. In 1937, the Kenya Farmers Association was formed by the British settlers. It was considered too early for Africans to attempt anything of the kind and that it was not possible to find people who would command the trust of their fellow members in record keeping of business operations and that Africans could not manage their own affairs. Campbell in the 1944 was appointed by the British colonial office in London to investigate the possibilities of African participation in cooperative organizations in Kenya. Campbell convinced the colonial Government through a report that the time was opportune for efforts to be directed for the encouragement and support of co-operative organizations managed by Africans. He recommended the appointment of a
registrar of Co-operative societies and enactment of a new co-operative society’s ordinance of 1932 which replaced the 1931 co-operative society’s ordinance.

The Attorney General was responsible for the running of co-operatives then and there was no department for co-operative development which led to a repeal of the 1932 ordinance to co-operative societies ordinance No 38 of 1945 (Cap 287) which facilitated the creation of the department for co-operative development of 1946. In 1947, Hayden recorded that about 47 co-operatives had been registered and by 1950s the co-operative movement was beginning to receive recognition and support. The period 1945-1960 the department for co-operative development was under the Ministry of African Affairs. However, co-operatives only thrived in Kenya following independence in 1963. Since then co-operative enterprises and their investments in Kenya grew tremendously. The Department of co-operative was moved to various ministries as follows: Agriculture, Animal Husbandry and Water Resources, later Ministry of Commerce and Industry and then Ministry of Marketing and Co-Operative, Ministry of Housing, Ministry of Co-operative and Social Services. The department attained its own ministry in 1974 as the Ministry of Co-Operative Development. By 1987, it was estimated that, the movement was contributing about 50% of Kenya’s Gross National Product (GDP) and this had an effect on half of the country’s total population (Kenyan population, 1987). The movement had a total membership of 5.9 million people and share capital investments worth over Kshs.96 billion in 2004, (Kibanga 2004).

Due to changes in global and Kenyan based business enterprise; attitudes towards the role of cooperatives have changed over time to match with global liberalization that is sweeping the business world (Maina 1972). Kenyan cooperatives have begun to undertake a diversity of operations which previously were considered unsuitable for cooperative undertaking, as per the article of their creation, Act cap 490 of 1966 and the current Act No. 12 of 1997, which enable co-operatives to operate in a liberalized environment with no or very limited government interference. Hence co-operatives have to adopt practices that promote efficiency and effectiveness to customer’s needs if they are to survive in a liberalized environment, where every business needs to adjust to compete in the ever changing business environment (Maina, 1972). Co-operatives are known for job creation, generation of foreign exchange through export of
agricultural products, improvement of the rural infrastructure, social responsibility activities, improvement of the living standards of citizens through provision of basic needs requirements, reduction of death rates due to health facilities, insurance services, reduction of illiteracy level through education and training for its members, improved GDP due to its inputs, improved balances of payments through the export import processes. Capital formation through savings mobilization and investment. Investments are the base of an economic development and mostly these investments are the results of savings. Co-operative savings and credit societies are the instruments for the mobilization of the savings of people, which are thereafter channeled into investment for economic growth. The main objective of cooperatives is to save and lend its members for productive purposes so that individual members can uplift their standard of living. Co-operatives have been identified as the single most important partner in development driving the mobilization of domestic savings for investment. Co-operatives virtually support directly or indirectly 28 million out of estimated 36 million Kenyans.

In 2009, the co-operative movement celebrated 100 years of its existence in Kenya. The statistical data provided by the Ministry of Co-operatives through a handout was as follows: 1997 – Kshs. 10.9 billion, 1999 – Kshs 12 billion, 2005 – Kshs. 17 billion, 63% of Kenyans derive their livelihood directly / indirectly from co-operative based activities. More than 12,000 registered co-operatives societies by 2008, Approximate number of members in the sector was 7 million, Cumulative amount of funds mobilized by co-operatives by 31st December 2007 was Kshs. 200 billion; which represents 31% of the National savings, SACCOs alone comprise of 48% of co-operative based institutions with 250,000 co-operatives. Daily Nation, 2009, “There are over 12,000 SACCOs in Kenya, whose activities account for 40% of the national economy”.

1.2.3 Policy, Legal and Regulatory Framework
Session Paper No.8 of 1970 supported co-operative development through consolidation of co-operative activities, intensification of co-operative training, streamlining of co-operative management and provision of Government support. Session Paper No.1 of 1986 focused on economic management for renewed growth by drawing on the private sector involvement in co-operative development. In 1987 Session Paper No. 4 was released still seeking renewed growth but seeking to limit the role of Government in the co-operative development to advisory and drawing on the members to take charge of the management and responsibility for mobilizing
domestic resources for development. In 1994 through Session Paper No. 1 co-operatives in Kenya were identified as the vehicle to spearhead recovery and sustainable development up to year 2010. By 2008, there were 12,000 registered co-operatives in Kenya with a total membership of about 7 million members. Co-operatives cater for about 65% of the Kenyan population. About 40.5% are agricultural based while 48% are SACCOS. SACCOS alone have mobilized 200 billion in deposits and as a whole, co-operatives contribute about 45% of the GDP.

The co-operatives societies in Kenya are under the Ministry of Co-operative Development. All Co-operatives in Kenya are registered under the Co-operatives Societies Act Cap 490 of 1966 formerly Cap 287 of 1945 which changed to the new co-operative societies Act No. 12 of 1997 as a result of liberalization in Kenya. In a nutshell the new Act No. 12 of 1997 will enable Co-operatives to operate in a liberalized environment with no or very little government interference. There will be autonomy, self sufficiency and business like operations whereby cooperatives will expand their way of doing things to profit making enterprises. With liberalization co-operatives have to adopt practices that promote efficiency and greater response to customer requirement if they are to survive the competition. The Commissioner of Co-operatives who is also the creation of the same act regulates the industry. Besides, co-operatives operate under the umbrella of other laws governing companies, contracts, trusts and agency (Cooperative Societies Acts Cap 490 of 1966 and No. 12 of 1997). Co-operatives are expected to operate under the co-operative rules set by the Ministry and the by-laws set by the individual co-operative. Any policies established by each co-operative can enforced at law. “a new law to control the operations of the societies and inject professionalism is yet to gazette” (Daily Nation, 2009)

1.2.4 The Ufundi Co-operative Society

Ufundi Co-operative Savings and Credit Society CS/2085 was registered in 1972 under the Co-operative Society’s Act with a primary objective of improving the socio-economic status of its members who were employees of the then Ministry of Works by accumulating shares and borrowing the same. Following the change in government structure coupled with the liberalization of the Co-operative movement, Ufundi has since been able to recruit its membership from various sectors of government parastatals, private companies and entrepreneurs. However, the bulk of the Society’s membership is still derived from the now
Ministry of Roads and Public Works, with a sizeable number being drawn from other Ministries. Ufundi being a country wide Co-operative Society has its headquarters in Nairobi within its own premises known as UFUNDI SACCO PLAZA at the junction of Moi Avenue and Moktar Daddah Street. Its registered mail address is P.O BOX 11705 00400 Nairobi.

Ufundi also has sixty-seven (67) branches throughout the country. Ufundi has for the last thirty three (33) years engaged in mobilization of funds to assist its members to meet their immediate financial needs including school fees, emergencies for medical and acquisition of property. While these activities have served members well, the programme may require diversification to other areas of individual members financial needs. This is necessary area for Ufundi to empower those who have been retrenched, retirees and community groups who cannot get access to credit in other financial institutions.

The supreme authority of the Society is the Board of Delegates was of 117 delegates (2005) drawn from every administrative district in the country. The body is charged with the responsibility of formulating policies that govern the Society, approving the budgets and appointing the auditors for the Society. It is the same organ that elects the Central Management Committee (CMC), which is composed of nine (9) members. The CMC is charged with the responsibility of the day-to-day operations of the Society being assisted by a body of four (4) members known as the Executive Committee elected from among its nine sitting officials. The ADM also elects three supervisory members who are charged with the responsibility of overseeing the activities and operations of the society.

The Society’s Manager sits in the Central Management Committee and Executive committee meetings as an ex-officio member. The Manager is also the Chief Executive officer of the society and together with the staff of thirty-two (32) then in various departments / sections undertakes functional responsibility on a day to day basis.

1.2.4.1 Vision and Mission and Core Values of Ufundi

Based on the 2007 UFUNDI SACCO strategic plan review, first draft report; UFUNDI’s vision and mission are a combination of the three basic elements: one the fundamental reason for existence (the purpose), the mission (timeless and changing core values) and aspirations to the future. The vision of UFUNDU is “To be a SACCO of choice” in this vision, UFUNDI
envisages to be second to no other SACCO in terms of management, staff, and financial services. The mission of UFUNDI is “To mobilize savings and offer quality financial services through quality leadership for the benefit of our members and other stakeholders” In this mission, UFUNDI will provide exceptional financial services to all stakeholders. The core values of UFUNDI are: Zero tolerance to corruption; the SACCO shall uphold integrity in all of its dealings, Team work and equality for all; The Central Management Committee, Management and staff shall work together to ensure results while treating all members and other stakeholders equally. Quality service delivery; The SACCO is committed to quality service to all members and stakeholders. Transparency and accountability in all her affairs, The SACCO shall uphold a culture of ethics, transparency and accountability in dealing with her stakeholders.

BY 2005, the membership of Ufundi was 4,500 members, a drop from approximately 30,000 members during the peak of its operations in the 19's. This drop was attributed to reason such as high death rates, early retirement schemes and retrenchment in the civil service. The minimum contribution per member is Kshs. 500 rising from Kshs. 400 in January 2002 (Strategic plan of 2005). Ufund co-operative is faced with a number of issues, such as (a) Bomb blast (August, 7, 2008); (b) Civil Service servants restructuring program process; (c) Mismanagement by former Committee members. (d) Lack of education to members and former members; (e) Defaulted loans/ loan delinquencies.

The society with the help of Co-operative bank has established a FOSA. It is expected that the FOSA will reduce the cost of transaction with the commercial banks, improve UFUNDI’S liquidity base, reduce the risk of members defaulting loans and enable members to have accounts in which to channel their benefits in case of retirement or retrenchment.

To this day all co-operatives are established on the basis of the co-operative principles and values. This means then that there is a pattern on which all co-operatives are expected to follow or be seen to be following. This eventually determines how things are done which is explicit in the management of the co-operatives. This then becomes the culture of Co-operative Management. The difference comes on the management style.

By 2008 the membership was 3528, 71 branches, 105 delegates, 28 staff in total; (6 senior managers and 22 other staff). Ufundi has 6 Departments (Accounts, ICT, Human resource and

1.3 Statement of the Research Problem

Co-operative principles and values were established to provide guidelines for co-operatives operation. They were and are still expected to blend co-operative operations and thereby form or shape the co-operative culture. The problem is whether individual co-operatives understand and implement both the principles and the values as expected; how they affect the co-operative culture, how this could be determined and what advice needs to be given for implementation.

Davis of Leicester University, Carried out a research on the principles of Co-operatives based on the developed co-operatives from the developed world (UK), he gave his findings and were appropriate to developed co-operatives. Without any research on the developing countries' co-operatives on the impact of the principles, comes the prompting of this research work on Kenyan Co-operatives to represent developing co-operatives. Further just one case study will be used to represent the rest of the co-operatives. Ufundi SACCO is the case study because there has not been any study in this field or any other on Ufundi SACCO. Ufundi co-operative acts as a sample among different types of Co-operative. Ufundi SACCO is a co-operative that undertakes the role of savings mobilization and offering credit facilities at reasonable charges. The outcome is expected to reflect what is happening among co-operatives that form the co-operative movement on Kenya.

The main work done on the principles is by the International co-operative Alliance in 1966 which developed the current principles used all over the world. The co-operative education materials advisory services (CEMAS) defined co-operative principles as “those practices which are essential, which is absolutely indispensable, to the achievement of the co-operative movement’s purpose. This purpose has been described in various ways at different stages of the movement’s historic development. The Rochdale Pioneers were like some of the co-operators supporting themselves by their own labour on their own land. For most part, the movement did not advance along this line of intensive development but developed extensively, by spreading out geographically and by breaking into one field of economic activity after other” The other was
done by Davis who comes up with different meanings of the principles. In either case, the implementation of the principles has not been addressed. This raised the need to find out how they are implemented and their effect on the management culture of a co-operative. Consequently, this research sought to address the following questions: What role do they play in co-operative management? How are the principles and values implemented? And what is the effect of the principles and the values on the management culture of co-operatives? Case: UFUNDI co-operative.

1.4 Research Objective

To determine how the Co-operative principles and values have shaped the organizational culture of Ufundi Co-operative Society.

1.5 Significance/Importance of the Study

The study was able to yield information of immediate value to the co-operative movement and the organizational culture of the co-operative enterprises. Co-operative principles and values are important in co-operative management. "a Society which has for its objects the promotion of the economic interest of its members through co-operative principles, and which in the opinion of the Commissioner is capable of promoting those interests may be registered as a co-operatives society" (Carl 1970).

Also the study was of benefit to many groups for example: Management of Kenyan organizations especially those of cooperatives. These groups would appreciate and espouse co-operative principles and values in their co-operative organizations; they will be able to guide their organization into the future with confidence in order to build and nurturer a healthy organization. Academicians and consultants may find this area of study to be of interest to them and the research gaps that will arise out of this study will form the basis of future researches. The commissioner of cooperatives will use these findings to review further legislate framework under the cooperatives Act No. 12 of 1997 and under the reviewed Act of 2005. Universities and other learning institutions will find this study useful as knowledge resource and further promoting research in the cooperative industry.
1.6 Definition of Significant Terms

Organizational Culture
This is an idea in the field of organizational studies and management which describes the psychology, attitudes, experiences, beliefs and values (personal and cultural values) of an organization (Cullen, 2005). It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.

Co-operative Principles
The Cooperative Principles are a set of ideals for the operation of cooperatives (Maini 1972). They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844, and have formed the basis for the principles on which co-operatives around the world operate to this day.

Co-operative Management
Either informal or legal arrangements between government representatives, community groups and other user groups, to take responsibility for, and manage, a resource and/or its environment on a cooperative basis. (King 1995).
CHAPTER TWO: LITERATURE REVIEW

2.1 Development of the Co-operative Principles

The idea of co-operative enterprises started with 28 weavers (1843) in Europe who formed the first Co-operative “the Rochadale Equitable Pioneers 1844 (Ouma 1990). It is from this humble beginning that the co-operative idea has spread to the whole world and has become a great movement of the International Co-operative Alliance (ICA) based on the fundamental principles, initially by the Rochadale and later by the (ICA). The Principles and the values have become the major variables that the Cooperative management culture across the world. This means then that the management of co-operatives depends on the accurate implementation of the principles and the values. Both the principles and the value have gone through modifications after different researches, commissions, and congresses.

Organizations are managed under different guidelines and their way of doing things is shaped by the existing assumptions, beliefs and values which hold operations, systems and people together. Even when the assumptions are not elaborate, they still exist in a subtle way in the sense that individuals find themselves doing things in a certain acceptable way and in a certain pattern. It is this way of doing things that forms the culture of any organization and that differentiates an organization from others. A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (I.L.O) (Cheesman 1956), “A Cooperative Society is an incorporated association in which people join together of their own free will to obtain some economic services which would be either too difficult or too costly for each to obtain by working alone. The society is operated by the members according to true democratic principle.” This principle becomes the basis for the decision making process.

According to Schaars 1980, Co-operatives have features and fundamental concepts which distinguish them from ordinary corporations. The following principles distinguish co-operatives from other businesses:

1. Control by member users – also called democratic control.
2. Operations on a cost - of – doing business basis – that is, nonprofit operations.
3. Limited returns or dividends upon ownership capital.

The seven main principles are discussed as follows:
2.1.1 Voluntary and Open Membership

This principle like the others was established by the Rochadale and it states that co-operative society’s membership must be open and voluntary. It is based on the values of responsibility and openness. The ICA’s statement on co-operative identity states “Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination”. This principle has two aspects:

The open aspect of co-operation should be maintained, as the society should accept all qualified person for membership and restrict expulsions to those cases where these qualifications are no longer valid or where the members acts against the interest of the society. The voluntary part of co-operations allows free change of membership as no person should be forced to join or remain in a co-operative society. Any compulsion to join a co-operative has always been against the essential concept of co-operation. In practice though and through the by-laws, there is tendency of certain forms of compulsory co-operation in the initial stages of co-operative introduction and formulation. On the other hand members are free to withdraw after a certain period of time but even then there are conditions placed on withdrawal.

2.1.2 Democratic Member Control

This principle is based on values of self-responsibility, Democracy and equality of all members. This is manifested in two ways:

The co-operative structure: The supreme power in a co-operative society is the assembly of its members at the Annual general meeting. It is at this meeting where major decisions are made subject to the provisions of the co-operative society’s Act, Rules and the By-laws of a co-operative. Equal voting rights: Co-operatives should be democratic organizations controlled by their members who actively participate in setting their policies and make their own decisions. All members have equal voting rights regardless of their share contribution, men and women serving as elected members to the board at the AGM, are accountable to the members. By having equal voting rights means “one member one vote” this is ideally possible where members are involved directly other than where the delegates system is in place. The delegate system is applicable in situation of country wide co-operative. Ufundí SACCO is a country wide co-operative where the delegates system applies.
This research will focus on finding out how this principle is implemented and its significance in shaping the management culture of Ufundi.

2.1.3 Member Economic Participation

This principle is based on the values of self-help and equity. Members should contribute equitably to, and control democratically, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surplus funds for developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible or for benefiting members in proportion to their transactions with the co-operative; and supporting other activities as approved by membership. This principle can be broken down into a number of constituent parts such as; member contribution or patronage, limitations on member compensation and appropriate use of surpluses. The principle also deals with how members are compensated for funds invested in a co-operative, and how surpluses should be used. Unlike for profit corporations, co-operatives are a form of social enterprise. The different ways in which surpluses can be distributed, include: Members receive limited compensation, if any on capital subscribed as a condition of membership, Developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; in other words, the surplus can be reinvested in the co-operative, Benefiting members in proportion to their transactions with the co-operative; for example, a consumers co-operative may decide to pay dividends based on purchases and Supporting other activities approved by the membership.

2.1.4 Autonomy and Independence

This principle is based on the value of self-help and democracy. Co-operatives should be autonomous, self help organizations, controlled by their members. In case a co-operative enters into agreements with other organizations, including Governments, or raises capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy. Outwardly the picture seen is like co-operatives are autonomous, but inwardly since co-operatives have liquidity problems and have been poorly managed, most of the control is exercised by the lenders and the regulators mainly the Government officials. Members have little or no say on some issues especially where they are in desperate need of money. The
Government promotes, educates and registers co-operatives. Also requires a copy of the by-laws, audited accounts, end year statistical information and wealth declaration forms.

2.1.5 Education, Training and Information

Co-operatives are expected to provide education and training for their members, elected representatives and employees so that they can contribute effectively to the development of their co-operative. They are expected to create awareness of their existence, the benefits of being a co-operator, and get involved in campaigns of dealing with issues affecting people at the national level, example the HIV and AIDs awareness and development matters. They are expected to train and skill staff and committee members on the job, credit management and other related areas to enhance performance in the respective area of involvement. On the contrary, a number of co-operatives hardly conduct education for neither their membership nor the public. The amount budgeted for education and Training is little for use in training staff and is mostly used by Management Committee and yet, staffs are the ones involved in the operations. Little is used on Information and this would include research and marketing activities. If this principle were to be implemented effectively, transformation would take place. Whatever takes place forms the organizational management culture.

2.1.6 Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures. In Kenya co-operation is very poor at the local, district and provincial level. On the other hand, at National and International level, there are some positive cooperation but more still could be done to streamlining the operations of the National co-operation and Apex bodies.

2.1.7 Concern for the Community

According to the ICA’s statement on the co-operative identity, “Co-operatives work for the sustainable development of their communities through policies approved by their members”. Co-operatives should work for the entire community by ensuring good staff welfare, poverty reduction through relevant programs; create awareness of diseases and other national concerns.
2.5 Studies on Co-operative Principles

Co-operative principles were first developed by the Rochdale pioneers to govern their activities at the consumer co-operative. Akken of Wisconsin as reported by (Cheesman 1956) the principles of co-operatives constitutes criteria which serves as an inspirational and directive force in determining objective and in motivating actions to obtaining desires and this criteria may take the form of laws or rules governing the conduct of those engaged in collective enterprises. Further, he said, principles are designed to suit operations and therefore it may vary according to objectives, place, time or persons concerned. Later, it was found that after the first initial principles by the Rochdale agricultural societies, it was difficult to apply these entirely and in 1930 the matter came to Viena Congress of I.C.A. A committee was appointed to investigate the nature of these principles and a report was made to I.C.A meeting in Paris in 1937 where the following principles were modified to the earlier ones:

Open membership, Democratic control, Limited interest on capital Dividends on purchases, Political and Religious neutrality, Cash payment and Promotion of education.

Implementation of these principles varies from country to country based on the existing laws and regulations although the concept is the same. In fact the principles were further modified by the I.C.A in 1966 to the current ones: open and voluntary and open membership, democratic member control, economic participation by members, autonomy and independency, education, training and information, cooperation among co-operatives, and concern for the community in general. Another study and most likely the latest by Davies 1999 suggest that, co-operative principles should be interpreted on the following basis: Pluralism (managing on behalf of all members interests), Mutuality (recognition of the need for shared benefits), Individual Autonomy (respect for persons and devaluation of responsibility), Distributive Justice (a non exploitative sharing of resources), Natural Justice (the right to independent appeals, procedures and application of fair rules and processes), People Centeredness (recognition of whether employees, customers or suppliers are the subject and not the object of business) and the multiple roles of work and labour (work influences social status, consumption patterns and the whole structure of relationship of society as a whole. This provides a long with people centeredness the additional rationale for corporate social responsibility) Davis’s explanation coils around the seven main principles but
with a wider and application scope. Otherwise it is from these principles that the by-laws and other business policies should be developed. It is this in mind that the subject case is tested to find out the applicability of the principles and how they shape the Co-operative Management culture.

Kibanga 2004, states that, co-operative principles and values together are the life blood of the Co-operative Movement. They are derived from the values that have guided the movement from its humble beginnings. They shape the structures and determine the attitudes that provide the movements’ peculiar and distinctive characteristics. They are the guidelines through which co-operators strive to develop their co-operative organizations. They are intrinsically practical principles, modeled and fashioned as much by generations of experience as by philosophical thought. Consequently, they are elastic, applicable with different degrees of detail to different kinds of co-operatives in different kinds of situations. They are therefore, not immutable laws and are capable of adjusting to rapid changes. According to Maina 2004, the approach used to distinguish co-operatives from other enterprises should be, to refer to the co-operative law; “the co-operative society’s Act, Cap 496, replaced by the co-operatives society’s Act, No. 12 of 1997 which spells out the legal requirements for the formation or registration of co-operative societies stated as follows: “Subject to provisions of this Act, a society which has its objects; the promotion of the welfare and economic interests of its members and has incorporated in its bylaws the co-operative principles”. This means, for bylaws to be developed and implemented, both Co-operative values and Co-operative principles have to be reflected in the views of those involved in the development. The values come first then the principles.

2.6. Cultural Values

Dubell 1989, defines cultural values as “a synthesis of all knowledge and experience of a people – it is the fundamental of society and the carrier of the social heritage of a Nation or a people. All activities that take place in a cultural environment and one cannot even think of a cultural vacuum”; this is not clear whether it is referring to human culture or organizational culture. One thing that is clear is that culture is shaped by some variables and in this study those variables are the co-operative principles and values that determine how things are done within a co-operative or within the co-operative movement. But, he further says, “cultural aspects have not received
any particular attention in co-operative development”, which he further states that “this is a considerable mistake on the part of a movement that represents the popular masses; it is therefore important that we change our way of thinking”. His suggestion is that culture must be reflected in our work, approaches, attitudes, and education programs (principle number five). This might mean that when co-operative principles were being established, the aspects of culture were never taken into consideration, particularly how this affects the organization culture besides incorporating the people’s culture. It also means that “we have to introduce an element of flexibility in the co-operative system to allow and to promote such business practices and institutional changes that are justified from the point of view of the local culture. Cultural rigidity on the part of the co-operatives does not create the necessary conditions for an active and successful cooperative movement”. This maybe referring to the environmental culture but organizational culture does not work in isolation; they are all intertwined to facilitate performance. In fact, Dubell ends up on this with a question “is there a need for a cooperative principle on culture?” He explains, the cooperative principles do not mention the word culture, and there is nothing in the comments of the cooperative principles that indicates that cooperatives look upon culture as a factor of importance. Instead, there is no notice taken of culture, it is ignored by the cooperative principles”. He further says, this is a remarkable shortcoming. If the cooperative principles claim to constitute a system, to be inseparable, and to support and reinforce one another (Report of the ICA commission on cooperative principles, 1967), they must include cultural aspects, too”. This might suggest the reason for the poor implementation of the cooperative principles and an area or aspect for further research.

Burnes (2004), on cultural values states that besides the basic assumptions, “The next higher level of awareness includes values about what ought to be done in an organization. Values tell members what is important in the organization and what they need to pay attention to...”. Cooperative principles explain what ought to be done in a co-operative, as to whether they are implemented effectively and whether they have any influence on how of running the organization is the purpose for which this study is carried out. Brown (1998), states that “values are intimately connected with moral and ethical codes, and determine what people think ought to be done. Individuals and organizations which value honesty, integrity and openness, consider that they (and others) should act honestly, openly; and with integrity because that is the right
thing to do. Beliefs, on the other hand, concern what people think is or should be and yet sometimes this is not true. In practice, beliefs and values are often hard to distinguish between, because beliefs about how the world works frequently involve values, that is views about what should or ought to be done. Moreover some authors have defined values as particular sorts of belief. Rokeach (1973) has suggested that ‘a value is an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence’. Most of the times values and beliefs are confusing in the mind but from the above differentiation, it is clear that they are quite different. This study addresses values specifically and not beliefs.

Dubell (1989), on cooperative values of mutual self help, equity, equality and economic democracy states that “The idea of self-help emphasizes the cooperators’ belief in man; that man has intellectual and other resources that he can use in cooperation with others to solve problems; equity is a distributive principle, i.e. it deals with how things (benefits, rewards, surplus, justice, etc.) are distributed in a fair and just way. It tries to overcome differences of treatment, discrimination and anomalies”. This supports the principle “members’ economic participation”. Equality deals with distributive attributes. But equality is a complex thing. It does not really mean that all individuals are equal in the sense of being identical, but rather they ought to be treated equally in the respect in which they are equals. From a cooperative point of view all people who need the services of a cooperative society are equal in that respect, and they are, therefore, treated alike; they can all become members (open and voluntary membership). The principle of democratic control says that people, as members of a cooperative society, are equal in that respect and therefore, treated alike, for example, they have one vote each. This brief explanation shows that the concept of equality has deep roots in cooperative thinking, and it is natural that it occupies a central place among cooperative values. Economic democracy implies that people shall take part in economic decision-making that affects their life. Cooperatives were probably the very first business organizations that practiced economic democracy. Unlike the private company, where the individual’s democratic’ right is based on his capital input; the cooperative member’s right is based on the democratic principle of one man one vote. A cooperative society is basically an association of human beings or as Webb 1891 wrote “People, not property, is the constitutional base of the Rochdale system”. It is man as a human being that
is important, not his capital resources, or anything else. Therefore, every man must have the same status in the cooperative society, and the same opportunity to influence its affairs.” From this explanation, it is clear that cooperative principles and values are intertwined. The values support the principles and this is visible in the by-laws of a co-operative. It is therefore expected that a cooperative should make this a common practice which therefore determines how things are done in a co-operative and thereby shaping the organizational culture of a co-operative.

2.6 Understanding the Organizational Culture

Different definitions of culture are given by Burnes 2004. States: “The culture of the factory is its customary and traditional way of thinking and doing things, which is shared to a greater or lesser degree by all its members and which new members must learn, and at least partially accept, in order to be accepted into service in firm” (Jacques 1952).

“Culture is a pattern of beliefs and expectations shared by the organization’s members. These beliefs are expectations produce norms and powerfully shape the behaviour of individuals and groups in the organization” (Schwartz and Davis 1981), “A quality of perceived organizational specialties – that it possesses some unusual qualities that distinguish it from others in the field” (Gold 1982). “By culture I mean the shared beliefs top managers in a company have about how they should manage themselves and other employees, and how they should conduct business” (Lorsch 1986). “Culture represents an interdependent set of values and ways of behaving that are common in a community and that tend to perpetuate themselves, sometimes over long periods of time” (Kotter and Hesketh 1992). “Culture is ‘how things are done around here’” (Drennan 1992) “Culture is the unique configuration of norms, values, beliefs, ways of behaving and so on, that characterize the manner in which groups and individuals combine to get things done” (Eldrigde and Crombie 1974). Hosted 1990, developed a four layered hierarchical model of culture which ranged from values at the deepest level through rituals, heroes and, at the surface level symbols. Schein 1985 suggested a three-level model, with basic assumptions being at the deepest level, beliefs, values and attitudes at the intermediate level, and artifacts at the surface level. Keuning 1998:46 argues that the two most important functions of culture are: “To provide relatively fixed patterns for handling and solving problems and to reduce uncertainty for members of the organization when confronted with new situations” (Bernard and Burns, 2004).
In cooperatives the fixed patterns for solving problems are found in the cooperative principles and values, they also reduce the uncertainty as things have to be done as prescribed in the by-laws which are developed on the basis of the principles and the values.

Organizational culture has been defined by different authors as follows: Burns (2004) defines organizational culture as “the particular set of values, beliefs, customs and systems that are unique to that organization”. The cooperative principles and values make cooperatives unique. Cullen and Parboteeah (2005), define organizational culture as “the norms, values and beliefs concerning the organization shared by members of the organization” Cooperatives have values that are observed by all members within a cooperative. “The culture of an organization refers to deep-seated values underpinning the organization. It is manifested through a number of features and is increasingly being recognized that the culture is fundamental to the success or failure of organizations in meeting their goals”. ABE (2008) goes further to explain that “organizational culture is not something that is written down or necessarily, easily stated. Rather, it is intangible mixture of rules, relationships, values, customs, values and attitudes which, taken together, describe the distinctive “feel” of the organization. It is within this culture that individuals work and from which they learn the norms and values to which they are expected to subscribe. Some of the organizational culture characteristics include: The organization’s goals, the dominant behaviour patterns, the distribution of authority, the structure of the organization, Nature of leadership and the values of the organization, the entrepreneurial spirit and receptiveness to embracing change. Brown (1998) suggests that organizational culture includes: artifacts, language in the form of jokes, metaphors, stories, myths and legends, behaviour pattern in the form of rites, rituals ceremonies and celebration, norms of behaviour, heroes; Symbols and symbolic; beliefs, values, attitudes and ethical codes; Basic assumption and history. Mullins (1999), defines culture as ‘how things are done around here’ and a more detailed definition as “the collection of traditions, values, policies, beliefs and attitudes that constitute a pervasive context for everything we do and think in an organization”. In his explanation he says that “culture is reinforced through the system of rites and rituals, patterns of communication, the informal organization, expected patterns of behaviour and perceptions of the psychological contract”. This means then that in a culture, there has to be systems, people perception of how things ought to be done, a practice that is developed over time until it shapes the mind set and attitudes of those involved.
Mullins (1999) brings the views of Schein (1985) and suggests a view of organizational culture based on distinguishing three levels of culture: artifacts and creations; values and basic assumptions. Level 1: Artifacts. The most visible level of the culture is artifacts and creations—the constructed physical and social environment. This includes physical space and layouts, the technological output, written and spoken language and the overt behaviour of group members. Level 2: Values. Cultural learning reflects someone's original values. Solutions about how to deal with a new task, issue or problem are based on convictions of reality. If the solution works the value can transform into a belief. Values and beliefs become part of the conceptual process by which group members justify actions and behaviour. Level 3: Basic underlying assumptions, when a solution to a problem works repeatedly it comes to be taken for granted. Basic assumptions are unconscious held learned responses. They are implicit assumptions that actually guide behaviour and determine how group members perceive, think and feel about things. Based on this input, the issue of how people perceive what needs to be done is critical, also this develops into assumptions and therefore it becomes obvious what people need to do without supervision. When procedures and processes are put in place, it becomes the normal and expected practice of an organization which becomes the culture of such an organization. Mullins also reflects on Harrison ideas as reflected by Handy who describes "the four main types of organizational cultures: power culture; role culture; task culture; and person culture. Power culture depends on a central power source with rays of influence from the central figure throughout the organization. Role culture is often stereotyped as a bureaucracy and works by logic and rationality. Role culture rests on the strength of strong organizational 'pillars'—the functions of specialists in example, finance, purchasing and production. Task culture is job-oriented or project-oriented. Person culture is where the individual is the central focus and any structure exists to serve the individuals within it. When a group of people decide that it is in their own interests to band together to do their own thing and share office space, equipment or clerical assistance then the resulting organization would have a person culture". Mullins talks of the four generic types of culture: the tough-guy, macho culture; the workplace/play-hard culture; the bet-your-company culture; and the process culture. He then brings out Johnson’s: cultural web of an organization as illustrated in figure 4.
Routines – The ways that members of the organization behave towards each other and towards those outside the organization and which make up how things are done or how things should happen, Rituals – the special events through which the organization emphasizes what is particularly important and can include formal organizational processes and informal processes, Stories – told by members of the organization which embed the present and flag up important events and personalities, and typically have to do with successes, failures, heroes, villains, and mavericks, Symbols – such as logos, offices, car, titles, type of language or terminology commonly used which becomes a shorthand representation of the nature of the organization, Power structures – the most powerful individuals or groups in the organization which may be based on management position and seniority but in some organizations power can be lodged with other levels or functions, Control systems – the measurement and reward systems that emphasize what it is important to monitor, and to focus attention and activity upon- for example, stewardship of funds or quality of service and organization structure – This reflects power structures and delineates important relationships and activities within the organization, and involves both formal structure and control and less formal systems. In his conclusion, Mullins says that the importance of culture is that it helps to account for variations among organizations.
and managers and also helps to explain why different groups of people perceive things in their own way and perform things differently from other groups. This sums it all; culture distinguishes an organization from others and facilitates how people perceive as what needs to be done in an organization.

2.7 Principles and Values of Co-operatives in relation to Culture

Different from other forms of businesses; Co-operative management is based on co-operative principles and value. The key differences between Co-operatives and other form of business enterprises are on the basis of the following factors: purpose (To maximize net and real income of member users; and provide goods/services at cost to member users), organization (Organized under state co-operative law; organized around mutual interests of its member users. Organized and owned by members. No public sale of common voting stock/shares), control (By member patrons, Policies made by member users and directors. Voting in local association usually on one-man-one-vote either on number of members represented or on volume of business done with the central organization. Generally, no proxy voting which means voting has to be done in person, Seldom can that internal clique get control), source of capital (from member users primarily, from net earnings on successful operations with reinvestments of part or all of the savings), distribution of net margins (to patrons on a patronage basis after modest dividends on stock have been paid; reserves and, in some cases, and educational fund and bonuses to employees are set aside), stock dividends (limited to a nominal amount – in % form based on the surplus in a given year), operation practices (use revolving capital plan of financing based on the amount of business transacted with patrons in addition to conventional financing procedures. Usually pool sales receipts and pay average prices by grade for products received. Not only interested in operational efficiency but also in pricing efficiency as well so that differential pricing by grades may reveal to producers ultimate consumer preferences, tastes and purchases), initial transaction (the purchase or sale is, in a sense, a conditional transaction subject to a refund or additional payment at the end of the accounting period, if net earnings or savings are made) tax treatment (also subject to many different kinds of taxes for example withholding tax in the case of Kenyan Co-operatives) (Schaars 1980). We also study culture because this is the real
things that determines the behaviour of individuals in and organization and also facilitates efficiency and effectiveness.

2.9. Importance of the Co-operative Principles and Values

The principle and the values define the culture of the co-operative enterprise. According to (Bonner, Arnold 1961) after being stated and defined by the International Co-operative Alliance, were used by the Rochadale to frame the definition of a Co-operative society to determine eligibility for membership, which is limited to bone fide co-operative societies. The co-operative principles guide on how things have to be done by co-operatives, they enhance unity and harmony among members and they act as a measure of performance at some point of the operations for example during the AGM. Co-operatives that are strict demand feedback on some of the principles during the AGM; example education, training and information and concern for the community.

It is this in mind that there is need to understand the applicability of both the principles and the values by examining Ufund i Co-operatives.
members were selected using cluster and purposive sampling techniques. This method was used because it enabled the researcher to select respondents with the desired information and ultimately save on time allocated for data collection while preserves the qualitative aspects of the study. Cluster sampling was employed since the delegates are distributed over some geographical areas thus nationally. This technique involved selecting one or more geographical areas and sampling all the members of the target population that can be identified (Andre 1995) Delegates from a particular region will have equal chance of being chosen for interview. Purposive sampling will involve different was: (1) to select the sample size from the population 3528 members, (2) To select from 105 delegates, 52 only were further divided based on their position in the co-operative. Purposive sampling, Fraenkel and Wallen (2000) notes that, “on occasion, based on previous knowledge of a population and the specific purpose of the study, investigators use personal judgment to select a sample” Hence the researcher used personal judgment and knowledge of the population to select particular samples that would be representative of the factors being investigated. Primary data was mainly through interview and observation of the members of the co-operative.

Secondary data and information was collected from written documents such as the policies, the by-law, minute book and the financial reports. According to Andre (1995), “Secondary date is the name given to data that are being used for some purpose other than that for which they were originally collected”. This is data and information that has previously been gathered for other purposes and although, might not answer the questions under consideration, it gives an idea of the prevailing practices which shape the culture of an organization. Policies revealed the emphasis placed on the implementation of the co-operative principles, they also act as guidelines on how they should be implemented. The by-laws are the legal document that incorporates all operations and gives details on all activities of a co-operative. The minute book gives details of the meeting proceedings of the management committee members; this also shows how decisions are made in a co-operative. Financial reports particularly show how the budget was implemented. Reading through the documents gave an understanding of how culture has been developed through common practices example how often management committees are held as this forms culture. Financial reports showed how often the annual general meetings are held as this is an indicator of a good culture in an organization.
3.4 Data Collection Instruments

Best and Kahn (2004), state that, in a case study, data may be collected by employing a wide variety of methods. In this case, the researcher employed mainly (1) interviews (2) observations and (3) document analysis. The corresponding instruments included a questionnaire and a document analysis. These instruments are presented in appendices section one to three. The field research involved the collection of primary data using a questionnaire that had open-ended and closed questions developed in line with the objectives of the study. The researcher used primary data (questionnaire and interviews) for this case study. The questionnaires included structured (close-ended) and unstructured (open-ended) questions as was appropriate. By using unstructured questions, a respondent’s response may give an insight to his/her background, feelings, hidden motivation, interests and decisions and give as much information as possible without holding back. While, with the use of structured questions, the researcher gets specific information as per the questionnaires or as per the interview questions.

The preceding qualitative method employed focused group discussions and in depth interviews using an interview guide. To carry out the case study the researcher administered the questionnaires through the drop and pick method. Top managers, committee and a few members were involved to represent the whole. This case was chosen since there is no other study that has been done on Ufundí co-operative society.

3.4.1 Respondents

The targets respondents were chosen since these were the members who were in leadership position and were involved in the implementation of the principles through the development of the by-laws. With interaction, it was also possible to get their personal views. The 2007 UFUNDI SACCO strategic plan review and the 2008 Audited financial report was the other key source of qualitative and quantitative information.

For purpose of interpretation and presentation, schedules, charts statistical tools such as graphs, Histograms, pie charts and Bar charts were used.
3.5 Data Analysis

Different tools were used including schedules, tables, charts, graphs and statistical analysis such as the mean scores; standard deviations etc. Questionnaires were dropped in the General Manager’s office that marked them to respective senior managers as well as the middle managers; who in turn passed some to sectional heads. Personal interview followed on whoever had the questionnaire in some case while for some the head of sections/departments were guided and requested to carry out the interviews on behave of the researcher. Respondents were encouraged to gather information from other departments as appropriate to the questionnaire.
CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction
This chapter presents the data analysis and interpretations of the findings. Data was analyzed using SPSS and summarized using tables, charts, frequencies and percentages. From the study population of 46 delegates and 17 staff filled and returned the questionnaires correctly.

4.2 Social Demographic Information
4.2.1 Respondents Job Titles
This section aimed at identifying the various job titles that the respondents’ had. The findings in table 4.1 show the respondents job title.

Table 4.1 Respondents job title

<table>
<thead>
<tr>
<th>Title</th>
<th>Freq</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delegates</td>
<td>46</td>
<td>73</td>
</tr>
<tr>
<td>Managers</td>
<td>11</td>
<td>17</td>
</tr>
<tr>
<td>Supervisors</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
</tbody>
</table>

Majority of the interviewed respondents were delegates, comprising 73 percent while the managers consisted of 17 percent. Supervisors comprised of only 10 of the total population of respondents.

4.2.2 Age
This section aimed at identifying the age brackets of the interviewed respondents. The figure below shows the results.

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Data portrayed in the Figure 4.1 shows that majority of the respondents were in the age group of 31 to 40 years (73 percent) while 24 percent were in the age group of 41 to 50 years. 22 Percent were in the age group of 51 to 60 years while only 11 percent were in the age group of 20 to 30 years.

4.1.3 Gender

Table 4.2: Gender of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>28</td>
<td>45.0</td>
</tr>
<tr>
<td>Male</td>
<td>35</td>
<td>55.0</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The findings in the Table 4.2 show the gender of the respondents (staff and delegates). From the study, most of the respondents were males as indicated by 55%, while females were shown by 45%.

4.1.4 Level of Education

Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>4</td>
</tr>
<tr>
<td>College diploma</td>
<td>21</td>
</tr>
<tr>
<td>University degree</td>
<td>24</td>
</tr>
<tr>
<td>University masters</td>
<td>7</td>
</tr>
<tr>
<td>University PGD</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
</tr>
</tbody>
</table>

On the level of the respondent’s education, the study found that most of the respondents (38%) were university degree graduates, 33% of the respondents had a college diploma level of education, while the respondents who had a secondary level of education consisted of 7 percent and those who had a post graduate and masters level of education were shown by 7% each.

4.1.5 Marital Status

Figure 4.2 Marital Status
The study also sought to establish the respondents' marital status. According to the findings, most of the respondents (51%) were married, 46% of the respondents were single, while a small proportion of respondents as shown by 2% were separated with another lesser 1 percent being divorced.

4.3 Co-operative Principles

Cooperatives are autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise and are guided by various principles. In this section, the researcher aimed at identifying the respondents view on cooperative principles. The table below shows the results.

**Table 4.4 Co-operative Principles**

<table>
<thead>
<tr>
<th>Level of agreement on cooperative principles</th>
<th>Least</th>
<th>Neither agree nor disagree</th>
<th>Moderate</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, training and information</td>
<td>28</td>
<td>31</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Member economic participation.</td>
<td>10</td>
<td>21</td>
<td>41</td>
<td>28</td>
</tr>
<tr>
<td>Autonomy and independence</td>
<td>9</td>
<td>25</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td>Open and voluntary membership</td>
<td>10</td>
<td>22</td>
<td>27</td>
<td>41</td>
</tr>
<tr>
<td>Concern for the community</td>
<td>4</td>
<td>10</td>
<td>41</td>
<td>45</td>
</tr>
<tr>
<td>Democratic member control.</td>
<td>9</td>
<td>13</td>
<td>27</td>
<td>51</td>
</tr>
<tr>
<td>Cooperation among cooperatives.</td>
<td>8</td>
<td>14</td>
<td>28</td>
<td>52</td>
</tr>
</tbody>
</table>

The findings in the above table show that majority of the respondents (52 percent) were in strong agreement that the organization practiced cooperation among cooperatives closely followed by 51 percent who strongly agreed that their organizations practiced democratic member control. 34 percent were in moderate agreement that their organizations practiced autonomy and
Table 4.6 Co-operatives Culture Values

<table>
<thead>
<tr>
<th>Extent</th>
<th>Highest</th>
<th>High</th>
<th>Neutral</th>
<th>Low</th>
<th>Least</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rituals</td>
<td>12.5</td>
<td>30.0</td>
<td>32.50</td>
<td>2.5</td>
<td>22.5</td>
<td>2.3000</td>
</tr>
<tr>
<td>Stories</td>
<td>12.5</td>
<td>27.5</td>
<td>10.0</td>
<td>17.5</td>
<td>32.5</td>
<td>3.3000</td>
</tr>
<tr>
<td>Power structures</td>
<td>17.0</td>
<td>21.2</td>
<td>32.5</td>
<td>21.0</td>
<td>8.0</td>
<td>2.0875</td>
</tr>
<tr>
<td>Control systems</td>
<td>19.0</td>
<td>17.5</td>
<td>30.4</td>
<td>25.8</td>
<td>7.0</td>
<td>2.1478</td>
</tr>
<tr>
<td>Symbols</td>
<td>32.5</td>
<td>35.0</td>
<td>5.0</td>
<td>12.5</td>
<td>15.0</td>
<td>2.2250</td>
</tr>
<tr>
<td>Organizational structure</td>
<td>35.0</td>
<td>26.0</td>
<td>21.7</td>
<td>14.7</td>
<td>2.0</td>
<td>2.1850</td>
</tr>
<tr>
<td>Routine activities</td>
<td>37.0</td>
<td>35.0</td>
<td>22.5</td>
<td>5.0</td>
<td>0</td>
<td>1.9500</td>
</tr>
</tbody>
</table>

Data from the table above shows that routine activities and organizational structure was that culture value had the highest ranking (37 percent) followed by 35 percent of the respondents who ranked organizational structure (35 percent) Stories and rituals were the least ranked cooperative values with 33 and 23 percent of the respondents ranking them as low.

4.6 Principles and Values

4.6.1 Rating of Cooperative Principles in Relation to Effective Management

The researcher aimed at identifying the respondents rating of cooperative principles in relation to effective management
Data from the figure above show that majority of the respondents rated cooperative principles as very good, comprising 35 percent closely followed by 28 percent who rated them as good. 24 percent rated cooperative principles as fair while only 13 percent rated them as poor.

### 4.6.2 Rating of Co-operative Understanding of the Principles and Values

The researcher went further to inquire from the respondents on their rating of cooperative understanding of the principles and values. Data portrayed in the table above shows that majority of the respondents rated cooperative understanding of the principles and values as more than 50 percent (42 percent) while 34 percent rate the level of cooperative understanding of the principles and values as less than 90 percent. Only 11 percent rated them as more than 90 percent.

#### Table 4.7 Rating of Co-operative Understanding of the Principles and Values

<table>
<thead>
<tr>
<th>Level</th>
<th>Freq</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;50%</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>27</td>
<td>42</td>
</tr>
<tr>
<td>&lt;90%</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>&gt;90%</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>100</td>
</tr>
</tbody>
</table>
4.6.3 Rating of Relationship Between Principles and Co-operative Management

The aim of this section was to identify the view on the ranking of the relationship between principles and co-operative management amongst the respondents.

Figure 4.4 Rating of cooperative understanding of the principles and values

Majority of the respondents cited the relationship between and co-operative management as being good (35 percent) while 31 percent of the respondents rated the relationship as being fair. 21 percent of the respondents rated the relationship as very good while 13 percent rated the relationship as being poor.

4.6.4 View on Whether Principles and Values Should be Scraped or Reinforced

This section was aimed at identifying whether according to the respondents view principles and values of cooperative management ought to be scrapped.
Figure 4.5 View on whether Principles and Values should be scraped or reinforced

Data from the figure above shows that 79 percent of the respondents declared that the principles and values ought to be reinforced while 21 percent affirmed that the principles and values ought to be reinforced.
CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study.

5.2 Summary of the Findings

From the study, majority of the interviewed respondents were delegates, comprising 73 percent while the managers consisted of 17 percent. Supervisors comprised of only 10 of the total population of respondents.

On age group, majority of the respondents were in the age group of 31 to 40 years (73 percent) while 24 percent were in the age group of 41 to 50 years. 22 percent were in the age group of 51 to 60 years while only 11 percent were in the age group of 20 to 30 years.

On the issue of sexual category, the study found out that gender of the respondents (staff and delegates). From the study, most of the respondents were males as indicated by 55%, while females were shown by 45%.

The study also revealed that most of the respondents (38%) were university degree graduates, 33% of the respondents had a college diploma level of education, while the respondents who had a secondary level of education consisted of 7 percent and those who had a post graduate and masters level of education were shown by 7% each.

On the topic of marital status, the study disclosed that most of the respondents (51%) were married. 46% of the respondents were single, while a small proportion of respondents as shown by 2% were separated with another lesser 1 percent being divorced.

On cooperative principles, the study revealed that majority of the respondents (52 percent) were in strong agreement that the organization practiced cooperation among cooperatives closely followed by 51 percent who strongly agreed that their organizations practiced democratic member control.
34 percent were in moderate agreement that their organizations practiced autonomy and independence while 28 percent were in less agreement that their organizations practiced education training and information.

On issues of cooperative values, the study revealed that honesty was the most agreed upon value by the respondents as it comprised a mean of 4.2564, followed by equity which comprised a mean of 3.8957. Openness and equality were moderately agreed upon values and consisted of a mean of 3.5475 and 3.5154 respectively. Solidarity was the least agreed upon value and comprised of a mean of 2.0865.

The study also touched on cooperative principles and disclosed that majority of the respondents rated cooperative principles as very good, comprising 35 percent closely followed by 28 percent who rated them a good. 24 percent rated cooperative principles as fair while only 13 percent rated them as poor.

In addition, majority of the respondents rated cooperative understanding of the principles and values as more than 50 percent (42 percent) while 34 percent rate the level of cooperative understanding of the principles and values as less than 90 percent. Only 11 percent rated them as more than 90 percent.

On the issues of principles and values assessment, the study revealed that most of the respondents cited the relationship between them and cooperative management as being good (35 percent) while 31 percent of the respondents rated the relationship as being fair. 21 percent of the respondents rated the relationship as very good.

In addition, the study revealed that a majority of 79 percent of the respondents declared that the principles and values ought to be reinforced while 21 percent affirmed that the principles and values ought to be reinforced.

5.3 Conclusions

From the study, the study concludes that the organization practiced cooperative principles and this included cooperation among cooperatives, practicing democratic member control and autonomy and independence.
On cooperative values, the study concludes that the organization practiced cooperative values such as honesty and equity. Openness and equality were also seen as values that were practiced in the institution. However, values such as solidarity and self responsibility did not seem to exist at the organization.

On cooperative culture, the study concludes that routine activities and organizational structure were the most common culture value in the organization. Organizational structure also was cited as a value in the organization. However, stories and rituals were found to be missing organizational culture values.

On relationship between principles and cooperative management, the study concludes that the staff and delegates found the relationship as good. This understanding is essential as cooperative management aims at improving managerial skills and influencing acceptance of leadership roles in allocating resources so that whole economic process can be operated in the common interest of cooperatives' members, staff and the public.

5.4 Recommendations

From the summary and conclusions, the study recommends that Ufundi cooperative society should put emphasis on cooperative principles in order to fulfill the basic legal requirements and be effective marketers its products. According to the rule of law, questions relating to cooperative principles must be regulated by law, whereas decrees or other administrative acts are only to operationalize the law, especially in matters that are of a temporary nature or which are subject to frequent changes.

The study also recommends that Ufundi needs to portray equity and self responsibility as cooperative values. Lack of cooperative values weakens the associative character of the specific governance structures of cooperatives.

In conclusion, the study also recommends that all employees and stakeholders need to understand cooperative principles and values in order for effective management. This can be through training on cooperative management and staff attitudes about co-operative values and principles. There is an enormous opportunity when the board, management, and employees use the co-operative values and principles in their decisions. These decisions can lead to increased member loyalty and ultimately more business.

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5.5 Areas of Further Research
From the study, the researcher suggests that further research should also be conducted in other types of organizations such as those in the private sector and other finance related institutions to establish the effect of their principles and the values on the management.
REFERENCES


Moon C. and Bonny C. (2004). *The economist, Business ethics, facing up to the issues*.


5.3.0 QUESTIONNAIRE FOR MANAGERS UFUNDI SACCO

The questionnaire seeks information from Senior Managers, Middle Managers, Supervisors, Delegates and members of Ufundi SACCO on co-operative principles and values.

5.3.1 INSTRUCTIONS

a. Please respond to all questions as honestly as possible. The information given will be treated as private and confidential and will be used for research purposes.

b. Indicate your choice by use of a tick or write down your responses where appropriate.

SECTION ONE: BASIC DATA OF RESPONDENTS

1. What is your
   (a) Name ________________________________ (optional)
   (b) Position ________________________________
   (c) Department ________________________________

2. Age
   - 20-30 years
   - 31-40 years
   - 41-50 years
   - 51-60 years
   - 60 and above years

3. Gender
   - Male □
   - Female □

4. Educational level
   - University (degree)
   - University (masters)
   - University (PHD)
   - College (diploma)
   - Secondary

5. Marital status
   □ 50
SECTION TWO: RESEARCH QUESTIONS ON CO-OPERATIVE PRINCIPLES.

1. To what extent does your organization practice the following principles? Please encircle your preferred response on the rate of either 1, 2, 3, 4, 5, 6, 7, 8, 9, 10. 1 is the least while 10 is the highest.

(i) Open and voluntary membership

(ii) Democratic member control.

(iii) Member economic participation.

(iv) Autonomy and independence

(v) Education, training and information

(vi) Cooperation among cooperatives.

(vii) Concern for the community.
SECTION E: PRINCIPLES AND VALUES ASSESSMENT

1. In your view how do you rate co-operative principles in relation to effective management?
   Poor ______ Fair ______ Good _______ Very good ________

2. How do you rate the level of understanding of the principles and values?
   <50% ______ >50% _______ <90% ______ >90%

3. Rate the relationship between the principles and co-operative management
   Poor ______ Fair _______ Good _______ Very good ________

4. Should both the principles and values be scraped or re-enforced?
   Scraped ☐  Re-enforced ☐
Thro’ The General Manager

Dear Sir/Madam,

REF: RESEARCH WORK-ACADEMIC.

I have been taking MBA studies at the University of Nairobi and completed recently. My specialization is in Operation Management and International Business. Besides the MBA, I hold an MA from Leicester University where I specialized in Co-operative Management and Organization Development. Besides, I hold a post graduate Diploma from Moshi University for Co-operative studies.

My previous research work has been on Capital formation in Co-operatives (NACICO Co-operative) and the effect of strategic management in Co-operatives (Ukulima Co-operative). Currently, I wish to carry out a research on the effect of Co-operative Principles and Values on the Co-operative Culture.

I wish to request for permission to use your Co-operative; Ufundi Co-operative Society as my case study. This is for academic purposes only, however any useful research finding could be used for improvement of the any Co-operative culture. This study will also facilitate completion of my MBA studies.

Thanking you in advance for your favorable consideration in this regard.

Yours faithfully,

M. W. Gichung’wa
Lecturer-Co-operative College/JKUAT/CUEA./KCCT.
Our Ref: ..................................................

Your Ref: October 30, 2008

M.W Gichung’wa
P.O Box 852-00208,
Ngong Hills,
Nairobi.

Dear Madam,

RE: RESEARCH WORK- ACADEMIC

We acknowledge receipt of your application for the subject reference dated 8th July 2008 and are pleased to inform you that the Chairman has approved the same effective immediately (See copy of approval enclosed herewith)

All required information, interviews, documentation reviews, etc shall be provided with express authorization from the undersigned.

We look forward to getting a copy of your research report for our records.

We wish you well in your academic project.

Yours Faithfully,
For: Ufundi Saeco Ltd.

Paul Wamuna
General Manager