CHARACTERISTICS AND PERFORMANCE OF WORLD CLASS ORGANIZATIONS LISTED IN NAIROBI SECURITY EXCHANGE.

BY

MAGUSI KENNETH ONGUKO

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

MAGUSI KENNETH ONGUKO

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Signed---------- Date----------

This research project has been submitted for examination with my approval as the University Supervisor.

Signed---------- Date----------

DR. X.N IRAKI

Senior Lecturer

Department of Management Science

School of Business

University of Nairobi

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DEDICATION

I dedicate this project work to The Almighty God; My parents, Mr. Alloys Joseph Onguko and Susan Atieno Onguko and the rest of my entire Family; Pauline, Becky, Mary, Frank and Junior - Andrew for their encouragement and moral support throughout.

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LIST OF ABBREVIATIONS

ATS:	Automatic Trading System
CDSC:	Central Depository System Corporation
CEO:	Chief Executive Officer
CSR:	Corporate Social Responsibility
ICT:	Information, Communication and Technology
JIT:	Just in Time
KPTC:	Kenya Post and Telecommunication Corporation
KQ:	Kenya Airways
LAN:	Local Area Network
NSE:	Nairobi Security Exchange
SPSS:	Statistical Package for Social Sciences
TCBA:	The Centre for Brand Analysis
TOC:	Theory of Constraints
TQM:	Total Quality Management
TV:	Television
UK:	United Kingdom
WCM:	World Class Manufacturing
WCOs:	World Class Organizations'

ABSTRACT

Many organizations in Kenya have failed to master this concept of world class and have been restricted to operate within just the local market. With the coming of liberalization of the Kenyan market in the 1990s, major WCOs came into the local market and some of the Kenyan companies were forced to wound up. This study therefore sought to investigate the characteristics of world class organizations in Kenya. The study also sought to investigate the business models adopted by achieving a world class organization; to identify the ICT practices, human resource practice, CSR practice and operations management practices adopted in relation to achieving world Class organizations; and to link the characteristics of world class organizations practices to performance. The study used a descriptive research design. The target population will be the heads of human resource, operations, ICT and CSR departments in all 43 companies listed in the NSE and 10 companies that are considered Superbrand in Kenya. Purposive sampling will be used to select 10 companies that are considered Superbrand in Kenya (Best rated by Superbrand) and top 10 performing companies in the NSE but not listed as Superbrand. Both primary and secondary data were used. Primary data was collected by use of semi structured questionnaires. In the data analysis, both qualitative and quantitative data analysis methods will be used in the analysis of data. Quantitative data was edited and coded into a statistical package (Statistical Package for Social Sciences (SPSS) version 21) for analysis. Both descriptive and inferential statistics were used to analyze quantitative data. In relation to inferential statistics the study used correlation analysis to investigate on the effect of independent variables on the dependent. In descriptive statistics, the study used frequency and percentages. The analyzed data was then presented in tables and figures. On the other hand, qualitative data was coded thematically an analyzed using thematic content analysis. The study established that business models, ICT practices, human resource practices, CSR practice and operations management practices influence organizational performance of world class organizations positively. The study therefore recommends that NSE listed companies should fully adopt information communication and technology in all their processes and operations so as to achieve a world class performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Delivery of products (goods, services and ideas) that are easily and readily acceptable to different diverse markets has become the key competitive tool for organizations. The market referred to here is not restricted to the traditional view of the market (a location where exchange takes place) , rather refers to any group of people who have a common need or want and are willing (and are able) to consume a product in order to satisfy that need or want (Amanda, 2006). Organizations that have mastered this have risen to be the best of best in their given businesses and continuously strive to retain that position. They become role models for others with similar activities with which to benchmark against. Such organizations have been referred to as World Class Organizations' (WCOs) (Banker et al., 2006).

Many organizations in Kenya have failed to master this concept of world class and have been restricted to operate within just the local market (Kotabe & Helsen, 2008). With the coming of liberalization of the Kenyan market in the 1990s, major WCOs came into the local market and some of the Kenyan companies were forced to wound up. For example, Kenya Post and Telecommunication Corporation (KPTC) which was founded after the breakup of the East Africa Community in 1977 enjoyed a monopolistic environment in the telecommunication industry for over 20 years (since 1977 to 1999) but could not take advantage of being the only player in the industry to expand or even secure their market share in Kenya, let alone venture outside Kenya.

With the liberalization of the market by the Kenyan government in the 1990s, other players like Vodacom, Airtel etc came into the local market and took over the industry forcing KPTC to eventually be disbanded. Had KPTC employed the concept of 'World classness' with practices like innovation, continuous improvement, customer satisfaction, cost leadership etc. then they would have been able to wade off competition and even expand to the regional/International market. On the other side of the coin, companies like Kenya Airways (KQ) which had a similar background like that of KPTC i.e. it was a state corporation founded after the dissolution of the

East Africa Community in 1977 employed some of practices commonly associated with World Class Organizations e.g. Continuous improvement through continuous upgrade of their aircraft fleet , customer satisfaction through superior service delivery on board , better customer service for her customers when on ground through well trained customer service providers , Cost leadership through waste elimination which included staff rationalization etc. By the time KQ was being privatized in 1995, it had an edge in the market. When the market was opened in the mid-1990s, other carriers have found it hard to dislodge KQ in the Kenyan market as the preferred civil aviation provider. In fact KQ has found it easy to enter into other markets without many problems (Monir, 2009).

1.1.1 World Class Organizations

World Class organization has nothing to do with its size. Small, Mid-sized or big-size does not matter. Globally, there are many such examples where small 1-2 people organizations such as Apple, Google, Zappos, 37Signals among others that have become world class by subscribing to one or more of the above. Becoming a World Class Organization is not easy. It takes lot of commitment, pain and ability to go against the flow. People don't always do their best, economic conditions are not always in favor, a competitor pops up and tries to grab the market share by engaging in less than ethical, short-term methods…so many tempting offers from others and so on. However, the organization that have become world class have taken a stand for what they have always had believed in. That is the reason why they are harvesting today what they had ploughed years ago (Ngeta, 2009).

A World Class Organization is an organization that concentrates on bringing out the best in people. It is an organization that positions itself to produce continuous improvement and sustainable results. It has several features that define it. It treats and embraces its employees as assets, it mobilize teams hence cohesiveness and teamwork are an essential, it integrates the newest technologies that enhances productivity, it focuses on growth and development hence it thrive on learning and advancement, it is dedicated to meeting and exceeding goals, it is oriented to achieve by being dedicated to quality results and continuous improvement (Monir, 2009).

World Class Organizations are built around vision, strategy, people (employees and customers), and leadership. All major policies, systems, and programs are rooted in market realities and

customer priorities, and a deep recognition that employees are essential for success. Market realities and customer priorities determine the strategy the firm chooses and, in turn, the business strategy determines which core competencies and organizational culture are necessary. Building a high performing organization requires planning and execution with the customers buying criteria (customer needs and expectations) as the basis to determine strategy, capabilities, and culture (Banker et al., 2006).

1.1.2 Characteristics of World Class Organizations

A world class organization has various characteristics that make it outstanding internationally. This makes such an organization to become a high central player in international affairs than majority of the nation (Cua, Mckone & Schroeder, 2001). First, there are examples that give an impression for different business model types that have been in discussion from the invention of term business model. Furthermore, the use of ICT enables these organizations to pursue market presence actively in every significant global market through the use of electronic technology. Due to market globalization brought about by technology and the removal of trade barriers makes markets be challenged and all innovations by competitors render a global threat (Hansen and Mouritsen, 2007). In addition, human resource practices are outstanding in a world class organization. The personnel for most organizations are decentralized and even home-based through interactive networks. In this case, staffs are empowered with more responsibility and less direct supervision so that a trust- based organization can be established (Langat, 2005).

In addition, corporate social responsibility is another key characteristic of world class organizations. The organization assumes a high responsibility for education, infrastructure, community welfare and safety (Rajiv, Indranil & Bardhan, 2008). This responsibility becomes basic in making sure there is access to markets by attracting a fruitful, motivated, safe and steady workforce. Moreover, Just in Time, whose origin is in Japanese manufacturing is system that offers little opportunity for personnel to build up any type of slack or relief (through W-I-P) into the production process (Richard *et al.*, 1999). Just in Time eliminates activities that do not add value to goods or services, they are committed to high level of quality, and they are committed to constant improvement in the efficiency of an activity and emphases on simplification of processes. Also, total quality management is a key characteristic in world class organizations where the management develops operations throughout the value chain to deliver goods and

services that goes beyond customers' expectations. Organizations build their own model in total quality management to suit their specific culture and management style (Bart *et al.,* 2000). Furthermore, Kaizen is a Japanese concept that implies continuous improvement in quality, technology, procedures, organizational culture, security and leadership involving all in the organization. In a world class organization, the characteristics that identify Kaizen are the constant nature that is a never ending journey for quality and efficiency. Also, the move towards always improving quality and participation of work force involvement and intelligence enhances efficiency (Pearce *et al*., (2000).

1.1.3 World Class Organizations Existing in Kenya

There are numerous world class organizations in Kenya most of which have been rated top in the Super Brands survey. Most of Kenyan world class firms emerged top in the list of UK's Super brands in a survey conducted by London-based The Centre for Brand Analysis (TCBA) and Africa's research firm TNS RMS. The list was dominated by Kenyan homegrown organizations, which were voted for by Kenyan consumers as the strongest consumer brands for this year(Kotabe & Helsen, 2008).

Even though numerous Kenya based organizations has been listed under Super Brands, just a few has remained at the top being in line with the characteristics of World Class Organizations. Kenya's leading mobile network operator Safaricom was rated top of the brands that were researched, in testament of their dedication to maintaining consumer trust. According to the study, a Superbrand is a brand that that represents quality, reliability, and distinction. They are deemed to have established the finest reputation in their field, they provide customers significant emotional or tangible advantages over other brands that (consciously or sub-consciously) consumers want and recognize. These traits by Safaricom are in line with the characteristics of world class organizations (Ngeta, 2009).

This year, aAccording to Kenya's Standard Media as quoted Stephen Cheliotis, CEO of the Centre for Brand Analysis, the leading brands not only prove they offer quality products and services that consumers can trust, but do so on a consistent basis.. Other top brands that made it to the top 20 include the Daily Nation, Google, Facebook, Nakumatt and Citizen TV, among others that shows world class organizations characteristics. Also, Kenya Red Cross and Equity

Bank Kenya are two of the 11 brands that maintained their top 20 rankings inKenya's Super brands and they are still world class organizations. New entrants into the top 20 were Facebook, which came in at fifth, Google at sixth and Microsoft at seventh. South Korean company, Samsung was 12th on the list. Also, KQ is also in the list of Super Brands as another Kenyan organization with WCO characteristics. By the time KQ was being privatized in 1995, it had an edge in the market. When the market was opened in the mid-1990s, other carriers have found it hard to dislodge KQ in the Kenyan market as the preferred civil aviation provider. In fact KQ has found it easy to enter into other markets without many problems (Monir, 2009).

Cheliotis disclosed that brands are reviewed before the final selection is done. The high-ranking brands can therefore be proud of their performance and success in gaining respect among experts and desirability among customers, he added. Three core criteria which are quality, reliability and distinction are used to judge the leading brands.

1.1.4 Nairobi Security Exchange

The Nairobi Security Exchange (NSE) was constituted in 1954 as a voluntary association of stockbrokers under the Securities Act. On attainment of independence in 1963, stock market activity slumped due to uncertainty about the future of independent Kenya. In the first three years of independence confidence in the market was rekindled and the exchange handled a number of highly oversubscribed public issues. Its growth was however halted when the oil crisis in the early 1970s introduced inflationary pressures in the economy, which depressed share prices further. A 35% Capital Gains tax (suspended since 1985) was introduced in 1975 inflicting losses to the exchange which at the same time lost its regional character following nationalizations, exchange controls and other inter-territorial restrictions which were introduced in neighboring Tanzania and Uganda. The Kenyan government realized the need to design and implement policy reforms to foster sustainable economic development with an efficient and stable financial system. In particular, it set out to enhance the role of the private sector in the economy, reduce the demand of public enterprises on the exchequer and enhance capital market development (Ngugi, 2003).

The NSE is currently increasingly experiencing volatility in the share prices, as NSE 20-Share Index fell below the 3,000 psychological mark, lowering the total value of shareholders' wealth

(market capitalization) to Sh740.877 billion, from Sh1.3 trillion in June 2008. The market capitalization grew to KSh 1.3 trillion by the end of June 2008 after the listing of Safaricom shares. NSE has four core stakeholders who include; the investors, the listed companies, CDSC and the members/brokers. The most important stakeholders in any exchange are the investors. In case of Kenya, the number of investors remains very small, though in the recent years substantial number of investors has been attracted to the market. The gross number of investors in all listed companies is approximately 1.5 million based on CDS accounts that have been opened as at April, 2008. NSE has 55 listed companies on Equities board and 2 securities on preference shares board. It also has 9 listed Corporate Bonds and 65 listed Treasury bonds on the fixed income securities board (NSE Fact Book, 2003).

1.2 Statement of the problem

The notion of World Class will to many organizations in Kenya remains an 'elusive concept', unless there is a clear emphasis on continuous and sustainable performance measurement. Indeed many surveys have noted big gaps between organizations' perceptions on 'where they think they are' and the actual, impartial, objective assessment on 'where they really are' against World Class criteria (Zairi, 2010).

Of late, NSE has gone through some key growth milestones on trading and the settlement platform. These milestones include the setting up of a modern entirely computerized custody and payment services which are being offered by the Central Depository System Corporation (CDSC). CDSC started functioning in 2004 after many years of clearing and payment system through manual processes. The shareholders of the CDSC are brokers and some monetary institutions. There was a triumphant execution of the automatic trading system (ATS) in September 2006 on a local area network (LAN) at the trading platform. The system has enabled effective trading by lowering the time it takes to perform a trade. The incorporation of the ATS, CDS and brokers' back office systems boosted service delivery to investors. This use of ICT services by NSE is one major characteristic of a World Class Organization.

WCOs are those that have a number of critical practices, including development of the workforce, developing a technically competent management group, competing through quality, stimulating worker participation and investing in state-of-the art equipment and facilities. It

majorly leans towards development of people within the organization and giving them the latest technology in which to endeavor to use to become the best of the best. Others like Nimalendran and Petrella (2003) emphasized on continuous improvement, adding the development of supplier relationships, product design and JIT to the practices cited by Hayes and Wheelwright. Paul et al. (2002) note that this is an ongoing effort to improve products, services or process. These efforts can seek incremental improvement over time or breakthrough improvement all at once. Phan and Yushiki (2007) saw it as part of the process whereby feedback from the process and customer were evaluated against organizational goals

There has been a school of thought that says the above is not enough to be WCOs; technology, customer satisfaction and value addition should also be encompassed so as to be WC. Given the different views held by many of WCOs, it has become difficult for organizations to know what to do or not to do to be WC. There is a need to find out what a WCO organization look like (characteristics) and what one has to do to be as such. Various studies have been conducted on world class organizations in Kenya. For instance, Atiti (2012) did a study on critical success factors in a world class organization with a case of Standard Chartered Bank Kenya Limited; Sokwalla (2013) did a study on world class manufacturing in the maize milling industry with a case of Mombasa maize millers limited; and Ngeta (2009) did a survey of implementation of world class manufacturing practices: case of listed companies. Furthermore, Bucker (2003) did a study on the practices that characterize a world class manufacturer and identified four practices that characterize a world class manufacturer: a continuous national education and training program for human resource development to enable everyone to fully take part in the improvement process. He established that the management concentration is on setting up operating performance measurements that drive the behaviors in line with international continuous improvement in both process and product; commitment to developing a competitive benefit based on superior quality and service. Amanda (2006) did a study on business functions. He established that all business functions follow a process of factory and process simplification leading to a structure of integrated approach.

Also, Nimalendran and Petrella (2003) did a study on organizational leadership. They established that the multiplicity of leadership should develop an audacious and arresting notion of an envisioned future which filters through the organization and which offers--in association with a

powerful core philosophy the glue that holds an organization together as it grows, decentralizes, diversifies and expands internationally. According to their study, management's skill will lie in understanding this idea and making use of the suitable style to match the problem, so that leadership appear to value people and give them responsibility and power to act in self-directed teams

However, little has been done on the characteristics of world class organizations. Thus, this creates a research gap in the characteristics of world class organization. This study therefore seeks to answer the question: what are characteristics of world class organizations in Kenya?

1.3 Objective of the study

The general objective of this study was to investigate the characteristics of world class organizations in Kenya.

The specific objectives of this study were;

i. To investigate the business models adopted by achieving a world class organization.
ii. To identify the ICT practices, human resource practice, CSR practice and operations management practices adopted in relation to achieving world Class organizations
iii. To link the characteristics of world class organizations practices to performance

1.4 Significance of the study

The study is of importance to the management of various organizations in Kenya, to the government and to scholars/academicians.

The research findings can sensitize firms to a broader approach to corporate strategy. This would result in efficient operations, which result in cost reduction. With reduced average costs, firms can gain a competitive advantage in the face of increased global competitiveness.

The research findings provide managers in organizations in Kenya with reliable information that can help them to initiate continuous improvement in planning, decision making and in service delivery of production. In economies that are faced with limited resources, managerial decisions must be based on tested efficient techniques to attain global competition.

The academic fraternity stands to enhance their analysis, as the characteristics of world class organizations were established. The study also adds to the body of knowledge on the characteristics of world class organizations. Further, this study provides a base upon which further studies can be conducted on the characteristics of world class organizations.

Competing firms get a wake-up call to apply the WC practices so as to keep pace with similar firms within their industry. Service industry stands to benefit most since it is the least in utilizing these practices, yet some firms which have adopted are fully implementing, up to the very latest practice.

To the government of Kenya and policymakers, the study provides information that can be used to formulate policies to help in improving the characteristics of world class organizations in Kenya. The study can also provide information to protect investors when companies become world class.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the characteristics of world class organizations. The chapter begins with a theoretical framework, world class practices, characteristics of world class organizations, empirical studies, and summary of the literature review.

2.2 Theories of World Class Organizations

2.2.1 Theory of Constraints (TOC)

The theory of constraints is the brain child of Israeli physicist (Eliyahu, 1987). It is a process improvement philosophy that looks at an organization as a system. Its primary tenet is that all complex systems are governed by inherent simplicity, that at all times there are very few factors that actually dictate the outcome of a system (Buck, Yuhchang & Manus, 2006). Theory of Constraints is holistic approach that allows the company to identify the few physical and logical leverage points in an organization; how they can be used to address the fundamental core problems at the root of the symptoms where improvement can quickly cause quantum improvement for the organization as a whole. Eliyahu's work describes how to optimize performance of complex systems through management of critical constraints. The theory's principles focus on improving the throughput from the system. By increasing throughput, the end results will be improved. The theory compares the system to a chain or a network of chains. The weakest link within the system is the systems constraint. By improving the performance of the constraint, the weakest link is strengthened and throughput is improved (Bucker, 2003).

Blocher *et al., (*2006) asserts that firms using TOC could achieve the following remarkable results: lead time collapse dramatically, operations expose huge hidden capabilities; inventory fall to a fraction of previous record; inventory turn accelerates and Return on Investment jumps. World Class practices primarily apply constraint management in its implementation and

operationalisation. Under Kaizen, workers generally have superior knowledge about detecting constraints, how to improve processes and reduce costs, JIT manufacturing which closely knots with suppliers helps to reduce waste and quality problems and deliver defect-free materials and components (Rajiv *et al.,* 2009). Theory of Constraints by its principles focuses on change management therefore keeps firms from sub-optimizing in decision making and operations at all activities in the value chain and by measuring success at the system level.

2.2.2 New Institutional Theory

Institutions have been defined by institutional theorists since the 20th century to mean rules-the predetermined patterns of conduct that are generally acceptable by individuals in the society. Theory on institutional analysis has generated valuable insight into the causes of changes in the features and operations of organizations and the processes by which organizations secure legitimacy endorsement and survival through conformity with norms, practices and expectations of the institutional environment (Mayer & Rowans, 1977). Institutional theory argues that firms survival depends on, *inter-alia*, the acquisition of cognitive legitimacy, which implies the degree to which an organizations activities are taken for granted and sociopolitical legitimacy, which is the extent to which firms conform to recognized principles or accepted rules and standards. Legitimacy enhances survival by making it easier for firms to obtain access to resources, attract customers and combat threats.When organizational technologies, goals and environmental expectations are uncertain, organizations tend to copy successful companies. Thus companies become receptive to fashionable business techniques such as WCM. It was on such a basis that the WCM practices diffused from the vibrant Japanese manufacturing companies to the manufacturing companies in the US that had lost competitiveness in the 1990s. This study posits that the diffusion of WCM may be driven by isomorphism (Kaya *et al.,* 2004).

2.3 World Class Practices

The focus on WCM was first conceptualized by Clark (2010) as a distillation of insight gained from Japanese manufacturing in the 1970's when western manufacturing was perceived as failing and unable to compete. It was seen to provide a new form of accountability and control that more faithfully represents the nature and causal processes of manufacturing. It has a strong focus on accountability to the customer and monitoring progress according to benchmarks

derived from principles and practices of the best manufacturers internationally to engage the minds of managers and employees alike. Such a perspective of WCM depicted a distaste of management accounting. According to Banker et al. (2006), world class business is "organized to serve the customer" but to do so it must return to the basics: continual and rapid improvement in serving customers through better quality, lower cost and quicker and more flexible responses. The emphasis is how WCM techniques mesh together. Bucker (2003) identified four practices that characterize a world class manufacturer: an on-going companywide education and training initiative for human resource development to allow everyone to actively participate in the improvement process. Studies have shown that World Class Manufacturers provide a minimum of forty hours of education and training per employee on an annual basis; relentless pursuit of continuous improvement in all business activities. The management focus is on establishing operating performance measurements that drive the behaviors consistent with global continuous improvement in both process and product; dedication to developing a competitive advantage based on superior quality and service.

2.4 Characteristic of World Class Organizations

The following key factors can be identified to define and analyze the essential core competencies of organizations.

2.4.1 Business Models

The following examples provide an overview for various business model types that have been in discussion since the invention of term business model: bricks and clicks business model, collective business models, cutting out the middleman model, direct sales model, value-added reseller model, franchise, sourcing business model, fee in, free out and freemium business model. Bricks and clicks business model is a business model by which a company integrates both offline (bricks) and online (clicks) presences. In collective business models business system, organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavor, which pools resources, shares information or provides other benefits for their members. Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet (Bucker, 2003).

Direct selling is marketing and selling products to consumers directly, away from a fixed retail location. Sales are typically made through party plan, one-to-one demonstrations, and other personal contact arrangements. Value Added Reseller is a model where a business makes something which is resold by other businesses but with modifications which add value to the original product or service. Business model which works by charging the first client a fee for a service, while offering that service free of charge to subsequent clients. Franchising is the practice of using another firm's successful business model. For the franchisor, the franchise is an alternative to building 'chain stores' to distribute goods and avoid investment and liability over a chain. The franchisor's success is the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business (Buck, Yuhchang & Manus, 2006).

2.4.2 Information and Communications Technology Practices

Organizations will have to pursue market presence actively in every significant global market through the use of electronic technology. The globalization of markets through technology and the removal of trade barriers will mean that all markets can be challenged and all innovations by competitors may represent a global threat. This global presence through a geographically diversified and online market will enable organizations to take advantage of economies of scale and global brand recognition in their search for sustainable competitive advantage. According to Hansen and Mouritsen (2007), organizations will need to be tightly focused and highly specialized. The emphasis will be on distinguishing core capabilities, supporting core processes and all other activities will be outsourced. Innovations in information technology will assist organizations, not only in gathering information but in the development of sophisticated search engines and information warehousing that will help them overcome information overload and analysis paralysis.

2.4.3 Human Resource Practice

The innovations of the future will enable the virtual workplace to become a reality for all but manual and operational employees. Manufacturing still need to take place at a central site or series of sites. However, even in these locations, employees will be empowered with more responsibility and less direct supervision so that a trust- based organization emerges. The

challenge will be to provide social interaction and a sense of belonging within all aspects of these virtual organizations particularly those interconnections which intensify trust and trustworthiness (Langat, 2005).

For any organization to achieve world class performance in the future a clearly defined and articulated vision that states the organization's objectives and motivates and inspire performance to achieve the common goal must be present. The vision must be a product of the organization's core values and purpose and incorporate a practical and flexible implementation plan. Individuals with specific knowledge and competencies will combine to make decisions and give directions. The most successful teams will exhibit a richness and depth of purpose that eludes other groups and individuals and will be committed to bringing honor and recognition to their workplace and wider community (Paul, Gordon & Robert, 2002). Organizations that are able to align the collective productive and creative energies of their people through teams will be able to maintain and expand their competitive advantage. Advancements in technology will see the formation of virtual tams and the leadership of the organization will be transformed from an individual to a team structure (Pearce & Robinson, 2000).

2.4.4 Corporate Social Responsibility Practice

Organizations of the future will need to purse zero environmental impact in their operations. Competitive advantage will be gained by the organization that is advantage will be gained by the organization that is environmentally responsible; not only by meeting legislated requirements but by exceeding them and ensuring the environment is no longer degraded. The markets will favor the organization that is actively involved in regenerating and restoring the environmental balance. As Michael Porter, the high priest of market-based competition, emphasized, recent changes have brought environmental improvements and competitiveness together. Environmental progress demands that companies innovate to raise resource productivity-and that is precisely what the new challenges of global competitiveness demand (Bessembider & Kaufman, 1997). Organizations will be attuned to customer requirements. School education gives heavy emphasis to our ecology and environmental issues. Our children are customers of tomorrow and, as such, organizations, must be receptive to their emerging requirements. These demands further reinforce the need for organizations to seek competitive advantage through

developing products and services which exceed the toughest environmental legislation (Comertoe & Rydge, 2006).

2.4.5 Total Quality Management (TQM)

This is a philosophy in which management improves operations throughout the value chain to deliver products and services exceed customers' expectations. It is an unyielding and continuous effort by everyone in the firm to understand, meet and exceed the expectations of the customers. Organizations develop their own approach to total quality management to suit their particular culture and management style (Bart *et al.,* 2000). Total Quality Management encompasses designing the product or service to meet the needs and wants of the customers, as well as making products with zero defects and waste and with low inventories. Implementation of TQM in firms often shows that costs can be reduced and differentiation levels increased. Higher quality implies lower costs and improved productivity which in turn gives a company a higher market share and enhanced competitive levels. Quality management success critically depends on executives commitment, employee empowerment and organizations openness. Total Quality Management is founded on three principles, customer focus, continuous improvement and team work. Efficient implementation of TQM results in more satisfied customers, higher perceived value, lower return rate, faster throughput time, lower inventory and manufacturing costs (Blocher *et a.l.,* 2006).

2.4.6 Just in Time (JIT)/Kaizen

Just in Time, whose origin is in Japanese manufacturing is more of a philosophy than an actual process. Just in Time philosophy emphasizes the performance of activities based on immediate demand or need. This system provides little opportunity for workers to build up any kind of slack or relief (through W-I-P) into the production process (Richard *et al.,* 1999). Just in Time philosophy revolves around four major points: the elimination of activities that do not add value to a product or service, a commitment to high level of quality, a commitment to continuous improvement in the efficiency of an activity and an emphasis on simplification of processes. Investment in JIT and flexible manufacturing practices helps to reduce set up times permitting shorter production runs, and thus allowing efficient inventory control and lower product defect rates. Just in Time implementation deploys techniques such as pull systems, lot-size reductions, cycle time reductions and quick change-over techniques (Hassan et al., 2007). The benefits of

implementing JIT include reduced W-I-P and finished goods, better quality and higher firm productivity. Just in Time enables firms to align themselves better to customer needs, have shorter lead times and faster time to market.

Kaizen is a Japanese concept that means continuous improvement in quality, technology, processes, company culture, safety and leadership involving everyone in the organization. Features that identify Kaizen include the continuous nature that is a never ending journey for quality and efficiency; it is incremental in nature and a drive to always improve, and participation requiring the work force involvement and intelligence. Kaizen relies more on employee empowerment. They are assumed to have superior knowledge on how to improve processes because they are closest to manufacturing process and customers. In Japan, the essence of kaizen is seen as simply improvement. Kaizen's philosophy assumes that peoples way of life, their social life or their home life deserve to be constantly improved. The idea is so deeply ingrained in the minds of both Japanese managers and workers that they often don't even realize they are thinking kaizen. Pearce *et al*., (2000) attributes continuous improvement to the following: change in business culture, increased responsibility of top management, a systemic approach to improve service rendering, structured approach to problem solving, participation by employees and team work.

2.4.7 Other Characteristics

In what makes an organization world class or the best at what it does is its operations that are a pivotal element in what customers' experience. Consumers can state why they like a certain product or service and why they do not. Operations make use of an organization's resources, interface with customers, and make business objectives achievable. Therefore, there are common characteristics of organizations that are generally considered to be world class.

One, the organization know thyself. Successful organizations have an intimate understanding of what they do well and what they do not do so well. They know their competencies and exploit them to get ahead of their competitors. This objective self-evaluation is particularly critical for operations. They also realize what they don't know and outsource those items. Organizations that have well-documented processes and procedures in place to measure performance and control their processes are a giant step ahead of competitors that do not. Knowing one's own processes

does not mean that said processes are flawless; it just means that the company is aware of the status quo. The organization management knows where the blemishes are, and they are potentially working to improve them. Two, the organization possess profound knowledge of the customer. The organizations fully and genuinely realize that their customers are the lifeblood of the business knows that they must provide the product and services that customers want, when they want them, and at a price they're willing to pay. Successful organizations know who their customers are and what those customers expect from their product or service. They aim efforts at improving the customer experience and are rewarded with loyal customers (Cua, Mckone & Schroeder, 2001).

Three, the organizations focus intensely on quality. When organizations know that quality is what their customers say it is and devote their efforts to ensuring that products and services meet customer requirements, then customers are happy. World-class organizations realize that disappointed customers are more vocal about their displeasure than satisfied customers are about their satisfaction. One bad experience with a product can cause an organization to lose a customer forever, and a tarnished reputation is difficult to repair. Quality is built into the process of well-built products and carefully considered services. Quality is woven into world-class operations. Effort invested in improving quality is rewarded with increased customer satisfaction (Rajiv, Indranil & Bardhan, 2008).

Four, the organizations adapt to change. The only certainty in business is change. Everything changes, and world-class organizations are ready to adjust to changes in the business environment. Organizations face technology shifts that make current products obsolete; new competitors enter the marketplace; and evolving customer requirements require changes to product specs, timing, and other elements of the output. World-class organizations are agile enough to adjust their processes to accommodate changes in the business environment. Five, the organizations get better all the time. Some organizations know that they always have room for improvement, and they continuously strive to get better. These organizations benchmark competitors and other businesses outside their industry to find better ways to do things, and they utilize some form of the plan-do-check-act cycle. These good habits of operations management enable organizations to identify problems quickly and implement improvements (Langat, 2005).

Six, the organizations appreciate employees. When an organization is truly dedicated to the people who create and deliver its products and services and demonstrates its appreciation, it is rewarded with a workforce dedicated to the success of the organization. A highly motivated workforce that is properly compensated tends to produce the best quality products and provide the best service to customers. Seven, the organizations pay constant attention to its product offering. Choosing the types of products and services to offer in the marketplace is a critical decision for most. Successful organizations realize that different market segments shop and buy according to different requirements. Eight, the organizations use relevant process metrics. Organizations that know the importance of measuring process performance and can identify the few core metrics that drive their success avoid the analysis paralysis that some firms experience when they collect too much unnecessary data. Focusing only on metrics that drive customer satisfaction and reduce costs enables companies to provide products that customers want at prices that generate profit (Pearce *et al*., (2000).

Nine, the organizations balance respect and expectations for the supply chain. Making sure that suppliers are well trained and involved in company processes, even during process development, demonstrates a firm's appreciation for its supply chain. Long-term relationships with key suppliers are essential to assuring that suppliers are invested in the company's success. And it helps if the company shares its success with the supply chain businesses because this creates a win-win situation for everyone involved. In exchange, operations should expect that suppliers will have the organization's best interest at heart and make their best efforts to provide the quality, price, delivery, and responsiveness the business needs to succeed. Lastly, the organizations avoid unnecessary complexity. Unnecessary complexity in operations generates confusion and adds more places where things can go wrong. It increases the difficulty of managing processes, even in the best of circumstances. Disruptions in the form of absentee workers, broken machines, missing raw material, weather delays, and more occur all the time in operations. Adaptability and contingency planning are hallmarks of world class operations (Bart *et al.,* 2000).

2.5 Empirical Studies

In Japan, many of the world class manufacturing practices have been successfully implemented. The success has been accredited to the Japanese work ethics which exhibits a cultural phenomenon and the historical legacies of Confucianism and Shitoism. Cua et al., (2001), in their study focuses on the effect of implementing both TQM and JIT in both manufacturing and service sectors. He observes a compatibility and trade off between the implementation both TQM and JIT. He notes that manufacturing performance is associated with the level of implementation of both JIT and TQM. Phan and Yushiki, (2007) in their focus on manufacturing firms only however observe that firms benefit more from JIT if it is implemented first than when both systems are simultaneously adopted. They further observe that manufacturing performance is associated with the level of implementation of both socially and technologically oriented practices of these systems.

There is significant research on the use of WCM in the US. Richard *et al.,* (1999) in his study on implementation of WCM found out that these methods had been adopted more by the large US manufacturing companies, small companies recorded lower implementation levels. Organization culture was found to be the leading challenge to successful implementation. Their study found out that the motivation for firms to implement WCM practices was the threat that Japanese companies had on US manufacturers in the global market. Blocher *et al., (*2006) in his study on the effects of TOC on organization, found that organizations using TOC could achieve the following remarkable results: lead time collapse dramatically, operations expose huge hidden capabilities; inventory fall to a fraction of previous record; inventory turn accelerates and Return on Investment jumps. World Class practices primarily apply constraint management in its implementation and Operationalization. He also found that while using Kaizen, workers generally have superior knowledge about detecting constraints, how to improve processes and reduce costs, JIT manufacturing which closely knots with suppliers helps to reduce waste.

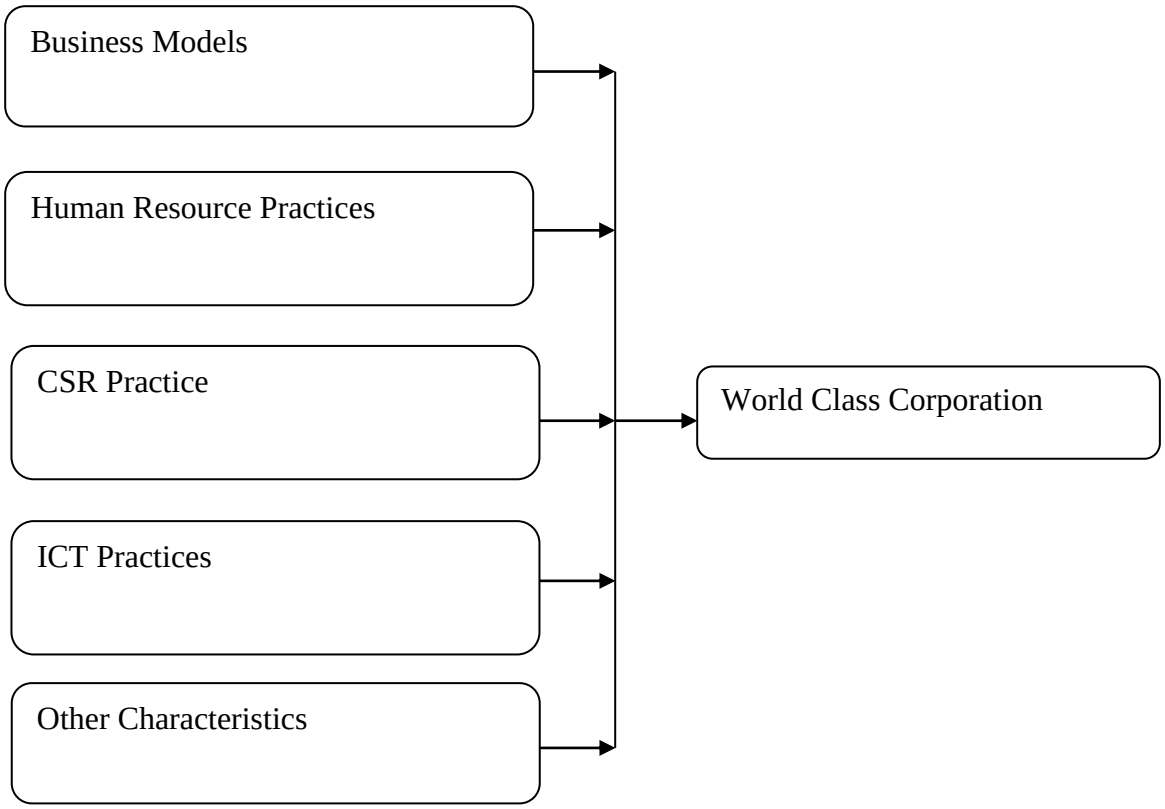
Bucker (2003) in his study on the practices that characterize a world class manufacturer identified four practices that characterize a world class manufacturer: an on-going companywide education and training initiative for human resource development to allow everyone to actively participate in the improvement process. He found that the management focus is on establishing

operating performance measurements that drive the behaviors consistent with global continuous improvement in both process and product; dedication to developing a competitive advantage based on superior quality and service. Amanda (2006) in his study on business functions, he found that all business functions pursue a process of factory and process simplification resulting in a system of integrated approach. This perspective of WCM has a strong orientation to today's manufacturing where continuous improvement targets customer satisfaction through cost-reduced processes.

Nimalendran and Petrella (2003) in their study on organizational leadership, they found that the multiplicity of leadership must develop an audacious and arresting notion of an envisioned future which permeates the organization and which provides--in association with a powerful core ideology the glue that holds an organization together as it grows, decentralizes, diversifies and expands globally. According to their study, management's skill will lie in understanding this principle and using the appropriate style to match the problem, so that leadership is seen to value people and give them responsibility and power to act in self-directed teams. Although, various studies have been conducted globally on world class organizations, most of these studies have been conducted in other countries and due to differences in economic, legal, political and demographic characteristics, their findings cannot be generalized to Kenya. Studies conducted in Kenya by various authors (Ngeta, 2009; Atiti, 2012; Sokwalla, 2013) on world class organizations were limited to manufacturing firms and the banking industry and hence their findings cannot be generalized to other sectors.

2.6 Conceptual Framework

This study sought to investigate the characteristics of world class organizations in Kenya. The independent variables business models, ICT practices, human resource practice, CSR practice and operations management practices. The dependent variable was achieving world Class Corporation.



Independent Variables **Dependent Variable**

Figure 2. 1: Conceptual Framework

2.7 Summary of Literature Review

Competitive market forces and technology impacts have made it necessary for firms to adjust to new manufacturing processes. Firms are under pressure to maintain leadership in their industries and still remain profitable. The revolution towards excellence will be based on new philosophies like world class practices. This study is based on two theories, the Theory of Constraints focuses on identifying bottlenecks that impede a company's ability to achieve its operational goals and maximize the productivity of that constraint. Firms use world class practices to identify and optimize constraints yields. The New Institutional Theory posits that firms will conform to the policies and practices adopted by other firms operating in the same environment and engaged in similar activities as long as such firms are seen to be successful. This theory is the driver of the spread of world class practices from Japan to US and to other countries. The concept of ABC is the bed rock of precision in cost allocation and cost tracing, two very important cost concepts in

determining firms' bottlenecks and in effective implementation of WCM. The characteristics of world class organizations identified in literature include Kaizen/Continuous improvement, Total Quality Management (TQM), Just in Time (JIT), CSR practice, human resource practice, ICT practices and business models. The study will investigate the extent to which Kenya's WCO have adopted these characteristics.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, target population, sampling technique and sample size, data collection and data analysis methods that was used in the course of the research.

3.2 Research Design

This research problem can be best studied through the use of a descriptive research design (cross sectional design). A cross sectional design is a type of descriptive research design carried out at one time point or over a short period.

3.3 Target Population

The target population was the heads of human resource, operations, ICT and CSR departments in all 43 companies listed in the NSE and 10 companies that are considered Superbrand in Kenya (Best rated by Superbrand).

3.4 Sampling Technique and Sample Size

Purposive sampling was used to select 10 companies that are considered Superbrand in Kenya (Best rated by Superbrand) and top 10 performing companies in the NSE but not listed as Superbrand. In the 10 companies, the heads of various departments were selected. These departments include human resource, operations, ICT and CSR. The sample size of this study was therefore 80 respondents.

Table 3. 1: Sample Size

Department	Target Population (No of companies)
Human resource	20
Operations	20
ICT	20
CSR	20
Total	**80**

3.5 Data Collection

This study used both primary and secondary data. In the collection of primary data the study used semi structured questionnaires. The questionnaires contained structured and unstructured questions. The unstructured questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information (Kothari, 2004). The questionnaires were administered to the heads of human resource, operations, ICT and CSR departments.

3.6 Data Analysis

Data analysis was done after data collection. Since the research instrument generated both qualitative and quantitative data, both qualitative and quantitative data analysis methods was used in the analysis of data. In this study the collected quantitative data was edited and coded into a statistical package (Statistical Package for Social Sciences (SPSS) version 21) for analysis. Both descriptive and inferential statistics was used to analyze quantitative data. In relation to inferential statistics the study used correlation analysis to investigate on the effect of independent variables on the dependent. In descriptive statistics, the study used frequency and percentages. The analyzed data was then presented in tables and figures. On the other hand, qualitative data was coded thematically an analyzed using thematic content analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, presentation and interpretation of the findings as well as findings discussion. The purpose of this study was to investigate the characteristics of world class organizations in Kenya. The study also sought to investigate the business models adopted by achieving a world class organization; to identify the ICT practices, human resource practice, CSR practice and operations management practices adopted in relation to achieving world Class organizations; and to link the characteristics of world class organizations practices to performance. The study made use of frequency tables and percentages to present data.

The sample size of this study was 80 staff who were working in human resource, operations, ICT and CSR departments in 10 NSE listed companies and 10 super brands in Kenya, out of which 79 responses were obtained. This represents a 98.75% response rate. According to Orodho (2003) any response of 50% and above is adequate for analysis thus 98.75% is even better. The response rate was high because the researcher gave the respondent enough time (4 days) to fill the questionnaires. The follow-up phone calls also played a significant role in achieving a high response rate.

4.2 Demographic Information

This section presents the demographic information of the respondents which include the respondents' positions in their institution and the number of years they had been working in their current organizations.

4.2.1 Respondents' Position

The respondents were asked to indicate their position in their institutions. The findings were as presented in figure 4.1 below.

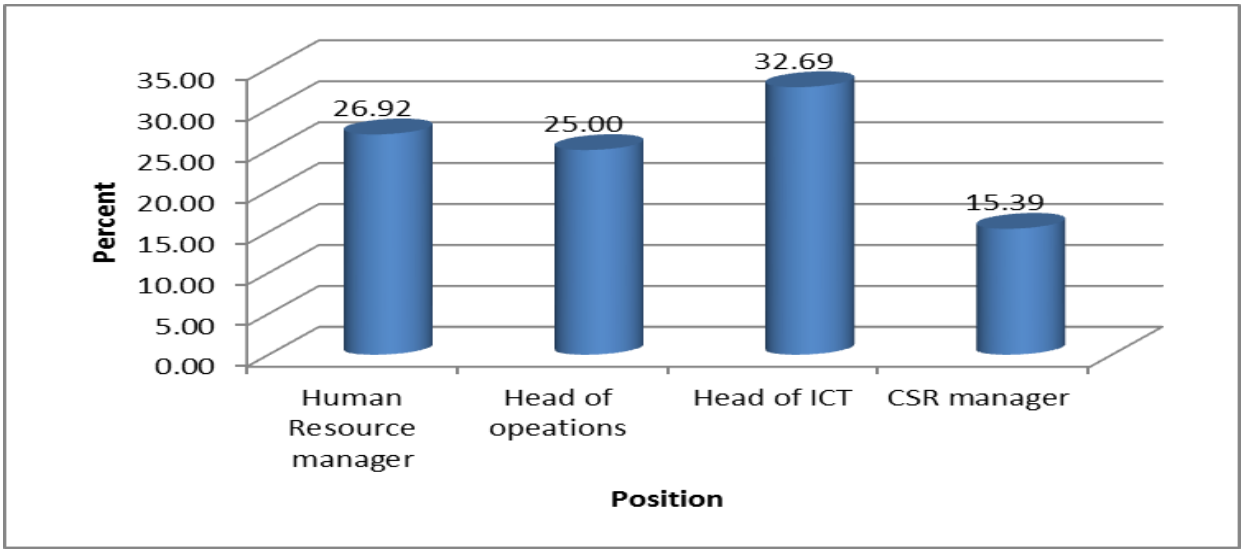


Figure 4. 1: Respondents' Position

From the findings, 32.69% of th respondents indicated that they were heads of ICT departments, 26.92% indicated that they were human resource managers, 25.00% indicated that they wre heads of operations departments and 15.39% indicated that they were CSR managers. This shows that the study was biased towards the ICT department since majority of the respondents were from ICT department.

4.2.2 Work Experience

The respondents were also asked to indicate for how many years they had worked in their current positions. The findings we as shown in figure 4.2.

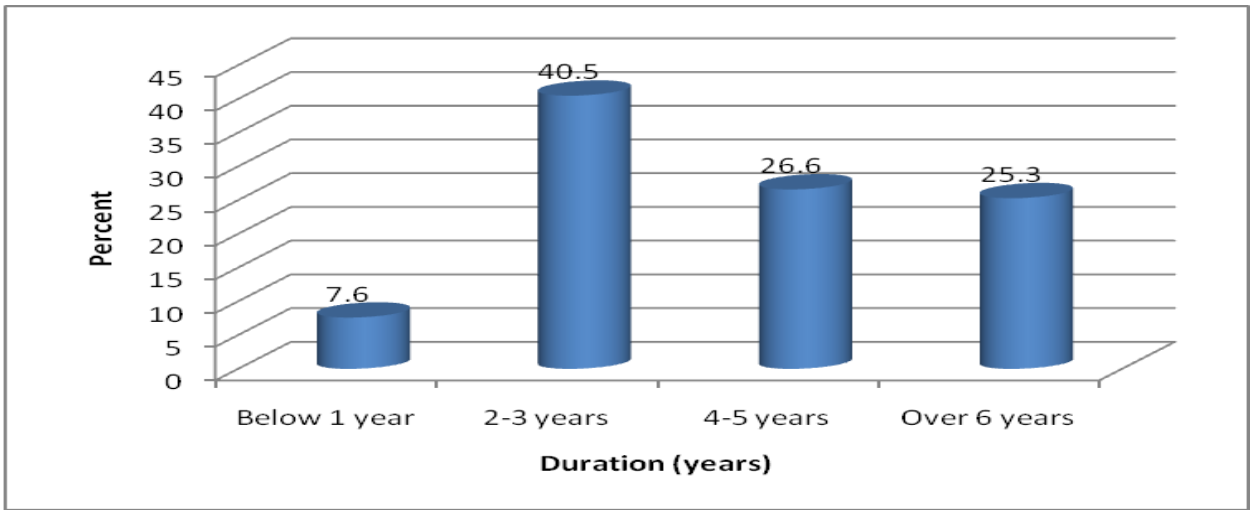


Figure 4. 2: Work Experience

From the findings, 40.5% of the respondents reported that they had been working in their institutions for between 2 and 3 years, 26.6% indicated for between 4 and 5 years, 25.3% indicated for over 6 years and 7.7% indicated for below 1 year. This shows that most of the respondents in this study had been working in their institutions for between 2 and 3 years and hence they had the information required to meet the objectives of this study. This shows that most of the firms both listed in NSE sand super-brands were either experiencing a high employee turnover or their growth in terms of employees was very high.

4.3 Business models

The respondents were asked to indicate the business models they were using in their organizations. The findings we as presented in table 4.1.

Table 4. 1: Business models

Business model	Super brands	NSE listed companies	Average
Bricks and clicks business model(online and offline presence)	84.60%	52.50%	68.55%
Collective business model (large numbers of businesses, tradespersons or professionals)	100.00%	70.00%	85.00%
Cutting out the middleman model	51.30%	45.00%	48.15%
The removal of intermediaries in a supply chain	46.20%	40.00%	43.10%
Direct sales model	87.20%	77.50%	82.35%
Distribution business models.	76.90%	77.50%	77.20%
Value-added reseller model	23.10%	35.00%	29.05%
Sourcing business model	79.50%	92.50%	86.00%
Free in, free out business model.	5.10%	25.00%	15.05%

From the findings, 84.6% of the respondents from the world class organizations indicated that their companies were using bricks and clicks business model (online and offline presence) while only 52.5% of the respondents from the NSE listed companies indicated that they were using bricks and clicks business model(online and offline presence). Further, all the respondents (100%) from the world class organizations indicated that their companies were using collective business model (large numbers of businesses, tradespersons or professionals) but only 70% of the respondents from NSE listed companies indicated that they were using collective business model (large numbers of businesses, tradespersons or professionals).

Further, 51.3% of the respondents from the world class organizations indicated that they were using cutting out the middleman model. On the other hand, 45% of the respondents from NSE listed companies indicated that their companies were using cutting out the middleman model while 55% disagreed. In addition, 46.8% of the respondents from the world class organizations indicated that they were ensuring the removal of intermediaries in a supply chain. On the other hand, 40% of the NSE listed companies companies respondents indicated that they were using the removal of intermediaries in a supply chain as business model while 60% disagreed. Also, 87.2% of the world class organizations respondents indicated that their companies were using direct sales model while only 77.5% of the NSE listed companies respondents indicated that they were using direct sales model.

In addition, 76.9% of the world class organizations respondents indicated that their companies were using distribution business models. However, 77.5% of the NSE listed companies respondents indicated that their companies were using distribution business models. In relation to the use of value-added reseller model, 23.1% of the world class organizations respondents indicated that their companies were using value-added reseller model while 35% of the NSE listed companies respondents indicated that their companies were using value-added reseller model.

Regarding the use of sourcing business model, 79.5% of the world class organizations respondents indicated that their companies were using sourcing business model while. On the contrary, 92.5% of the NSE listed companies respondents indicated that they were using the model. In relation to free in, free out business model, 5.1% of the world class organizations respondents indicated that their companies were using the model. On the other hand, 25% the respondents from the NSE companies indicted that their companies were using the free in, free out business model.

This shows that collective business model (large numbers of businesses, tradespersons or professionals) was the most used business model followed by direct sales model, bricks and clicks business model (online and offline presence), sourcing business model, distribution business models, cutting out the middleman model, the removal of intermediaries in a supply chain, value-added reseller model and free in, free out business model. These findings agree with

Bucker (2003) argument that collective business model was the most used business model among world class organizations.

4.4 ICT practices

The respondents were asked to indicate the extent to which their organization used the stated ICT practices. The findings were as shown in table 4.2.

Table 4. 2: ICT practices

	NSE		**Super brand**	
	Mean	**Std. Deviation**	**Mean**	**Std. Deviation**
Global distribution systems.	4.0500	115359	4.6154	.63310
communication systems	4.4750	.81610	4.8462	.36552
E-commerce.	4.2750	.98677	4.7692	.58316
Knowledge management practices.	3.9750	.99968	4.6410	.62774
Shipment tracking and inventory management.	3.4500	0.60048	3.9487	1.41326
Real time tracking of goods.	3.3750	0.62808	3.7692	1.54684
Common data and formatting and transmission.	4.1750	.90263	4.4872	.72081
Dynamic routing and scheduling system.	3.9250	1.11832	4.4103	.84970
electronic data interchange	4.0250	1.09749	4.5128	.85446
Logistics planning systems.	3.7000	0.98502	4.6667	.83771

From the findings, the respondents from the NSE listed companies indicated with a mean of 4.475 that their companies were using communication systems to a great extent. However, the world class organizations were using the communication systems more as shown by a mean of 4.846. The NSE listed companies respondents also indicated that their companies were using e-

commerce to a great extent but the mean for the world class organizations was higher (4.769). Further, the NSE listed companies respondents indicated that their companies were using logistics planning systems to a great extent as shown by a mean of 3.700 but that of the world class organizations was higher (4.667).

In addition, the NSE listed companies respondents indicated with a mean 4.050 that they were using global distribution systems to a great extent. However, the world class organizations were using global distribution systems more as show by a mean 4.615. Also, the NSE listed companies respondents indicated with a mean of 3.975 that their companies were using knowledge management practices. However, the world class organizations had a higher mean (4.641). The NSE listed companies respondents also indicated with a mean of 4.025 that their companies were using electronic data interchange to a great extent which was lower than that of the world class organizations (4.513).

The NSE listed companies respondents further indicated that with a mean of 4.175 that their companies were using common data and formatting and transmission to a great extent but the mean was lower than that of the world class organizations respondent (4.487). Further, the NSE listed companies respondents indicated with a mean of 3.925 that their companies were using dynamic routing and scheduling system to a great extent. However, their mean was lower than that of the world class organizations respondents, which was 4.410.

Further, the NSE listed companies respondents indicated with a mean of 3.450 that their companies were using shipment tracking and inventory management to a great extent but the mean was lower than that of the world class organizations (3.948). Lastly, the NSE listed companies respondents indicated with a mean of 3.375 that their companies were using real time tracking of goods to a great extent but the mean was lower than that of the world class organizations respondents (3.769).

These findings show that communication systems, E-commerce and common data and formatting and transmission were the most commonly used ICT practices among world class organizations. This can be explained by the fact that the three practices are used by both production and service oriented companies. These findings agree with Hansen and Mouritsen (2007) argument that commination and information exchange are the most important factors in

improving organizational performance. These were followed by global distribution systems, electronic data interchange, Knowledge management practices, dynamic routing and scheduling system, logistics planning systems, shipment tracking and inventory management and real time tracking of goods. While Knowledge management practices and electronic data interchange can be used by both product manufacturing companies and service oriented companies, global distribution systems, dynamic routing and scheduling system, logistics planning systems, shipment tracking and inventory management and real time tracking of goods are only used by product manufacturing companies.

4.5 Human resource practices

The respondents were asked to indicate the extent to which their companies were using the stated human resource practices. The findings were as shown in table 4.3.

Table 4. 3: Human resource practices

	NSE		**Super brand**	
	Mean	**Std. Deviation**	**Mean**	**Std. Deviation**
Human resource information system	4.3250	1.07148	4.9487	.22346
Good remuneration package.	4.2250	1.09749	4.6410	.53740
Standard working environment.	3.8750	1.09046	4.1282	.89382
Talent acquisition.	3.8250	1.17424	4.2051	.80064
Healthcare benefits	4.7250	2.93509	4.3333	.73747
Recruitment and applicant tracking.	4.3500	.83359	4.5128	.68333
Retirement benefits.	4.1500	.97534	4.0769	.80735
Employee retention	4.0500	1.10824	3.8718	.89382
Equal opportunity	4.1000	.87119	3.2308	.87243
Work-life balance	3.7500	1.05612	3.3846	.78188

Training and development	4.1000	.5505	4.4103	1.22942

From the findings, the NSE listed companies respondents indicated with a mean of 4.325 that their companies were using human resource information systems to a great extent. However, the mean was less than that of the world class organizations respondents which was 4.948. The NSE listed companies respondents also indicated with a mean of 4.225 that their companies were using good remuneration package to a great extent but the mean was lower than that of the world class organizations.

The NSE listed companies respondents also indicated with a mean of 3.875 that their companies were using standard working environment to a great extent but the mean was lower than that of the world class organizations listed companies respondents (4.128). In addition, the NSE listed companies respondents indicated with a mean of 3.825 that their companies were using talent acquisition to a great extent. However, the mean was less than that of the world class organizations respondents (4.205).

Further, the NSE listed companies respondents indicated with a mean of 4.725 that their companies were using healthcare benefits as human resource practices to a great extent and the mean was higher than that of the world class organizations respondents (4.333). In addition, the NSE listed companies respondents indicated with a mean of 4.350 that their companies were using recruitment and applicant tracking to a great extent and the mean was higher than that of the world class organizations respondents (4.152).

Also, the NSE listed companies respondents indicated with a mean of 4.150 that their companies had retirement benefits but the mean was less than that of the world class organizations (4.076). Further, the NSE listed companies respondents indicated with a mean of 4.050 that their companies were using employee retention and the mean was higher than that of the world class organizations respondents (3.871). Additionally, the NSE listed companies respondents indicated with a mean of 4.100 that their companies were using equal opportunity in human resource management to a great extent and the mean was higher than that of the world class organizations companies.

The NSE listed companies respondents also indicated with a mean of 3.750 that their companies had enhanced work life balance to a great extent and the mean was higher than that of the world class organizations. Further, the NSE listed companies respondents indicated with a mean of 4.100 that their companies were using training and development in human resource management to a great extent. However, the mean was lower than that of the world class organizations (4.410).

The findings show that healthcare benefits was the most commonly used human resource practice followed by recruitment and applicant tracking, human resource information system, good remuneration package, retirement benefits, equal opportunity, training and development, standard working environment, talent acquisition and work-life balance. These findings are contrary to Langat (2005) argument that the most important human resource factors influencing organizational performance include remuneration and raining and development.

4.6 CSR practices

The respondents were asked to indicate whether their organizations were using the stated corporate social responsibility practices. The results were as presented in table 4.4.

Table 4. 4: CSR practices

	Super brands	**NSE listed companies**	**Average**
Scholarships	2.60%	45.00%	23.80%
Community development project	79.50%	82.50%	81.00%
Free services provision	10.30%	32.50%	21.40%
Involvement of the external stakeholders formally and informally	97.40%	67.50%	82.45%
Sustainability issues mapping	2.60%	32.50%	17.55%

From the findings, 45% of the NSE listed companies respondents indicated that their companies were offering scholarships while only 2.6% of the world class organizations respondents indicated that their companies were offering scholarships. In addition, 82.5% of the NSE listed companies respondents indicated that their companies had community development projects. On the other hand, 79.5% of the world class organizations respondents indicated that their companies had community development projects. Further, 32.5% of the world class organizations respondents indicated that their companies had free services provision while only

10.3% of the NSE listed companies respondents indicated that their companies had free service provision.

Also, 97.4% of the world class organizations respondents indicated that their companies were involving external stakeholders formally and informally. On the other hand, 67.5% of the NSE listed companies respondents indicated that their companies were involving external stakeholders formally and informally. Additionally, all the world class organizations respondents (100%) indicated that their companies were doing sustainability issues mapping. On the contrary, its only 65% of the NSE listed companies' respondents that indicated that their companies were doing sustainability issues mapping. Lastly, the world class organizations respondents (100%) indicated that their companies had sustainability/ CSR reporting. On the contrary, its only 67.5% of the NSE listed companies' respondents that indicated that their companies had sustainability/ CSR reporting.

These findings show that the most important CSR practices is involvement of the external stakeholders formally and informally in CSR projects followed by community development projects, free services provision, scholarships and sustainability issues mapping. These findings are supported by Comertoe and Rydge (2006) who argue that stakeholders involvement is a key factor in project success and therefore organizations must ensure all the external stakeholders as well as internal stakeholders are involved in all the processes of CSR projects.

4.7 Operations management practices

The respondents were asked to indicate whether their organizations were using various operation management practices.

Table 4. 5: Operations management practices

	Super brands	**NSE listed companies**	**Average**
Kaizen/ continuous improvement	100.00%	62.50%	81.25%
Total quality management (TQM)	100.00%	65.00%	82.50%

Outsourcing	100.00%	97.50%	98.75%

From the findings, all the world class organizations respondents (100%) indicated that their companies were using kaizen/ continuous improvement while only 62.5% of the NSE listed companies respondents indicated that their companies were using kaizen/ continuous improvement. In addition, all the world class organizations respondents (100%) indicated that their companies were using Total quality management (TQM) while only 65% of the NSE listed companies respondents indicated that their companies were using Total quality management (TQM). Further, all the world class organizations respondents (100%) indicated that their companies were using outsourcing as an operations management practice. On the other hand, 97.5% of the NSE listed companies respondents indicated that their companies were using outsourcing as an operations management practice.

The findings show that the most important operation management practice is outsourcing, followed by kaizen/ continuous improvement and total quality management (TQM). However, these findings of super brands show that all the three operation management practices were of the same importance. These findings agree with Blocher *et a.l.* (2006) outsourcing helps an organization to focus on its core objectives and improve its product quality and service delivery. In addition, efficient implementation of TQM results in more satisfied customers, higher perceived value, lower return rate, faster throughput time, lower inventory and manufacturing costs. According to Hassan et al. (2007) Just in Time philosophy revolves around four major points: the elimination of activities that do not add value to a product or service, a commitment to high level of quality, a commitment to continuous improvement in the efficiency of an activity and an emphasis on simplification of processes all which help to improve organizational performance.

4.8 Constraints Faced by Kenyan Organizations in their Pursuit of World Class Business

The respondents were asked to indicate the challenges faced by Kenyan organizations in their pursuit of World class business. From the findings, the NSE listed companies respondents indicated that the main challenges include corruption, nepotism, outdated system, stiff competition, competitive rates and tribalism. Also, the respondents indicated that the companies do not identify community projects that benefit the community.

On the other hand, the super brand company's respondents indicated that Kenyans face a difficult task of trying to convince consumers that they should buy their company's products or services. Also the respondents indicated that the companies find the penetration of interior regions difficult thereby not being in a good position to avail their product in the interior regions. Stiff competition was also revealed to be a major challenge to the companies.

4.9 Organization Performance

The study used secondary data to establish the performance of both super-brands and NSE listed companies. The findings were as shown in table 4.6.

Table 4. 6: Measures of Organizational Performance

	Average	
	NSE	**Super brand**
Return on Equity	28.13%	32.19%
Return on assets	4.41%	5.34%
Revenue (millions)	270,551	322,672

From the findings, the study found that the average return on equity for NSE listed companies (28.13%) was lower than that of Super brands (32.19%). Similarly, the average return on assets for NSE listed companies (4.41%) was lower than that of super brands (5.34%). Lastly, the average revenue for NSE listed companies (Ksh. 27,551,000) was lower than that of super brands (Ksh. 322,672,000). This shows that the performance of the super brands in terms of return on equity, return on assets and revenue was higher than that of NSE listed companies.

4.10 Regression Analysis

A multivariate regression analysis was used to establish the relationship between the dependent and the independent variables. The multivariate regression model was;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Whereby: Y = profitability (Return on equity); X_1 = business models; X_2 = ICT practices;

X_3 = Human resource practices; X_4 = CSR practices X_5 = operations management practices; ε = Error Term; B_0 = Constant Term; and B_1, B_2, B_3 B_4 = Beta Co-efficient

Table 4. 7: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.726[a]	.527	.246	.50555

a. Predictors: (Constant), Operations management practices, CSR practices , ICT practices , Human resource practices , Business models

R-squared is a coefficient of determination that shows how close the data are to the fitted regression line. It explains the variation of the dependent variable that can be explained by the independent variables. The five independent variables that were studied, explain a variation 52.7% of the return on equity of all the organizations as represented by the R^2. This therefore means that other factors not studied in this research contribute 47.3% of the return of equity of the studied organizations

Table 4. 8: Analysis of Variance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.016	5	7.403	31.097	.000[b]
	Residual	17.379	73	.238		
	Total	54.395	78			

a. Dependent Variable: Return on equity

b. Predictors: (Constant), Operations management practices, CSR practices , ICT practices , Human resource practices , Business models

The table 4.8 shows the analysis of variance. The results indicated that the model was significant since the p-value is 0.000 which is less that 0.05 thus the model is statistically significance in predicting how business models, ICT practices, Human resource practices, CSR practices and operations management practices influence the performance of microfinance institutions. The F critical at 5% level of significance was 2.525 (5, 72). Since F calculated (30.6709) is greater than the F critical. This shows that the overall model was significant.

Table 4.9: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.515	.444		3.412	.001
	Business models	.117	.105	.007	1.114	.065
	ICT practices	.250	.120	.235	2.083	.032
	Human resource practices	.360	.110	.264	3.273	.022
	CSR practices	.436	.133	.454	3.278	.000
	Operations management practices	.387	.123	.356	3.146	.000

a. Dependent Variable: Return on equity

The study has established that taking all factors into account (business models, ICT practices, Human resource practices, CSR practices and operations management practices) constant the return on equity of the firms will be 1.505 units. The findings presented also show that there is a positive relationship between business models and the return on equity of the firms institutions as shown by a coefficient of 0.117 (p-value=0.000). However, the relationship is not significant as the p-value (0.065) is greater than the level of significance (0.05).

In addition, there is a positive significant relationship between ICT practices and the return on equity of the firms as shown by a coefficient of 0.250 (p-value=0.032). Further, the findings show that there is a significant positive relationship between human resource practices and the return on equity of the firms as shown by a coefficient of 0.360 (p-value = 0.022). In addition, there is a positive significant relationship between CSR practices and the return on equity of the firms as indicated by a coefficient of 0.436 (p-value = 0.000). Lastly, the study concludes that there is a positive and significant relationship between operation management practices the return on equity of the firms as shown by a regression coefficient of 0.387 (p-value=0.000).

4.11 Discussion of the Findings

The study found that there is a relationship between the use of various business models and performance of organizations. The study established that the world class organizations were using bricks and clicks business model (online and offline presence) more than NSE listed

companies. According to Bucker (2003) companies integrate both offline (bricks) and online (clicks) presences which in turn helps them to increase their sales volume and reach out to customers. The study also found that the world class organizations were using collective business model (large numbers of businesses, tradespersons or professionals) more than NSE listed companies. In collective business models business system, organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavor, which pools resources, shares information or provides other benefits for their members. Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet (Bucker, 2003).

The study also found that the world class organizations were using cutting out the middleman model, removal of intermediaries in a supply chain, direct sales model and sourcing business model more as compared to the NSE listed companies. However, NSE listed companies were using distribution business models, value-added reseller models and free in, free out business model more than the world class organizations.

The study found that there is a positive relationship between ICT practices and organizational performance. These findings agree with Hansen and Mouritsen (2007) argument that the use of ICT practices allows global presence through a geographically diversified and online market will enable organizations to take advantage of economies of scale and global brand recognition in their search for sustainable competitive advantage. The study also found that the world class organizations were using communication systems, e-commerce, logistics planning systems, global distribution systems, electronic data interchange, common data and formatting and transmission, dynamic routing and scheduling system, shipment tracking and inventory management and real time tracking of goods more than NSE listed companies. According to Hansen and Mouritsen (2007) the use of ICT practices assist organizations in gathering information and in the development of sophisticated search engines and information warehousing that helps them overcome information overload and analysis paralysis.

The study established that there is a positive relationship between human resource practices and organizational performance. These findings agree with Langat (2005) for any organization to

achieve world class performance it must satisfy and retain its employees. The study established that the world class organizations were using human resource information systems, good remuneration package, standard working environment, talent acquisition, retirement benefits and training and development in human resource management more than the NSE listed companies. On the contrary, the NSE listed companies were using healthcare benefits, recruitment and applicant tracking, employee retention, equal opportunity and enhanced work life balance as human resource practices more than the world class organizations. As indicated by Paul, Gordon and Robert (2002) human resource management practices are key in achieving world class performance.

The study established that there is a positive relationship between CSR practice and organizational performance. These findings are in line with Bessembider and Kaufman (1997) argument that competitive advantage is today gained by organizations that are environmentally responsible and that give back to the community through corporate social responsibility. The study found that the NSE listed companies were using corporate social responsibility practices such as scholarships and community development projects more than the world class organizations. In addition, the study found that the world class organizations were involving external stakeholders formally and informally, conducting sustainability issues mapping and conducted sustainability/ CSR reporting more than the NSE listed companies.

The study found that there is a positive relationship between operations management practices and organizational performance. The study found that the world class organizations were using kaizen/ continuous improvement, Total quality management (TQM) and outsourcing as operations management practices more than the NSE listed companies. According to Bart *et al.* (2000) total quality management improves operations throughout the value chain to deliver products and services exceed customers' expectations. It encompasses designing the product or service to meet the needs and wants of the customers, as well as making products with zero defects and waste and with low inventories. On the other hand, Richard *et al.* (1999) indicates that Just in Time revolves around the elimination of activities that do not add value to a product or service, a commitment to high level of quality, a commitment to continuous improvement in the efficiency of an activity and an emphasis on simplification of processes.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings, conclusions and recommendations based on the research objectives. The aim of this study was to investigate the characteristics of world class organizations in Kenya. The study also sought to investigate the business models adopted by achieving a world class organization; to identify the ICT practices, human resource practice, CSR practice and operations management practices adopted in relation to achieving world Class organizations; and to link the characteristics of world class organizations practices to performance.

5.2 Summary of the Findings

The results of the study are hereby summarized and the findings categorized according to the objectives of the study.

The study found that world class organizations were using bricks and clicks business model(online and offline presence), using collective business model (large numbers of businesses, tradespersons or professionals), cutting out the middleman model, removal of intermediaries in a supply chain, direct sales model and sourcing business model and distribution business models. Instead of going through traditional distribution channels, world class organizations had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet.

The study also found that the world class organizations were using various ICT practices such as communication systems, e-commerce, logistics planning systems, global distribution systems, electronic data interchange, common data and formatting and transmission, dynamic routing and scheduling system, shipment tracking and inventory management and real time tracking of goods. The study also established that the world class organizations were using various human resource practices such as human resource information systems, good remuneration package, standard working environment, talent acquisition, retirement benefits, training and development,

healthcare benefits, recruitment and applicant tracking, employee retention, equal opportunity and enhanced work life balance as human resource practices.

The study found that the world class organizations were using various CSR practices such as involving external stakeholders formally and informally, conducting sustainability issues mapping and conducted sustainability/ CSR reporting and community development projects. The study found that the world class organizations were using operations management practices such as kaizen/ continuous improvement, Total quality management (TQM) and outsourcing as operations management practices.

The study found there is a relationship between the use of various business models and performance of organizations. The study also found that there is a positive relationship between ICT practices, human resource practices, CSR practice and operations management practices and organizational performance of world class organizations. The study found that the use of ICT practices allows global presence through a geographically diversified and online market will enable organizations to take advantage of economies of scale and global brand recognition in their search for sustainable competitive advantage. For any organization to achieve world class performance it must satisfy and retain its employees.

5.3 Conclusion

The study concludes that the business models used by world class organizations include bricks and clicks business model, collective business model, cutting out the middleman model, direct sales model, sourcing business model and distribution business models. The study also concludes that ICT practices used by world class organizations include communication systems, e-commerce, logistics planning systems, global distribution systems, electronic data interchange, common data and formatting and transmission, dynamic routing and scheduling system, shipment tracking and inventory management and real time tracking of goods. In addition, the human resource practices used include human resource information systems, good remuneration package, standard working environment, talent acquisition, retirement benefits, training and development, healthcare benefits and recruitment and applicant tracking. Further, the study concludes that world class organizations were using CSR practices like involvement of external stakeholders formally and informally, conducting sustainability issues mapping and conducted

sustainability/ CSR reporting and community development projects. In addition, the study concludes that the world class organizations were using operations management practices such as kaizen/ continuous improvement, Total quality management (TQM) and outsourcing as operations management practices.

In relation to the link between the characteristics of world class organizations practices and performance, the study concludes that ICT practices, human resource practices, CSR practice and operations management practices influence organizational performance of world class organizations positively.

5.4 Recommendations

The study found that the use of ICT practices influence organizational performance positively. The study therefore recommends that NSE listed companies should fully adopt information communication and technology in all their processes and operations so as to achieve a world class performance.

The study also found that the use of CSR practices was influencing the performance of world class organizations. The study therefore recommends that NSE listed companies should adopt CSR practices such as external stakeholders involvement, conducting of sustainability issues mapping and conducted sustainability/ CSR reporting so as to improve their CSR projects.

The study also found that operations management practices influence organizational performance positively. The study therefore recommends that NSE listed companies should adopt practices such as kaizen/ continuous improvement and outsourcing. Kaizen/ continuous improvement will help these companies to eliminate waste and remove activities that do not add value to a product or service. It will also help them to improve efficiency and quality and simplify the processes.

In relation to human resource practices, employees satisfaction and retention are key to the performance of any organization. The study recommends that NSE listed companies should adopt practices such as human resource information systems, good remuneration package, standard working environment, talent acquisition, retirement benefits and training and development, healthcare benefits so as to achieve a world class performance.

5.5 Limitations of the Study

Due to tight schedules of the managers in both world class organizations and NSE listed companies, the study encountered difficulties in gaining access to the respondents and the researcher had to keep rescheduling their time to align with the availability of the respondents.

Information relating to practices for competitive advantage is always treated with sensitivity. This caused difficulties in convincing the respondents of the importance of giving sincere answers to the asked questions evidenced through reluctance of accepting invitation to participate in the study. To counter the challenge the researcher had to inform the respondents in advance the purpose for the research study being carried out, that it was meant for academic purpose only and not for other investigations.

5.6 Suggestions for Further Research

This study was focused on investigating the characteristics of world class organizations in Kenya. The study established that most of the NSE listed companies had not achieved world class performance. The study therefore suggests further studies on the challenges facing Kenyan companies in achieving world class performance. The study also recommends further studies on effect of world class organizations' practices on financial performance of world class organizations.

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Appendices

Appendix 1: Introduction Letter

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

REF: Request for participation in a research study

I am a student at the University of Nairobi carrying out a research project as part of the course requirement for Master of Business Administration. The study seeks to evaluate the characteristics of world class organizations in Kenya. The findings will be confidential strictly for academic use and at no time will your name be mentioned anywhere in the report. Yours honest participation will be highly appreciated.

Yours faithfully

Magusi Kenneth Onguko

Appendix II: Questionnaire

1. Name of organization .....
2. What is your designation .....
3. For how many years have you worked for your current organization

   Below 1 year [ ]

   2-3 years [ ]

   4-5 years [ ]

   Over 6 years [ ]

Business models adopted by achieving a world class organization

4. Which of the following business models does your organization use?

	Yes	**No**
Bricks and clicks business model (online and offline presence)		
Collective business model (large numbers of businesses, tradespersons or professionals)		
Cutting out the middleman model		
The removal of intermediaries in a supply chain		
Direct sales model		
Distribution business models		
Value-added reseller model		
Monopolistic business model		
Sourcing business model		
Free in, free out business model		

ICT practices adopted in relation to achieving world Class Corporation

5. To what extent does your organization use the following ICT practices? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all)

	5	4	3	2	1
Global distribution systems					

Communication systems					
E-commerce					
Knowledge management practices					
shipment tracking and inventory management					
Real-time tracking of goods					
Common data formatting and transmission					
Dynamic routing and scheduling system					
Electronic Data Interchange					
Logistics planning systems					

Human resource practices used in achieving a world class corporation

6. To what extent does your organization use the following human resource practices? (Key: 5=very great extent, 4=great extent, 3=moderate extent, 2=low extent, 1=no extent at all)

	5	4	3	2	1
Human resource information system					
Good remuneration package					
Standard working environment					
Talent acquisition					
Healthcare benefits					
Recruitment and applicant tracking					
Retirement benefits					
Employee retention					
Equal opportunity					

Work-Life Balance					
Training and development					

CSR practice adopted in achieving world Class Corporation

7. Does your organization use the following CSR practices?

	Yes	**No**
Scholarships		
Community development projects		
Free services provision for free		
Involvement of external stakeholders formally and informally		
Sustainability Issues Mapping		
Sustainability/CSR Reporting		

Operations management practices adopted in achieving world Class Corporation

8. Does your organization use the following operation management practices?

	Yes	**No**
Kaizen/Continuous improvement		
Total Quality Management (TQM)		
Kaizen/Continuous improvement		
Outsourcing		

9. What challenges are faced by Kenyan organizations in their pursuit of World class business?

.....

.....

.....

Performance

How do you rate the following measures of performance in your organization? (Key: 5=Excellent, 4=good, 3=moderate, 2= bad, 1=poor)

	5	4	3	2	1
Profitability					
Competitiveness					
Market share					
Revenue					
Sales volume					

Appendix III: List of Superbrands

1) Safaricom
2) The Daily Nation
3) Kenya Airways
4) Coca-Cola
5) Citizen TV
6) M-Pesa
7) Equity Bank
8) Crown Paints
9) Colgate
10) Citizen Radio
11) Nakumatt
12) Safaricom Marathon
13) The Kenya Red Cross Society
14) Toyota Kenya
15) Vaseline
16) Vitafoam Mattresses
17) Omo
18) Kasuku
19) Dettol
20) Serena Lodges and Hotels

Source: SuperBrands (2014)

Appendix IV: List of NSE Listed Companies

AGRICULTURAL

Eaagads Ltd

Kapchorua Tea Co. Ltd

Kakuzi

Limuru Tea Co. Ltd

Rea Vipingo Plantations Ltd

Sasini Ltd

Williamson Tea Kenya Ltd

AUTOMOBILES AND ACCESSORIES

Car and General (K) Ltd

Sameer Africa Ltd

Marshalls (E.A.) Ltd

BANKING

Barclays Bank Ltd

CFC Stanbic Holdings Ltd

I&M Holdings Ltd

Diamond Trust Bank Kenya Ltd

Housing Finance Co Ltd Ord

Kenya Commercial Bank Ltd

National Bank of Kenya Ltd

NIC Bank Ltd

Standard Chartered Bank Ltd

Equity Bank Ltd

The Co-operative Bank of Kenya Ltd

COMMERCIAL AND SERVICES

Express Ltd

Kenya Airways Ltd

Nation Media Group

Standard Group Ltd

TPS Eastern Africa (Serena) Ltd

Scangroup Ltd

Uchumi Supermarket Ltd

Hutchings Biemer Ltd

Longhorn Kenya Ltd

Atlas Development and Support Services

CONSTRUCTION AND ALLIED

Athi River Mining

Bamburi Cement Ltd

Crown Berger Ltd

E.A.Cables Ltd

E.A.Portland Cement Ltd

ENERGY AND PETROLEUM

KenolKobil Ltd

Total Kenya Ltd

KenGen Ltd

Kenya Power & Lighting Co Ltd

Umeme Ltd

INSURANCE

Jubilee Holdings Ltd Pan Africa Insurance Holdings Ltd

Kenya Re-Insurance Corporation Ltd

Liberty Kenya Holdings Ltd

British-American Investments Company (Kenya) Ltd

CIC Insurance Group Ltd

INVESTMENT

Olympia Capital Holdings ltd

Centum Investment Co Ltd

Trans-Century Ltd